



January 16, 2018

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, 2017. 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, 2017**



January 2018

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
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**The University of Texas Rio Grande Valley
Independent Auditor's Report on the Application of Agreed-Upon Procedures
For the Fiscal Year Ended August 31, 2017**

**INDEPENDENT¹ 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, 2017. 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, 2017; **Appendix B**, Findings and Recommendations; **Appendix C**, Follow-Up on Prior Year's Findings and Recommendations; **Appendix D**, Notes to the SRE; and **Appendix E**, Variance Analysis.

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

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

*We identified one material error in the preliminary SRE during the initial tie out process. We determined that there was an inadvertent omission of expenses of approximately \$532,315.68, resulting in an understatement of total expenses. Of this omitted amount, \$358,094.28 of Direct Overhead and Administrative Expenses were material to the SRE. Management agreed and recorded these as well as other immaterial expenses in the final SRE located in **Appendix A** of this report. The specific adjustments identified and recorded are described for the affected SRE expense categories 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 out-of-state tuition waivers, 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.

¹ 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 and agree a sample of operating revenue receipts and operating expenses obtained from the above supporting schedules to adequate supporting documentation.
- ❖ 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. If applicable, any material exceptions are noted below under the specific category.

- 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 these procedures.

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

*No material exceptions were noted in performing this procedure. See **Appendix D**, 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.

*We identified one material misclassification of \$175,458.26 incorrectly recorded to Direct Institutional Support. This category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*



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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.

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.

*We identified one material misclassification of \$175,458.26 incorrectly recorded to Direct Institutional Support. This amount should have been recorded as Student Fees. This category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*

Transfers Back to Institution

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

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; however, we determined that an immaterial amount of \$17,690.32 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

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.



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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.

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.
14. If the third party was audited by independent auditors, obtain the related independent auditors' report.

Athletics personnel did not receive compensation or benefits directly from a third-party that is 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.

Media Rights

15. 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.
16. 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.

Procedure was not applicable. Athletics did not have any media rights revenue.

NCAA Distributions

17. 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

18. 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.



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19. 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

20. 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.

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

Royalties, Licensing, Advertisements, and Sponsorships

21. 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.
22. 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

23. 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.
24. 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

25. Obtain and inspect endowment agreements to gain an understanding of the relevant terms and conditions.
26. 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

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

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



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Bowl Revenues

28. 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.
29. Compare and agree the related revenues to UTRGV's general ledger, and/or the SRE and recalculate totals.

Procedures were not applicable. Athletics did not have any bowl revenues for the reporting period.

Agreed Upon Procedures Related to Expenses

Athletic Student Aid

30. Select a sample of students from the listing of institutional student aid recipients during the reporting period.
31. 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.
32. Perform a check of each student selected to ensure their information was reported accurately in the NCAA Membership Financial Reporting System.
33. Recalculate totals for each sport and overall.

*No material exceptions were noted as a result of these procedures; however, we determined that an immaterial amount of \$37,512.70 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Guarantees

34. 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.
35. 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

36. 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.
37. 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.
38. 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,



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benefits, and bonuses paid by UTRGV and related entities expense recorded by UTRGV in the SRE during the reporting period.

39. 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; however, we determined that an immaterial amount of \$13.17 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Coaching Other Compensation and Benefits Paid by a Third-Party

40. 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.
41. 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.
42. 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 is 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

43. Select a sample of support staff/administrative personnel employed by UTRGV and related entities during the reporting period.
44. 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; however, we determined that an immaterial amount of \$2,218.92 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

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

45. Select a sample of support staff/administrative personnel employed by third parties during the reporting period.
46. 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



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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 is 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.

Severance Payments

47. 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.

Procedure was not applicable. Athletics did not make severance payments.

Recruiting

48. Obtain and document an understanding of UTRGV's recruiting expense policies.
49. Compare and agree to existing institutional- and NCAA-related policies.
50. 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; however, we determined that an immaterial amount of \$3,531.04 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Team Travel

51. Obtain and document an understanding of UTRGV's team travel policies.
52. Compare and agree to existing institutional- and NCAA-related policies.
53. 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; however, we determined that an immaterial amount of \$25,135.67 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Equipment, Uniforms, and Supplies

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; however, we determined that an immaterial amount of \$92,740.92 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Game Expenses

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.



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*No material exceptions were noted as a result of this procedure; however, we determined that an immaterial amount of \$668.50 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Fund Raising, Marketing, and Promotion

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; however, we determined that an immaterial amount of \$5,100.96 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Sports Camps Expenses

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.

*No material exceptions were noted as a result of this procedure; however, we determined that an immaterial amount of \$1,897.83 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Spirit Groups

58. 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.

Procedure was not applicable. Athletics does not control or operate UTRGV Spirit Groups.

Athletic Facility Debt Service, Leases and Rental Fees

59. 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 payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements).
60. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

Procedure was not applicable. UTRGV had no Athletics related debt.

Direct Overhead and Administrative Expenses

61. 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 amount of \$358,094.28 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report. See recommendation in **Appendix B**.*

Indirect Institutional Support

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



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*No material exceptions were noted as a result of this procedure; however, we determined that an immaterial amount of \$17,690.32 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Medical Expenses and Medical Insurance

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; however, we determined that an immaterial amount of \$594.55 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Memberships and Dues

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; however, we determined that an immaterial amount of \$2,128.05 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Other Operating Expenses and Transfers to Institution

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; however, we determined that an immaterial amount of \$485.60 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Student-Athletic Meals (non-travel)

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.

*No material exceptions were noted as a result of this procedure; however, we determined that an immaterial amount of \$198.04 was inadvertently omitted from the SRE. The category was corrected in the final SRE that appears in **Appendix A** of this report.*

Bowl 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.

Procedure was not applicable. Athletics did not have any bowl expenses for the reporting period.



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Additional Minimum Agreed-Upon Procedures

- Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to UTRGV's squad lists. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists, inquire about the discrepancy and report the justification in the AUP report.

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

- 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

68. 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.

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

Total Athletics Related Debt

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

Procedure was not applicable. UTRGV had no Athletics related debt.

Total Institutional Debt

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



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

Value of Athletics Dedicated Endowments

72. 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

73. 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

74. Obtain a schedule of athletics related capital expenditures made by athletics, UTRGV, and affiliated organizations during the reporting period.
75. 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.

Procedure was not applicable. UTRGV did not have Athletics related capital expenditures.

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.

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

Gan Louie, CIA, CISA
Audit Supervisor



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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, 2017

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	TOTAL
Operating Revenues:					
Ticket Sales	\$ 72,578.00	\$ 23,962.00	\$ 57,175.39	\$ 4,425.00	158,140.39
Direct State Support or Other Government Support	-	-	-	-	-
Student Fees	-	-	-	8,219,459.66	8,219,459.66
Direct Institutional Support	-	-	-	2,203,572.63	2,203,572.63
Less - Transfers to Institution	-	-	-	-	-
Indirect Institutional Support	300,323.22	223,688.34	631,050.63	850,631.16	2,005,693.35
Guarantees	250,000.00	75,000.00	15,500.00	-	340,500.00
Contributions	10,950.00	1,450.00	43,248.00	135,672.41	191,320.41
In-Kind	30,043.12	13,619.00	57,282.00	27,445.60	128,389.72
Compensation and Benefits provided by a Third Party	-	-	-	-	-
Media Rights	-	-	-	-	-
NCAA Distributions	-	-	8,250.00	818,374.75	826,624.75
Conference Distributions	-	-	-	100,000.00	100,000.00
Program, Novelty, Parking & Concession Sales	-	-	890.00	64,588.45	65,478.45
Royalties, Licensing, Advertisements & Sponsorship	-	-	-	264,964.22	264,964.22
Sports Camp Revenues	16,572.00	7,502.00	36,914.55	-	60,988.55
Athletics Restricted Endowments & Investment Income	6,476.64	6,476.64	16,843.71	11,987.32	41,784.31
Other Operating Revenue	-	-	-	31,459.61	31,459.61
Bowl Revenues	-	-	-	-	-
Total Operating Revenues	\$ 686,942.98	\$ 351,697.98	\$ 867,154.28	\$ 12,732,580.81	\$ 14,638,376.05
Operating Expenses:					
Athletics Student Aid	\$ 319,964.97	\$ 384,926.90	\$ 1,547,390.22	\$ 16,085.29	\$ 2,268,367.38
Guarantees	29,500.00	47,764.12	68,372.98	-	145,637.10
Coaching Salaries, Benefits & Bonuses paid by the University & Related Entities	615,977.71	442,593.24	1,393,047.73	-	2,451,618.68
Coaching Salaries, Benefits & Bonuses paid by a Third Party	-	-	-	-	-
Support Staff/Administrative Compensation, Benefits & Bonuses paid by the University & Related Entities	47,000.62	51,200.02	-	1,879,991.90	1,978,192.54
Support Staff/Administrative Compensation, Benefits & Bonuses paid by Third Party	-	-	-	-	-
Severance Payments	-	-	-	-	-
Recruiting	68,544.26	45,967.99	101,638.30	372.22	216,522.77
Team Travel	274,646.98	212,100.61	1,172,667.63	397.73	1,659,812.95
Sports Equipment, Uniforms & Supplies	49,903.58	35,137.27	260,662.62	207,139.89	552,843.36
Game Expenses	3,189.72	3,537.39	48,929.29	656,741.77	712,398.17
Fund Raising, Marketing & Promotion	8,665.85	1,155.00	22,368.51	182,148.20	214,337.56
Sports Camps Expenses	2,944.79	28.49	2,075.89	-	5,049.17
Spirit Groups	-	-	-	-	-
Athletic Facilities Debt Service, Leases & Rental Fees	-	-	-	-	-
Direct Overhead and Administrative Expenses	45,897.10	13,786.09	71,221.35	838,144.12	969,048.66
Indirect Institutional Support	300,323.22	223,688.34	631,050.63	850,631.16	2,005,693.35
Medical Expenses and Insurance	-	732.40	1,667.73	100,452.95	102,853.08
Membership & Dues	1,925.00	2,365.00	4,515.70	137,014.89	145,820.59
Student-Athlete Meals (non-travel)	2,468.24	4,455.73	31,366.35	52,368.41	90,658.73
Other Operating Expenses	1,101.21	-	634.87	50,398.01	52,134.09
Bowl Expenses	-	-	-	-	-
Total Operating Expenses	\$ 1,772,053.25	\$ 1,469,438.59	\$ 5,357,609.80	\$ 4,971,886.54	\$ 13,570,988.18
Excess (Deficiency) of Revenues					
Over (Under) Expenses	\$ (1,085,110.27)	\$ (1,117,740.61)	\$ (4,490,455.52)	\$ 7,760,694.27	\$ 1,067,387.87



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**APPENDIX B
FINDINGS AND RECOMMENDATIONS**

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

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.

Adjustments to correct the errors were made to the final SRE that appears in *Appendix A* of this report.

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.



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**APPENDIX C
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.

Training and Procedures for the Preparation of the SRE

From the agreed-upon procedures performed, we identified five material errors that affected 13 SRE categories.

1. Omission of Direct Institutional Support.
2. Misclassification error—Other Operating Expenses was overstated and included expenses that should have been reported within Direct Overhead and Administrative Expenses; Fundraising, Game Expenses, Recruiting, and Support Staff/Administrative Compensation.
3. Inclusion of capital expenditures into expense categories of Game Expenses and Other Operating Expenses.
4. Omission of expenses for 12 expense line items: Athletic Student Aid, Support Staff/Administrative Compensation, Recruiting, Team Travel, Sports Equipment, Uniforms and Supplies, Game Expenses, Fundraising, Sports Camps, Direct Overhead and Administrative Expenses, Medical Expenses, Student-Athlete Meals, Other Operating Expenses.
5. Omission of compensation for athletic academic advisors and college work-study employees understating Support Staff/Administrative Compensation.

Factors contributing to the observed errors include the following:

- The Athletics Department has no policies or written procedures for the preparation of the SRE report.
- The individual who prepared the previous year's SREs left the university and a new individual was hired in April of 2016. This individual is the only person who prepares the SRE report. No other individual is cross-trained on the report preparation.

Recommendation:

The Intercollegiate Athletics Department should develop detailed written procedures for the preparation of the SRE and cross train employees so that more than one individual is knowledgeable in 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:

Beginning December 2016, the Senior Associate Athletics Director for Business Operations implemented a new process for the ensuring timely and accurate preparation of the SRE. An SRE financial reports template was created utilizing the NCAA's agreed upon procedures. On a quarterly basis, utilizing this template, athletic department related transactions are coded by the Senior Associate Athletics Director for Business Operations.



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Cross training has started to take place with the Accountant II and other athletic business office staff. In January 2017, all athletic business office staff were trained on the correct use of expense types (E-types) used to code expenses into the Oracle software. The Accountant II is responsible for ensuring the correct E-types are used for financial reporting purposes. Beginning February 2017, the Accountant II will be trained on how to code transactions into the new template.

Implementation Date:

January 30, 2017

Implementation Status:

Partially Implemented – See current Recommendation #1 in *Appendix B*.



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

NOTE 1 – 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 \$191,320.41 for FY2017. One contribution was more than ten percent of all contributions, as follows:

- The International Bank of Commerce made a contribution in the amount of \$25,000.

NOTE 3 – Affiliated and Outside Organizations

There are two affiliated and outside organizations that benefit UTRGV's Athletic Department and are not under UTRGV's accounting control. The UTRGV Foundation, an independent non-profit corporation, was formed exclusively for charitable, educational, and scientific purposes and to assist in the development of UTRGV. Additionally, the Vaqueros International Scholarship Tournament for Athletes may hold fundraising events to support the Department of Athletics through donations to the V Club. The V Club is the fundraising arm of UTRGV Athletics.

NOTE 4 – Capital Assets

Athletics acquires, 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. 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.
- 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

Category	Amount
Excess Transfers to Institution	\$0.00
Conference Realignment Expenses	Not Applicable
Total Athletics Related Debt	\$0.00
Total Institutional Debt	\$174,794,000.00
Value of Athletics Dedicated Endowments	\$560,265.65
Value of Institutional Endowments	\$54,614,872.53
Total Athletics Related Capital Expenditures	\$0.00



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**APPENDIX E
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:

Major SRE Revenue Categories	FY 2017 SRE	FY 2016 SRE	Variance	% Variance	Variance Explanation
Student Fees	\$8,219,460	\$8,495,295	\$ -275,835	-3.25%	Variance is less than 10%
Direct Institutional Support	\$2,203,573	\$1,996,308	\$ 207,265	10.38%	The Department of Intercollegiate Athletics received increases in institutional support stemming from increases from quasi-endowment and designated interest income.
Indirect Facilities Support	\$2,005,693	\$1,867,931	\$ 137,762	7.38%	Variance is less than 10%

Major SRE Expense Categories	FY 2017 SRE	FY 2016 SRE	Variance	% Variance	Variance Explanation
Athletics Student Aid	\$2,268,367	\$2,100,044	\$ 168,323	8.02%	Variance is less than 10%
Coaching Salaries, Benefits, etc.	\$2,451,619	\$2,166,777	\$ 284,842	13.15%	The Department of Intercollegiate Athletics increased salaries primarily in men’s basketball, women’s basketball, women’s volleyball, women’s tennis, men’s soccer, women’s soccer, and the training room (\$13,586).
Support Staff	\$1,978,193	\$1,993,129	\$ -14,936	-0.75%	Variance is less than 10%
Team Travel	\$1,659,813	\$1,572,605	\$ 87,208	5.55%	Variance is less than 10%
Direct Overhead	\$ 969,049	\$ 520,700	\$ 448,349	86.10%	The year-over-year increase is due to the reclassification of overhead expenses from the “other” category to the direct overhead and administrative expense category as indicated by NCAA agreed-upon procedures guidelines.
Indirect Costs	\$2,005,693	\$1,867,931	\$ 137,762	7.38%	Variance is less than 10%



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Budget to Actual Comparison

The following accounts met the threshold for investigation:

Project Account	Project Account Name	Budget	Actual	Variance	Percent Variance	Explanation for Variances over 10%
Major Revenue:						
330000001	AES Athletics Revenue	\$ 11,089,139	\$10,980,285	\$108,854	0.98%	Variance is less than 10%

Project Account	Project Account Name	Budget	Actual	Variance	Percent Variance	Explanation for Variances over 10%
Major Expenses:						
330000002	Administration Athletics	\$1,990,227	\$1,955,216	\$ 35,011	1.76%	Variance is less than 10%
330000003	Men Baseball	\$ 784,455	\$ 803,909	\$ -19,454	-2.48%	Variance is less than 10%
330000005	Women Tennis	\$ 273,493	\$ 264,233	\$ 9,260	3.39%	Variance is less than 10%
330000006	Men Cross Country Track	\$ 438,350	\$ 417,394	\$ 20,956	4.78%	Variance is less than 10%
330000007	Women Cross Country Track	\$ 529,549	\$ 508,991	\$ 20,558	3.88%	Variance is less than 10%
330000010	Men Basketball	\$1,310,964	\$1,413,559	\$ -102,595	-7.83%	Variance is less than 10%
330000011	Men Soccer	\$ 579,650	\$ 592,518	\$ -12,869	-2.22%	Variance is less than 10%
330000012	Women Soccer	\$ 633,822	\$ 641,246	\$ -7,424	-1.17%	Variance is less than 10%
330000013	Women Volleyball	\$ 636,403	\$ 666,287	\$ -29,884	-4.70%	Variance is less than 10%
330000014	Women Basketball	\$1,165,755	\$1,170,649	\$ -4,894	-0.42%	Variance is less than 10%
330000016	Training Room	\$ 395,082	\$ 386,239	\$ 8,843	2.24%	Variance is less than 10%
330000019	Officials Security	\$ 260,597	\$ 259,724	\$ 873	0.33%	Variance is less than 10%
330000020	Athletic Academic Support	\$ 417,795	\$ 312,598	\$ 105,197	25.18%	Three positions were not filled for extended periods of time for FY 2017.
330000024	Athletics Maint & Util-ED	\$ 448,740	\$ 428,433	\$ 20,308	4.53%	Variance is less than 10%