



January 15, 2019

Guy Bailey, Ph.D., President  
The University of Texas Rio Grande Valley  
2102 Treasure Hills Blvd., Suite 3.115  
Harlingen, Texas 78550

Dear President Bailey:

We have completed our Independent Auditor's Report on the Application of the Agreed-Upon Procedures for the Department of Intercollegiate Athletics at The University of Texas Rio Grande Valley (UTRGV) for the Fiscal Year Ended August 31, 2018. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided to us by the various departments at UTRGV.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA  
Chief Audit Executive

cc: Steven Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs  
Rick Anderson, Executive Vice President for Finance & Administration  
Christopher King, Director of Athletics  
James Martinez, Senior Associate Athletic Director for Business Operations  
Eloy Alaniz, Chief Audit Officer - UTRGV  
Isabel Benavides, Assistant Director - Audits - UTRGV

**The University of Texas Rio Grande Valley  
Department of Intercollegiate Athletics**

**Independent Auditor's Report on the  
Application of Agreed-Upon Procedures  
For the Fiscal Year Ended August 31, 2018**



**January 2019**

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE  
210 WEST SEVENTH STREET  
AUSTIN, TX 78701  
(512) 499-4390



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**INDEPENDENT<sup>1</sup> AUDITOR'S REPORT  
ON THE APPLICATION OF AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by the President of The University of Texas Rio Grande Valley (UTRGV), solely to assist UTRGV management in evaluating whether the accompanying Statement of Revenues and Expenses (SRE) of UTRGV's Department of Intercollegiate Athletics (Athletics) is in compliance with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15.1 for the Fiscal Year (FY) ended August 31, 2018. UTRGV's management is responsible for the SRE and compliance with NCAA requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following pages outline the required procedures and results. Reportable findings are defined as errors or misclassifications equal to or greater than one percent of total revenues or expenses. Also attached to this report are the following appendices: **Appendix A**, SRE of Athletics for the Fiscal Year Ended August 31, 2018; **Appendix B**, Notes to the SRE; **Appendix C**, Variance Analysis; and **Appendix D**, Follow-Up on Prior Year's Findings and Recommendations.

**Agreed-Upon Procedures Related to all Revenues, Expenses, and Other Reporting Items**

- Agree the amounts reported on the SRE to UTRGV's general ledger.

*No material exceptions were noted as a result of the initial tie out of the preliminary SRE to the general ledger. Immaterial differences were discussed with Athletics management and adjusted as needed, resulting in the final SRE located in **Appendix A** of this report. Any material adjustments identified as a result of testing for specific SRE categories are described under the respective procedures in the results below.*

*In addition, there are certain items recorded on the SRE that are not required to be recorded in UTRGV's general ledger, including indirect institutional support and gifts-in-kind. The NCAA requires that these items be reported on the SRE to fully reflect the operations of the Athletics Department.*

- Perform the following procedures for all revenue and expense categories applicable to the SRE:
  - ❖ Compare and agree each operating revenue and expense category reported in the SRE during the reporting period to supporting schedules provided by UTRGV. If a specific reporting category is less than 4.0% of the total revenues, no procedures are required for that specific category.
  - ❖ Compare and agree a sample of operating revenue receipts and operating expenses obtained from the above supporting schedules to adequate supporting documentation.

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<sup>1</sup> The NCAA requires this agreed-upon procedures engagement to be conducted by an independent accountant. For purposes of this engagement, the NCAA considers the UT System Audit Office to be independent.



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- ❖ Compare each major revenue and expense account over 10% of the total revenues/expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations greater than 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.

*These procedures were performed for the revenue and expense categories listed below, except for those less than 4.0% of the total revenues or total expenses, as stated in the procedures. Immaterial adjustments resulting from testing were adjusted as needed on the final SRE located in **Appendix A** of this report. If applicable, any material exceptions are noted below under the respective category. The results of the variance analysis are included in **Appendix C**.*

- Identify and document aspects of UTRGV's internal control structure that are unique to Athletics. Test specific elements of the control environment and accounting systems that (1) are unique to Athletics and (2) have not been addressed in connection with the audit of UTRGV's financial statements.

*No material exceptions were noted as a result of this procedure.*

- Identify all intercollegiate athletics related affiliated and outside organizations and obtain those organizations' financial statements for the reporting period.

*No material exceptions were noted in performing this procedure. See **Appendix B**, Note 3.*

### **Agreed-Upon Procedures Related to Revenues**

#### **Ticket Sales**

1. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UTRGV in the SRE and the related attendance figures and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

#### **Student Fees**

2. Compare and agree student fees reported by UTRGV in the SRE for the reporting period to student enrollments during the same reporting period and recalculate totals.
3. Obtain and document an understanding of the UTRGV's methodology for allocating student fees to intercollegiate athletics programs.
4. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports, and student fee totals.

*No material exceptions were noted as a result of these procedures.*



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**Direct State or Other Governmental Support**

5. Compare direct state or other governmental support recorded by UTRGV during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculate totals.

*This procedure was not applicable. Athletics did not receive direct state or other governmental support.*

**Direct Institutional Support**

6. Compare the direct institutional support recorded by UTRGV during the reporting period with institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Transfers Back to Institution**

7. Compare the transfers back to UTRGV with permanent transfers back to institution from the athletics department and recalculate totals.

*This procedure was not applicable. Athletics did not have any transfers back to the institution.*

**Indirect Institutional Support**

8. Compare the indirect institutional support recorded by UTRGV during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Guarantees**

9. Select a sample of settlement reports for away games during the reporting period and agree each selection to UTRGV's general ledger and/or the SRE and recalculate totals.
10. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period. Compare and agree each selection to UTRGV's general ledger and/or the SRE and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Contributions**

11. Obtain and review supporting documentation for any contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization that constituted 10% or more of all contributions received for intercollegiate athletics during the reporting period and recalculate totals.

*No material exceptions were noted as a result of this procedure.*



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**In-Kind**

12. Compare the in-kind recorded by UTRGV during the reporting period with a schedule of in-kind donations and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Compensation and Benefits Provided by a Third-Party**

13. Obtain the summary of revenues from affiliated and outside organizations (Summary) as of the end of the reporting period from UTRGV. Select a sample of funds from the Summary and compare and agree each selection to supporting documentation, UTRGV's general ledger, and/or the Summary and recalculate totals.

*Although certain Athletics personnel have the use of courtesy vehicles, which are provided by third parties, this is not guaranteed by the institution. Therefore, Athletics personnel did not receive compensation or benefits directly from a third-party that was guaranteed by the institution. No material exceptions were noted as a result of this procedure.*

**Media Rights**

14. Obtain and inspect agreements to understand UTRGV's total media (broadcast, television, radio) rights received by UTRGV or through their conference offices as reported in the SRE.
15. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and UTRGV's general ledger and recalculate totals.

*These procedures were not applicable. Athletics did not have any media rights revenue.*

**NCAA Distributions**

16. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Conference Distributions**

17. Obtain and inspect agreements related to UTRGV's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.
18. Compare and agree the related revenues to UTRGV's general ledger and/or the SRE and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Program Sales, Concessions, Novelty Sales, and Parking**

19. Compare the amount recorded in the revenue reporting category to general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculate totals.



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*No material exceptions were noted as a result of this procedure.*

**Royalties, Licensing, Advertisements, and Sponsorships**

20. Obtain and inspect agreements related to UTRGV's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.
21. Compare and agree the related revenues to UTRGV's general ledger and/or the SRE and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Sports Camp Revenues**

22. Inspect sports-camp contracts between UTRGV and persons conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the UTRGV's methodology for recording revenues from sports-camps.
23. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agreed each selection to UTRGV's general ledger and/or the SRE and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Athletics Restricted Endowment and Investment Income**

24. Obtain and inspect endowment agreements to gain an understanding of the relevant terms and conditions.
25. Compare and agree the classification and use of endowments and investment income reported in the SRE during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Other Operating Revenue**

26. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Bowl Revenues**

27. Obtain and inspect agreements related to UTRGV's revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant terms and conditions.
28. Compare and agree the related revenues to UTRGV's general ledger, and/or the SRE and recalculate totals.

*These procedures were not applicable. Athletics did not have any bowl revenues for the reporting period.*



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**Agreed Upon Procedures Related to Expenses**

**Athletic Student Aid**

29. Select a sample of students from the listing of institutional student aid recipients during the reporting period.
30. Obtain individual student-account detail for each selection and compare the total aid in UTRGV's student system to the student's detail in UTRGV's report that ties directly to the NCAA Membership Financial Reporting System.
31. Perform a check of each student selected to ensure their information was reported accurately in the NCAA Membership Financial Reporting System.
32. Recalculate totals for each sport and overall.

*No material exceptions were noted as a result of these procedures.*

**Guarantees**

33. Obtain and inspect visiting institution's away-game settlement reports received by UTRGV during the reporting period and agree related expenses to UTRGV's general ledger and/or the SRE and recalculate totals.
34. Obtain and inspect contractual agreements pertaining to expenses recorded by UTRGV from guaranteed contests during the reporting period. Compare and agree related amounts expensed by UTRGV during the reporting period to UTRGV's general ledger and/or the SRE and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

35. Obtain and inspect a listing of coaches employed by UTRGV and related entities during the reporting period. Select a sample of coaches' contracts, including football and men's and women's basketball from the listing.
36. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UTRGV and related entities in the SRE during the reporting period.
37. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by UTRGV and related entities expense recorded by UTRGV in the SRE during the reporting period.
38. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Coaching Other Compensation and Benefits Paid by a Third-Party**

39. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts, including football and men's and women's basketball from the listing.



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40. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third-party and recorded by UTRGV in the SRE during the reporting period.
41. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third-party expenses recorded by UTRGV in the SRE during the reporting period and recalculate totals.

*Athletics personnel did not receive compensation or benefits directly from a third-party that was guaranteed by the institution; however, certain athletic personnel have the use of courtesy vehicles which are provided by third parties. No material exceptions were noted as a result of these procedures.*

**Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

42. Select a sample of support staff/administrative personnel employed by UTRGV and related entities during the reporting period.
43. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree the related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by UTRGV and related entities expense recorded by UTRGV in the SRE during the reporting period and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Support Staff/Administrative Other Compensation and Benefits Paid by a Third-Party**

44. Select a sample of support staff/administrative personnel employed by third parties during the reporting period.
45. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by UTRGV in the SRE during the reporting period and recalculate totals.

*Athletics personnel did not receive compensation or benefits directly from a third-party that was guaranteed by the institution. No material exceptions were noted as a result of these procedures.*

**Severance Payments**

46. Select a sample of employees receiving severance payments by UTRGV during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

*This procedure was not applicable. Athletics did not make severance payments.*

**Recruiting**

47. Obtain and document an understanding of UTRGV's recruiting expense policies.
48. Compare and agree to existing institutional- and NCAA-related policies.



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49. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Team Travel**

50. Obtain and document an understanding of UTRGV's team travel policies.

51. Compare and agree to existing institutional- and NCAA-related policies.

52. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.

*No material exceptions were noted as a result of these procedures.*

**Equipment, Uniforms, and Supplies**

53. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Game Expenses**

54. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Fund Raising, Marketing, and Promotion**

55. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Sports Camps Expenses**

56. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Spirit Groups**

57. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*This procedure was not applicable. Athletics does not control or operate UTRGV spirit groups.*

**Athletic Facility Debt Service, Leases and Rental Fees**

58. Obtain a listing of debt service schedules, lease payments, and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility



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payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements).

59. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

*These procedures were not applicable. UTRGV had no Athletics related debt.*

**Direct Overhead and Administrative Expenses**

60. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*We identified a material adjustment to the SRE during the testing process. An erroneous prepaid expense of \$159,499.00 was recorded in FY 2017 and subsequently reversed in FY 2018. However, the correction to that error was already reflected on the FY 2017 SRE. Therefore, the FY 2018 general ledger correcting entry should be excluded from the FY 2018 SRE so that Direct Overhead and Administrative Expenses are not overstated in FY 2018. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

**Indirect Institutional Support**

61. Tested with revenue section - Indirect Institutional Support (see procedure # 8 on page 3).

*No material exceptions were noted as a result of this procedure.*

**Medical Expenses and Medical Insurance**

62. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Memberships and Dues**

63. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Other Operating Expenses and Transfers to Institution**

64. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*

**Student-Athletic Meals (non-travel)**

65. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*No material exceptions were noted as a result of this procedure.*



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**Bowl Expenses**

66. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*This procedure was not applicable. Athletics did not have any bowl expenses for the reporting period.*

**Additional Minimum Agreed-Upon Procedures**

- For Grants-in-Aid: Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistant or equivalent supporting equivalency calculations from the institution. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the CRDE or equivalent supporting equivalency calculations, inquire about the discrepancy and report the justification in the AUP report.

*No material exceptions were noted as a result of this procedure.*

- For Sports Sponsorship: Obtain UTRGV's Sports Sponsorship and Demographics Forms Report for the reporting period. Validate that the countable sports reported by UTRGV meet the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum-contest requirement. Once countable sports have been confirmed, ensure that UTRGV has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.

*No material exceptions were noted as a result of this procedure.*

- For Pell Grants: Agree the total number of Division I student-athletes who, during the academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of UTRGV's financial aid records, of all student-athlete Pell Grants.

*No material exceptions were noted as a result of this procedure.*

**Agreed-Upon Procedures Related to Other Reporting Items**

**Excess Transfers to Institution and Conference Realignment Expenses**

67. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*This procedure was not applicable. Athletics did not have transfers to the institution or conference realignment expenses for the reporting period.*

**Total Athletics Related Debt**

68. Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained.



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69. Agree the total annual maturities and total outstanding athletic related to supporting documentation and UTRGV's general ledger, as applicable.

*These procedures were not applicable. UTRGV had no Athletics related debt.*

**Total Institutional Debt**

70. Agree the total outstanding institutional debt to supporting documentation and the UTRGV's audited financial statements, if available, or the UTRGV's general ledger.

*No material exceptions were noted as a result of this procedure.*

**Value of Athletics Dedicated Endowments**

71. Obtain a schedule of all athletics dedicated endowments maintained by athletics, UTRGV, and affiliated organizations. Agree the fair market value in the schedule(s) to supporting documentation, the general ledger(s) and audited financial statements, if available.

*No material exceptions were noted as a result of this procedure.*

**Value of Institutional Endowments**

72. Agree the total fair market value of institutional endowments to supporting documentation, UTRGV's general ledger and/or audited financial statements, if available.

*No material exceptions were noted as a result of this procedure.*

**Total Athletics Related Capital Expenditures**

73. Obtain a schedule of athletics related capital expenditures made by athletics, UTRGV, and affiliated organizations during the reporting period.
74. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.

*These procedures were not applicable. UTRGV did not have Athletics related capital expenditures.*



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We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying SRE of Athletics. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to UTRGV's financial statements.

This report is intended solely for the information and use of UTRGV management and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

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J. Michael Peppers, CPA, CIA, QIAL, CRMA  
Chief Audit Executive

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Gan Louie, CIA, CISA  
Manager of Audits



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APPENDIX A

THE UNIVERSITY OF TEXAS RIO GRANDE VALLEY DEPARTMENT OF INTERCOLLEGIATE ATHLETICS  
 STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	TOTAL
<b>Operating Revenues:</b>					
Ticket Sales	\$ 32,386.00	\$ 13,414.00	\$ 66,491.00	\$ -	\$ 112,291.00
Direct State Support or Other Government Support	-	-	-	-	-
Student Fees	-	-	-	8,416,323.48	8,416,323.48
Direct Institutional Support	10,372.32	2,691.94	11,421.00	2,235,691.35	2,260,176.61
Less - Transfers to Institution	-	-	-	-	-
Indirect Institutional Support	311,629.85	201,593.51	708,918.88	1,086,033.18	2,308,175.42
Guarantees	310,000.00	72,500.00	28,500.00	-	411,000.00
Contributions	19,953.70	2,928.99	60,664.09	189,274.11	272,820.89
In-Kind	14,485.00	14,496.00	34,843.00	8,640.00	72,464.00
Compensation and Benefits provided by a Third Party	-	-	-	-	-
Media Rights	-	-	-	-	-
NCAA Distributions	-	-	-	533,290.38	533,290.38
Conference Distributions	-	-	-	100,000.00	100,000.00
Program, Novelty & Parking & Concession Sales	-	-	-	91,075.38	91,075.38
Royalties, Licensing, Advertisements & Sponsorship	-	-	-	351,107.75	351,107.75
Sports Camps Revenue	12,959.50	100.00	54,915.90	-	67,975.40
Athletic Restricted Endowments & Investment Income	-	-	-	41,939.80	41,939.80
Other Operating Revenue	-	-	-	22,678.48	22,678.48
Bowl Revenues	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>\$ 711,786.37</b>	<b>\$ 307,724.44</b>	<b>\$ 965,753.87</b>	<b>\$ 13,076,053.91</b>	<b>\$ 15,061,318.59</b>
<b>Operating Expenses:</b>					
Athletics Student Aid	\$ 304,949.67	\$ 384,739.84	\$ 1,792,187.02	\$ 8,660.96	\$ 2,490,537.49
Guarantees	66,509.19	34,977.02	123,732.49	-	225,218.70
Coaching Salaries, Benefits & Bonuses paid by the University & Related Entities	664,287.36	395,695.55	1,560,518.73	57,827.57	2,678,329.21
Coaching Salaries, Benefits & Bonuses paid by a Third Party	-	-	-	-	-
Support Staff/Administrative Compensation, Benefits & Bonuses paid by the University & Related Entities	34,009.58	52,015.17	15,844.61	2,315,111.41	2,416,980.77
Support Staff/Administrative Compensation, Benefits & Bonuses paid by Third Party	-	-	-	-	-
Severance Payments	-	-	-	-	-
Recruiting	78,399.55	37,767.31	114,826.25	-	230,993.11
Team Travel	357,257.74	202,967.63	1,081,401.76	37,735.87	1,679,363.00
Sports Equipment, Uniforms & Supplies	39,006.43	42,427.62	224,677.75	112,260.01	418,371.81
Game Expenses	1,522.24	27,015.85	41,479.40	543,121.91	613,139.40
Fund Raising, Marketing & Promotion	758.04	608.53	9,569.46	152,453.32	163,389.35
Sports Camps Expenses	5,153.96	520.00	3,632.08	-	9,306.04
Spirit Groups	-	-	-	-	-
Athletic Facilities Debt Service, Leases & Rental Fees	-	-	-	-	-
Direct Overhead and Administrative Expenses	40,237.51	35,014.38	168,657.68	932,024.00	1,175,933.57
Indirect Institutional Support	311,629.85	201,593.51	708,918.88	1,086,033.18	2,308,175.42
Medical Expenses and Insurance	-	-	-	125,001.33	125,001.33
Membership & Dues	1,815.00	1,810.37	5,735.00	145,747.96	155,108.33
Student-Athlete Meals (Non-Travel)	5,673.34	3,787.92	12,106.63	7,304.84	28,872.73
Other Operating Expenses	62.75	-	-	37,773.77	37,836.52
Bowl Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,911,272.21</b>	<b>\$ 1,420,940.70</b>	<b>\$ 5,863,287.74</b>	<b>\$ 5,561,056.13</b>	<b>\$ 14,756,556.78</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	<b>\$ (1,199,485.84)</b>	<b>\$ (1,113,216.26)</b>	<b>\$ (4,897,533.87)</b>	<b>\$ 7,514,997.78</b>	<b>\$ 304,761.81</b>



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**APPENDIX B  
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES**

**NOTE 1 – Summary of Significant Accounting Policies**

*Fiscal Year* – UTRGV's fiscal year is the period beginning each September 1<sup>st</sup> and ending each August 31<sup>st</sup> of the subsequent calendar year.

*Principles of Preparation* – The SRE is prepared in accordance with the NCAA financial reporting guidelines. Information used in the SRE's preparation is obtained primarily from information recorded in UTRGV's financial accounting system. Other information, such as amounts estimated for non-cash trade-out agreements and gifts in-kind, is obtained from records maintained by Athletics.

**NOTE 2 – Contributions Constituting More than 10 Percent of All Contributions**

Revenue from contributions was \$272,820.89 for FY 2018. No contribution received accounted for more than ten percent of all contributions.

**NOTE 3 – Affiliated and Outside Organizations**

The only affiliated and outside organization related to UTRGV's Athletics Department and not under UTRGV's accounting control is the UTRGV Foundation, an independent non-profit corporation formed exclusively for charitable, educational, and scientific purposes, and to assist in the development of UTRGV. It may hold fundraising events to support the Athletics Department through donations to the V Club, which is the fundraising arm of UTRGV Athletics.

**NOTE 4 – Capital Assets**

Athletics acquires, approves, depreciates, and disposes assets in accordance with UTRGV institutional policy as follows:

- Acquisition – Athletics acquires capital assets through the normal process at the institution. All purchases are centralized and are to be made using the method that provides the best value to UTRGV. Informal quotes are required for purchases above \$15,000, and competitive bidding is required for requests above \$50,000 (unless an Exclusive Acquisition Justification is approved by the Procurement Office). The capitalization threshold is \$5,000.
- Approval – The Director of Athletics approves capital expenditures between \$5,000 and \$15,000. For major capital projects, the Director of Athletics works with the University President and Executive Vice President for Finance and Administration to plan and obtain approval.
- Depreciation – Depreciation is allocated to Athletics assets, or portions of real-assets, under the control of Athletics. Depreciation is calculated on a straight-line basis.
- Disposal – Disposal of capital assets must be done in accordance with State of Texas law and institutional policy.



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**NOTE 5 – Other Reporting Items**

<b>Category</b>	<b>Amount</b>
Excess Transfers to Institution	\$0.00
Conference Realignment Expenses	Not Applicable
Total Athletics Related Debt	\$0.00
Total Institutional Debt	\$157,624,000.00
Value of Athletics Dedicated Endowments	\$584,367.55
Value of Institutional Endowments	\$61,935,774.71
Total Athletics Related Capital Expenditures	\$0.00



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**APPENDIX C  
VARIANCE ANALYSIS**

Amounts for each major revenue and expense account over 10% of the total revenues or expenses were compared to prior period and budget estimate amounts. For variations greater than 10%, an understanding was obtained as noted below. All explanations appear to be reasonable.

**Comparison to Prior Period**

The following SRE categories met the threshold for investigation:

<b>Major SRE Revenue Categories</b>	<b>FY 2018 SRE</b>	<b>FY 2017 SRE</b>	<b>Variance</b>	<b>% Variance</b>	<b>Variance Explanation</b>
Indirect Institutional Support	\$2,308,175	\$2,005,693	\$ 302,482	15.08%	Indirect Institutional Support is calculated as a percentage of total salary expenses, which increased in FY 2018.

<b>Major SRE Expense Categories</b>	<b>FY 2018 SRE</b>	<b>FY 2017 SRE</b>	<b>Variance</b>	<b>% Variance</b>	<b>Variance Explanation</b>
Support Staff Salaries and Benefits paid by the University	\$2,416,981	\$1,978,193	\$ 438,788	22.18%	There was a general increase in support staff salaries and corresponding benefits, including performance bonuses and an increase in the number of filled positions. Lump-sum vacation payouts for employees separating from employment were also included this year. Additionally, some support staff salaries were reported under different SRE categories in previous years.
Indirect Institutional Support	\$2,308,175	\$2,005,693	\$ 302,482	15.08%	Indirect Institutional Support is calculated as a percentage of total salary expenses, which increased in FY 2018.



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**Budget to Actual Comparison**

The following accounts met the threshold for investigation:

<b>Project Account</b>	<b>Project Account Name</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>	<b>Explanation for Variances over 10%</b>
<b>Major Expenses:</b>						
330000024	Athletics Maint & Util- ED	\$ 452,204	\$ 397,085	-\$ 55,118	-12.19%	Actual operating expenses were lower than budgeted. Savings were used to offset overages in other projects.



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**APPENDIX D  
FOLLOW-UP ON PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS**

Below are the results from the follow-up procedures performed on findings and recommendations from the prior year's engagement.

**Procedures for the Preparation of the SRE**

From the agreed-upon procedures performed, we identified two material errors that affected 17 SRE categories.

1. Omission of expenses for 15 expense line items: Athletic Student Aid; Coaching Salaries, Benefits and Bonuses; Support Staff/Administrative Compensation; Recruiting; Team Travel; Sports Equipment, Uniforms and Supplies; Game Expenses; Fundraising; Sports Camps; Direct Overhead; Indirect Institutional Support; Medical Expenses; Membership and Dues; Student-Athlete Meals; and Other Operating Expenses.
2. Misclassification errors – by category and sport: Student Fees were overstated by \$175,458.26 and Direct Institutional Support was understated by the same amount. In addition, there were four immaterial transactions tested that were not classified in the proper sport, and one item that was not in the correct SRE line category.

The factor contributing to the observed errors was that the Athletics Department has no policies or written procedures for the preparation of the SRE report.

**Recommendation:**

The Intercollegiate Athletics Department should develop detailed written procedures for the preparation of the SRE. This will help ensure that the SRE, which must be reported annually to both the NCAA and the university president, is complete and accurate.

**Management's Response:**

The development of detailed written procedures for the preparation of the Statement of Revenue and Expenses (SRE) is partially completed. Processes were implemented in fiscal year 2017 to facilitate reporting of revenues and expenses for the creation of the SRE. These processes and timelines needed to complete the correct coding have not been formally created.

**Implementation Date:**

Detailed procedures for creating the SRE will be completed by March 30, 2018. Training on the procedures and the process will be completed by May 25, 2018.

**Implementation Status:**

Implemented