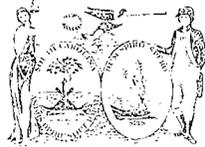


**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

ORANGEBURG, SOUTH CAROLINA

YEAR ENDED JUNE 30, 2004

State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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June 28, 2005

The Honorable Mark Sanford, 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, 2004, 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,

A handwritten signature in cursive script that reads "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

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

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JUNE 30, 2004**

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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, 2004. The University's Board of Trustees and management are responsible for the 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 University's Intercollegiate Athletics Program for the year ended June 30, 2004, 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 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. Our findings as a result of these procedures are presented in the Accountant's Comments section of this report.



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1st Global Insurance Service, Inc.*

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. Two such contributions were received from the South Carolina State University Foundation and one contribution was received from a third party.
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. Our findings as a result of these procedures are presented in the Accountant's Comments section of this report.
6. We asked management to describe specific elements of the University's internal controls unique to the intercollegiate athletics program 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 is presented in the Accountant's Comments section of this report.
 - b) Based on the materiality of certain expenditure accounts reported on the statement, we tested selected recorded expenditures for contractual services, travel, supplies, membership dues and fees, fixed charges, admission tax, equipment purchase, resale of raw material, 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. We found no exceptions as a result of the procedures.
 - c) We attempted to test the reconciliation of sales prepared by the Athletic Department to revenue for one of the four home football games and one of the eleven home basketball games by verifying their mathematical accuracy and agreeing amounts thereon to the supporting documentation. Our finding as a result of these procedures is presented in the Accountant's Comments section of this report.
7. We obtained a listing of receipts for the intercollegiate athletics program from the Controller's office. We randomly selected 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 finding as a result of these procedures is presented in the Accountant's Comments section of this report.
8. We examined guarantee contracts for all football and basketball games during fiscal year 2003 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 finding as a result of these procedures is presented in the Accountant's Comments 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 finding as a result of these procedures is presented in the Accountant's Comments 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 & Laban, PA

June 17, 2005

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**ACCOUNTANT'S COMMENTS
YEAR ENDED JUNE 30, 2004**

ERRORS IN RECORDING TRANSACTIONS AND PREPARING FINANCIAL STATEMENT

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

1. \$20,000 in coach's salaries for basketball were incorrectly recorded as non-program specific other salaries.
2. Team travel expenses paid by opponent teams as part of the game guarantee were not recorded in the books.
3. \$92,037 of guarantee revenue from football games and \$5,500 of guarantee revenue from basketball games were incorrectly recorded as ticket sales revenue.
4. \$65,249 in Non-Specific Program revenue sharing was included in both the prior year and the current year statement.
5. The University only recorded scholarships and did not record other expenditures totaling \$125,863 paid by the South Carolina State University Foundation on behalf of Athletics Program.

The statement of revenues and expenditures was adjusted to correct the errors noted in 1 – 5 above.

The same finding was cited in the prior year's report.

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.

DEFICIENCIES IN CONTROLS OVER TICKETS SOLD

The amounts reported as ticket sales did not agree with Ticket Master report and adequate support was not maintained to allow us to account for the difference. The University could not account for unsold tickets. The Athletic Department 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.

The same finding was cited in the prior year's report.

We recommend that the University implement a system to account for all tickets printed. The report should show the number of tickets sold which should be agreed to the revenue recorded in the general ledger, the number of complementary tickets and the number of unsold tickets. All unsold records should be retained for audit purposes.

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

ACCOUNTANT'S COMMENTS

YEAR ENDED JUNE 30, 2004

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. Also, there was no backup available for numerous receipts tested. There were no settlement reports available to justify the numerous differences between those revenue amounts recorded and the amounts shown on contracts.

The same finding was cited in the prior year's report.

We recommend that Athletic Department reconcile revenue recorded in the accounting records to contracts/agreements amount and the deposits made, and adequate support documentation should also be kept in accounting office to ensue the proper post of these items.

SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM

Attachment A

STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2004

Description	Football	Basketball	Other Sports	Nonprogram Specific	Total
Revenues:					
Ticket Sales	\$ 474,930	\$ 14,673	\$	\$	\$ 489,603
Parking & Vending	39,313				39,313
NCAA/Conference Distribution	3,306	6,612	42,985	115,188	168,091
Game Guarantees	312,009	170,500			482,509
Concession	41,011	7,018			48,029
SCSU Foundation and the S.T.A.T.E. Club-in kind	97,127	51,276	28,528	32,979	209,910
Advertising	12,150			1,539	13,689
Investment Income	4,604				4,604
Other	8,487		2,115	435	11,037
Donation				46,990	46,990
Financial Aid Waivers	132,217	82,023	289,190	5,280	508,710
Total Revenue	1,125,154	332,102	362,818	202,411	2,022,485
Expenditures					
Coaches' Salaries	351,337	335,463	189,743		876,543
Other Salaries	9,069	5,181	7,984	530,000	552,234
Fringe Benefits	74,210	80,050	40,218	147,750	342,228
Uniforms & Clothing Supplies	12,202	13,579	34,199	2,350	62,330
Other Supplies	88,796	12,436	32,446	44,077	177,755
Medical Health Services	4,450	2,660	3,810	21,093	32,013
Telephone	9,584	6,004	2,918	22,033	40,539
Other Contract Services	133,390	9,479	6,056	124,912	273,837
Team Travel	123,590	166,496	245,775	1,770	537,631
Recruiting Travel	8,398	19,238	3,756		31,392
Other Travel	8,759	4,296	2,424	20,760	36,239
Insurance (Student)	30,910	4,293	19,451	4,747	59,401
Membership Dues & Fees	146	36,865	1,290	68,623	106,924
Fixed Charges	3,188	7,984	13,806	21,311	46,289
Equipment Purchases	7,330	5,995	1,135	6,857	21,317
Utilities	69,231			362	69,593
Concession Expenses	5,077	4,026			9,103
Financial Aid	657,109	242,114	685,283	70,909	1,655,415
Financial Aid Waivers	132,217	82,023	289,190	5,280	508,710
Advertising & Promotions	68,222	250		4,315	72,787
Stipends			2,500	10,044	12,544
Scholarships	29,928	35,442	18,676		84,046
Total Expenditures	1,827,143	1,073,874	1,600,660	1,107,193	5,608,870
Excess of Revenues over (under) Expenditures	\$ (701,989)	\$ (741,772)	\$ (1,237,842)	\$ (904,782)	\$ (3,586,385)

MANAGEMENT RESPONSE

ERRORS IN RECORDING TRANSACTIONS AND PREPARING FINANCIAL STATEMENT

The University implemented two policies, during fiscal year 2005, that will strengthen the controls for proper posting of transactions and preparing the financial statements as follows:

1. All receipts received by the Athletic Department will be forwarded to the Controller along with adequate support documenting the nature and timing of the receipt. The Controller or his/her designee will prepare the deposit form ensuring that the proper coding and posting to the financial records is applied.
2. Copies of all intercollegiate contracts will be submitted to and maintained in the Controller's Office. The Controller's Office will perform reviews to ensure that all guarantees are properly paid/received in the correct fiscal year. The employee responsible for preparing the Statement of Revenues and Expenditures will be provided training to ensure the proper presentation of the report.

Also the University will ensure that an appropriate official will review and approve the report to ensure accuracy and completeness.

DEFICIENCIES IN CONTROLS OVER TICKETS SOLD

The University implemented, during fiscal year 2005, the following policies and practices to strengthen controls over the weaknesses over managing ticket sales.

1. Unsold tickets are now being stored in a vault under lock and key, by name and date of event. Previously tickets were being destroyed.
2. Ticketmaster has provided the ticket office with a report that can be run to determine the number of tickets printed for each event.
3. An audit report run through Ticketmaster will support the number of tickets sold, comp tickets or unsold tickets for each event.
4. With an entirely new staff in the Ticket Office, all day training has been scheduled for the entire office, with Ticketmaster in Charlotte, NC on February 15, 2005.

LACK OF CONTROLS OVER RECEIPTS

Beginning in fiscal year 2005 all receipts received by the Athletic Department will be forwarded to the Controller along with adequate support documenting the nature and timing of the receipt. The Controller or his/her designee will prepare the deposit form ensuring that the proper classification and posting to the financial records is applied.

The Accountant for the Athletic Department has been assigned the responsibility of reconciling the receipts and payments related to the intercollegiate contracts on a monthly basis.