

ADAMS STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS DEPARTMENT STATEMENT OF REVENUES AND EXPENSES

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES IN ACCORDANCE WITH NATIONAL COLLEGIATE ATHLETIC ASSOCIATION BYLAW 6.2.3.1

Fiscal Year Ended June 30, 2022



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

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



Wall,
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Management of Adams State University
Members of the Legislative Audit Committee

We have performed the procedures enumerated below on the accompanying statement of revenues and expenses (the Statement) of the Adams State University Department of Intercollegiate Athletics (the University or the Department) for the year ended June 30, 2022. The University is responsible for compliance with the reporting requirements of the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2022.

The University's management have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of compliance with the NCAA Bylaw 6.2.3.1 for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures that we performed and the results of our testing are as follows:

AGREED-UPON PROCEDURES RELATED TO THE STATEMENT OF REVENUES AND EXPENSES

Affiliated and Outside Organizations:

1. Adams State University (the "University") has identified the Adams State University Foundation (the "Foundation") as the sole intercollegiate athletics-related affiliated, outside organization. We obtained a listing of expenses paid during the reporting period by the Foundation on behalf of the University and compared the amounts to the revenues reported by the University.

We noted expenses of approximately \$428,000 paid by the Foundation, as reported in the Statement. All expenses were reported as other operating rather than identifying the specific category within the report.

2. We obtained and reviewed the Foundation's audited financial statements and any reports to management regarding matters related to internal control structure for the year ended June 30, 2022. There were no internal control deficiencies noted.

Revenues:

- We compared and agreed each operating revenue category reported in the statement during the reporting period to the University's general ledger or supporting schedules that agree to the general ledger provided by the University, as detailed throughout this report.
- We compared and agreed a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation as detailed in the following respective revenue categories.
- We compared each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. We obtained explanations from management for variances greater than 10% from prior year and budget. No additional procedures were performed with respect to management's representations. The variances meeting the threshold for explanation are as follows:

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Current Year to Prior Year

- Contributions – The \$393,925 increase was related to the return to normal activity in Fiscal Year 2022 from the effects of the COVID-19 pandemic on Fiscal Year 2021. The pandemic resulted in the closure or severe limitation on athletic activities in Fiscal Year 2021, which in turn reduced the contributions received during that time.
- Indirect Institutional Support – The \$195,235 increase was driven by the increase of overall expenses in Fiscal Year 2022 as indirect institutional support is calculated as a percentage of total direct operating expenses. Direct operating expenses increased as result of the return to normal activity in Fiscal Year 2022 from the effects of the COVID-19 pandemic on Fiscal Year 2021.

Budget to Actual

We noted during our testing that the budget adopted for athletic purposes is different from that of the Statement. Therefore, we were unable to identify budget to actual variances in excess of 10%. This is not an exception, as the Department is not required to adopt a budget based on the categories in the Statement.

Ticket Sales

1. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

Student Fees

2. We compared and agreed student fees reported by the University in the statement to the reporting of student enrollments during the same reporting period and recalculated totals.

We noted a variance of \$16,474 (4.53% of student fees reported in the Statement) between the college service fees we recalculated using the total number of credit hours of student enrollment reported compared to the student fees reported in the Statement. However, as our recalculation is based on data obtained at a certain point in time, it does not include variables, such as withdrawals, that may have an effect on the actual fees assessed.

We noted a variance of \$5,845 (1.6% of total student fees reported in the Statement) between the athletic participation fees we recalculated using the total number of student athletes reported compared to the athletic participation fees reported in the Statement. However, as our recalculation is based on data obtained at a certain point in time, it does not include variables, such as withdrawals, that may have an effect on the actual fees assessed.

3. We obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics programs.

We compared and agreed five student accounts athletic fee charges to supporting documentation without exception.

4. Not applicable, as the University's athletics department does not report that an allocation of student fees should be countable as generated revenue.

Direct State or Other Governmental Support

5. We inquired with management regarding direct state or other governmental support recorded during the reporting period. The University represented that no direct state or other governmental support was received.

Direct Institutional Support

6. We compared the direct institutional support recorded by the University during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculated totals.

We noted that direct institutional support was understated by \$55,736 due to differences between the general ledger and the reported amount per the NCAA's Compliance Assistance (CA) software. The University corrected the understatement.

Transfers Back to Institution

7. We inquired with management regarding transfers back to the University recorded during the reporting period. The University represented that no transfers back to the University from the athletics department occurred.

Indirect Institutional Support

8. We compared the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculated the totals.

We noted that indirect institutional support was understated by \$34,395 due to the understatement of expenses discussed in steps 29, 56, and 64 and the University's indirect institutional support allocation of 15% related to those expenses. The University corrected the understatement.

Guarantees

9. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.
10. Not applicable.

Contributions

11. We reviewed the University's detailed accounting records to identify any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions ($\$647,388 \times 10\% = \$64,738$) received for intercollegiate athletics during the reporting periods. We identified one such contribution in the amount of \$112,500. We obtained and reviewed supporting documentation and recalculated totals.

Upon review of supporting documentations for contributions, we noted that the total Foundation revenue was understated by \$181,933. The University corrected the understatement.

In-Kind

12. We inquired with management regarding in-kind support recorded during the reporting period. The University represented that in-kind of \$63,250 was received, besides contributions, that were made as a result of licensing or sponsorship agreements reported in other categories of the Statement.

Compensation and Benefits Provided by a Third-Party

13. We inquired with management regarding compensation and benefits provided by a third-party recorded during the reporting period. The University represented that no compensation and benefits provided by a third-party were received.

Media Rights

14. We inquired with management regarding agreements related to the University's total media (broadcast, television, radio) rights received by the University or through their conference offices. The University represented that there was no participation in the aforementioned agreements during the reporting period.

15. Not applicable.

NCAA Distributions

16. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

Conference Distributions and Conference Distributions of Bowl Generated Revenue

17. We inquired with management regarding conference distributions recorded during the reporting period. The University represented that no conference distributions were received.

18. Not applicable

Program Sales, Concessions, Novelty Sales, and Parking

19. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

Royalties, Licensing, Advertisements, and Sponsorships

20. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category. However, we noted this revenue was overstated \$13,250 due to the inclusion of pledged revenues in the statement preparation. The University corrected this overstatement.

21. Not applicable.

Sports Camp Revenues

22. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

23. Not applicable.

Athletics Restricted Endowment and Investment Income

24. We inquired with management regarding athletics restricted endowment and investment income recorded during the reporting period. The University represented that no athletics restricted endowment and investment income were received.

25. Not applicable

Other

26. This category is less than 4% of the total revenues, therefore no procedures are required for this specific category.

Football Bowl Revenues

27. We inquired with management regarding football bowl revenues. The University represented that there were no football bowl revenues during the reporting period.
28. Not applicable.

Expenses:

- We compared and agreed each expense category reported in the statement during the reporting period to the University's general ledger or supporting schedules that agree to the general ledger provided by the University, as detailed throughout this report.
- We compared and agreed a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation as detailed in the following respective expense categories.
- We compared each major expense account over 10% of the total expenses to prior period amounts and budget estimates. We obtained explanations from management for variances greater than 10% from prior year and budget. No additional procedures were performed with respect to management's representations. The variances meeting the threshold for explanation are as follows:

Current Year to Prior Year

- Team Travel – The \$400,230 increase was due to the return to normal activity in Fiscal Year 2022 from the COVID-19 pandemic which restricted travel for sporting events in Fiscal Year 2021.
- Equipment, Uniforms, and Supplies – The \$44,114 increase was related to equipment purchases for Women's Lacrosse, Softball, and Volleyball during Fiscal Year 2022.
- Indirect Institutional Support – See explanation for the Indirect Institutional Support revenues.
- Other Operating Expenses – The \$421,935 increase was driven by an increase in scholarships awarded by the Grizzly Club paid through the Foundation.

Budget to Actual

We noted during our testing that the budget adopted for athletic purposes is different from that of the Statement. Therefore, we were unable to identify budget to actual variances in excess of 10%. This is not an exception, as the Department is not required to adopt a budget based on the categories in the Statement.

Athletic Student Aid

29. The University uses NCAA's Compliance Assistance software to prepare athletic aid detail, therefore, we selected a sample of 32 student-athletes (10% of the 319 total student-athletes) from the listing of institutional student aid recipients during the reporting period. Data was captured by the University from the squad list in Compliance Assistance for each sponsored sport.

We noted that athletic student aid was understated by \$55,736 due to differences between the general ledger and the reported amount per the NCAA's Compliance Assistance (CA) software. The University corrected the understatement.

30. We obtained individual student account detail for each selection and compared total aid allocated from the student's account in the University's student system to the student's detail in Compliance Assistance, and noted the following:
 - We noted seven instances in which the total countable aid reported in Compliance Assistance was overstated by a total of \$51,307 in comparison to the University's student information system. The University corrected the overstatement.
 - We noted one instance in which the total countable aid reported in Compliance Assistance was understated by a total of \$5,100 in comparison to the University's student information system. The University corrected the understatement.
31. Not applicable.
32. We recalculated the totals for each sport and in total, without exception.

Guarantees

33. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.
34. Not applicable.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

35. We obtained and inspected a listing of coaches employed by the University during the reporting period, and selected a sample of five coaches' contracts including one men's cross-country, one football, one men's basketball, one women's basketball, and one women's soccer coach totaling \$279,704 from the listing.
36. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the statement during the reporting period, without exception.
37. We obtained and inspected payroll summary registers for the reporting year for each selection. We compared and agreed payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period.

During the procedures we noted that \$190,383 of coaches' salaries and benefits were misclassified to support staff/administrative salaries, benefits and bonuses paid by the University and related entities and that \$62,477 of coaching salaries, benefits, and bonuses paid by the University and related entities was reported twice for a net understatement of \$127,905. The University corrected the misclassification.

38. We compared and agreed the totals recorded to any employment contracts executed for the sample selected and recalculated totals, without exception.

Coaching Compensation and Benefits Paid by a Third-Party

39. We inquired with management regarding coaching compensation and benefits paid by a third-party. The University represented that all coaches are employed solely by the University.
40. Not applicable.
41. Not applicable.

Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities

42. We selected a sample of five support staff/administrative personnel employed by the University during the reporting period, the salaries and benefits of which totaled \$284,192.
43. We obtained and inspected reporting period summary payroll registers for each selection. We compared and agreed related summary payroll registers to the related support staff administrative salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period, without exception.

During the procedures we noted that \$190,383 of coaches' salaries and benefits were misclassified to support staff/administrative salaries, benefits and bonuses paid by the University and related entities and that \$62,477 of coaching salaries, benefits, and bonuses paid by the University and related entities was reported twice for a net overstatement of \$127,905. The University corrected the misclassification.

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

44. We inquired with management about support staff/administrative other compensation and benefits paid by a third-party. The University represented that all support staff/administrative employees are employed solely by the University.
45. Not applicable.

Severance Payments

46. We inquired with management about severance payments. The University represented that there were no severance payments during the reporting period.

Recruiting

47. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.
48. Not applicable.
49. Not applicable.

Team Travel

50. We obtained documentation of the University's team travel policies.
51. We compared and agreed the existing University policies to NCAA-related policies without exception.
52. We obtained general ledger details and compared it to the total expenses reported and recalculated totals, without exception.

Equipment, Uniforms, and Supplies

53. We obtained general ledger details and compared it to the total expenses reported. We selected a sample of ten transactions totaling \$72,601 from the two largest general ledger account balances included in the equipment, uniforms, and supplies category and validated the existence of the transaction, accuracy of recording, and recalculated totals, without exception.

Game Expenses

54. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

Fundraising, Marketing, and Promotion

55. Fundraising, marketing, and promotion expenses related to the athletic department would be processed through the Adams State University Foundation. These expenses are reported as part of other expenses and transfers to University category.

Sports Camp Expenses

56. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category. However, we noted this expense was overstated \$1,938 due to account classification errors in the statement preparation. The University corrected this overstatement.

Spirit Groups

57. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

Athletic Facility Debt Service, Leases and Rental Fees

58. We inquired with management regarding athletic facility debt service, leases and rental fee expenses. The University represented that there were no athletic facility debt service, leases and rental fee expenses during the reporting period.

59. Not applicable.

Direct Overhead and Administrative Expenses

60. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

Indirect Institutional Support

61. Tested with revenue section- Indirect Institutional Support.

Medical Expenses and Medical Insurance

62. We inquired with management regarding medical expenses and medical insurance expenses. The University represented that there were no medical expenses or medical insurance expenses during the reporting period.

Memberships and Dues

63. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

Other Operating Expenses and Transfer to Institution

64. We obtained general ledger details and compared it to the total expenses reported. We noted that the total expenses were understated by \$171,625. The University corrected the understatement.

We selected a sample of thirteen transactions totaling \$175,495 from the two largest general ledger account balances and largest Foundation expense account balance included in other expenses and transfer to institution expense category and validated the existence of the transaction, accuracy of recording, and recalculated the totals, without exception.

Student-Athlete Meals (non-travel)

65. This category is less than 4% of the total expenses, therefore no procedures are required for this specific category.

Football Bowl Expenses

66. We inquired with management regarding football bowl expenses. The University represented that there was no football post-season bowl participation during the reporting period.

OTHER REPORTING ITEMS:

Excess Transfers to Institution and Conference Realignment Expenses

67. We inquired with management regarding excess transfers to institution and conference realignment expenses. The University represented that there were no excess transfers to institution and conference realignment expense during the reporting period.

Total Athletics Related Debt

68. We inquired with management regarding athletics related debt. The University represented that there was no athletic related debt during the reporting period.
69. Not applicable.

Total Institutional Debt

70. We agreed the total outstanding institutional debt to supporting documentation and the University's audited financial statements without exception.

Value of Athletics Dedicated Endowments

71. We obtained a schedule of all athletics dedicated endowments amounting to \$318,292 and agreed the fair market value in the schedules to supporting documentation, the University's general ledgers, and the audited financial statements, without exception.

Value of Institutional Endowments

72. We agreed the total fair market value of institutional endowments amounting to \$22,578,420 to supporting documentation and the audited financial statements, without exception.

Total Athletics Related Capital Expenditures

73. We inquired with management regarding athletics related capital expenditures made by athletics, the institution, and affiliated organizations. The University represented that there were no athletic related capital expenditures during the reporting period.
74. Not applicable.

We were engaged by the Colorado Office of the State Auditor and management of the University to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statement of Revenues and Expenses of the Intercollegiate Athletics Department of the University for the year ended June 30, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement. In performing our agreed-upon procedures engagement, we have relied solely on the representations provided by the management of the University relating to its responsibility for the Statement of Revenues and Expenses of the Intercollegiate Athletics Department of the University for the year ended June 30, 2022.

This report is intended solely for the information and use of the Legislative Audit Committee, the Colorado Office of the State Auditor, the Adams State University Board of Trustees, Adams State University's Management, and the Adams State University Intercollegiate Athletic Department and is not intended to be and should not be used by anyone other than those specific parties. However, upon release by the Legislative Audit Committee, the report is a public document.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 12, 2023

ADAMS STATE UNIVERSITY ATHLETICS DEPARTMENT

STATEMENT OF REVENUES AND EXPENSES

FISCAL YEAR ENDING JUNE 30, 2022

	Football	Men's Basketball	Women's Basketball	Men's Track and Cross Country	Women's Track and Cross Country	Other Men's Sports	Other Women's Sports	Non-Program Specific	Total
Revenues									
Ticket Sales	\$ 20,541	\$ 2,658	\$ 2,393	\$ -	\$ -	\$ 847	\$ 4,868	\$ -	\$ 31,307
Student Fees	-	-	-	-	-	-	-	363,358	363,358
Guarantees	-	5,000	-	-	-	-	550	-	5,550
Contributions	60,000	10,900	3,931	865	865	11,232	24,110	535,485	647,388
Corporate Sponsorships	-	-	-	-	-	-	-	244,000	244,000
Direct Institutional Support	-	-	-	-	-	-	-	4,675,348	4,675,348
Indirect Facilities & Admin Support	-	-	-	-	-	-	-	914,066	914,066
Program, Novelty, Parking & Concessions	-	-	940	-	-	-	-	810	1,750
NCAA Distributions	-	-	-	45,097	48,283	3,350	-	16,432	113,162
Sports Camp Revenues	2,880	14,476	44,875	6,875	200	14,148	156,220	-	239,674
Athletics Restricted Endowment and Investment Income	-	-	-	-	-	-	-	-	-
Other Operating Revenue	-	-	2,000	4,105	4,105	3,126	5,720	11,318	30,374
Total Revenues	83,421	33,034	54,139	56,942	53,453	32,703	191,468	6,760,817	7,265,977
Expenses									
Athletic Student Aid	471,381	173,050	191,643	249,273	220,109	251,828	376,695	-	1,933,979
Guarantees	-	-	-	-	-	-	-	-	-
Coaching Salaries, Benefits & Bonuses Paid by the College	295,075	138,039	133,314	124,793	124,794	344,967	311,726	-	1,472,708
Support Staff/Administrative Salaries Paid by the College	18,362	-	-	-	250	6,949	20,612	587,754	633,927
Severance Payments	-	-	-	-	-	-	-	-	-
Recruiting	38,736	8,267	15,577	612	612	7,201	25,536	-	96,541
Team Travel	94,361	62,919	28,683	109,784	102,530	157,012	144,336	24,214	723,839
Equipment, Uniforms, & Supplies	59,859	10,187	17,388	2,938	7,251	81,480	97,284	52,162	328,549
Game Expenses	12,925	10,725	13,950	500	500	27,664	28,590	7,663	102,517
Sports Camp Expenses	150	8,270	40,251	1,503	-	18,622	116,877	-	185,673
Direct Facilities, Maintenance & Rental	25	3,512	3,512	-	-	989	3,512	5,935	17,485
Spirit Groups	-	-	-	-	-	-	-	6,121	6,121
Indirect Facilities & Admin Support	-	-	-	-	-	-	-	914,066	914,066
Memberships and Dues	-	-	-	-	-	1,051	425	1,965	3,441
Student Athlete Meals (non-travel)	8,787	236	-	-	-	-	799	-	9,822
Other Operating Expenses	42,285	6,525	4,417	6,150	5,600	9,287	19,633	485,275	579,172
Total Operating Expenses	1,041,946	421,730	448,735	495,553	461,646	907,050	1,146,025	2,085,155	7,007,840
Excess/(Deficiency) of Revenues Over/(Under) Expenses	\$ (958,525)	\$ (388,696)	\$ (394,596)	\$ (438,611)	\$ (408,193)	\$ (874,347)	\$ (954,557)	\$ 4,675,662	\$ 258,137

**ADAMS STATE UNIVERSITY ATHLETICS DEPARTMENT
NOTES TO STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying statement of revenues and expenses (unaudited) presents the results of financial activity of the Intercollegiate Athletics Department of Adams State University and are not intended to present the operations of the University as a whole.

The accompanying statement of revenues and expenses has been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

For reporting purposes, the sports in which the University participates are reported separately. The administrative functions of the Department, which support all sports, have been combined and reported within the non-program specific category.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the Department, which affect significant elements of the accompanying statement of revenues and expenses.

Revenues - Revenues from operations are classified based on which sport generated the income. Gifts have been classified as specified by the donor. Financial aid support has been classified based on the actual payments made in support of each activity.

Capital Assets - Capital assets are recorded at cost for items purchased or at fair market value at the date of acquisition for donated items. The University capitalizes equipment costing \$5,000 or more and having a useful life in excess of one year. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the Statements.

The Department follows the University's Fiscal Procedures for acquiring and approving intercollegiate athletics-related assets and follows University campus policies and procedures for disposing of intercollegiate athletics-related assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 30 years for equipment, 15 to 20 years for building improvements, and 40 years for the buildings. The University purchasing director is responsible for controlling property procurement.

NOTE 3 CONCENTRATION OF DONOR SOURCES

The Adams State University Foundation was the single largest donor source to the Department with cash contributions of \$389,929, for a total of 62.67% of total contributions, endowments donations, and investment income for the year ended June 30, 2022. The cash contributions received from the Foundation represent gifts from various donors made for the benefit of the Department.

**ADAMS STATE UNIVERSITY ATHLETICS DEPARTMENT
NOTES TO STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2022**

NOTE 4 DEBT

Certain University bonds payable are related to athletic facilities and improvements. However, the bonds are repaid from College resources other than those reported on the accompanying financial statement and the bonds are not considered direct athletics department debt.

NOTE 5 ENDOWMENT FUNDS

Endowment funds held by the Adams State University Foundation totaled \$22,578,420 at June 30, 2022. Included in this total is \$318,292 of endowments dedicated for the benefit of the Department.

FINDINGS AND RECOMMENDATIONS RESULTING FROM PROCEDURES PERFORMED

STATEMENT OF REVENUES AND EXPENSES REPORTING ERRORS

What was the purpose of the procedure performed?

The purpose of the procedure was to determine whether the Statement of Revenues and Expenses (Statement) accurately reported the revenues and expenses of the University's intercollegiate athletics programs as recorded in the general ledger of the University, in addition to revenues and expenses incurred on-behalf of the intercollegiate athletics program by affiliated and outside organizations.

How were the results measured and what work was performed?

NCAA constitution, Article 2(D)(1)(c) states that all members of NCAA must submit annually its financial data detailing operating revenues, expenses and capital relating to the intercollegiate athletics program. Division II members, which includes the University, are required to undergo an agreed-upon procedures review by an independent accountant at least once in every three years under the provisions of NCAA Constitution 6.2.3. Further, the *Standards for Internal Control in the Federal Government* (Green Book), published by the Government Accountability Office (GAO), serves as a framework for best practices for a system of internal control. The Green Book Paragraph 3.08 states that management should evaluate the delegation for proper segregation of duties within the organization. In accordance with those requirements, we compared and agreed each operating revenue and expense category reported on the Statement to the University's general ledger or supporting schedules that agree to the general ledger for the year ended June 30, 2022.

What problem did the procedure identify?

Our procedures identified four revenue categories and six expense categories that were not presented accurately on the Statement as follows:

- Direct Institutional Support revenue was understated \$55,736.
- Indirect Institutional Support revenue was understated by \$34,395.
- Contributions revenue was understated by \$181,933.
- Royalties, Licensing, Advertisements, and Sponsorships revenue was overstated by \$13,250.
- Athletic Student Aid expense was understated by \$55,736.
- Indirect Institutional Support expense was understated by \$34,395
- Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities expense was understated by \$127,905.
- Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities expense was overstated by \$127,905.
- Sports Camp expense was overstated by \$1,938.
- Other Operating Expenses and Transfer to Institution expense was understated by \$171,625.

In total, these errors represented a net understatement of revenues of \$258,814 and a net understatement of expenses of \$259,818. After we brought the errors to the attention of management, corrections were made to the Statement.

FINDINGS AND RECOMMENDATIONS RESULTING FROM PROCEDURES PERFORMED

Why did the problem occur?

The University did not have adequate internal controls in place to ensure the Statement was prepared accurately. Specifically, the University did not have written policies and procedures for the preparation of the Statement to ensure that the NCAA-required information is reported accurately and in accordance with NCAA requirements. In addition, we determined the University did not have proper segregation of duties in the preparation of the Statement, including a secondary review of the Statement by someone other than the preparer.

Why does this problem matter?

Management has a responsibility to ensure that its Statement accurately reports the revenues and expenses to the NCAA. Without adequate controls in place over NCAA financial reporting, the University cannot ensure the accurate and appropriate reporting of its NCAA program financial information.

Recommendation No. 1

Adams State University should implement written policies and procedures for the preparation of its Intercollegiate Athletics Department Statement of Revenues and Expenses (Statement) to ensure that its NCAA-required information is reported accurately and in accordance with NCAA requirements. The University's procedures should include a requirement that the Statement-preparation duties are appropriately segregated among staff and that a secondary review of the Statement by someone other than the preparer occurs.

Adams State University Response

Agree. Implementation Date: October 1, 2023

We will implement procedures to ensure proper segregation of duties and review of the statement.