

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance
Consent

AGENDA ITEM: 4 – AA
DATE: March 30-31, 2021

SUBJECT

FY2020 SDSM&T NCAA Agreed-Upon Procedures Report

CONTROLLING STATUTE, RULE, OR POLICY

NCAA Division II Bylaw 6.2.3.

BACKGROUND / DISCUSSION

The NCAA Division II Bylaw 6.2.3. states; “At least once every three years, all expenses and revenues for or on behalf of a Division II member institution's intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to agreed-on procedures approved by the Division II membership... conducted for the institution by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution's president or chancellor or by an institutional administrator from outside the athletics department designated by the president or chancellor.”

IMPACT AND RECOMMENDATIONS

This report fulfills the FY20 reporting requirement for SDSM&T, a Division II university. The Independent Accountants’ Report on the Application of Agreed-Upon Procedures is attached along with the Statement of Revenues and Expenses and the Notes to the Financial Statements. The NCAA issued *Minimum Agreed upon Procedures Guidance* was used by the auditor to perform the review. Four exceptions were identified and noted in the attached Independent Accountants’ Report under item numbers 8, 10, 11 and 15. The report has been provided to the SDSM&T President.

ATTACHMENTS

- Attachment I – Independent Accountants’ Report on the Application of Agreed-Upon Procedures
- Attachment II – Statement of Revenues and Expenses
- Attachment III – Notes to the Financial Statements

INFORMATIONAL ITEM

**BOARD OF REGENTS**

306 EAST CAPITOL AVENUE, SUITE 200
PIERRE, SOUTH DAKOTA 57501-2545
(605) 773-3455/FAX (605) 773-5320
www.sdbor.edu

OFFICE OF THE EXECUTIVE DIRECTOR

**INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION
OF AGREED-UPON PROCEDURES**

Dr. James Rankin, President,
President of South Dakota School of Mines and Technology

And

Management of the Athletics Department
South Dakota School of Mines and Technology

We have performed the procedures enumerated below, which were agreed to by the President of the South Dakota School of Mines and Technology (SDSM&T) solely to assist you in evaluating whether the accompanying Statement of Revenue and Expenses of SDSM&T is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2020. SDSM&T's management is responsible for the Statement of Revenues and Expenses 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. 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 are as follows:

1. We gained an understanding of the aspects of SDSM&T's general internal control and organizational structure as well as the internal control procedures unique to the intercollegiate athletic department to determine the processing system used to record revenues for completeness and expenditures for proper authorization.

We found no exceptions as a result of this procedure.

2. We reviewed SDSM&T's procedures for gathering information on the nature and extent of booster group activity for or on behalf of the institution's intercollegiate athletics program.

We found no exceptions as a result of this procedure.

3. Tests of the Statement of Revenue and Expenses included verifying agreement between the amounts reported on this statement to the institution's and the related entities general ledger.

We found no exceptions as a result of this procedure.

4. We tested a sample of game day ticket sale documentation to SDSM&T's general ledger to verify revenue received was timely and accurately deposited.

In FY17, ticket sale revenue was not deposited timely in accordance with SDSM&T's cash receipt policy. Follow-up testing was performed for FY20. The prior audit comment has been resolved. We found no exceptions as a result of this procedure.

5. Interviews were performed documenting the methodology of allocating student fees and institutional support.

We found no exceptions as a result of this procedure.

6. Interviews were performed documenting the methodology of allocating direct institutional support.

We found no exceptions as a result of this procedure.

7. We obtained documentation to support indirect cost rates and recalculated indirect institutional support.

We found no exceptions as a result of this procedure.

8. A listing of contributions was obtained from the SDSM&T Foundation and the Hard Rock Club (HRC). We reviewed those contributions that exceeded 10% of all contributions.

It was determined \$125,145 was incorrectly classified as Contributions and was reclassified as Athletics Restricted Endowment and Investment Income.

9. In-kind/Sponsorship contributions were traced to documentation and a sample of contracts were selected for review.

In FY17, no contracts existed. Follow-up testing was performed for FY20. The prior audit comment has been resolved. We found no exceptions as a result of this procedure.

10. A review of internal controls was performed over sport camps.

In FY 17, internal controls were inadequate for sport camp revenues. Controls have improved, however, no reconciliation is performed between number of participants and revenue deposited. Additionally, improved segregation of duties is recommended over the revenue and reconciliation process.

11. We selected a sample of students receiving athletic student aid and compared total aid to the student's account and traced the student and their aid to the NCAA Membership Financial Reporting System.

An adjustment of \$92,100 was made for students receiving scholarships that are for sports that are not NCAA sanctioned.

12. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution.

We found no exceptions as a result of this procedure.

13. We selected a sample of coaches and traced to their contracts and payroll records for agreement.

We found no exceptions as a result of this procedure.

14. We selected a sample of support staff/administrative personnel and traced to their contracts and payroll records for agreement.

We found no exceptions as a result of this procedure.

15. A sample of expenses related to team travel and other operating expenses were reviewed.

It was determined that \$89,250 of other operating expenses were incorrectly classified as Other Operating Expenses. Adjustments were made to the following expense classifications: Recruiting \$12,000; Sports, Equipment, Uniforms and Supplies, \$11,000; Game Expenses, \$5,000; and Fund Raising, Marketing and Promotion, \$61,250.

16. We confirmed the receipts and disbursements of the SDSM&T Athletic Department's outside organizations, the SDSM&T Foundation and the HRC, to agree amounts with the SDSM&T Athletic Department's accounting records.

We found no exceptions as a result of this procedure.

17. We obtained and reviewed the audited financial statements of outside organizations audited independently of the institutional audit and any reports to management regarding matters related to the internal control structure required by National Collegiate Athletic Association regulations.

We found no exceptions as a result of this procedure.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement of Revenue and Expenses of SDSM&T. 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 use of Dr. James Rankin, President, and Management of the Athletics Department of SDSM&T and should not be used by anyone other than those specified parties.

Michele Anderson, CPA
Director of Internal Audit

January 26, 2021

**South Dakota School of Mines and Technology
Athletic Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2020**

	<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>
RECEIPTS:						
Operating Receipts:						
Ticket Sales	28,804	11,131	10,787	7,265	-	57,987
Direct State or Other Government Support						
Student Fees	42,902	29,034	36,512	118,109	1,155	227,712
Direct Institutional Support	805,118	227,650	201,838	527,553	769,736	2,531,895
Indirect Institutional Support	-	-	-	-	110,728	110,728
Guarantees	-	6,500	2,000	4,000	-	12,500
Contributions	701,345	157,374	219,301	249,040	126,359	1,453,419
In-Kind	-	-	-	-	139,750	139,750
Compensation and Benefits Provided by a Third-Party					-	-
Media Rights						
NCAA Distributions	-				9,666	9,666
Conference Distributions		3,213	1,036		-	4,249
Program, Novelty, Parking and Concession Sales	5,527	2,966	723	1,355	3,881	14,452
Royalties, Licensing, Advertisement and Sponsorships	-	-	-		96,637	96,637
Sports Camp Revenues	-	28,979	147	15,872	333	45,331
Endowment and Investment Income	64,460	28,354	7,271	22,304	(4,999)	117,390
Other Operating Revenue	73	-	-	-	120	193
Total Operating Revenues	1,648,229	495,201	479,615	945,498	1,253,366	4,821,909
DISBURSEMENTS:						
Operating Disbursements:						
Athletics Student Aid	769,763	169,922	199,712	208,414	-	1,347,811
Guarantees	320	2,000	3,500			5,820
Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	618,759	152,992	152,849	396,782	-	1,321,382
Coaching Salaries, Benefits and Bonuses paid by a Third-Party Support Staff/Administrative Compensation, Benefits and						

	<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>
Bonuses paid by the University and Related Entities					728,262	728,262
Support Staff/Administrative Compensation, Benefits and Bonuses paid by a Third-Party					-	-
Severance Payments		32,178				32,178
Recruiting	26,119	7,088	5,013	7,999	12,000	58,219
Team Travel	89,984	57,560	49,918	130,200	(27)	327,635
Equipment, Uniforms and Supplies	84,076	12,436	3,791	74,212	21,160	195,675
Game Expenses	23,372	18,274	16,830	27,637	20,391	106,504
Fund Raising, Marketing and Promotion	90	3,511	2,511	3,706	131,964	141,782
Sports Camp Expenses	332	43,947	5,309	18,190	-	67,778
Spirit Groups	-	-	62	-	11,756	11,818
Direct Overhead and Administrative	1,302	1,237	468	6,355	91,757	101,119
Indirect Institutional Support	-	-	-	-	110,728	110,728
Medical Expenses and Insurance	-	-	-	-	7,888	7,888
Memberships and Dues	-	165	242	865	19,860	21,132
Student-Athlete Meals	32,945	4,832	3,828	5,627	1,625	48,857
Other Operating Expenses	24,798	11,725	11,600	23,835	129,169	201,127
Total Operating Expenses	<u>1,671,860</u>	<u>517,867</u>	<u>455,633</u>	<u>903,822</u>	<u>1,286,533</u>	<u>4,835,715</u>
Excess (Deficiency) of Revenues over (under) Expenses	<u>(23,631)</u>	<u>(22,666)</u>	<u>23,982</u>	<u>41,676</u>	<u>(33,167)</u>	<u>(13,806)</u>

The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY ATHLETIC DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS**

1. The Statement of Revenue and Expenses has been prepared on the cash basis of accounting.

2. Long-Term Debt

At June 30, 2020, South Dakota School of Mines and Technology had no athletic related outstanding debt.

3. Contributions

The South Dakota School of Mines and Technology athletic department received contributions in FY2020 in the amount of \$503,338 from the South Dakota School of Mines and Technology Foundation and \$881,557 from the Hard Rock Club, both affiliated organizations.

One contributor to the Hard Rock Club exceeded 10% of aggregate contributions made to the athletics department. The majority of these contributions funded athletic scholarships.

4. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than more capital assets.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	\$0.00	N/A	N/A
Land Improvements	\$50,000.00	Straight-line	20 years
Buildings	\$100,000.00	Straight-line	50 years
Building Improvements	\$100,000.00	Straight-line	20 years
Machinery and Equipment	\$5,000.00	Straight-line	7-22 years
Infrastructure	\$50,000.00	Straight-line	20-50 years

Land is an inexhaustible capital asset and is not depreciated.