

**CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA**

**INDEPENDENT AUDITOR'S REPORTS ON
SUPPLEMENTAL INFORMATION AND
INTERNAL CONTROL**

JUNE 30, 1999

**CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA**

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**INDEPENDENT AUDITOR'S 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, 1999, and have issued our report thereon dated October 1, 1999. 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 basic financial statements taken as a whole.

October 1, 1999

INDEPENDENT AUDITOR'S 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, 1999, 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 pages 4 and 5. This letter does not affect our report dated October 1, 1999 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.

October 1, 1999

MANAGEMENT LETTER COMMENTS

LOCAL COUNTY EXTENSION FUNDS

As recommended in the prior year's management letter, the University began recording the activity in the local county extension funds on a monthly basis during the current year. Our audit disclosed that the year-end cash balance for the accounts recorded on the general ledger was approximately \$53,000 higher than the reconciled bank balances. The personnel responsible for recording the activity could not explain the overstatement. It does not appear that the balance recorded on the University's general ledger is being reconciled to the reconciled bank balances. A similar finding was also cited in the prior year's management letter.

We recommend that University personnel ensure that the balances of cash, revenues and expenditures on the University's general ledger for local county extension fund agree with the supporting bank reconciliations and related workpapers.

ACCOUNTS RECEIVABLE

Our audit disclosed several deficiencies in accounts receivable as follows:

1. The balance in one account receivable account was a credit balance of approximately \$58,000 because an entry reversing the June 30, 1998 receivable was posted twice and not timely detected by the University.
2. A receivable for federal appropriations of approximately \$59,000 was recorded on the University's general ledger as of both June 30, 1999 and 1998 resulting in an overstatement of revenues and receivables as of June 30, 1999.
3. The reconciliation for student accounts receivable as of June 30, 1999 was not completed until October 1, 1999. Prior to this reconciliation, the most recent reconciliation was for March 1999. The June reconciliation contained an unexplained difference between the general ledger and subsidiary records of approximately \$11,000. The reconciliation is complicated because of the number of types of student accounts receivable which are combined in one general ledger account.

We recommend that all receivable accounts in the general ledger be reconciled to supporting records monthly in a timely manner. The cause of all differences should be timely identified and required correcting entries should be made in a timely manner. Consideration should be given to segregating the student accounts receivable into several general ledger accounts to simplify the reconciliation process and increase accountability. Additional training of staff and improved procedures should be implemented over the reconciliation process.

TRAVEL ADVANCES

Our audit disclosed that the amount of outstanding travel advances increased from \$11,824 in fiscal year 1997 to \$25,670 in fiscal year 1998 to \$43,709 in fiscal year 1999. It does not appear that travel advances are being cleared in a timely manner by the receipt of a travel voucher or repayment.

Proviso 72.37.K of the 1999 Appropriations Act requires advances for travel and subsistence to be repaid to the agency within 30 days after the end of the trip or by the end of the fiscal year, whichever comes first.

We recommend that management review the current policy and collection process for travel advances. Management may want to consider reducing the number of employees eligible to receive travel advances since the State has a travel card program that employees may use. Management should also review the outstanding travel advances and determine whether any should be written off or if employees should be contacted for repayment.

LIABILITY ACCOUNT RECONCILIATIONS

Our review of the general ledger disclosed all payroll and related liability accounts in the general ledger were not being reconciled monthly to supporting detail monthly resulting in differences between actual and reconciled amounts. Adjusting journal entries were required to correct the balances.

We recommend that all payroll liability accounts be reconciled on a monthly basis in a timely manner. A separate reconciliation should be prepared for each general ledger account and reviewed and approved by someone independent of the reconciliation process on each account. All reconciling items should be timely resolved and any needed adjustments should be posted to the general ledger monthly.

BANK RECONCILIATIONS

Our audit disclosed the following deficiencies in the bank reconciliation areas:

1. The reconciled balance for the athletic travel account is approximately \$37,000 below the general ledger. The difference represented disbursements for travel advances that should have been recorded as a receivable.
2. The financial aid refund account outstanding check listing contained an outstanding check from May, 1997 for \$2,300.
3. The petty cash refund account outstanding check listing contained numerous outstanding checks over one year old with 14 of them being over two years old.

Clemson University's policy is to write off outstanding checks over six months old.

We recommend that all outstanding checks be reviewed and written off or reissued according to the University practice after six months. Also procedures should be implemented to ensure that all reconciling items on bank reconciliations are recorded in a timely manner.

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**PRIOR AUDIT FINDINGS
JUNE 30, 1999**

We performed an audit similar in scope for the year ended June 30, 1998 and our report thereon was dated September 25, 1998. The report contained three management letter comments.

Management has taken corrective action on the findings cited in the prior report except as noted for the Local County Extension Funds on page 4.

MANAGEMENT'S RESPONSE

APPENDIX A

