January 15, 2014

Robert S. Nelsen, Ph.D., President
The University of Texas – Pan American
1201 W. University Drive
Edinburg, Texas 78539-2999

Dear Dr. Nelsen:

We have completed our Report on the Application of the National Collegiate Athletic Association Agreed-Upon Procedures for the Intercollegiate Athletics Program at The University of Texas – Pan American for the fiscal year ended August 31, 2013. The results of the engagement are detailed in the attached report.

We appreciate the assistance provided to us by the various departments at The University of Texas – Pan American.

Sincerely,

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

Cc: Francisco Cigarroa, M.D., Chancellor
Pedro Reyes, Ph.D., Executive Vice Chancellor for Academic Affairs
Christopher King, Director of Athletics
Raul Betancourt, Associate Athletic Director for Business Operations
Eloy Alaniz, Executive Director of Audits, Compliance & Consulting Services
Isabel Benavides, Director of Audits & Consulting Services
The University of Texas – Pan American
Intercollegiate Athletics

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

January 2014

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
702 COLORADO STREET, CLB 3.100
AUSTIN, TX 78701
(512) 499-4390
INDEPENDENT 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 – Pan American (UTPA), solely to assist UTPA management in evaluating whether the accompanying Statement of Revenues and Expenses (SRE) of UTPA’s Department of Intercollegiate Athletics (Athletics) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16.1 for the fiscal year (FY) ended August 31, 2013. UTPA’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.

Our procedures and findings are explained in the following pages. Reportable findings are defined as errors equal to or greater than $50,000 and misclassifications equal to or greater than $150,000. Also attached to this report are the following appendices: Appendix A, Department of Intercollegiate Athletics SRE for the Fiscal Year Ended August 31, 2013; Appendix B, Findings and Recommendations; and Appendix C, Notes to the SRE.

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

Procedures Related to all Revenues and Expenses
1. Agreed the amounts reported on the SRE to UTPA’s general ledger.

Revenues and expenses reported on the SRE materially agreed to the amounts reported in UTPA’s general ledger. However, there are certain items recorded on the SRE that are not required to be recorded in UTPA’s general ledger system, including 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 the SRE:
   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

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

The University of Texas System Audit Office
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3. We identified and documented aspects of UTPA’s internal control structure that are unique to Athletics. 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 material exceptions were noted as a result of these procedures.*

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

*No exceptions were noted in performing this procedure.*

**Procedures Related to Revenues**

5. **Ticket Sales.** Compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by UTPA on the SRE and the related attendance figures.

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

6. **Student Fees.** Compared and agreed student fees reported by UTPA 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 exceptions were noted as a result of this procedure.*

7. **Guarantees.** Selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agreed each selection to UTPA’s general ledger and the SRE.

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

8. **Contributions.** Compared contributions account to prior period amounts 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. *(See Appendix C, Note 3).*

*No material exceptions were noted as a result of this procedure.*
9. **Compensation and Benefits Provided by a Third Party.** For compensation and benefits provided by a third party and contractually guaranteed by the institution, the agreed-upon procedures require that we obtain the summary of revenues from affiliated and outside organizations (Summary) as of the end of the reporting period from UTPA. The agreed-upon procedures also require that we select a sample of funds from the Summary and compare and agree each selection to supporting documentation and UTPA’s general ledger.

*Athletics personnel did not receive any compensation or benefits from a third-party that was guaranteed by the institution.*

10. **Direct State or Other Governmental Support.** Compared direct state or other governmental support recorded by UTPA during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation.

*Athletics did not receive direct state or other governmental support.*

11. **Direct Institutional Support.** Compared the direct institutional support recorded by UTPA during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation.

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

12. **Indirect Facilities and Administrative Support.** Compared the indirect facilities and administrative support recorded by UTPA during the reporting period with institutional authorizations and/or other corroborative supporting documentation.

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

13. **NCAA/Conference Distributions including all Tournament Revenues.** Obtained and inspected agreements related to UTPA’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 UTPA’s general ledger and the SRE.

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

14. **Broadcast, Television, Radio, and Internet Rights.** Obtained and inspected agreements related to UTPA’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 UTPA’s general ledger and the SRE.

*Athletics did not receive revenues from broadcast, television, radio, and Internet rights.*
15. **Program Sales, Concessions, Novelty Sales, and Parking.** For program sales, concessions, novelty sales, and parking, performed the minimum agreed-upon procedures referenced in procedure # 2.

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

16. **Royalties, Licensing, Advertisements, and Sponsorships.** Obtained and inspected agreements related to UTPA’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 this procedure.*

17. **Sports Camp Revenues.** Inspected sports-camp contract(s) between UTPA 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 UTPA’s general ledger and the SRE.

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

18. **Endowment and Investment Income.** 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 exceptions were noted as a result of this procedure.*

19. **Other Operating Revenue.** For other operating revenue, performed minimum agreed-upon procedures referenced in procedure # 2.

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

**Procedures Related to Expenses**

20. **Athletic Student Aid.** 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 detail for each selection and compared the total aid allocated from the related aid award letter to the student’s account.

*No material exceptions were noted as a result of this procedure; however, an opportunity for improvement was identified regarding Athletic Student Aid. See recommendation #1 in Appendix B for details.*
21. **Guarantees.** Obtained and inspected contractual agreements pertaining to expenses recorded by UTPA from guaranteed contests during the reporting period. Compared and agreed the amounts expensed by the institution during the reporting period to UTPA’s general ledger and the SRE.

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

22. **Coaching Salaries, Benefits, and Bonuses paid by the University or Related Entities.** For coaching salaries, benefits, and bonuses paid by UTPA, obtained and inspected a listing of coaches employed by UTPA during the reporting period. From this listing, selected a sample of coaches’ contracts, including men’s and women’s basketball, and compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by UTPA on the SRE during the reporting period.

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

23. **Coaching Other Compensation and Benefits Paid by a Third-Party.** The agreed-upon procedures require that we obtain and inspect a listing of coaches paid by third parties during the reporting period for other compensation and benefits paid by a third party and contractually guaranteed by the institution.

*Athletics coaches did not receive any institutionally guaranteed compensation or benefits from third parties.*

24. **Support Staff/Administrative Salaries, Benefits, and Bonuses paid By the University and Related Entities.** For support staff/administrative salaries, benefits, and bonuses, selected a sample of support staff/administrative personnel employed by UTPA and related entities during the reporting period. Obtained and inspected memoranda of employment for each selection and compared and agreed the amounts on these statements to the support staff/administrative salaries, benefits, and bonuses paid and recorded on the SRE during the reporting period.

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

25. **Support Staff/Administrative Other Compensation and Benefits paid by a Third Party.** The NCAA agreed-upon procedures require that we select and test a sample of support staff/administrative personnel, whose compensation was contractually guaranteed, but paid by third parties during the reporting period.

*Athletics personnel did not receive any institutionally guaranteed compensation or benefits from third parties.*
26. **Severance Payments.** The agreed-upon procedures require that we select and test a sample of employees receiving severance payments by UTPA during the reporting period and agree each severance payment to the related termination letter or employment contract.

*Athletics did not make severance payments in FY 2013.*

27. **Recruiting Expenses.** Obtained and documented an understanding of UTPA’s recruiting expense policies. Compared and agreed to existing institutional- and NCAA-related policies.

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

28. **Team Travel.** Obtained and documented an understanding of UTPA’s team travel policies. Compared and agreed to existing institutional- and NCAA-related policies.

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

29. **Indirect Facilities and Administrative Support.** As prescribed by the agreed-upon procedures, the amount recorded as an expense for indirect facilities and administrative support should equal the amount reported as revenue for indirect facilities and administrative support (see procedure # 12 above). Summed the indirect facilities support totals reported by UTPA on the SRE. Compared and agreed indirect support reported as an expense on the SRE to the corresponding revenue category reported on the SRE.

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

30. For the following expense categories: **Equipment, Uniforms, and Supplies; Game Expenses; Fund Raising, Marketing, and Promotion; Sports Camps Expenses; Direct Facilities, Maintenance, and Rental; Spirit Groups; Medical Expenses and Medical Insurance; and Memberships and dues;** performed minimum agreed-upon procedures referenced in procedure # 2.

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

31. **Other Operating Expenses.** For other operating expenses, performed minimum agreed-upon procedures referenced in procedure # 2.

*No material exceptions were noted as a result of this procedure; however, an opportunity for improvement was identified regarding Ticket Sales. See recommendation #2 in Appendix B for details.*
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 Statement of Revenues and Expenses for the Department of Intercollegiate Athletics. Accordingly, we do not express such an opinion. If we had 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 UTPA’s financial statements.

This report is intended solely for the information and use of UTPA 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, CPA, CIA, CRMA, FACHE
Chief Audit Executive
January 14, 2014

Eric J. Polonski, CPA, CIA
Assistant Director of Audits
January 14, 2014
APPENDIX A
THE UNIVERSITY OF TEXAS – PAN AMERICAN
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENT OF REVENUES AND EXPENSE FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

<table>
<thead>
<tr>
<th>Operating Revenues:</th>
<th>Men’s Basketball</th>
<th>Women’s Basketball</th>
<th>Other Sports</th>
<th>Non-Program Specific</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticket Sales</td>
<td>$27,092.00</td>
<td>$2,832.00</td>
<td>$11,046.00</td>
<td>$ -</td>
<td>$40,970.00</td>
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<tr>
<td>Student Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Guarantees</td>
<td>465,410.00</td>
<td>76,800.00</td>
<td>24,300.00</td>
<td>-</td>
<td>566,510.00</td>
</tr>
<tr>
<td>Contributions</td>
<td>15,916.25</td>
<td>-</td>
<td>31,752.00</td>
<td>161,300.42</td>
<td>208,968.67</td>
</tr>
<tr>
<td>Compensation and Benefits Provided by a Third-Party</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Direct State or Other Government Support</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Direct Institutional Support</td>
<td>100,035.00</td>
<td>174,798.00</td>
<td>485,784.00</td>
<td>2,117,551.88</td>
<td>2,878,168.88</td>
</tr>
<tr>
<td>Indirect Facilities and Administrative Support</td>
<td>157,619.52</td>
<td>138,687.15</td>
<td>318,598.07</td>
<td>554,022.13</td>
<td>1,168,926.87</td>
</tr>
<tr>
<td>NCAAA/Conference Distributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>252,755.87</td>
<td>252,755.87</td>
</tr>
<tr>
<td>Broadcast Television, Radio and Internet Rights</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,523.72</td>
<td>27,523.72</td>
</tr>
<tr>
<td>Program Sales and Concessions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Royalties, Advertisements &amp; Sponsorships</td>
<td>2,769.17</td>
<td>2,740.00</td>
<td>3,710.00</td>
<td>398,447.44</td>
<td>407,666.61</td>
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<tr>
<td>Sports-Camp Revenues</td>
<td>-</td>
<td>2,575.00</td>
<td>24,340.92</td>
<td>-</td>
<td>26,915.92</td>
</tr>
<tr>
<td>Endowment and Investment Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,229.19</td>
<td>8,229.19</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>-</td>
<td>7,510.00</td>
<td>-</td>
<td>72,729.84</td>
<td>80,239.84</td>
</tr>
</tbody>
</table>

Total Operating Revenue $768,841.94 $398,432.15 $907,040.99 $6,769,748.69 $8,844,063.77

Operating Expenses:

- Athletics Student Aid 341,221.05 441,992.22 1,381,744.96 9,814.75 2,174,772.98
- Guarantees 26,994.40 10,500.00 1,574.96 - 39,069.36
- Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities 367,942.53 328,151.95 723,068.13 - 1,419,162.61
- Coaching Other Compensation and Benefits Paid by a Third-Party - - - - -
- Support Staff/Administrative Salaries, Benefits, etc. Paid by the University and Related Entities 9,064.04 - 7,074.36 1,066,801.33 1,082,999.73
- Support Staff/Administrative Salaries, Benefits, etc. Paid by a Third-Party - - - - -
- Severance Payments - - - - -
- Recruiting 44,248.55 27,364.67 60,021.02 - 131,634.24
- Team Travel 222,246.33 183,415.33 651,028.40 - 1,056,690.06
- Equipment, Uniforms and Supplies 33,410.93 25,673.99 92,755.29 - 151,840.21
- Game Expenses 31,434.00 19,449.25 42,344.52 - 93,227.77
- Fund Raising, Marketing and Promotion 1,328.00 - 2,468.36 162,077.18 165,873.54
- Sports Camp Expenses - 1,462.10 8,300.29 - 9,762.39
- Direct Facilities, Maintenance, and Rental 106.50 144.00 50,263.88 185,994.73 236,509.11
- Spirit Groups - - - - -
- Indirect Facilities and Administrative Support 157,619.52 138,687.15 318,598.08 554,022.11 1,168,926.86
- Medical Expenses and Medical Insurance 1,200.00 1,200.00 - 125,074.83 127,474.83
- Memberships and Dues - 1,280.00 2,720.00 325,908.00 329,908.00
- Other Operating Expenses 17,202.71 16,399.58 52,658.87 364,602.42 450,863.58

Total Operating Expenses $1,254,018.56 $1,195,720.24 $3,394,621.12 $2,794,295.35 $8,638,655.27

Excess (Deficiency) of Revenues $ (485,176.62) $ (797,288.09) $ (2,487,580.13) $ 3,975,453.34 $ 205,408.50

The University of Texas System Audit Office
-9-
APPENDIX B
FINDINGS AND RECOMMENDATIONS

The following are our engagement findings, related recommendations, and management’s responses.

<table>
<thead>
<tr>
<th>No.</th>
<th>Finding</th>
<th>Recommendation &amp; Management’s Response</th>
</tr>
</thead>
</table>
| 1   | Athletics Student Aid | **Recommendation:** UTPA Athletics Department should ensure that student athletes receive credit for all applicable fees covered by the award letters. Additionally, Athletics and Financial Aid should ensure that athletic awards are reviewed after the census date to ensure that the applicable tuition and fees credited to the student athlete’s accounts are accurate.  
**Management Response:** Management agrees with the finding/recommendation. A review will be conducted during the beginning of the final month of each Fall (December) and Spring (May) Semesters to ensure that all student-athletes receive the amounts listed on their award letters.  
**Implementation Date:** January 31, 2014  
**Responsible Party:** Associate A.D. for Business Operations and Senior Scholarship Coordinator. |
| 2   | Other Expenses | **Recommendation:** UTPA Athletics Department should ensure that it retains adequate supporting documentation for athletic department expenditures.  
**Management Response:** Management agrees with the finding/recommendation. The Athletic Department staff will make every effort to ensure that adequate documentation is retained |
<table>
<thead>
<tr>
<th>No.</th>
<th>Finding</th>
<th>Recommendation &amp; Management’s Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>for all travel related expenses. We will work with the Accounts Payable Department to review transactions on a regular basis to ensure that all documentation has been provided.</td>
</tr>
</tbody>
</table>

**Implementation Date:**
February 2014.

**Responsible Party:**
Associate A.D. for Business Operations.
NOTE 1 – 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 information recorded in UTPA’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 – Capital Assets

Athletics acquires, depreciates, and disposes assets in accordance with UTPA 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 UTPA. Competitive bidding is required for all assets above $5,000, which is the capitalization threshold.
- Depreciation - Depreciation is allocated to Athletics based on the 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.

NOTE 3 – Contributions Constituting More than Ten Percent of All Contributions

Revenue from contributions was $209,968.67 for FY 2013. Three contributions were more than ten percent of all contributions, as follows:

- The UTPA Alumni Association made a $31,000 contribution to the Bronc Athletic Fund (BAF). The BAF is the primary fundraising arm of Athletics. Fundraising proceeds directly support student athletes by providing scholarships and increased resources for sports programs.
- The UTPA Foundation made a $43,000 contribution as a matching gift to proceeds from the Bronc Athletic International Tournament, an annual fishing tournament supporting the athletics program and student scholarships. The UTPA Foundation holds fundraisers in support of Athletics.

NOTE 4 – New Conference

Effective July 1, 2013, UTPA became a member of the Western Athletic Conference.