

GEORGE MASON UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2007**



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INTERNAL CONTROL FINDING AND RECOMMENDATION

Deposit Cash Receipts Timely

We found ten of twenty cash receipts (50 percent) tested, deposited between four and thirty-one business days after collection. University policy and procedures require coaches and staff to give the Business Office cash receipts for deposit within 24 - 48 hours of receipt.

One of the most important elements of cash security is making regular, timely bank deposits. Ideally, the Business Office should deposit receipts on a daily basis or as soon as practicable from the date of receipt. Adequate safeguarding of receipts coupled with prompt deposits of those receipts increases the security of cash and reduces the risk of loss. Athletics should ensure that coaches and staff follow established University cash handling procedures in order to prevent mishandling of funds and safeguard against loss.



Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

Walter J. Kucharski, Auditor

November 9, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Alan G. Merten
President, George Mason University

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

We have performed the procedures enumerated below, which were agreed to by the President of **George Mason University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3, for the year ended June 30, 2007. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of 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.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to intercollegiate athletics programs, which were not reviewed in connection with our audits of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. 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.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the intercollegiate athletics programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified the intercollegiate athletics-related affiliated and outside organization and provided us with copies of audited financial statements for such organization for the reporting period.
5. The George Mason Foundation prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2007, 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 Intercollegiate 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.
8. 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 review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliation for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.
11. The University does not have a separate athletic fee. Instead, it is part of the total comprehensive fee and allocated to athletics. We compared student fees reported in the Schedule to amounts reported in the accounting records and to prior year amounts for reasonableness.
12. Intercollegiate Athletics Department management provided us with a listing of game guarantee revenues, which we agreed to the accounting records. Based on an analytical review of the amounts reported in the Schedule, we consider the amount reported to be reasonable. This amount was deemed to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency, or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. We vouched each individual contribution received directly by the University for its Intercollegiate Athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Patriot Club of George Mason University Foundation, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We inspected the agreements and agreed significant amounts to supporting documentation.
15. Based on analytical review of the amounts reported in the Schedule, we deemed revenues from royalties, advertisements, and sponsorships to be reasonable. We deemed these revenues to be immaterial for detailed testing.
16. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We found all reviewed amounts to be in agreement with supporting documentation and properly recorded in the accounting records. However, we noted that the receipts were not deposited promptly in accordance with University policy and procedures. The control deficiency entitled "Deposit Cash Receipts Timely" is described in the section titled "Internal Control and Compliance Finding and Recommendation."

Expenses

17. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
18. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as financial aid in the student accounting system.
19. Based on analytical review of the amounts reported in the Schedule, we deemed game guarantee expenses for home games to be reasonable. We deemed these expenses to be immaterial for detailed testing.
20. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
21. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
22. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of George Mason University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of George Mason University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

AWP\wdh

SCHEDULE

GEORGE MASON UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF INTERCOLLEGIATE ATHLETICS PROGRAMS
For The Year Ended June 30, 2007

	Men's Basketball	Women's Basketball	Men's Soccer
Operating revenues:			
Ticket sales	\$ 471,398	\$ 14,273	\$ 7,872
Student fees	-	-	-
Guarantees	45,000	3,000	2,500
Contributions	-	-	-
Direct institutional support	-	-	-
Indirect facilities and administrative support	-	-	-
NCAA/Conference distributions including all tournament revenues	-	-	1,320
Program sales, concessions, novelty sales, and parking	-	-	111
Royalties, advertisements and sponsorships	-	3,000	-
Other	844	-	-
Total operating revenues	517,242	20,273	11,803
Operating expenses:			
Athletic student aid	385,863	405,377	242,482
Guarantees	3,500	2,000	-
Coaching salaries, benefits, and bonuses	678,378	331,155	160,375
Support staff/administrative salaries, benefits and bonuses	86,666	37,575	-
Recruiting	78,760	37,772	11,862
Team travel	282,843	133,144	71,733
Equipment, uniforms, and supplies	72,487	51,837	19,975
Game expenses	47,887	33,103	6,758
Fund-raising, marketing and promotions	-	-	-
Spirit groups	14,283	7,968	-
Indirect facilities and administrative support	-	-	-
Medical expenses and medical insurance	-	-	-
Memberships and dues	7,489	8,679	515
Other	25,324	7,380	5,004
Total operating expenses	1,683,480	1,055,990	518,704
Excess (deficiency) of revenues over/(under) expenses for the year	<u>\$ (1,166,238)</u>	<u>\$ (1,035,717)</u>	<u>\$ (506,901)</u>

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

Women's Soccer	Men's Track	Women's Track	Other Sports	Non-Program Specific	Total
\$ 4,990	\$ -	\$ 2,532	\$ 56,505	\$ 8,053	\$ 565,623
-	-	-	-	10,025,715	10,025,715
-	-	-	4,600	-	55,100
-	-	-	-	642,564	642,564
-	-	-	-	1,335,972	1,335,972
-	-	-	-	648,301	648,301
-	2,145	2,640	880	640,098	647,083
-	-	200	-	8,552	8,863
-	-	-	-	306,291	309,291
11,150	12,195	16,945	56,885	30,089	128,108
16,140	14,340	22,317	118,870	13,645,635	14,366,620
243,926	283,865	181,308	1,264,159	62,233	3,069,213
-	-	-	5,000	-	10,500
151,785	136,716	158,534	863,082	-	2,480,025
-	1,695	1,695	6,404	3,125,886	3,259,921
13,246	3,512	13,404	65,135	-	223,691
38,229	133,523	138,441	448,198	36,944	1,283,055
13,156	14,625	12,061	164,974	147,508	496,623
4,216	3,250	4,018	68,545	405,458	573,235
-	-	-	-	816,699	816,699
-	-	-	-	32,894	55,145
-	-	-	-	648,301	648,301
-	-	-	-	123,393	123,393
775	950	450	5,503	72,236	96,597
3,008	12,341	12,897	60,607	402,339	528,900
468,341	590,477	522,808	2,951,607	5,873,891	13,665,298
\$ (452,201)	\$ (576,137)	\$ (500,491)	\$ (2,832,737)	\$ 7,771,744	\$ 701,322

GEORGE MASON UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUE AND EXPENSES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2007

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the cash basis of accounting. The purpose of the Schedule is to present a summary of cash basis receipts and disbursements of the University's intercollegiate athletics programs for the year ended June 30, 2007, and includes both those intercollegiate athletic receipts and disbursements under the direct accounting control of the University and those on behalf of the University's athletic programs by outside organizations not under the University's control. Because the Schedule presents only a selected portion of the University's activities, it is not intended to and does not present the financial position, changes in financial position, or changes in cash flows for the year ended June 30, 2007. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category, "Non-program specific."

2. RELATED PARTY TRANSACTIONS

The Schedule includes transactions of the Patriot Club of George Mason University Foundation, Inc. This Foundation was organized for fund-raising activities that either support the University or benefit specific schools within the University. The Foundation provided \$642,564 in support of University athletics in the form of direct contributions and other expenses for fiscal year ended June 30, 2007.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment and infrastructure assets such as sidewalks, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year. Athletics follow the University policy and procedures for the approval and disposal of capital assets.

Depreciation is computed using the straight-line method over the estimated useful life of the asset with no residual value.

The following comprises athletics-related property and equipment at June 30, 2007:

Buildings	\$ 33,549,406
Construction in progress	9,870,169
Equipment	1,767,131
Improvements	6,109,986
Accumulated depreciation	<u>(18,456,054)</u>
Net property and equipment	<u>\$ 32,840,638</u>

4. VCBA NOTES PAYABLE

The University has entered into five promissory notes with the Virginia College Building Authority (VCBA) to finance intercollegiate athletic program facilities. The first note payable, issued in September 1997, was to finance the construction of the aquatic center located on the Fairfax campus. This note was partially refinanced in 2004. In October 2004, the University entered into another promissory note to finance an addition to the Fairfax Aquatic Center. In 2006, the University entered into three additional promissory notes to finance a two phased addition to the PE Building and an addition/renovation of the Patriot Center. The following schedule describes each of the notes outstanding:

Bond Title	Issue Date	Original Amount	Interest Rate	Bond Term	Final Payment Due	Balance Outstanding at June 30, 2007
Fairfax Aquatic Center	1997	\$ 10,340,000	3.75 - 5.0%	20 Years	2017	\$ 1,770,000
Fairfax Aquatic Center (renovation)	2004	6,785,000	3.0 - 5.0%	17 Years	2021	6,450,000
VCBA 2004 B refunding	2004	4,940,000	3.0 - 5.0%	15 Years	2019	4,910,000
PE Building (addition)	2006	6,035,000	3.5 - 5.0%	23 Years	2029	6,035,000
PE Building (addition, Phase 2)	2006	2,800,000	3.5 - 5.0%	23 Years	2029	2,800,000
Patriot Center (addition/renovation)	2006	<u>8,200,000</u>	3.5 - 5.0%	22 Years	2028	<u>8,200,000</u>
Total		<u>\$ 39,100,000</u>				<u>\$ 30,165,000</u>

The following schedule describes the total principal and interest on the notes outstanding:

Fiscal Year	Principal	Interest	Total
2008	\$ 825,000	\$ 598,338	\$ 1,423,338
2009	1,110,000	924,480	2,034,480
2010	1,415,000	1,259,463	2,674,463
2011	1,475,000	1,198,431	2,673,431
2012	1,545,000	1,126,300	2,671,300
2013-2017	8,995,000	4,358,250	13,353,250
2018-2022	7,430,000	2,170,538	9,600,538
2023-2027	5,515,000	781,225	6,296,225
2028-2032	<u>1,855,000</u>	<u>46,875</u>	<u>1,901,875</u>
Total	<u>\$ 30,165,000</u>	<u>\$ 12,463,900</u>	<u>\$ 42,628,900</u>



Senior Vice President

4400 University Drive, MS 3B2, Fairfax, Virginia 22030
Phone: 703-993-8750; Fax: 703-993-8772

November 28, 2007

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

We have reviewed the internal control finding and recommendation resulting from the fiscal year 2007 Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs performed by the Auditor of Public Accounts (APA).

The following contains the APA finding and management's response to the concerns and issues raised.

APA Finding: Deposit Cash Receipts Timely

We found ten of twenty cash receipts (50 percent) tested, deposited between four and thirty-one business days after collection. University policy and procedures require coaches and staff to give the Business Office cash receipts for deposit within 24 - 48 hours of receipt.

One of the most important elements of cash security is making regular, timely bank deposits. Ideally, the Business Office should deposit receipts on a daily basis or as soon as practicable from the date of receipt. Adequate safeguarding of receipts coupled with prompt deposits of those receipts increases the security of cash and reduces the risk of loss. Athletics should ensure that coaches and staff follow established University cash handling procedures in order to prevent mishandling of funds and safeguard against loss.

Management's Response

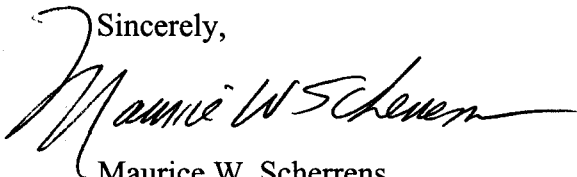
The deposits involved are entry fees collected by coaches and their staff; other cash received by Athletics is sent directly to the Business Office. Entry fees were retained by coaches and staff until they had completed their reconciliations to the number of participating teams. The following changes have been implemented:

1. The dance team has been given self addressed envelopes and instructed to endorse, copy, and send all checks to the Director for Business & Finance Services on the day they are received, since they are not located on campus.
2. The Business Office is enclosing invoices with game contracts for sports that are charging entry fees for competitions (except track). Payments are sent directly to the Business Office for depositing. A log is maintained and coaches are informed of the monies received. Entry fees for track cannot be invoiced in advance since they are based on actual athlete participation per team, which is determined on the day of the track meet. Track coaches will be instructed to submit funds as received and retain copies for their reconciliation.

The following will also occur:

1. The Director for Business & Finance will distribute copies of the cash policies at the next coaches meeting (which will include track). All head and assistant coaches attend the meeting.
2. The coaches will be advised of the new invoicing policy and instructed to submit any money they receive by the next business day or no later than Tuesday morning for weekend events; they may not wait till the event is complete. They are to keep copies of the checks submitted to the Business Office and their own log of all checks received so participant and payment records are in agreement.

Sincerely,



Maurice W. Scherrens
Senior Vice President

GEORGE MASON UNIVERSITY

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