

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

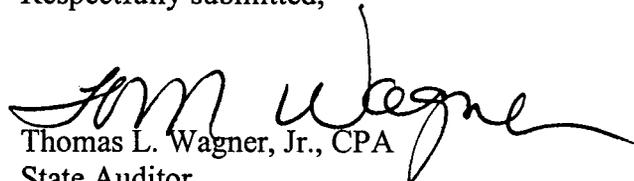
December 21, 2001

The Honorable Jim Hodges, Governor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues, expenditures, and transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program for the fiscal year ended June 30, 2001, was issued by Pratt-Thomas, Gumb & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM**

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PRATT-THOMAS, GUMB & CO., P.A.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

P.O. BOX 973 • 1 CORDES STREET
CHARLESTON, SOUTH CAROLINA 29402
(843) 722-6443
(843) 723-2647 FAX
E-MAIL: cpa@p-tg.com
www.prattthomasgumb.com

BARRY D. GUMB
HAROLD R. PRATT-THOMAS, JR.
LYNNE LORING KERRISON
FIRMS
ROY STRICKLAND
PATRICIA B. WILSON
RUDOLPH S. THOMAS

MEMBERS
AMERICAN INSTITUTE OF CPAs
THE AICPA ALLIANCE FOR CPA

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor and the Board of Visitors and management of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program solely to assist The Citadel in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 2001. The Board of Visitors and management are responsible for The Citadel's compliance with the requirements of NCAA Bylaw 6.2.3.1 and supporting financial records and those internal controls related to compliance. 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 for either the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

1. We obtained from the accounting manager the Statement of Revenues, Expenditures and Transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program, for the year ended June 30, 2001, as prepared by the accounting department of The Citadel and shown as Attachment A in this report. We recalculated the addition of the amounts on the statement, traced those amounts to management's worksheets and agreed the amounts on management's worksheets to The Citadel's general ledger on a test basis. We reviewed management's worksheet adjustments to satisfy ourselves that the adjustments were appropriate. We found no exceptions as a result of the procedures.

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November 16, 2001

2. We obtained from management a list of all outside organizations not under The Citadel's accounting control. Such an organization has as its principal or one of its principal purposes the generating of resources for or on behalf of The Citadel's Intercollegiate Athletics Program or the promotion of the program. Management included one outside organization, The Brigadier Foundation. We also obtained descriptions of The Citadel's methods for gathering information on the nature and extent of The Brigadier Foundation's activities. We found no exceptions as a result of the procedures.
3. We obtained copies of The Brigadier Foundation's financial statements for The Citadel's fiscal year and confirmed the revenues and expenditures on these statements directly with responsible officials of the organization. We found no exceptions as a result of the procedures.
4. We requested from the internal auditor and the accounting manager a list of all expenditures made directly by the respective outside organizations (not under The Citadel's accounting control) for or on behalf of The Citadel's Intercollegiate Athletics Program or employees. The internal auditor and accounting manager indicated that there are no such expenditures made directly by any outside organizations.
5. We tested selected material additions to restricted current, endowment, and plant fund accounts related to intercollegiate athletics from those disclosed in a footnote to the Statement of Revenues, Expenditures and Transfers to determine if they were properly recorded in The Citadel's accounting records, were properly disclosed in the footnote, and were excluded from the Statement of Revenues, Expenditures and Transfers of the Intercollegiate Athletics Program. We found no exceptions as a result of the procedures.
6. We scanned the Intercollegiate Athletics Program contributions revenue accounts detail from the general ledger to identify each individual contribution received directly that constituted more than ten percent of all contributions received for intercollegiate athletics. For the recorded receipt, we reviewed the supporting documentation to determine if it was properly classified, to identify if it was received from an independent outside source (which does have as one of its principal purposes the promotion and support of the athletics program), and to determine that if its source and value were disclosed in a footnote to the statement. We found no exceptions as a result of the procedures.

7. We obtained from management general ledger activity for all cash receipts. We judgmentally selected thirty-six percent of total receipts for intercollegiate athletics and tested them to determine if they were properly recorded and classified in the accounting records based on our review of the supporting documentation. We then agreed the cash receipt amount to the records from the Athletics Department and Treasurer's office. We found no exceptions as a result of the procedures.
8. We asked management to describe specific elements of The Citadel's internal control over financial reporting unique to the Intercollegiate Athletics Program's accounting system and financial reporting.
 - a. Based on the materiality of certain revenue sources as reported on the Statement of Revenues, Expenditures and Transfers, we tested recorded ticket sales, game guarantees, and student activity fees to determine if they were complete and properly classified based on a review of the supporting documentation of football ticket sales reports prepared by the internal auditor, game guarantee contracts and actual versus budget analysis, and student enrollment schedules which include per student fees. In addition, we tested NCAA distributions, concessions, promotions, advertising, program sales, contributions, and rental income revenues, in conjunction with the cash receipts testing. The total of the selected items was 85% of the aggregate total of recorded revenues. We also tested the selected recorded revenues to determine if internal controls over the reporting of these revenues were operating as described. We found no exceptions as a result of the procedures.
 - b. Based on the materiality of certain expenditure accounts reported on the Statement of Revenues, Expenditures and Transfers, we tested judgmentally selected recorded expenditures for salaries and benefits, game guarantees, team and employee travel, other supplies, other professional services, other contractual services, sports medicine allocation, and scholarships and grants to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation of payroll records, game guarantee contracts, invoices, travel documents, travel vouchers, and grant awards, and if internal controls over the reporting of these expenditures were operating as described. The total of the selected items was 43% of the aggregate total of recorded expenditures. Of the four scholarship and grant awards

8. (Continued)
- b. examined, we noted that one award was not signed by the student. The award was not properly signed due to a clerical error in preparing the award. We did note that the award was properly signed by the student's parent, and that the student had signed a letter of intent. We noted the grant was properly accounted for in the financial statements.
 - c. We obtained a copy of The Citadel's internal auditor's report on its review and reconciliation of ticket sales for two of the five home football games. We tested the reconciliation by verifying its mathematical accuracy and agreeing amounts thereon to the supporting documentation. The report indicates findings which are presented in Attachment B in the Accountants' Comments section of this report.
 - d. We tested reported student activity fees revenue for reasonableness by comparing the recorded amount to our estimate of the fees using student enrollment and the fee per student per semester. We identified no material unexplained variance.
9. We examined guarantee contracts for all football, basketball, and baseball games during the fiscal year 2001. We compared the contract revenues to recorded revenues in the Intercollegiate Athletics Program series of accounts in the general ledger. We also compared football, basketball, and baseball guarantee expenditures per the contracts to expenditures recorded in the expenditure accounts in the Intercollegiate Athletics Program series of accounts in the general ledger.
- We noted that one guarantee expense contract was for \$2,500, but The Citadel made a payment on the contract for \$3,000. The expense was recorded in the general ledger as \$3,000. Other than this one guarantee expense exception, we identified no other material unexplained differences.
10. We obtained a schedule of athletics department salaries from, and prepared by, Human Resources. We used the schedule to analytically test recorded salary expenditures. We estimated the related fringe benefit expenditures using The Citadel's prior year's average fringe benefits rate and compared our estimates with reported expenditures in the appropriate general ledger accounts. We identified no material unexplained differences.

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11. We asked the accounting manager to explain The Citadel's method for allocating overhead to the athletics programs. The accounting manager told us that overhead is not allocated within the athletics department among programs. We performed tests and analyses to determine if the overhead amounts for fiscal year 2001 were reported in accordance with the described practice and if the basis for allocation was properly disclosed in a footnote to the Statement of Revenues, Expenditures and Transfers in accordance with the described practices. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance described in paragraph one and procedures one through eleven of this report. Accordingly, we do not express such opinions. 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 information and use of the Governor, the South Carolina Office of the State Auditor, and the Board of Visitors and management of The Citadel, The Military College of South Carolina, and is not intended to be and should not be used by anyone other than these specified parties.

Phatt-Thomas, Gumb & Co. PA

Charleston, South Carolina
November 16, 2001

THE CITADEL

The Military College of South Carolina
Intercollegiate Athletics Program

Statement of Revenues, Expenditures and Transfers
For the year ended June 30, 2001

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL	PRIOR YEAR TOTAL
Revenues:						
Ticket sales	\$ 353,375	\$ 65,224	\$ 45,143	\$ -	\$ 463,742	\$ 515,496
Game guarantees	250,000	43,150	6,417	-	299,567	312,825
Program sales	7,749	1,070	550	-	9,369	12,429
Promotions	4,739	1,300	25,757	61,633	93,429	105,875
Concessions	17,363	11,207	13,802	10,635	53,007	55,242
Student activity fees	415,664	150,749	340,145	439,164	1,345,722	1,299,924
Entry fees	-	-	2,100	-	2,100	3,424
Mailing and handling	-	-	-	5,117	5,117	4,464
Coaches rental car payments	4,111	1,410	1,320	-	6,841	7,740
Contributions (unrestricted)	8,335	-	39,404	10,267	58,006	26,909
Contributions (restricted to scholarships)	448,955	93,727	357,318	-	900,000	680,000
Advertising	30,073	3,700	750	-	34,523	31,785
SOCON/NCAA distributions	-	-	11,375	132,299	143,674	82,602
Broadcast rights	-	-	-	6,000	6,000	3,000
Rental income	-	-	-	42,688	42,688	51,603
Parking fees	-	-	-	59,324	59,324	59,692
Other revenue	-	-	-	9,982	9,982	10,138
Total revenues	1,540,364	371,537	844,081	777,109	3,533,091	3,263,148
Transfers in for scholarships:						
From Daniel Fund of unrestricted current funds	100,000	-	-	-	100,000	150,000
From Turner Fund of unrestricted current funds	89,130	39,484	150,526	-	279,140	418,918
From auxiliary enterprises	-	-	-	-	-	411
Transfers In for Operations:						
From Turner Fund of unrestricted current funds	-	-	-	467,993	467,993	97,969
From auxiliary enterprises	-	-	-	868,424	868,424	780,544
Total transfers in	189,130	39,484	150,526	1,336,417	1,715,557	1,447,842
Total sources of funds	1,729,494	411,021	994,607	2,113,526	5,248,648	4,710,990

See accompanying notes.

THE CITADELThe Military College of South Carolina
Intercollegiate Athletics ProgramStatement of Revenues, Expenditures and Transfers
For the year ended June 30, 2001

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL	PRIOR YEAR TOTAL
Expenditures:						
Salaries & benefits						
Coaches	553,410	199,618	452,865	-	1,205,893	985,799
Other	-	1,088	-	584,698	585,786	563,799
Prospect travel	12,522	1,231	13,573	-	27,326	42,329
Team travel	150,040	76,808	208,988	-	435,836	359,194
Team entry fees	-	-	500	-	500	5,145
Employee travel	44,268	15,905	36,933	6,585	103,691	100,927
Food services	44,895	3,493	21,812	17,346	87,546	42,974
Game guarantees	49,000	12,500	10,000	-	71,500	96,000
Event staff	17,352	12,669	15,145	4,266	49,432	50,577
Advertising	-	-	-	5,327	5,327	7,457
Printing/binding-outside	-	-	-	6,332	6,332	6,342
Printing/binding-inside	1,441	7,103	4,337	36,203	49,084	33,671
Printing-programs	36,034	1,167	-	2,117	39,318	38,133
Repairs-outside	95	702	175	-	972	1,991
Repairs-Physical Plant	-	697	1,160	14,618	16,475	8,945
Other contractual services	22,633	1,152	15,255	75,305	114,345	45,866
Laundry and tailoring	259	52	455	5,377	6,143	6,882
Freight	1,967	2,122	681	10,196	14,966	18,064
Photography	224	650	-	2,825	3,699	3,704
Commissions	6,147	-	-	71	6,218	2,102
Maintenance contracts	-	-	-	8,176	8,176	2,521
Officials & referees	22,193	23,460	18,059	-	63,712	62,286
Physician fees	10,625	4,426	5,537	-	20,588	7,926
Bank fees	-	-	-	3,811	3,811	2,584
Other professional services	-	-	-	133,830	133,830	133,888
Telephone	13,837	7,319	14,277	14,096	49,529	40,583
Other utilities	-	-	4,300	18,644	22,944	22,937
Awards	679	342	2,938	-	3,959	13,647
Postage	103	-	-	11,184	11,287	10,636
Other supplies	150,407	22,715	129,484	96,217	398,823	341,053
Other fixed charges	529	-	1,956	4,928	7,413	64,978
Insurance	9,000	3,500	6,078	32,482	51,060	44,754
Dues	635	640	1,323	6,898	9,496	11,163
Overhead allocation	-	-	-	226,587	226,587	153,594
Registration fees	417	2,820	7,731	460	11,428	7,568
Equipment rental	7,597	-	12,755	24,586	44,938	35,339
Equipment	-	10,521	1,725	5,247	17,493	-
Admissions tax	16,713	3,495	-	-	20,208	24,472
Other expenses	1,312	1,565	891	19,745	23,513	29,617
Scholarships/grants	638,085	133,212	507,844	-	1,279,141	1,249,330
Total expenditures	1,812,419	550,972	1,496,777	1,378,157	5,238,325	4,678,777
Transfer out for debt service				4,147	4,147	
Total uses of funds	1,812,419	550,972	1,496,777	1,382,304	5,242,472	4,678,777
Excess of sources of funds over (under) expenditures	\$ (82,925)	\$ (139,951)	\$ (502,170)	\$ 731,222	\$ 6,176	\$ 32,213

See accompanying notes.

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2001**

1. Allocation of Overhead

The Citadel prepares an annual study of overhead to charge to all of its auxiliary activities. The overhead charge to the athletics department is derived from that study. The study is reviewed as part of the college's regular financial audit, and is comprised of an allocation of various institutional costs.

2. Contributions

The Citadel received one contribution from an outside organization that exceeded ten percent of all contributions to the Athletic Department during the year ended June 30, 2001. The contribution was received from the Brigadier Foundation in the amount of \$900,000, and is restricted to scholarships.

3. Gift for Altman Athletic Center

The family of Mr. William M. Altman, Jr., gave \$700,000 to The Citadel in fiscal year 1999 and pledged an additional \$300,000 to help fund the construction of an end zone facility in the football stadium. The pledge was scheduled to be paid in equal quarterly installments over four years. The Citadel received \$75,000 in fiscal year 2001. The remaining pledge of \$150,000 will be paid over the next two years. The gifts are recorded in the unexpended plant funds.

ACCOUNTANTS' COMMENTS

Current Year Conditions:

1. Cash Over/Short

For the 2000 football season, gate cash receipts were \$376 over revenues accounted for by ticket sales. One seller was responsible for all but \$7 of this cash overage. However, this seller is responsible for approximately 47% of gate sales because his station is for West Stadium Reserved Seats.

Opportunity for Improvement:

It is unclear why this seller was consistently over in his cash deposit for every game, ranging from \$14 to \$163 cash overage and averaging \$74 cash overage per game. Management should consider distributing the gate workload more evenly or supervising the cash handling processes to a greater extent.

If coupons and Greenbax stamps redeemed for football tickets were restricted to the East Stadium, or to one seller only, it may help smooth out the workload.

Management's Response:

Due to staff shortages, it is difficult to distribute the gate workload more evenly. However, Athletic Department management will supervise the cash handling process to a greater extent in an attempt to reduce discrepancies between gate receipts and number of tickets sold.

2. Coupons Over/Short

Two years ago, a policy was enacted to exchange "Val-Pack" and other coupons for only one football ticket for each coupon and to track the denomination of tickets as used. This policy appears to be continuing to work properly.

Opportunity for Improvement:

The advance and gate sales coupons are saved in two separate envelopes after each game. Some of these coupons are very small pieces of light glossy paper, easy to misplace or lose.

A count of these coupons revealed discrepancies from the reported total. These overages and shortages totaled 31 coupons over the reported 2,533 amount for the season (1.2%).

2. **Coupons Over/Short** - Continued

Opportunity for Improvement: - Continued

While the magnitude of the potential misstatement in revenues is not significant, management should consider improving the controls over the acceptance and storage of coupons or limiting the use of these coupons to general admission or to one gate seller only at football games.

Another recommendation would be to count and store each gate seller's coupons in separate envelopes immediately after the football game.

Management's Response:

Staff shortages also impact the handling of game coupons. Management plans to store each gate seller's coupons in separate envelopes immediately after each football game. This procedure should reduce the discrepancy between coupons and game tickets.

Prior Year Conditions:

1. **Deadwood Ticket Count**

For the 2000 football season, accounting for deadwood tickets had greatly improved over the 1999 football season. Individual game overages/shortages ranged from 58 reserved tickets under to 16 general admission tickets over; as compared to the 1999 season variances of 97 general admissions under to 306 general admission tickets over. The potential misstatement improved from 572 tickets valued at \$6,447 for the 1999 football season to 42 tickets valued at \$433 for the 2000 football season.

Auditors' Comments:

We believe that the ticket counts have greatly improved from prior year. We recommend the continuation of careful control over ticketing procedures.

Management's Response:

The Athletic Department improved control over deadwood tickets and was able to reduce ticket discrepancies from 572 tickets for the 1999 football season to 42 tickets for the 2000 season. The Athletic Department will continue careful control of this process.

2. **Timeliness**

Timeliness of the 2000 football season ticket count audit has not improved from the 1999 football season. The purpose of the count is to reconcile the number of tickets sold with the amount of revenue recognized. During the 1999 football season, the ticket count was delayed until April of 2000 due to a reorganization at SCAT (South Carolina Automated Ticket Service) that delayed receipt of the reports. The 2000 football season ticket count was performed during May of 2001 due to delays at the Athletic Office. The Internal Audit office is available and has scheduled to do this work in February of each year. However, the delay this year had no effect on the quality of the deadwood ticket reconciliations.

Auditors' Comments:

We recommend that the Athletic Office perform necessary planning and coordination with the Internal Audit department to ensure the ticket count can proceed in a timely fashion.

Management's Response:

Due to staff shortages, the Athletic Department must schedule ticket counts during a slack time of the year. This requirement necessitates scheduling the ticket count during late spring. However, due to improved deadwood ticket control, this ticket count delay does not have a detrimental effect on the quality of the deadwood ticket count. The Athletic Department will continue to schedule the count during the spring, and will continue to carefully control deadwood tickets. We do not believe that timeliness of the count will have a negative impact on the deadwood count.