

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

ORANGEBURG, SOUTH CAROLINA

YEAR ENDED JUNE 30, 2002

State of South Carolina



Office of the State Auditor

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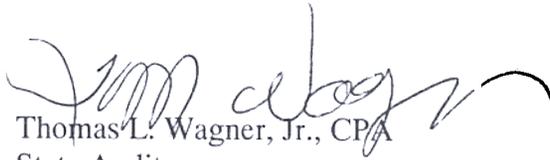
July 2, 2003

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, 2002, 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

TLWir/trb

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

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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, 2002. 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, 2002, 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. We found no exceptions as a result of the procedures.

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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. There were no contributions this year.
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 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, 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 finding as a result of these procedures is presented in the Accountant's Comments 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 thirteen 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 2002 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 & Lalan, PA

June 9, 2003

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**ACCOUNTANT'S COMMENTS
YEAR ENDED JUNE 30, 2002**

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. \$13,414 in revenue attributable to the year ended June 30, 2002 received from the conference subsequent to year-end was not recorded.
2. \$22,000 in guarantee expense relating to an away football game paid subsequent to year-end was not recorded.
3. In-kind revenues and expenditures of approximately \$22,000 made by outside organizations were not reflected on the statement.
4. Expenditures relating to the sale of the souvenir program were misclassified under non-program specific instead of as football expenditures.
5. \$3,810 in non-coaches salaries and \$736 in fringe benefits were incorrectly recorded as coaches salaries and non-coaches salaries, respectively.
6. \$368 in football investment income was recorded as miscellaneous income under football.
7. \$3,850 in advertising income and \$1,130 in ticket sales was erroneously recorded as in-kind revenue.
8. \$16,869 in guarantee revenue was improperly recorded as ticket sales.
9. \$160 in revenue relating to the production of videotapes was improperly recorded as parking revenue.
10. The statements prepared by the University were not clerically accurate. The total column did not add down in the revenue section.
11. 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.
12. The reconciliation that was prepared to reconcile salaries per the payroll report to the amount reported in the statement was clerically inaccurate.

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 – 12 above.

A similar finding was cited in the prior year's report.

**SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM**

**ACCOUNTANT'S COMMENTS
YEAR ENDED JUNE 30, 2002**

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. 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.

DEFICIENCIES IN CONTROLS OVER TICKETS SOLD

We were unable to agree amounts reported as ticket sales to Ticket Master and 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 or a Ticket Master report for the basketball game selected. 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. The internal auditor noted similar deficiencies.

A similar finding was 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 and all required documentation is maintained.

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.

A similar finding was cited in the prior year's report.

SOUTH CAROLINA STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS PROGRAM

STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2002

| Description | Football | Basketball | Other Sports | Nonprogram Specific | Total |
|--|---------------------|---------------------|---------------------|------------------------|-----------------------|
| Revenues: | | | | | |
| Ticket Sales | \$ 416,739 | \$ 10,209 | \$ | \$ | \$ 426,948 |
| Parking & Vending | 45,849 | 1,775 | | | 47,625 |
| NCAA/Conference Distribution | | | | 63,414 | 63,414 |
| Game Guarantees | 174,000 | 100,000 | | | 274,000 |
| SCSU Educational Foundation and the S.T.A.T.E. Club - in kind | 171,070 | 20,558 | 10,344 | 20,498 | 222,470 |
| Advertising | 25,832 | | | | 25,832 |
| Investment Income | 368 | | | 14 | 382 |
| Other | 160 | | | 1,118 | 1,278 |
| Financial Aid Waivers | 181,078 | 54,346 | 220,517 | 5,780 | 461,721 |
| Total Revenues | 1,015,097 | 186,888 | 230,861 | 90,824 | 1,523,670 |
| Expenditures: | | | | | |
| Coaches' Salaries | 352,400 | 306,766 | 80,450 | | 739,616 |
| Other Salaries | 47,486 | 2,671 | 63,624 | 514,243 | 628,024 |
| Fringe Benefits | 88,645 | 73,059 | 28,425 | 135,874 | 326,002 |
| Uniforms & Clothing Supplies | 1,946 | 15,556 | 39,970 | 2,834 | 60,306 |
| Other Supplies | 60,589 | 7,489 | 14,445 | 46,158 | 128,681 |
| Medical Health Services | | | | 25,138 | 25,138 |
| Telephone | 11,167 | 4,555 | 3,309 | 18,114 | 37,147 |
| Other Contractual Services | 208,294 | 4,977 | 11,027 | 87,698 | 311,996 |
| Team Travel | 83,546 | 186,624 | 241,179 | 7,148 | 518,496 |
| Recruiting Travel | 3,270 | 33,032 | 4,368 | | 40,670 |
| Other Travel | 219 | | | 16,132 | 16,350 |
| Insurance (Student) | | | | 70,163 | 70,163 |
| Membership Dues & Fees | | | 605 | 98,690 | 99,295 |
| Fixed Charges | 2,116 | 19,335 | 832 | 10,588 | 32,871 |
| Equipment Purchases | 2,892 | 5,101 | 1,104 | 33,761 | 42,859 |
| Utilities | 60,649 | 1,425 | | 1,591 | 63,665 |
| Financial Aid | 381,483 | 181,680 | 430,152 | 190,527 | 1,183,842 |
| Financial Aid Waivers | 181,078 | 54,346 | 220,517 | 5,780 | 461,721 |
| Other Misc | | | 1,350 | 2,525 | 3,875 |
| Guarantees | 22,000 | | | | 22,000 |
| Stipends | | 1,000 | | | 1,000 |
| Scholarships | 158,678 | 20,558 | 10,344 | | 189,580 |
| Total Expenditures | 1,666,459 | 918,173 | 1,151,701 | 1,266,964 | 5,003,297 |
| Excess of Revenues over (Under) Expenditures | <u>\$ (651,362)</u> | <u>\$ (731,285)</u> | <u>\$ (920,840)</u> | <u>\$ (1,176,140)</u> | <u>\$ (3,479,627)</u> |



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**SOUTH CAROLINA STATE UNIVERSITY
 INTERCOLLEGIATE ATHLETICS PROGRAM**

**ACCOUNTANT'S COMMENTS
 YEAR ENDED JUNE 30, 2002**

Improper Classification of Revenue and Expenditures:

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. 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.

University's Response:

The University has assigned the Athletic Business Manager and the Controller's Office the responsibility to ensure that all entries of revenue and expenditures are properly classified by source, nature and sport. An internal audit will be conducted on a monthly basis to ensure accuracy.

Deficiencies in controls over tickets sold:

We recommend that controls be put in place so that ticket sales are reconciled to ticket sales revenue. 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 and all required documentation is maintained.

University's Response:

The University has assigned to the Athletic Business Manager the responsibility of ensuring that ticket sales reconcile to ticket revenue by athletic event. Reconciliation reports will be reviewed by the University's Internal Auditor and the Controller's Office.

Lack of Control over Receipts:

We recommend that one employee open all mail and prepare a list of checks received one daily basis. There needs be another employee that prepares the deposits. This 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.

University's Response:

Beginning August 1, 2003, all Ticket Office mail will be opened and recorded by the Controller's Office. A list of checks will be recorded and deposited on a daily basis. Validation of the deposits will be prepared by the University's Cashier's Office, and forwarded to the Athletic Business Manager for review.