



Item: AF: I-4

## AUDIT AND FINANCE COMMITTEE

Tuesday, February 19, 2013

**SUBJECT: REVIEW OF FAU INTERCOLLEGIATE ATHLETICS PROGRAM  
INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2012.**

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### PROPOSED COMMITTEE ACTION

Information Only.

### BACKGROUND INFORMATION

These procedures were prepared to assist FAU in evaluating whether the accompanying unaudited statement of revenue and expenses of FAU is in compliance with the National Collegiate Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2012. FAU's management is responsible for the statement of revenue and expenses ("statement") and the statement's 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 those parties specified in this report.

The annual report on Florida Atlantic University Intercollegiate Athletics is required to be submitted to the Board of Governors as part of the State University System data request process.

### IMPLEMENTATION PLAN/DATE

Not Applicable.

### FISCAL IMPLICATIONS

Not Applicable.

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**Supporting Documentation:** FAU Intercollegiate Athletics Program Independent Accountant's Report on Agreed-Upon Procedures for the Year Ended June 30, 2012.

**Presented by:** Mr. Dennis Crudele, Senior Vice President-Financial Affairs  
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**FLORIDA ATLANTIC UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM  
INDEPENDENT ACCOUNTANTS' REPORT  
ON AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2012**



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## **INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES**

Ms. Mary Jane Saunders, Ph.D., President  
Florida Atlantic University  
Boca Raton, Florida

We have performed the procedures enumerated below, which were agreed to by the chief executive of Florida Atlantic University ("FAU" or the "University"), solely to assist you in evaluating whether the accompanying unaudited Statement of Revenue and Expenses (the "Statement") of the FAU Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the fiscal year ended June 30, 2012. The University's management is responsible for the Statement 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 parties specified above. 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.

### **Agreed Upon Procedures Related to the Statement of Revenue and Expenses:**

The procedures that we performed and our findings for the fiscal year ended June 30, 2012 are as follows:

#### **REVENUE:**

For all significant revenue categories reported on the Statement, we performed the following procedures:

- A) We compared and agreed each operating revenue category reported on the Statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating revenue receipts obtained from applicable schedules to supporting documentation.
- C) We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.
- D) We agreed the amounts reported on the Statement for each revenue category to the University's general ledger.
- E) We recalculated all totals.

We performed the above procedures, as well as additional procedures for each of the following significant revenue categories:

## **TICKET SALES:**

Approximately 89% of ticket sales were for football, therefore, the tickets sold for football games during the reporting period were selected for procedures. The general ledger entries for ticket sales are made by the main FAU office and the Athletics Department keeps track of ticket sales through online reports from Ticketmaster. We obtained and reviewed FAU's Direct Supplemental Organizational Schedule (the "DSO") which quantifies season ticket sales and game day ticket sales. We compared the total per the DSO, plus other reconciling items to football ticket sales as reported on the Statement. The largest reconciling item pertained to the deferred football account, which we traced and agreed to a deferred football schedule prepared by the Athletics Department. We also obtained and reviewed the Ticketmaster sales report for the fiscal year ended June 30, 2012 and compared the total per this report to football ticket sales as reported on the Statement.

## **Findings:**

Season and game day ticket sales per the DSO totaled \$888,854. This amount, plus deferred football sales of \$379,175 and various other reconciling items aggregating \$57,292 equals \$1,325,321 as reported for football ticket sales on the Statement. Total football ticket sales per the Ticketmaster report totaled \$1,113,785. This amount plus group ticket sales for visiting teams amounting to \$10,000 and other miscellaneous charges aggregating \$20,298, equals \$1,144,083, which is \$181,238 less than football ticket sales as reported on the Statement. Per discussion with management, this difference is primarily attributable to multiple year ticket sales for which the Statement is including the full amount of such sales in the fiscal year ended June 30, 2012. Therefore, the Statement is overstating football ticket sales applicable to the fiscal year ended June 30, 2012 by approximately the difference noted.

## **Analytical Findings:**

Overall ticket sales increased from \$1,361,976 during the year ended June 30, 2011 to \$1,483,341 during the year ended June 30, 2012. This increase is primarily attributable to the opening of a new football stadium on FAU's campus for which ticket prices increased and more tickets were sold as compared to ticket sales for football games at the off-campus venue in prior years. However, there was a negative variance between actual ticket sales during the fiscal year ended June 30, 2012 and the budgeted total. This negative variance was a result of over-budgeting this line item as the anticipated impact of the new stadium exceeded actual results. There was no precedent upon which to base the 2012 budget for line items that were significantly impacted by the opening of the new stadium. Therefore, certain revenue line items had a larger than usual budget vs. actual variance during the year ended June 30, 2012.

## **STUDENT FEES:**

We obtained and reviewed the student data course file that indicates the number of semester hours that the overall student body was enrolled in for the semesters falling within the fiscal year. We obtained from the University a document that details the various fees that are charged to enrolled students. During the fiscal year ended June 30, 2012, FAU charged each student a fee of \$16.45 per semester hour for general athletics. This amount was agreed to the University document titled "Rules of the Department of Education – Florida Atlantic University"; Chapter 6c5-8.001 – "Tuition and Fees", which describes the methodology used by FAU for allocating student fees to the Athletics Department. The methodology used by FAU to calculate all of its fees is based upon the specific authority of Florida Statutes 1009.24, 1001.74 (4) and 1010.03.

## **STUDENT FEES (CONTINUED):**

### **Findings:**

The total number of student semester hours for the fiscal year ended June 30, 2012 multiplied by the applicable fixed fee amount per credit hour yielded a result that was approximately 0.21% less than the dollar amount reported on the Statement, a difference of approximately \$23,000.

### **Analytical Findings:**

Actual revenue from Student Fees increased from \$10,425,354 during the fiscal year ended June 30, 2011 to \$11,121,884 during the fiscal year ended June 30, 2012 due to an increase in student semester hours of approximately 4.8%. Additionally, the fee of \$16.45 per hour was in effect for all of the 2012 fiscal year, whereas, it was only in effect for part of the previous year (the fee increased from \$14.30 to \$16.45 during the 2011 fiscal year). There was a positive variance between actual Student Fees during the fiscal year ended June 30, 2012 and the budgeted total due to FAU's conservative budgeting approach which resulted in a budgeted total for the fiscal year ended June 30, 2012 of slightly less than the preceding year's actual results.

## **GUARANTEES:**

We obtained and reviewed a sample of ten athletic agreements/contracts from the Athletics Department which detail the guaranteed revenue that was received by FAU for participation in away games. These ten agreements/contracts aggregated \$1,990,000, comprising approximately 98% of guarantee revenue recorded for the year ended June 30, 2012. We traced the amounts that appeared on the athletic agreements/contracts to the general ledger. We also agreed the event dates stated in the athletic agreements/contracts to the reporting period.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Actual revenue from Guarantees increased from \$1,614,500 during the fiscal year ended June 30, 2011 to \$2,029,000 during the fiscal year ended June 30, 2012. This increase is primarily caused by three additional guarantees received by the football program in the fiscal year ended June 30, 2012 as compared to the preceding year. Additionally, during the fiscal year ended June 30, 2012, the guarantees included \$975,000 and \$500,000 for games vs. Auburn and Florida, respectively. In the previous year there was only one guarantee that exceeded \$300,000. There was no significant difference between budgeted and actual results.

## **CONTRIBUTIONS:**

From the Athletics Department we obtained and reviewed supporting documentation for the contribution of money, goods or services received by the Athletics Department for any affiliated or outside organization, agency or group of individuals that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period. The Athletics Department received \$2,503,093 in contributions during the fiscal year ended June 30, 2012, most of which was received from the Florida Atlantic University Foundation Athletic Account (the "Foundation Athletic Account"). The Foundation Athletic Account is maintained for purposes of collecting and accounting for contributions made to the Athletics Department, which is then the property of the Athletics Department. During the fiscal year ended June 30, 2012, \$162,095 was provided to the Athletics Department from funds in the Foundation Athletic Account and \$2,158,247 of the Athletics Department's expenses was directly paid by funds in the Foundation Athletic Account. Various other contributions (mostly from Adidas and from FAU's book store) comprise the remaining contributions received.

The Florida Atlantic University Foundation, Inc. (the "Foundation") is the sponsor of the Foundation Athletic Account and is the only outside organization not under control of FAU where the Athletics Department may pay expenses directly from or on their own behalf. The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of FAU. We obtained a schedule of all expenditures made through the Foundation Athletic Account on behalf of the Athletics Department and all cash transfers received for the fiscal year ended June 30, 2012. We also obtained a copy of the Foundation Athletic Account's general ledger detailing the transactions related to the Athletics Department. We agreed all amounts reported on the Statement to the general ledger.

We obtained and read the Foundation's audited financial statements and reports to management regarding matters related to internal control over financial reporting for the fiscal year ended June 30, 2012.

### **Findings:**

We found no exceptions as a result of our procedures. Additionally, we noted that an independent auditor expressed an unqualified opinion on the financial statements of the Foundation for the fiscal year ended June 30, 2012. The independent auditor noted no matters involving internal control over financial reporting and its operation that were considered significant deficiencies or material weaknesses.

### **Analytical Findings:**

Revenue from Contributions increased from \$1,348,173 during the fiscal year ended June 30, 2011 to \$2,503,093 during the fiscal year ended June 30, 2012. The increase is primarily related to the Foundation receiving more contributions as a result of enhanced marketing efforts in conjunction with the construction of a new football stadium on the University's campus. There was a positive variance between actual contributions during the fiscal year ended June 30, 2012 and the budgeted total. This positive variance is due to there being no precedent upon which to base the 2012 budget for line items that were significantly impacted by the opening of the new stadium. Therefore, certain revenue line items had a larger than usual budget vs. actual variance during the year ended June 30, 2012. Additionally, Contributions are greatly affected by general economic conditions, which can fluctuate significantly year-to-year, making this revenue item more challenging to accurately budget.

## **DIRECT INSTITUTIONAL SUPPORT:**

For the fiscal year ended June 30, 2012, FAU approved \$1,364,908 in direct institutional support. Of this amount, \$743,973 represents tuition waivers. We obtained and reviewed a schedule prepared by the Athletics Department breaking out tuition waivers by sport. Individual student tuition waivers were tested as part of our procedures applicable to Athletic Student Aid Expenses. FAU also authorized inter-fund transfers of \$363,055 to cover athletic scholarship amounts as well as other related expenses. We obtained and reviewed the authorizations for these transfers. We also traced the amount of the transfers that appeared on the authorizations to the general ledger. Revenue of \$247,246 relating to Title IX and various other miscellaneous amounts aggregating \$10,634 comprise the remaining totals included as Direct Institutional Support as reported on the Statement.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance noted in Direct Institutional Support revenue received during the fiscal years ended June 30, 2011 and 2012. Additionally, there was no significant difference between budgeted and actual results.

## **INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:**

The Athletics Department received \$575,490 in indirect support from the FAU Academics Department. We obtained the general ledger account detail from the Academics Department's general ledger and agreed all amounts to amounts reported on the Statement.

The Athletics Department also received \$103,945 in indirect support associated with the cost of security for various sporting events. We obtained and reviewed invoices from the FAU Police Department for security provided at various sports events to verify this amount.

FAU currently does not track the indirect institutional support for utilities expenses. FAU has allocated \$200,000 for utilities associated with the new on-campus stadium and another \$570,000 for electricity used for the lights on various fields, grounds, and offices of the Athletics Department.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Indirect Facilities and Administrative Support increased from \$1,254,155 during the fiscal year ended June 30, 2011 to \$1,449,435 during the fiscal year ended June 30, 2012. This increase is primarily attributable to an additional \$200,000 allocated in the fiscal year ended June 30, 2012 for utilities associated with the new on-campus football stadium. This revenue category was not budgeted because it is offset by Indirect Facilities and Administrative Support Expenses.

## **NCAA/CONFERENCE DISTRIBUTIONS:**

FAU received the following from the NCAA: \$160,670 as their share of a sports sponsorship fund; \$428,764 for an athletics grants-in-aid award; \$66,649 for NCAA Academic Enhancement; \$240,145 from Sun Belt Conference revenue; and \$58,296 in Supplemental NCAA revenue distributions; and \$3,462 in miscellaneous revenue. These receipts total \$957,986, as reported on the Statement.

We obtained and reviewed receipts aggregating \$888,625 (approximately 93% of the total reported on the Statement). For each receipt selected, we reviewed the applicable NCAA and/or conference guidelines governing such distributions. Additionally, we traced the amounts to postings in the general ledger detail and to the finance transaction form or a copy of the applicable check/stub.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

No significant variance was noted in NCAA/Conference Distributions revenue received during the fiscal year ended June 30, 2012 as compared to the preceding fiscal year. There was a positive variance between actual NCAA/Conference Distributions during the fiscal year ended June 30, 2012 and the budgeted total. Per discussion with management, this revenue line item was conservatively budgeted.

## **PROGRAM SALES, CONCESSIONS, NOVELTY SALES, AND PARKING:**

We obtained and reviewed documentation applicable to football parking and food revenue aggregating \$309,801, which comprises approximately 73% of the total reported on the Statement. For each item selected for testing, we traced the amounts to the general ledger. The remaining \$113,177 is comprised of \$67,131 of parking, concessions, program sales, and merchandise sales relating to football and various other sports, and \$46,046 of miscellaneous other items.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Program Sales, Concessions, Novelty Sales, and Parking revenue increased from \$70,165 to \$422,978 during the fiscal years ended June 30, 2011 and 2012, respectively. This increase is primarily attributable to the opening of the new on-campus football stadium during the fiscal year ended June 30, 2012, which led to increased fans in attendance. However, there was a negative variance between actual Program Sales, Concessions, Novelty Sales, and Parking revenue during the fiscal year ended June 30, 2012 and the budgeted total. This negative variance was a result of over-budgeting this line item as the anticipated impact of the new stadium exceeded actual results. There was no precedent upon which to base the 2012 budget for line items that were significantly impacted by the opening of the new stadium. Therefore, certain revenue line items had a larger than usual budget vs. actual variance during the year ended June 30, 2012.



## **ROYALTIES, LICENSING, ADVERTISEMENTS, AND SPONSORSHIPS:**

FAU has entered into a ten year license agreement titled "Soft Drink Pouring Rights Contract" with an outside vendor. The vendor has exclusive rights to sell beverages on FAU's campuses, marketing Pepsi products. The vendor is to pay FAU amounts based on net sales of all items with a guaranteed annual minimum payment of \$200,000. Of this amount, FAU has allocated an annual maximum amount of \$180,000 to the Athletics Department. We examined the contract associated with this agreement and tied the \$180,000 to the appropriate general ledger posting.

FAU has also entered into various sponsorship agreements associated with the new on-campus football stadium. These agreements aggregated \$530,150 during the fiscal year ended June 30, 2012. We selected the three largest agreements, totaling \$375,980 for testing. For each of these agreements, we obtained documentation of the payments received.

We also selected various other sponsorship agreements aggregating \$136,583 for which we examined the applicable contract and traced the amounts to the general ledger. Various marketing and promotions revenue and other miscellaneous revenue totaling \$23,855 are also included in the \$870,588 reported on this line item on the Statement.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Royalties, Licensing, Advertisements, and Sponsorships revenue increased from \$331,990 to \$870,588 during the fiscal years ended June 30, 2011 and 2012, respectively. This increase is primarily attributable to the opening of the new on-campus football stadium during the fiscal year ended June 30, 2012, for which there were sponsorship agreements aggregating \$530,150. However, there was a negative variance between actual Royalties, Licensing, Advertisements, and Sponsorships revenue during the fiscal year ended June 30, 2012 and the budgeted total. This negative variance was a result of over-budgeting this line item as the anticipated impact of the new stadium exceeded actual results. There was no precedent upon which to base the 2012 budget for line items that were significantly impacted by the opening of the new stadium. Therefore, certain revenue line items had a larger than usual budget vs. actual variance during the year ended June 30, 2012.

## **ENDOWMENT AND INVESTMENT INCOME:**

No procedures were performed relating to this line item due to the insignificant amount recorded as compared to revenue as a whole.

## **OTHER REVENUE:**

Other Revenue consists of numerous cash inflows that do not directly correlate with any of the other specific revenue line items on the Statement. We obtained from the Athletics Department a schedule of such items which equals the \$1,022,968 reported on the Statement. We selected the two largest items on the schedule and obtained the corresponding invoices and checks received to tie in the amount recorded and the period for which the revenue was earned.

## **OTHER REVENUE (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Other Revenue increased from \$796,717 during the fiscal year ended June 30, 2011 to \$1,022,968 during the fiscal year ended June 30, 2012. This increase is primarily attributable to the opening of the new on-campus football stadium during the fiscal year ended June 30, 2012, which has resulted in an overall increase in cash inflows for the Athletics Department as compared to prior years. However, there was a negative variance between Other Revenue recorded during the fiscal year ended June 30, 2012 and the budgeted total. This negative variance was a result of over-budgeting this line item as the anticipated impact of the new stadium exceeded actual results. There was no precedent upon which to base the 2012 budget for line items that were significantly impacted by the opening of the new stadium. Therefore, certain revenue line items had a larger than usual budget vs. actual variance during the year ended June 30, 2012.

## **EXPENSES:**

For all expense categories reported on the Statement, we performed the following procedures:

- A) We compared and agreed each operating expense category reported on the Statement during the reporting period to supporting schedules provided by FAU.
- B) We compared and agreed a sample of operating expenses selected from applicable schedules to supporting documentation.
- C) We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.
- D) We agreed the amounts reported on the Statement for each expense category to the University's general ledger.
- E) We recalculated all totals.

We performed the above procedures, as well as the additional procedures for each expense category as follows:

### **ATHLETIC STUDENT AID:**

From the Athletics Department we obtained and reviewed a listing of student aid recipients during the reporting period and selected a sample of ten students. We obtained each selected students' signed award letter and billing statement for the fiscal year ended June 30, 2012. The billing statements segregated the amounts paid by the Athletics Department into scholarship awards and student payments. We agreed the amounts paid on each billing statement to the terms in the related award letter. The student aid listing is created for students who are eligible to receive athletic scholarships. The amount in the listing is based on a full course load of fifteen credit hours per semester and an annual books stipend of \$400. Any additional expense, such as an additional credit hour in the course load, is usually covered by the athletics scholarship program. The Athletics Department is willing to provide students with some additional funding, if needed. Students who do not take the full course load of classes receive less aid than the listing will show. The billing statement indicates the amount that is paid by the Athletics Department along with the tuition waivers given to applicable students.

## **ATHLETIC STUDENT AID (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Athletic Student Aid expense during the fiscal year ended June 30, 2012 as compared to the fiscal year ended June 30, 2011. The budgeted total for the fiscal year ended June 30, 2012 exceeded actual results due to the Athletics Department giving out less in scholarship awards during the fiscal year ended June 30, 2012 than initially anticipated.

## **GUARANTEES:**

From the Athletics Department we obtained and reviewed a sample of five athletic agreements/contracts which detail the guaranteed expenses that were incurred by FAU for participation in home games. The five agreements/contracts selected for testing aggregated \$350,000 (approximately 92% of total guarantees expense reported on the Statement). We traced the amounts that appeared on the athletics agreements/contracts to the general ledger. We also agreed the event dates stated on the athletics agreements/contracts to the reporting period.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Guarantees expense during the fiscal year ended June 30, 2012 as compared to the fiscal year ended June 30, 2011. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **COACHING SALARIES, BENEFITS, AND BONUSES:**

We obtained a schedule of coaches' salaries from the Athletics Department and agreed the amount to the salaries listing, which was reconciled to the general ledger. We selected ten coaches for whom we obtained and inspected their 2011 Form W-2. The 2012 Form W-2's were not yet available at the time these procedures were performed. Therefore, we also performed a payroll reconciliation for these ten selections in order to verify that the amounts reported in the 2011 Form W-2's were properly included in the coaches' salaries reported on the Statement during the reporting period. We obtained the coaches' contracts and terms of the salaries, and agreed the amounts to the schedule of coaches' salaries.

## **COACHING SALARIES, BENEFITS, AND BONUSES (CONTINUED):**

### **Findings:**

We found no significant exceptions as a result of these procedures.

### **Analytical Findings:**

No significant variance was noted in Coaching Salaries, Benefits, and Bonuses paid during the fiscal year ended June 30, 2012 as compared to the previous year. The budget did not break out this line item from Support Staff and Administrative Salaries, Benefits, and Bonuses. Therefore, a true budget to actual comparison cannot be made. Overall, no significant variance was noted between budgeted amounts in the aggregate for these two line items as compared to actual costs.

## **SUPPORT STAFF AND ADMINISTRATIVE SALARIES, BENEFITS, AND BONUSES:**

We obtained a schedule of support staff and administrative personnel salaries from the Athletics Department and agreed the amount to the salaries listing, which was reconciled to the general ledger. We selected five support staff and administrative personnel for whom we obtained and inspected the 2011 Form W-2. The 2012 Form W-2's were not yet available at the time these procedures were performed. Therefore, we performed a payroll reconciliation for these five selections in order to verify that the amounts reported in the 2011 Form W-2's were properly included in the salaries reported in the Statement during the reporting period.

### **Findings:**

We found no significant exceptions as a result of these procedures.

### **Analytical Findings:**

Support Staff and Administrative Salaries, Benefits, and Bonuses expense increased from \$1,810,510 for the fiscal year ended June 30, 2011 to \$2,326,345 for the fiscal year ended June 30, 2012. This increase is primarily due to turnover in personnel (see Severance Payments section below) during the fiscal year ended June 30, 2012, as well as overall salary increases for the staff as a whole. The budget did not break out this line item from Coaching Salaries, Benefits, and Bonuses. Therefore, a true budget to actual comparison cannot be made. Overall, no significant variance was noted between budgeted amounts in aggregate for these two line items as compared to actual costs.

## **SEVERANCE PAYMENTS:**

We obtained a listing of all former employees who received severance payments during the fiscal year ended June 30, 2012 and traced each amount to the FAU's payroll reports. We also selected the three largest severance payments for additional testing. For each of these selections, we reviewed the former employee's personnel file, noting documentation of his/her termination and severance payments.

### **Findings:**

We found no exceptions as a result of these procedures.

## **SEVERANCE PAYMENTS (CONTINUED):**

### **Analytical Findings:**

Severance Payments increased from \$95,418 during the fiscal year ended June 30, 2011 to \$431,837 during the fiscal year ended June 30, 2012. This increase is primarily due to turnover during the fiscal year ended June 30, 2012 during which time twenty-five former employees received severance payments as compared to only eleven in the preceding year. Additionally, turnover in the head football coaching position during the fiscal year ended June 30, 2012 resulted in a higher severance payment than is typical for most other vacated positions. This expense category is not individually budgeted for; therefore, a budget to actual comparison cannot be made.

### **RECRUITING:**

We obtained and reviewed the recruiting policies for the Athletics Department. Only NCAA certified athletics' staff members are allowed to make off-campus recruiting visits. Expenses such as airfare, gas reimbursement, meals, and lodging expenses are covered for prospective student athletes. All expenses used for recruiting must be approved by the Associate Athletic Director for compliance. There must be an approved expense request prior to taking a recruiting trip for an authorized staff member. We selected the four departments with the largest recruiting expenses and haphazardly selected ten different expenses from within these four departments. We obtained copies of the invoices for the items selected and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Recruiting expenses increased from \$260,234 during the fiscal year ended June 30, 2011 to \$350,151 during the fiscal year ended June 30, 2012. Fluctuations for this expense line item are common as roster turnover from year-to-year may vary significantly as a result of graduations, transfers, and drop-outs. Additionally, there was increased staff turnover during the fiscal year ended June 30, 2012, including football for which there is a new head coach. Coaching staffs differ in their recruiting methodologies, resulting in variances in expenditures for this line item. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **TEAM TRAVEL:**

We obtained and reviewed the team travel policies for the Athletics Department. It is required that the prospective traveler (whether a team, a prospective individual, or a coach) submit requests to the Athletics Department in writing for the expected travel. This submission is done on forms provided by the Athletics Department. A travel itinerary form must be submitted with the name and the internally assigned account numbers of the team members and non-team members traveling. The travel accommodations will be selected based on the best economic and appropriate means. The state will reimburse certain travel expenses, such as rental vehicles and hotel accommodations. We selected the 4 departments with the largest team travel expenses and haphazardly selected 10 items to inspect. We obtained a copy of the applicable invoices and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Actual expenses for Team Travel decreased from \$2,211,741 during the fiscal year ended June 30, 2011 to \$1,962,574 during the fiscal year ended June 30, 2012. This decrease is primarily a result of the fact that in the preceding year, added travel costs were incurred for a neutral site football game played in Michigan. Additionally, variances for this line item are to be expected from year to year as athletic teams' out-of-conference schedules differ each season. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 were significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **EQUIPMENT, UNIFORMS, AND SUPPLIES:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten Equipment, Uniforms, and Supplies expenses from the five sports with the largest expenses. We obtained copies of the invoices for the items selected and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

## **EQUIPMENT, UNIFORMS, AND SUPPLIES (CONTINUED):**

### **Analytical Findings:**

Actual expenses for Equipment, Uniforms, and Supplies increased from \$715,844 during the fiscal year ended June 30, 2011 to \$1,228,940 during the fiscal year ended June 30, 2012. This increase is attributable to normal fluctuations from year-to-year pertaining to the Athletics Department's needs for new equipment, uniforms, and supplies, in part due to graduations and the number of new players on various teams. Additionally, costs of equipment, uniforms, and supplies tend to increase over the course of time, adding to this variance. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

### **GAME EXPENSES:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of ten game expenses from four departments with significant game expense totals. We obtained a copy of the invoices for the ten selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Game expenses increased from \$415,227 during the fiscal year ended June 30, 2011 to \$1,027,551 during the fiscal year ended June 30, 2012. This increase is primarily attributable to the opening of the new on-campus football stadium for which operational costs were significantly greater than for the off-campus stadium used in preceding years. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **FUND RAISING, MARKETING, AND PROMOTION:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of nine Fund Raising, Marketing, and Promotion expenses from the three departments with the largest such expenses. We obtained copies of the invoices for the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

## **FUND RAISING, MARKETING, AND PROMOTION (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Fund Raising, Marketing, and Promotion expense during the fiscal year ended June 30, 2012 as compared to the fiscal year ended June 30, 2011. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **DIRECT FACILITIES, MAINTENANCE, AND RENTAL:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of five Direct Facilities, Maintenance, and Rental expenses from two departments with such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Direct Facilities, Maintenance, and Rental expense increased from \$239,856 during the fiscal year ended June 30, 2011 to \$842,930 during the fiscal year ended June 30, 2012. This increase is primarily attributable to the opening of the new on-campus football stadium for which costs related to this line item were significantly greater than for the off-campus stadium used in preceding years. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **SPIRIT GROUPS:**

From a report supplied by the Athletics Department, we haphazardly selected a sample of five Spirit Group expenses from three departments with such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.



## **SPIRIT GROUPS (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Spirit Group expenses during the fiscal years ended June 30, 2012 and 2011. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT:**

As detailed in the Indirect Facilities and Administrative Support revenue category findings, FAU does not track the indirect institutional support for the Athletics Department's utilities expense, and as such, \$200,000 has been allocated for utilities associated with the new on-campus stadium and another \$570,000 has been allocated for electricity used for the lights on various fields, grounds, and offices of the Athletics Department. These amounts represent estimates made by the University of usage by the Athletics Department.

Also included in this expense category is \$575,490 in indirect support from the FAU Academics Department, and \$103,945 in indirect support associated with the cost of security for various sporting events.

### **Findings:**

We found no exceptions as a result of the procedures performed as described in the Indirect Facilities and Administrative Support revenue section.

### **Analytical Findings:**

Indirect Facilities and Administrative Support increased from \$1,254,155 during the fiscal year ended June 30, 2011 to \$1,449,435 during the fiscal year ended June 30, 2012. This increase is primarily attributable to an additional \$200,000 allocated in the fiscal year ended June 30, 2012 for utilities associated with the new on-campus football stadium during the fiscal year. This expense category was not budgeted because it is offset by Indirect Facilities and Administrative Support revenue.

## **MEDICAL EXPENSES AND MEDICAL INSURANCE:**

We haphazardly selected a sample of five Medical and Medical Insurance expenses from two departments that had significant such expenses. We obtained a copy of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

## **MEDICAL EXPENSES AND MEDICAL INSURANCE (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Medical and Medical Insurance expenses during the fiscal years ended June 30, 2012 and 2011. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **MEMBERSHIPS AND DUES:**

From a report provided by the Athletics Department, we selected three Membership and Dues expenses from two departments that had such expenses. We obtained copies of the three invoices and agreed them to the general ledger. We also assessed whether the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

There was no significant variance in Membership and Dues expense during the fiscal years ended June 30, 2012 and 2011. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

## **OTHER OPERATING EXPENSES:**

From a report provided by the Athletics Department, we haphazardly selected a sample of ten Other Operating expenses from five departments with such expenses. We obtained copies of the invoices applicable to the selected expenses and agreed them to the general ledger. We also assessed whether each of the invoices selected for testing were recorded in the proper reporting period, proper expense category, and was approved for payment.

## **OTHER OPERATING EXPENSES (CONTINUED):**

### **Findings:**

We found no exceptions as a result of these procedures.

### **Analytical Findings:**

Other Operating expenses increased from \$624,445 during the fiscal year ended June 30, 2011 to \$774,321 during the fiscal year ended June 30, 2012. This increase is primarily due to the opening of the new on-campus football stadium for which added operating expenses were incurred as compared to the costs of operating the off-campus stadium in prior years. This expense category was not individually budgeted as it was included in an overall operating expense budget; therefore, a true comparison cannot be made against actual results for this individual line item. Aggregate operating expenses incurred during the fiscal year ended June 30, 2012 was significantly less than the budgeted total due to the impact of FAU's new on-campus stadium for which there was no precedent to base the 2012 fiscal year budget. As a result, operating expenses were over-budgeted for the fiscal year ended June 30, 2012.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenue and Expenses of the Florida Atlantic University 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 is intended solely for the information and use of management of the Athletics Department, the Board of Trustees of FAU, the State of Florida Board of Education, and the NCAA, and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
January 14, 2013

**FLORIDA ATLANTIC UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
<b>REVENUE</b>						
Ticket sales	\$ 1,325,321	\$ 107,778	\$ 3,416	\$ 46,826	\$ -	\$ 1,483,341
Student fees	4,003,878	444,875	333,657	6,339,474	-	11,121,884
Guarantees	1,765,000	225,000	32,000	7,000	-	2,029,000
Contributions	2,130,294	55,263	8,904	67,724	240,908	2,503,093
Direct institutional support	194,806	112,010	75,748	419,744	562,600	1,364,908
Indirect facilities and administrative support	64,909	8,696	4,238	26,102	1,345,490	1,449,435
NCAA/conference distributions	-	2,712	750	-	954,524	957,986
Program sales, concessions, novelty sales, and parking	17,854	11,786	-	1,010	392,328	422,978
Royalties, licensing, advertisements, and sponsorships	-	-	-	-	870,588	870,588
Endowment and investment income	-	-	-	296	-	296
Other revenue	5,281	-	-	92,547	925,140	1,022,968
<b>Total revenue</b>	<u>9,507,343</u>	<u>968,120</u>	<u>458,713</u>	<u>7,000,723</u>	<u>5,291,578</u>	<u>23,226,477</u>
<b>EXPENSES</b>						
Athletic student aid	1,631,930	384,195	330,441	1,774,371	84,890	4,205,827
Guarantees	350,000	4,000	4,000	20,648	-	378,648
Coaching salaries, benefits, and bonuses	1,662,420	468,562	324,015	1,191,324	-	3,646,321
Support staff and administrative salaries, benefits, and bonuses	333,326	26,191	10,607	-	1,956,221	2,326,345
Severance payments	295,401	-	90,744	8,201	37,491	431,837
Recruiting	177,751	74,136	39,099	59,165	-	350,151
Team travel	667,901	314,154	184,108	796,411	-	1,962,574
Equipment, uniforms, and supplies	257,968	81,008	22,789	252,513	614,662	1,228,940
Game expenses	763,092	107,029	53,309	95,121	9,000	1,027,551
Fund raising, marketing, and promotion	467,936	-	6,000	-	347,384	821,320
Direct facilities, maintenance, and rental	140,840	-	-	5,480	696,610	842,930
Spirit groups	-	-	-	-	42,606	42,606
Indirect facilities and administrative support	64,909	8,696	4,238	26,102	1,345,490	1,449,435
Medical expenses and medical insurance	-	-	-	-	426,297	426,297
Memberships and dues	-	285	640	11,267	92,835	105,027
Other operating expenses	186,413	15,546	15,226	29,370	527,766	774,321
<b>Total expenses</b>	<u>6,999,887</u>	<u>1,483,802</u>	<u>1,085,216</u>	<u>4,269,973</u>	<u>6,181,252</u>	<u>20,020,130</u>
<b>Excess (deficiency) of revenue over (under) expenses</b>	<u>\$ 2,507,456</u>	<u>\$ (515,682)</u>	<u>\$ (626,503)</u>	<u>\$ 2,730,750</u>	<u>\$ (889,674)</u>	<u>\$ 3,206,347</u>