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Athletic Programs

UNIVERSITY OFFICIALS

November 20, 1997

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission

Dr. John T. Casteen, III
President, University of Virginia

**INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF
AGREED-UPON PROCEDURES**

We have audited the financial statements of **University of Virginia** as of and for the year ended June 30, 1998, and have issued our unqualified report thereon dated October 15, 1998. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 1998, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Schedule of Revenues and Expenditures of Intercollegiate
Athletic Programs - Agreed-Upon Substantive Procedures**

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 1998, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records.

We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its intercollegiate athletic programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Student Aid Foundation, a booster organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.

With respect to the above procedures "a" through "c", we were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule), and the accompanying notes to the Schedule. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the President of the University.

Internal Control Structure Policies and Procedures Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of the University of Virginia is responsible for establishing and maintaining an internal control structure for its intercollegiate athletic programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel and protection of records and equipment.

- e. We reviewed the internal control structure policies and procedures over cash receipts and disbursements, including payroll, for the intercollegiate athletic programs. We reviewed the relationship of specific systems of the internal control structure over intercollegiate athletic programs to the internal control structure reviewed in connection with the audit of the University's financial statements. Our review also included those internal control structure policies and procedures unique to intercollegiate athletics which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control structure that were more limited than would be necessary to express an opinion on the internal control structure of the University of Virginia in effect for the year ended June 30, 1998, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to the internal control structure over the intercollegiate athletic program activities administered by the University.

This report is intended solely for the use of the University and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JHS:aom
aom:44

UNIVERSITY OF VIRGINIA
SCHEDULE OF REVENUES AND EXPENDITURES OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 1998

	Administrative and General	Football	Men's Basketball	Other Sports*	Total
Operating revenue:					
University fee allocation:					
Student activity fees	\$ 4,416,305	\$ -	\$ -	\$ -	\$ 4,416,305
Ticket sales/game guarantees	-	3,973,142	1,166,958	223,910	5,364,010
Radio and television rights	-	2,103,819	2,197,545	44,025	4,345,389
Bowl game proceeds/post season	-	893,336	1,564,639	303,859	2,761,834
Concessions	-	289,024	82,215	10,683	381,922
Novelty sales	133,935	-	-	-	133,935
Private gifts	175,595	1,488,791	233,975	3,354,949	5,253,310
Miscellaneous income	2,801,940	3,930	-	45,846	2,851,716
Total operating revenue	7,527,775	8,752,042	5,245,332	3,983,272	25,508,421
Operating expenditures:					
Coaches' salaries	-	1,383,349	1,362,471	1,578,298	4,324,118
Other salaries	3,560,958	357,016	78,985	111,094	4,108,053
Fringe benefits	971,043	255,589	98,545	328,492	1,653,669
Training meals	-	52,607	14,001	98,941	165,549
Travel:					
Team	-	186,205	370,339	1,010,042	1,566,586
Recruiting	-	133,341	102,816	240,902	477,059
Other	163,750	71,455	16,043	57,612	308,860
Conference budget contribution	849,650	-	-	-	849,650
Entertainment	152,906	232,344	74,003	109,119	568,372
Game officials	-	110,060	35,191	122,183	267,434
Hospital and clinic service	-	41,580	4,848	116,568	162,996
Administrative services	500,904	48,028	19,227	63,486	631,645
Administrative overhead	863,408	-	-	-	863,408
Game operation expenses	-	46,802	22,567	49,721	119,090
Supplies and equipment:					
Recreation	168,817	89,301	2,620	205,715	466,453
Office	200,113	50,298	11,940	85,998	348,349
Miscellaneous	87,084	21,899	17,871	12,577	139,431
Maintenance and repair	1,340,536	81,327	12,791	105,174	1,539,828
Telephone	142,878	55,429	36,522	63,492	298,321
Insurance	49,132	-	-	2,413	51,545
Dues	31,102	1,528	1,360	37,609	71,599
Contributions	1,950	-	-	-	1,950
Utilities	974,188	-	-	-	974,188
Awards and prizes	1,013	-	-	437	1,450
Scholarships	-	1,488,791	233,975	3,112,560	4,835,326
Total operating expenditures	10,059,432	4,706,949	2,516,115	7,512,433	24,794,929
Excess (deficiency) of revenues over (under) expenditures	(2,531,657)	4,045,093	2,729,217	(3,529,161)	713,492
Transfers to plant and other funds	(2,112,260)	-	-	-	(2,112,260)
Net increase (decrease) for the year	\$ (4,643,917)	\$ 4,045,093	\$ 2,729,217	\$(3,529,161)	\$ (1,398,768)

*Other sports include baseball, women's basketball, golf, soccer, lacrosse, track, swimming, tennis, wrestling, field hockey, softball, volleyball and women's crew.

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

UNIVERSITY OF VIRGINIA
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 1998

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 1998. The Schedule includes only those intercollegiate athletic revenues and expenditures under the direct accounting control of the University. The Schedule does not include Clinch Valley College's intercollegiate athletic revenues and expenditures. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures, transfers and other deductions for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Administrative and General".

NOTE 2 - AFFILIATED FOUNDATION

The University received \$4,803,325 from the Virginia Student Aid Foundation, an affiliated foundation, to provide grant-in-aid scholarships to athletes.

NOTE 3 - GIFTS RESTRICTED FOR PLANT ACQUISITIONS

The University received \$175,595 in gifts for plant acquisitions during the fiscal year ended June 30, 1998.

UNIVERSITY OF VIRGINIA
Charlottesville, Virginia

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