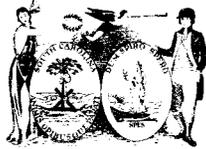


State of South Carolina



Office of the State Auditor

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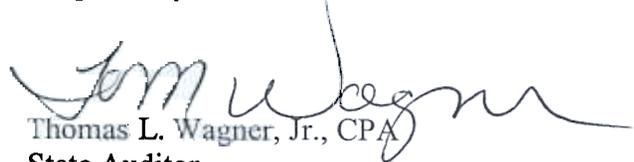
April 1, 2002

The Honorable Jim Hodges, Governor
and
Members of the Board of Trustees
South Carolina State University
Orangeburg, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records, internal controls, and statement of revenues and expenditures of the South Carolina State University Intercollegiate Athletics Program for the fiscal year ended June 30, 2001, was issued by Rogers & Laban, PA, 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/kss

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

ORANGEBURG, SOUTH CAROLINA

YEAR ENDED JUNE 30, 2001

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM
ORANGEBURG, SOUTH CAROLINA**

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JUNE 30, 2001**

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ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT ACCOUNTANT'S 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 Trustees and management of South Carolina State University (the University), solely to assist those users in evaluating the performance of the University's Intercollegiate Athletics Program and to assist the University in complying with NCAA Constitution section 6.2.3.1 for the fiscal year ended June 30, 2001. The University's Board of Trustees and management are responsible for South Carolina State University's compliance with these requirements. This engagement to apply agreed-upon procedures was performed 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 specified users of the report. 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 and associated findings are as follows:

- 1 We obtained from management the statement of revenues and expenditures of the South Carolina State University Intercollegiate Athletics Program for the year ended June 30, 2001, as prepared by management of the University 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 relevant accounts in the University's general ledger. Our findings as a result of these procedures are presented in the Accountant's Comment section of this report.
- 2 We obtained from management a list of all outside organizations not under the University's accounting control. Such an organization has its principal or one of its principal purposes the generating of resources for or on behalf of the University's intercollegiate athletics program or the promotion of the program. We also obtained descriptions of the University's methods for gathering information on the nature and extent of each of those organization's activities for or on behalf of the intercollegiate athletics program. Our findings as a result of these procedures are presented in the Accountant's Comments section of this report.
- 3 From management, we obtained copies of each outside organization's statement of expenditures for the University's fiscal year and confirmed the expenditures on these statements directly with responsible officials of the respective organizations. We found no exceptions as a result of the procedures.



4. We scanned the Intercollegiate Athletics Program contributions revenue accounts detail to identify each individual contribution received directly that constitutes more than ten percent of all contributions received for intercollegiate athletics. The only such contribution noted was \$68,719 from the S.T.A.T.E. Club. Our findings as a result of these procedures are presented in the Accountant's Comments section of this report. In addition, \$201,752 of in-kind contributions are reflected on the Statement of Revenues and expenditures.
5. From recorded Intercollegiate Athletics Program revenues, we selected certain 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 found no exceptions as a result of the procedures.
6. We asked management to describe specific elements of the University's internal controls 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, we tested selected recorded ticket sales and NCAA revenues, to determine if they were complete and properly classified based on a review of the supporting documentation of ticket sales reports prepared by management, ticket prices, and number of games; letters and checks received from the NCAA; and review of various general ledger accounts. We also tested the selected recorded revenues to determine if internal controls over the recording of these revenues were operating as described. Our finding as a result of these procedures are presented in the Accountant's Comment section of this report.
 - b) Based on the materiality of certain expenditure accounts reported on the statement, we tested selected recorded expenditures for guarantees, travel, supplies, student athletic insurance, financial aid and financial aid waivers to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation of vendor invoices, travel vouchers, contracts with suppliers, purchase orders and supporting workpapers for the allocation of financial aid expenditures including financial aid award letters and if internal controls over the recording of these expenditures were operating as described. Our findings as a result of these procedures are presented in the Accountant's Comment section of this report.
 - c) We attempted to test the reconciliation of sales prepared by the Athletic Department to revenue for one of the five home football games and one of the twenty home basketball games by verifying their mathematical accuracy and agreeing amounts thereon to the supporting documentation. Our findings as a result of these procedures are presented in the Accountant's Comment section of this report.
7. We obtained a listing of receipts for the Intercollegiate Athletics Program from the Controller's office. We randomly selected ten receipts for testing, verified their clerical accuracy, reviewed supporting documentation to determine if the receipts were properly classified, and traced the receipts to the University's general ledger accounts for the Intercollegiate Athletics Program. Our findings as a result of these procedures are presented in the Accountant's Comment section of this report.
8. We examined guarantee contracts for all football and basketball games during fiscal year 2001 and compared the contract revenues to recorded revenues in the general ledger for agreement of the amount and revenue classification. We also compared guarantee expenditures per the contracts to expenditures recorded in the general ledger for agreement and expenditure classification. Our findings as a result of these procedures are presented in the Accountant's Comment section of this report.
9. We obtained a schedule of the Athletic Department salaries and agreed those amounts to the appropriate general ledger salary accounts. We estimated the related employer contributions expenditures using the University's average fringe benefits rates for comparably paid employees and compared our estimates with reported expenditures in the appropriate general ledger accounts. Our findings as a result of these procedures are presented in the Accountant's Comment section of this report.

10. We reviewed the status of the findings reported in the prior year to determine if the University had taken adequate corrective action. We determined that adequate corrective action had not been taken on the findings.

We were not engaged to, and did not, perform an examination, the objective of which is the expression of an opinion on the specified areas, accounts, or items. Accordingly, we do not express such an opinion. 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 and the users specified in paragraph one of this report 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.

Rogers & Lalor, PA

January 14, 2002

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**ACCOUNTANT'S COMMENTS
YEAR ENDED JUNE 30, 2001**

ERRORS IN RECORDING TRANSACTIONS AND PREPARING FINANCIAL STATEMENT

Our testing of various amounts reported on the statement of revenues and expenditures disclosed the following errors:

1. \$31,842 of financial aid expenditures was improperly posted in the accounting records as financial aid waiver expenditures.
2. \$1,769 of financial aid waiver expenditures was not recorded in the Athletic Department series of general ledger accounts.
3. \$360 of parking revenue was recorded as ticket service fees revenue and \$36 of ticket service fees revenue was recorded as parking revenue.
4. \$159,411 of ticket sales from the Carolina Classic which should have been reported in football was reported as non-program specific NCAA revenue.
5. \$83,818 of guarantee revenue for football games was recorded as guarantee revenue under basketball.
6. \$57,000 of guarantee expenditures for football was paid from the President's fund and not recorded as Athletic Department expenditures.
7. \$60,369 of guarantee expenditures for football was netted against guarantee revenue for football.
8. In-kind revenues and expenditures of approximately \$202,000 made by outside organizations were not reflected on the statement.
9. The University is not maintaining adequate documentation to breakout various expenditures by sport and is consequently reporting them as non-program specific. Examples are student insurance and student book purchases.
10. No reconciliation was prepared to reconcile salaries per the payroll report to the amount reported in the statement.

The statement was not prepared in a manner consistent with the prior year's statement and numerous errors were noted in the recording of entries and the preparation of the statement of revenues and expenditures.

The statement of revenues and expenditures was adjusted to correct the errors noted in 1 – 8 above.

We recommend that additional care be taken to ensure that all revenues and expenditures are properly classified by source, nature and sport. Entries should be reviewed on a monthly basis by management to verify the accuracy of entries recorded. Additional care should be taken to ensure that the statement of revenues and expenditures includes all revenues and expenditures applicable to the Intercollegiate Athletic Program and that the statement is prepared in a manner consistent with the prior year. We also recommend that management ensure that the employees involved in coding transactions, posting them to the accounting records and preparing the statements have the proper training to prepare the report and management should verify that the statements are correct. All revenues and expenditures should be reported at their gross amounts.

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**ACCOUNTANT'S COMMENTS
YEAR ENDED JUNE 30, 2001**

DEFICIENCIES IN CONTROLS OVER TICKETS SOLD

We were unable to agree amounts reported as ticket sales to sales reports and the University could not account for unsold tickets. The Athletic Department could not provide us with a report of tickets sold by Ticket Master and could not provide us with a report to show the number of tickets actually printed for a game. No reconciliation is prepared to show the number of tickets sold, used for complementary tickets, or unsold for each game. Tickets are not counted at the end of each game to determine the number of sold and unsold tickets and there is no separation of duties in the ticket office. For one football game and one basketball game, the number of ticket stubs on hand was greater than the number sold. The internal auditor did not review any of the reconciliations as recommended in the prior year's report.

Similar findings were cited in the prior year's report.

We recommend that controls be put in place so that ticket sales are reconciled to ticket sales revenue. A reconciliation should be prepared by game and for the season by sport. Controls should be put in place to ensure that there is an adequate separation of duties in the ticket office, all required documentation is maintained and that the internal auditor become involved in the reconciliation process.

LACK OF CONTROLS OVER RECEIPTS

Our test of amounts received by the Athletic Department disclosed that there are no procedures in place to maintain control over receipts and for tracking monies received by the Athletic Department through deposit and posting in the accounting records.

We recommend that one employee open all mail and prepare a list of checks received on a daily basis. There needs to be another employee that prepares the deposits. The list should be agreed to the validated deposit ticket by someone independent of the deposit preparation. In addition, Athletic Department deposits should be reconciled to revenue recorded in the accounting records.

SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM

STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2001

Description	Football	Basketball	Other Sports	Nonprogram Specific	Total
Revenues:					
Ticket Sales	\$ 696,178	\$ 10,441	\$	\$	\$ 706,619
Parking & Vending	44,703	8,700			53,402
NCAA Distribution				124,551	124,551
Game Guarantees	132,818	206,000			338,818
SCSU Educational Foundation and the S.T.A.T.E. Club - in kind	195,263	4,000	2,489		201,752
Advertising				13,405	13,405
Donations		500	1,050	68,719	70,269
Ticket Services Fees	3,864			10,477	14,341
Other				1,629	1,629
Financial Aid Waivers	<u>146,704</u>	<u>55,208</u>	<u>150,365</u>	<u>7,076</u>	<u>359,353</u>
Total Revenues	1,219,530	284,849	153,904	225,857	1,884,139
Expenditures:					
Coaches' Salaries	302,841	260,776	85,080		648,697
Other Salaries	30,028		41,417	504,142	575,587
Fringe Benefits	82,874	60,567	26,707	123,527	293,675
Uniforms & Clothing Supplies	19,261	18,289	29,852	14,980	82,382
Other Supplies	41,618	6,770	24,396	45,327	118,111
Medical Health Services				8,407	8,407
Telephone	10,683	8,664	11,396	14,497	45,240
Other Contractual Services	93,847	15,893	17,123	130,506	257,369
Team Travel	98,282	181,736	251,458	3,024	534,500
Recruiting Travel	20,963	23,632	8,295		52,890
Other Travel				20,049	20,049
Insurance (Student)				69,775	69,775
Membership Dues & Fees		495	405	37,045	37,945
Fixed Charges	9,180	1,260	2,620	12,490	25,550
Equipment Purchases	16,055			14,309	30,364
Utilities	53,285			2,082	55,367
Financial Aid	477,624	192,013	380,712	191,604	1,241,953
Financial Aid Waivers	146,704	55,208	150,365	7,076	359,353
Other Misc		2,000	3,175	13,767	18,942
Guarantees	117,369				117,369
Advertising	<u>63,401</u>				<u>63,401</u>
Total Expenditures	<u>1,584,016</u>	<u>827,303</u>	<u>1,033,001</u>	<u>1,212,607</u>	<u>4,656,927</u>
Excess of Revenues over (Under) Expenditures	<u>\$ (364,486)</u>	<u>\$ (542,454)</u>	<u>\$ (879,097)</u>	<u>\$ (986,750)</u>	<u>\$ (2,772,787)</u>

**South Carolina State University
Intercollegiate Athletics Program**

**AUDIT RESPONSES
For the Year Ended June 30, 2001**

#1 - Errors in Statement of Revenue & Expenditures

The statement was prepared according to the previous year's format and previous auditor's recommendations. Numerous changes to the FY2001 Statement were made as requested by Rogers & Laban and some changes were later reversed at the request of Rogers & Laban.

The Statement of Revenue & Expenditures for FY2002 will be prepared as requested.

The Athletic Director will begin with fiscal year 2002-2003 documenting student insurance and textbook purchases by programs.

#2 – Deficiencies in Controls over Tickets Sold

The Internal Auditor and the Athletic Ticket Manager began performing game- by- game reconciliation of financial records with Ticket Master for fiscal year 2001-2002. The Ticket Manager performs a count of tickets box- by- box and game by game.

#3 – Lack of Controls over Receipts

The return address on the application for season ticket sales and all other ticket sales correspondence will be changed to reflect the Office of the Athletic Director as the return address. All mail receipts will be opened and logged daily in the Athletic Director's Office. The Ticket Office will sign the log sheet and prepare a deposit ticket and submit all receipts to the Cashier's Office for an official University receipt.