

October 9, 1998

The Honorable David M. Beasley, Governor
and
Members of the Board of Trustees
Clemson University
Clemson, South Carolina

This report on the supplemental information – schedule of net housing revenues of Clemson University and on the University's internal control for the year ended June 30, 1998, 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/trb

**CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA**

**INDEPENDENT AUDITORS' REPORTS ON
SUPPLEMENTAL INFORMATION AND
INTERNAL CONTROL**

JUNE 30, 1998

**CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA**

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**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION -
SCHEDULE OF AUXILIARY NET REVENUES**

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

We have audited the basic financial statements of Clemson University as of and for the year ended June 30, 1998, and have issued our report thereon dated September 25, 1998. Those financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on those financial statements based on our audit. We did not audit the financial statements of the Clemson Research Facilities Corporation, a component unit of the University, which are presented in a discrete column as part of the primary entity in the financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in the schedule of auxiliary net revenues is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Columbia, South Carolina
September 25, 1998

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of Clemson University for the year ended June 30, 1998, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiencies as detailed on page 4. This letter does not affect our report dated September 25, 1998 on the basic financial statements of Clemson University.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various University personnel and we will be pleased to discuss them in further detail at your convenience.

Columbia, South Carolina
September 25, 1998

MANAGEMENT LETTER COMMENTS

LOCAL COUNTY EXTENSION FUNDS

As cited in the prior year's management letter, the Clemson University Cooperative Extension Service has offices in the forty-six counties in South Carolina. Prior to 1996, financial activity of the local county bank accounts had not been recorded on the University's accounting records. These county bank accounts were established in each county years ago to locally administer 4-H program and camp activities, home economics programs, local appropriations and other activities.

Each local office maintains its own accounting records, prepares and signs its own checks and reconciles its bank account. Accounting and bank reconciliation activity is accumulated and summarized by the Extension Field Operations office, then forwarded to Accounting Services to be recorded on the University accounting system. During the current year, the University started recording these balances on a quarterly basis effective March 31, 1998. Our audit disclosed that 29 out of the 46 bank accounts reconciled balances did not agree with the amount posted to the general ledger as of June 30, 1998 by a total of approximately \$20,000.

We recommend that the local county extension fund activity be recorded on the University accounting system monthly. Management should consider establishing at the main campus the maintenance of accounting records and reconciliation of the bank statements for all of the extension offices. Centralization can result in efficiencies in the consistency of recording revenues and expenditures and a reduction in training and coordination efforts of forty-six county offices. Accounting personnel should ensure that the reconciled bank balances agree with the general ledger. In addition, the University should determine whether it is still necessary to have these accounts since the University has implemented its campus wide charge card program.

IMPROVEMENTS NEEDED OVER ACCOUNTS RECEIVABLE

Our audit disclosed several deficiencies in accounts receivable as follows:

1. The accounts receivable balances in the general ledger for two of the student accounts receivable accounts was reconciled as of June 19, 1998 instead of June 30, 1998.
2. The allowance for doubtful student accounts receivable increased approximately \$100,000 over the prior year. Through inquiry, we determined that the University's policy was to review an accounts receivable aging report and to charge off uncollectible accounts at least once a year. This was not done during the current fiscal year.
3. Parking services accounts receivable contains numerous old accounts receivable balances which probably need to be written off. There is no allowance for doubtful accounts linked to this account.

We recommend that all accounts receivable be reconciled to supporting detail at month end. Also, the University's policy for charging off uncollectible accounts should be followed and all accounts receivable should be reviewed for collectibility.

ERRORS IN INVENTORY COUNTS FOR CENTRAL STORES

Our audit disclosed that 11 out of 37 items test counted for the central stores inventory were counted incorrectly. The cause for the miscounts was not readily determinable.

Good accounting policies require accurate inventory counting procedures. Although these procedures were in place, in this instance, they were not followed. We recommend that all areas adhere to these procedures.

**CLEMSON UNIVERSITY,
CLEMSON, SOUTH CAROLINA**

**PRIOR AUDIT FINDINGS
JUNE 30, 1998**

We performed an audit similar in scope for the year ended June 30, 1997 and our report thereon was dated September 12, 1997. The report contained three management letter comments.

Management has taken corrective action on the findings cited in the prior report except as noted on page 4.

October 30, 1998

Mr. Thomas L. Wagner, State Auditor
Office of the State Auditor
P.O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Wagner:

Under contract with your office, the certified public accounting firm of Rogers & Laban recently completed an audit of Clemson University's financial statements for the fiscal year ending June 30, 1998. In conjunction with this examination, Rogers and Laban issued an "Independent Auditor's Report on Internal Control" of Clemson University.

This report identified several management letter comments. We have discussed these findings with Barry S. Laban of Rogers and Laban. Clemson University's response is attached.

We appreciate the thorough, professional review performed by Mr. Laban and his staff. Please feel free to contact me if any further discussions are necessary.

Sincerely,

Scott Ludlow
Chief Financial Officer

attachment

cc: Deno Curris
Thornton Kirby
Michael Hughey

MANAGEMENT'S RESPONSE

Local County Extension Accounts

Beginning with October, 1998, local extension fund activity will be recorded on the University accounting system monthly. Accounting personnel in the Cooperative Extension Office will verify reconciled balances with the local accounting activity prior to recording the information on the University general ledger. Management believes current accounting procedures provide for adequate control and allows for a review to protect institutional resources. Due to logistics and mail delays, local control of accounting records are needed to meet daily information requirements. We believe the current process offsets any efficiencies and other minimal costs incurred in managing the locally generated funds. Management will continue to review the activity and needs of the local county offices as the departmental procurement card is used for local purchases.

Improvements Over Accounts Receivable

Student accounts receivable balances were reconciled at the end of the first summer session term at June 19, 1998 instead of June 30, 1998. The student receivables system will be reconciled to the general ledger at month end and the fiscal year end.

During the past year, there was a change in management over the Accounts Receivable area. Process improvements were implemented in the area. A management decision was made to delay the write-off of uncollectible amounts so that a group of accounts could be turned over to an outside collection agency for an additional six months. The accounts that are deemed uncollectible will be returned in November, 1998 and the write-off will take place then.

The parking services accounts receivables are included in the student accounts receivable process. The aging and collection process for all student receivables will be applied to the parking services accounts.

Errors in Inventory Accounts for Central Stores

University Facilities has procedures in place for conducting an accurate annual inventory utilizing both Central Stores personnel and other staff. Although these procedures were reviewed with all personnel working on the inventory, it appears that the training provided needs improvement.

In the future, management will take responsibility for insuring that adequate training is done for all staff assisting the Central Stores personnel with the inventory. Existing procedures will be reviewed and emphasized. Changes in procedures will require a Central Stores staff member be present at all times to assist in identifying similar looking items. When possible, Central Stores will draw on the same outside staff each year so that they will become more knowledgeable over time about both the inventory procedures and the stock being counted.