



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

November 1, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an agreed-upon procedures report on the Iowa State Center Business Office of Iowa State University of Science and Technology for the year ended June 30, 2011.

A copy of the agreed-upon procedures report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1261-8021-BC07.pdf>.

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**IOWA STATE CENTER BUSINESS OFFICE
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2011

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Independent Accountant's Report on Applying Agreed-upon Procedures

To the Office of Business and Finance,
Iowa State University of Science and Technology:

We have performed the following procedures, which were agreed to by Iowa State University of Science and Technology (University), solely to assist you in reconciling the amounts paid and due to SMG Corporation (SMG), a subsidiary of American Capital Strategies, LTD., for operation of the Iowa State Center Business Office (ISCBO) under a management agreement for the year ended June 30, 2011. Iowa State University of Science and Technology's management is responsible for compliance with the management agreement. 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 Iowa State University of Science and Technology. 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.

The procedures we performed were as follows:

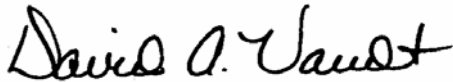
1. Reviewed cash handling procedures, certain bank deposits/withdrawals, payments and transactions including, but not limited to, ticket receipts for performing arts events for accuracy and proper business purposes.
2. Reconciled ISCBO financial statements with underlying accounting records.
3. Reviewed selected settlement amounts paid for entertainment events and reconciled the amounts to the management agreement for accuracy.
4. Reviewed the incentive fee calculation for accuracy.
5. Reviewed the fees at risk and performance fee calculations, if any, for accuracy.
6. Examined selected payments, including those to SMG Corporate, and certain payroll and benefits transactions for accuracy and proper business purposes.

Based on the performance of the procedures described above, no exceptions were noted.


We were not engaged to and did not conduct an audit of the Iowa State Center Business Office, the objective of which would be the expression of an opinion on the financial statements of the Iowa State Center Business Office. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of financial statements of the Iowa State Center Business Office, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials of the Iowa State Center Business Office of Iowa State University of Science Technology and other parties to whom the Iowa State Center Business Office of Iowa State University of Science and Technology may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the Iowa State Center Business Office of Iowa State University of Science and Technology. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 22, 2011

Iowa State Center Business Office
Iowa State University of Science and Technology

Schedule of Management and Incentive Fees
(Unaudited)

Year ended June 30, 2011

Management Incentive and Performance Fee Calculation

SMG Corporation (SMG), a subsidiary of American Capital Strategies, LTD., under a management agreement with Iowa State University of Science and Technology (University) extending through June 30, 2011, as amended on July 1, 2008, provides for SMG to earn a \$65,000 annual management fee and an additional 3% incentive fee on the basis of certain revenues and net revenues, as follows:

Incentive Fee Calculation:

<u>Revenue</u>	<u>Amount</u>
Concession sales	\$ 139,791
Net merchandise and novelty sales	9,299
Net performing arts series ticket sales	191,665
Public facilities maintenance surcharge	202,888
Net building and equipment rent	624,085
Reimbursed utilities	117,248
Sponsorship income	18,500
Conference overhead income	230,206
Net catering revenue and beverage pour rights	163,192
Media sales revenue	9,453
Total revenue for incentive fee	<u>1,706,327</u>
Incentive fee percentage	<u>3 %</u>
Total calculated incentive fee	<u>\$ 51,190</u>

SMG also has agreed to cover any operating loss, as determined according to the management agreement, from its incentive fee and, if necessary, from its \$65,000 annual management fee. In exchange for putting its fees at risk, SMG has the opportunity to earn an additional performance fee of 25% of net excess revenues. The remaining 75% of excess net revenue is to be placed in a University account established solely to serve as a retained earnings account for the benefit of the Iowa State Center Business Office and will be used to cover future losses, utility increases, deferred maintenance expenses or for any other ISU determined use at the Center. SMG did not have sufficient net excess revenues to earn a performance fee.

The amount reported as earned by SMG at June 30, 2011 totaled \$116,190, as follows:

Management fee	\$ 65,000
Incentive fee (3%)	<u>51,190</u>
Total fees	<u>\$ 116,190</u>

Iowa State Center Business Office
Iowa State University of Science and Technology

Staff

This agreed-upon procedures agreement was performed by:

Ronald D. Swanson, CPA, Manager
Jenny R. Lawrence, Staff Auditor
Zebulon Bidwell, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State