January 15, 2014

Dr. Vistasp M. Karbhari, President
The University of Texas at Arlington
321 Davis Hall, Box 19125
Arlington, Texas 76019-0125

Dear President Karbhari:

We have completed our Report on the Application of NCAA Agreed-Upon Procedures for the Intercollegiate Athletics Program at The University of Texas at Arlington (UT Arlington) for the fiscal year ended August 31, 2013. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided by you and the various departments at UT Arlington.

Sincerely,

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

cc: Francisco Cigarroa, M.D., Chancellor
Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs
Ms. Kelly Davis, Vice President for Business Affairs and Controller
Mr. Jim Baker, Director of Intercollegiate Athletics
Mr. John Mocik, Sr. Associate Athletics Director for Finance and Administration
Mr. Tony Burken, Associate Athletics Director for Business and Operations
Mr. Kenneth Schroeder, Director of Internal Audit
The University of Texas at Arlington
Intercollegiate Athletics

Report on the Application of
Agreed-Upon Procedures
For the Year Ended August 31, 2013

January 2014

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
702 COLORADO STREET, CLB 3.100
AUSTIN, TEXAS 78701-2981
(512) 499-4390
INDEPENDENT ACCOUNTANT’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 at Arlington ("UT Arlington"), solely to assist in evaluating whether the
accompanying Statement of Revenues and Expenses ("SRE") of UT Arlington is in compliance with the
National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16.1 for the fiscal year ended August 31,
2013. UT Arlington’s management is responsible for the SRE and its compliance with those
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.

Our procedures and findings are explained in the following pages. Reportable findings are defined as
errors greater than or equal to $50,000 and misclassifications greater than or equal to $150,000. Also
attached to this report are the following appendices: Appendix A, UT Arlington Intercollegiate Athletics
Program ("Athletics Department") SRE for the fiscal year ended August 31, 2013; Appendix B, Findings
and Recommendations; Appendix C, Follow-Up on Prior Year’s Findings and Recommendations; and
Appendix D, Notes to the Statement of Revenues and Expenses.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

1. Agreed the amounts reported on the SRE to UT Arlington’s general ledger.

Revenue and Expense amounts reported on the SRE materially agreed to UT Arlington’s general
ledger. Please note there are certain items recorded on the SRE that are not required to be
recorded in UTA’s general ledger system, such as out-of-state tuition waivers, indirect facilities
and administrative support, and gifts in-kind. The NCAA requires that these items be reported on
the SRE to fully reflect the operations of Athletics.

2. Performed the following procedures for all revenue and expense categories applicable to UT
Arlington:
   a. Compared and agreed each operating revenue and expense category reported on the SRE during
      the reporting period to supporting schedules provided by the institution.
   b. Compared and agreed a sample of operating revenue receipts and operating expenses obtained
      from the above supporting schedules to adequate supporting documentation.
   c. Compared each revenue and expense account to prior period amounts and budget estimates.
      Obtained and documented an understanding of any significant variations.

These procedures were performed for all of the revenue and expense categories listed below.
No material exceptions were noted as a result of these procedures.

3. Compared tickets sold during the reporting period, complimentary tickets provided during the
reporting period, and unsold tickets to the related revenue reported by UT Arlington on the SRE and
the related attendance figures.

No material exceptions were noted as a result of these procedures.
4. Compared and agreed student fees reported by UT Arlington on the SRE for the reporting period to student enrollments during the same reporting period. Obtained and documented an understanding of the institution’s methodology for allocating student fees to intercollegiate athletics programs.

_No material exceptions were noted as a result of these procedures._

5. Selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to UT Arlington’s general ledger and the SRE.

_No material exceptions were noted as a result of these procedures._

6. Compared contributions account to prior period amounts and budget estimates and obtained and documented an understanding of any significant variations. Obtained and reviewed 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 percent or more of all contributions received for intercollegiate athletics during the reporting period.

_No material exceptions were noted as a result of these procedures._

7. For compensation and benefits provided by a third-party, the agreed-upon procedures require the auditor to obtain the summary of revenues from affiliated and outside organizations (the “Summary”) as of the end of the reporting period from the institution. Selected a sample of funds from the Summary and compared and agreed each selection to supporting documentation and UT Arlington’s general ledger.

_The Athletics Department did not receive third-party funds for compensation or benefits._

8. Compared direct state or other governmental support recorded by UT Arlington during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

_The Athletics Department did not receive direct state or other governmental support._

9. Compared the direct institutional support recorded by UT Arlington during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

_No material exceptions were noted as a result of these procedures._

10. Compared the indirect facilities and administrative support recorded by UT Arlington during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

_No material exceptions were noted as a result of these procedures._

11. For NCAA/Conference distributions, including all tournament revenues, obtained and inspected agreements related to UT Arlington’s participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. Compared and agreed the related revenues to the institution’s general ledger and the SRE.

_No material exceptions were noted as a result of these procedures._

The University of Texas System Audit Office

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12. Obtained and inspected agreements related to UT Arlington’s participation in revenues from broadcast, television, radio and Internet rights to gain an understanding of the relevant terms and conditions. Compared and agreed related revenues to the institution’s general ledger and the SRE.

   The Athletics Department did not have broadcast, television, radio and Internet rights agreements.

13. For program sales, concessions, novelty sales, and parking, performed the minimum agreed-upon procedures referenced in procedure #2.

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

14. Obtained and inspected agreements related to UT Arlington’s participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. Compared and agreed the related revenues to the institution’s general ledger and the SRE.

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

15. Inspected sports-camp contract(s) between UT Arlington and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the institution’s methodology for recording revenues from sports camps and obtained schedules of camp participants. Selected a sample of individual camp participant cash receipts from the schedule of sports camp participants and agreed each selection to the institution’s general ledger and the SRE.

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

16. Obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions. Compared and agreed the classification and use of endowments and investment income reported on the SRE during the reporting period to the uses of income defined within the related endowment agreement.

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

17. For other operating revenues, performed minimum agreed-upon procedures referenced in procedure #2.

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

18. For athletic student aid, selected a sample of students from the listing of institutional student aid recipients during the reporting period. Obtained individual student-account details for each selection and compared total aid allocated from the related aid award letter to the student’s account.

   No material exceptions were noted as a result of these procedures.
19. Obtained and inspected contractual agreements pertaining to expenses recorded by UT Arlington from guaranteed contests during the reporting period. Compared and agreed related amounts expensed by UT Arlington during the reporting period to the institution’s general ledger and the SRE.

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

20. For coaching salaries, benefits, and bonuses paid by the institution, obtained and inspected a listing of coaches employed by UT Arlington during the reporting period. Selected a sample of coaches’ contracts from the above listing and compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UT Arlington on the SRE during the reporting period. Obtained and inspected relevant supporting documentation and compared to the related coaching salaries, benefits and bonuses paid and recorded by UT Arlington during the reporting period. Agreed the amounts reported on the SRE to the general ledger.

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

21. For coaching other compensation and benefits paid by a third party, the agreed-upon procedures require the auditor to obtain and inspect a listing of coaches employed by third parties during the reporting period and compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party recorded on the SRE during the reporting period. Obtained and inspected W-2s, etc. for each selection and compared and agreed related W-2s, etc. to the coaching other compensation and benefits paid by a third party expenses recorded by UT Arlington on the SRE during the reporting period.

*Coaches did not receive compensation or benefits paid by third-parties.*

22. For support staff/administrative salaries, benefits and bonuses paid by the institution, selected a sample of support staff/administrative personnel employed by UT Arlington and related entities during the reporting period. Obtained and inspected relevant supporting documentation and compared to the related support staff/administrative salaries, benefits and bonuses paid and recorded by UT Arlington during the reporting period. Agreed the amounts reported on the SRE to the general ledger.

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

23. For support staff/administrative other compensation and benefits paid by a third party, the agreed-upon procedures require the auditor to select a sample of support staff/administrative personnel employed by the third parties during the reporting period. Obtained and inspected W-2s, etc. for each selection and compared and agreed related W-2s, etc. to the related support staff/administrative other compensation and benefits expenses recorded by UT Arlington on the SRE during the reporting period.

*Support and Administrative staff did not receive compensation or benefits paid by third-parties.*

24. Selected a sample of employees receiving severance payments from UT Arlington during the reporting period and agreed each severance payment to the related termination letter or employment contract.

*The Athletics Department did not make any severance payments during Fiscal Year 2013.*
25. Obtained and documented an understanding of UT Arlington’s recruiting expense policies. Compared and agreed to existing institutional- and NCAA-related policies.

No exceptions were noted as a result of these procedures.

26. Obtained and documented an understanding of UT Arlington’s team travel policies. Compared and agreed to existing institutional- and NCAA-related policies.

No exceptions were noted as a result of these procedures.

27. Obtained and documented an understanding of UT Arlington’s methodology for allocating indirect facilities and administrative support. Summed the indirect facilities-support and indirect institutional-support totals reported by the institution on the SRE. Compared and agreed indirect facilities and administrative support reported by UT Arlington on the SRE to the corresponding revenue category reported by the institution on the SRE.

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

28. For the following expense categories: team travel; equipment, uniforms and supplies; game expenses; fundraising, marketing and promotion; sports camp expenses; direct facilities, maintenance and rental; spirit groups; medical expenses and medical insurance; membership and dues; other operating expenses and transfers to institution, performed minimum agreed-upon procedures referenced in procedure # 2.

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

29. Identified and documented aspects of the institution’s internal control structure unique to the Athletics Department.

No exceptions were noted as a result of these procedures.

30. Tested specific elements of the control environment and accounting systems that (1) are unique to intercollegiate athletics and (2) have not been addressed in connection with the audit of the institution’s financial statements.

No exceptions were noted as a result of these procedures.

31. Identified all intercollegiate athletics-related affiliated and outside organizations and obtained those organizations’ financial statements for the reporting period.

UT Arlington does not have any athletics-related affiliated and outside organizations with financial statements. UT Arlington does have the Maverick Club, which is operated by the Athletics Department.

32. Agreed the amounts reported on the SRE to the athletics-related and outside organization’s general ledger.

UT Arlington does not have any athletics-related affiliated and outside organizations with financial statements. Therefore, this procedure does not apply.
The University of Texas at Arlington
Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2013

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 UT Arlington’s Athletics Department. 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 UT Arlington’s institutional financial statements.

This report is intended solely for the information and use of UT Arlington 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.

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

Moshmee Kalamkar, CPA, CIA
Manager of Audits
# APPENDIX A

THE UNIVERSITY OF TEXAS AT ARLINGTON INTERCOLLEGIATE ATHLETICS PROGRAM

STATEMENT OF REVENUES AND EXPENSES FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

<table>
<thead>
<tr>
<th>Men's Operating Revenues:</th>
<th>Women's Operating Revenues:</th>
<th>Men's Expenses:</th>
<th>Women's Expenses:</th>
<th>Men's Non-Program Specific</th>
<th>Total</th>
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<tr>
<td>Basketball</td>
<td>Basketball</td>
<td>Track</td>
<td>Track</td>
<td>Tennis</td>
<td>Golf</td>
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<td>2,750</td>
<td>1,435</td>
<td>1,500</td>
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<td>Direct Institutional Support</td>
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<td>267,435</td>
<td>177,355</td>
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<td>NCAA/Conference Distributions</td>
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<td>Program Sales, Concessions, &amp; Parking</td>
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<td>Royalties, Advertising, &amp; Sponsorships</td>
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<td>Sports Camp Revenues</td>
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<td>80,164</td>
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<td>Total Operating Revenue</td>
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<td>$309,676</td>
<td>$283,367</td>
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<th>Operating Expenses:</th>
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<th>$387,670</th>
<th>$357,141</th>
<th>$432,583</th>
<th>$137,969</th>
<th>$207,406</th>
<th>$274,931</th>
<th>$285,102</th>
<th>$220,234</th>
<th>$68,899</th>
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<td>Guarantees</td>
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<tr>
<td>Coaching Salaries &amp; Benefits</td>
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<td>468,364</td>
<td>154,935</td>
<td>124,557</td>
<td>78,186</td>
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<td>183,194</td>
<td>269,839</td>
<td>206,452</td>
<td>171,918</td>
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<td>Support Staff/Admin Salaries &amp; Benefits</td>
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<td>Recruiting</td>
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<td>4,616</td>
<td>12,840</td>
<td>11,135</td>
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<td>120,072</td>
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<td>93,520</td>
<td>42,644</td>
<td>35,607</td>
<td>94,291</td>
<td>163,657</td>
<td>116,916</td>
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<td>69,787</td>
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<td>6,223</td>
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<td>52,673</td>
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<td>42,075</td>
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<td>121,747</td>
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<td>Spirit Groups</td>
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<tr>
<td>Indirect Facilities &amp; Admin. Support</td>
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<td>263</td>
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<td>Subtotal Operating Expenses</td>
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<td>$627,644</td>
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<td>Transfers to Institution</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Total Operating Expenses</td>
<td>$1,468,104</td>
<td>$1,331,959</td>
<td>$749,916</td>
<td>$688,606</td>
<td>$291,705</td>
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<td>$389,640</td>
<td>$6,538,709</td>
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<td>Excess (Deficiency) of Revenues Over (Under) Expenses</td>
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</tr>
</tbody>
</table>

The University of Texas System Audit Office

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APPENDIX B
FINDINGS AND RECOMMENDATIONS

There were no reportable findings and recommendations from the agreed-upon procedures performed.
APPENDIX C
FOLLOW-UP ON PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS

Below are the results from the follow-up procedures performed on finding(s) and recommendation(s) from the prior year’s audit.

Reconciliation of Ticket Sales Gross Revenue and Expenses
When comparing the ticket sales revenue and expenses recorded in the accounting system (*DEFINE) to supporting documentation, minor differences were identified.

Recommendation:
The Assistant Athletics Director for Tickets and Donor Relations should work in coordination with the Senior Associate Athletics Director for Finance and Administration and the Associate Athletics Director for Business and Operations to develop a process to periodically reconcile the College Park Center ticket sales gross revenues and associated ticketing expenses by comparing the interdepartmental transfer amounts (between the Athletics Department and Auxiliary Business Services) to the ticket sales information from the ticketing system (currently UTIX). Further information may be required to be obtained from Auxiliary Business Services to reconcile the expenses related to credit card fees. Any discrepancies should be investigated through resolution in a timely manner.

Management’s Response and Implementation Date:
The Senior Associate Athletics Director for Finance and Administration has held an initial meeting to discuss and implement this audit recommendation this past December. The Assistant Athletics Director for Tickets and Donor Relations will be required to reconcile all ticket sales and will meet with the Senior Associate Athletics Director on a monthly basis. Furthermore, the Assistant Athletics Director will be responsible for reconciling, along with the College Park Center ticket office, the agreed-upon expenses related to all ticket sales, transactions, and credit card fees on a monthly basis. At the end of the fiscal year, the Assistant Athletics Director for Tickets and Donor Relations will compile all ticket reports, identifying all price points and numbers sold for each game by sport. The final report will further delineate ticket revenue by sport and include gross ticket sales. The Senior Associate Athletics Director and Associate Athletics Director for Business and Operations will then use these final ticket sales amounts when compiling the Statement of Revenues and Expenses for the next NCAA audit. (Implementation date: January 1, 2013)

Implementation Status:
Implemented
APPENDIX D
NOTES TO THE STATEMENT OF REVENUES AND EXPENSES

NOTE 1 – Summary of Significant Accounting Policies

Fiscal Year – UT Arlington’s fiscal year is the period beginning each September 1st and ending each August 31st of the subsequent calendar year.

Principles of Preparation – The SRE is prepared in accordance with the NCAA financial audit guidelines. Information used in the SRE’s preparation is obtained primarily from subsidiary ledger information recorded in UT Arlington’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 the Athletics Department.

Student Fees – In 1998, the UT Arlington student body voted to implement an athletic fee to fund the Athletics Department. The current athletic fee is $8.50 per credit hour with a ceiling of $115 per student per semester. Although UT Arlington has flat rate tuition, the athletic fee is allocated based on the previous student fee structure.

Direct Institutional Support – Direct Institutional Support is composed of amounts for out-of-state tuition waivers, work-study paid by the institution, and initial funding for the Athletics Department in the budgeting process. It also includes amounts expended by other institutional departments in support of the Athletics Department. The SRE deficit of approximately $2.6 million was primarily funded by accumulated balances from unrestricted institutional reserve accounts.

Indirect Facilities and Administrative Support – The indirect facilities and administrative support line item reflects UT Arlington Athletics-related depreciation expense on property, plant, and equipment and a three percent administrative fee based on Athletics’ total operating expenses less Athletics Student Aid expenses. This three percent administrative fee was not an actual dollar amount charged to the Athletics Department but reflects an estimated value of indirect facilities and administrative support.