

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
YEAR ENDED JUNE 30, 1999**

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM**

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State of South Carolina



Office of the State Auditor

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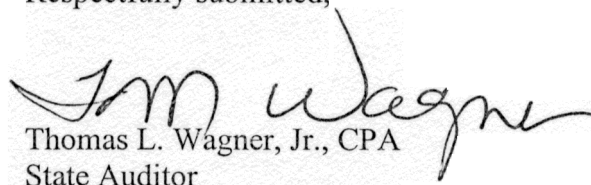
June 26, 2000

The Honorable James H. Hodges, Governor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and the statement of revenues, expenditures, and transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program for the year ended June 30, 1999, was issued by Pratt-Thomas, Gumb & Co., P.A., 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

PRATT-THOMAS, GUMB & CO., P.A.

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INDEPENDENT ACCOUNTANTS' 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 described below, which were agreed to by the South Carolina Office of the State Auditor and the Board of Visitors and Management of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program solely to assist The Citadel in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 1999. This engagement to apply agreed-upon procedures was performed in accordance with 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 for either 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 the accounting manager the Statement of Revenues, Expenditures, and Transfers of The Citadel, The Military College of South Carolina, Intercollegiate Athletics Program, for the year ended June 30, 1999, as prepared by accounting of The Citadel 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 26000 series of accounts in The Citadel's general ledger. We discussed the nature of the worksheet adjustments with management to satisfy ourselves that the adjustments were appropriate. We found no exceptions as a result of the procedures.

Mr. Thomas L. Wagner, Jr., CPA
January 21, 2000

2. We obtained from management a list of all outside organizations not under The Citadel's accounting control. Such an organization has as its principal or one of its principal purposes the generating of resources for or on behalf of The Citadel's Intercollegiate Athletics Program or the promotion of the program. Management included one outside organization, The Brigadier Foundation. We also obtained descriptions of The Citadel's methods for gathering information on the nature and extent of The Brigadier Foundation's activities. We found no exceptions as a result of the procedures.
3. From the internal auditor, we obtained copies of The Brigadier Foundation's financial statements for The Citadel's fiscal year and confirmed the revenues and expenditures on these statements directly with responsible officials of the organization. We found no exceptions as a result of the procedures.
4. We requested from internal audit a list of all expenditures made directly by the respective outside organizations (not under The Citadel's accounting control) for or on behalf of The Citadel's Intercollegiate Athletics Program or employees. Internal audit and accounting indicated that there are no such expenditures made directly by any outside organizations.
5. We tested selected material additions to restricted current, endowment, and plant fund accounts related to intercollegiate athletics from those disclosed in a footnote to the statement to determine if they were properly recorded in the Citadel's accounting records, are properly disclosed in the footnote, and are not included in the Statement of Revenues, Expenditures and Transfer of the Intercollegiate Athletics Program. We found no exceptions as a result of the procedures.
6. We scanned the Intercollegiate Athletics Program contributions revenue accounts detail from the general ledger to identify each individual contribution received directly that constitutes more than ten percent of all contributions received for intercollegiate athletics. For the recorded receipt, we reviewed the supporting documentation to determine it was properly classified, to identify if it was received from an independent outside source (which does have as one of its principal purposes the promotion and support the athletics program), and to determine that the source and value of such contribution is disclosed in a footnote to the statement. We found no exceptions as a result of the procedures.

7. From daily cash receipts of the athletics department, we randomly selected thirty percent of total 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.
8. We asked Management to describe specific elements of The Citadel's internal control over financial reporting 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 recorded ticket sales, game guarantees, and student activity fees to determine if they were complete and properly classified based on a review of the supporting documentation of football ticket sales reports prepared by the internal auditor; game guarantee contracts and actual versus budget analysis; student enrollment schedules which include per student fees. The total of the selected items was 62% of the aggregate total of recorded revenues. We also tested the selected recorded revenues to determine if internal controls over the reporting of these revenues were operating as described. We found no exceptions as a result of the procedures.
 - b. Based on the materiality of certain expenditure accounts reported on the statement, we tested randomly selected recorded expenditures for salaries and benefits to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation of payroll records and if internal controls over the reporting of these expenditures were operating as described. The total of the selected items was 33% of the aggregate total of recorded expenditures. We found no exceptions as a result of the procedures.
 - c. We obtained a copy of The Citadel's internal auditor's report on its review and reconciliation of ticket sales for one of the six home football games we tested the reconciliation by verifying its mathematical accuracy and agreeing amounts thereon to the supporting documentation. The report indicates findings which are presented in Attachment B in the Accountants' Comments section of this report.

8. (Continued)

- d. We tested reported student activity fees revenue for reasonableness by comparing the recorded amount to our estimate of the fees using student enrollment and the fee per student per semester. We identified no material unexplained variance.
9. We obtained all daily cash receipts reports for the Intercollegiate Athletics Program prepared by the athletics department. We randomly selected five of these reports for testing, verified their clerical accuracy, reviewed supporting documentation to determine if the receipts were properly classified, and traced the receipts to The Citadel's Intercollegiate Athletics Program series of general ledger accounts. We found no exceptions as a result of the procedures.
10. We examined guarantee contracts for all football and basketball games during this fiscal year 1999. We compared the contract revenues to recorded revenues in the general ledger series of accounts of the intercollegiate athletics program. We also compared football guarantee expenditures per the contracts to expenditures recorded in the expenditure accounts in the general ledger series of accounts of the Intercollegiate Athletics Program. We identified no material unexplained differences.
11. We obtained a schedule of athletics department salaries from internal audit prepared by accounting and agreed those amounts to the appropriate general ledger salary accounts. We estimated the related employer contributions expenditures using The Citadel's average fringe benefits rates for comparably paid employees and compared our estimates with reported expenditures in the appropriate general ledger accounts. We identified no material unexplained differences.
12. We asked accounting and internal audit to explain its method for allocating overhead to the athletics programs. We were told that overhead is not allocated within the athletics department among programs. We performed tests and analyses to determine if the overhead amounts for fiscal year 1999 were reported in accordance with the described practice and if the basis for allocation is properly disclosed in a footnote to the statement in accordance with the described practices. We found no exceptions as a result of the procedures.

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13. We reviewed the status of the ticket reconciliation problem described in the findings reported in the prior year to determine if Management has taken adequate corrective action. Our finding as a result of these procedures are presented in the Accountants' Comments section of this report.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting described in paragraph one and procedures one through thirteen of this report. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the financial statements of The Citadel, The Military College of South Carolina's Intercollegiate Athletics Program or any part thereof, 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 State Auditor, the Governing Body and Management of The Citadel, The Military College of South Carolina, and is not intended to be and should not be used by anyone other than these specified parties.

Charleston, South Carolina
January 21, 2000

THE CITADELThe Military College of South Carolina
Intercollegiate Athletics ProgramStatement of Revenues, Expenditures and Transfers
For the Year ended June 30, 1999

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL	PRIOR YEAR TOTAL
Revenues:						
Ticket sales	\$ 361,698	\$ 50,447	\$ 24,134	\$ -	\$ 436,279	\$ 489,225
Game guarantees	299,000	50,500	7,380	-	356,880	140,016
Program sales	9,288	687	659	-	10,634	10,147
Promotions	78	-	23,287	80,716	104,081	99,080
Concessions	17,161	10,515	11,466	25,447	64,589	57,608
Student activity fees	340,403	148,712	231,974	443,565	1,164,654	979,059
Entry fees	-	-	3,180	-	3,180	2,475
Booster travel fees	-	-	-	-	-	11,475
Mailing and handling	-	-	-	6,314	6,314	5,597
Coaches rental car payments	5,250	1,200	1,320	-	7,770	7,740
Contributions (unrestricted)	13,591	4,865	23,271	2,857	44,584	24,689
Contributions (restricted to scholarships)	348,363	71,158	235,479	-	655,000	610,000
Advertising	30,177	5,550	1,000	-	36,727	34,625
SOCON/NCAA distributions	-	-	197	111,284	111,481	93,627
Broadcast rights	-	-	-	6,000	6,000	6,000
Rental income	-	-	-	62,795	62,795	93,364
Parking fees	-	-	-	51,287	51,287	53,115
Other revenue	-	-	15,435	9,912	25,347	29,372
Total revenues	1,425,009	343,634	578,782	800,177	3,147,602	2,747,214
Transfers in for scholarships:						
From Daniel Fund of unrestricted current funds	150,000	-	-	-	150,000	150,000
From auxiliary enterprises	124,341	56,038	185,443	-	365,822	283,951
Transfers in for Operations:						
From unrestricted current fund	-	-	-	-	-	20,000
From auxiliary enterprises	-	-	-	811,653	811,653	827,768
Total transfers in	274,341	56,038	185,443	811,653	1,327,475	1,281,719
Total sources of funds	1,699,350	399,672	764,225	1,611,830	4,475,077	4,028,933

See accompanying notes.

THE CITADELThe Military College of South Carolina
Intercollegiate Athletics ProgramStatement of Revenues, Expenditures and Transfers
For the Year ended June 30, 1999

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL	PRIOR YEAR TOTAL
Expenditures:						
Salaries & benefits						
Coaches	\$ 430,051	\$ 187,388	\$ 293,624	\$ -	\$ 911,063	\$ 791,228
Other	818	846	-	561,448	563,112	531,997
Prospect travel	25,497	10,306	9,191	-	44,994	40,519
Team travel	111,767	48,129	175,144	-	335,040	361,849
Employee travel	27,973	14,084	15,351	5,681	63,089	58,040
Food services	57,188	1,636	18,231	12,725	89,780	82,046
Game guarantees	22,500	11,000	10,000	-	43,500	71,500
Event staff	19,104	11,615	10,106	5,806	46,631	39,226
Advertising	-	-	171	11,275	11,446	8,349
Printing/binding-outside	-	-	-	9,815	9,815	11,966
Printing/binding-inside	2,010	5,373	4,377	32,013	43,773	41,800
Printing-programs	27,743	1,249	-	-	28,992	30,692
Repairs-outside	852	340	681	5,659	7,532	5,860
Repairs-Physical Plant	508	499	-	13,370	14,377	8,684
Other contractual services	29,272	3,385	13,931	49,694	96,282	66,108
Laundry and tailoring	297	-	428	11,454	12,179	6,395
Freight	2,747	1,738	643	696	5,824	6,280
Photography	60	306	350	4,582	5,298	5,658
Commissions	1,916	240	-	1,750	3,906	4,430
Maintenance contracts	281	-	-	4,290	4,571	6,578
Officials & referees	18,644	26,178	15,010	75	59,907	64,534
Physician fees	5,534	985	5,862	-	12,381	15,401
Bank fees	-	-	-	2,906	2,906	2,884
Other professional services	-	15	-	121,968	121,983	108,137
Telephone	15,459	12,030	6,683	16,457	50,629	45,631
Other utilities	-	5	-	18,455	18,460	18,274
Awards	138	205	3,142	1,136	4,621	5,498
Postage	-	-	-	17,023	17,023	18,117
Other supplies	145,895	22,033	136,421	78,383	382,732	286,211
Other fixed charges	453	9,608	1,296	1,800	13,157	30,205
Insurance	5,100	2,500	10,343	30,812	48,755	38,551
Dues	535	700	1,220	6,012	8,467	11,612
Overhead allocation	-	-	-	135,803	135,803	126,897
Registration fees	24	1,212	2,168	494	3,898	2,917
Equipment rental	6,476	40	6,489	5,699	18,704	13,361
Equipment	-	-	-	37,946	37,946	7,420
Admissions tax	17,230	2,405	1,145	-	20,780	22,977
Other expenses	396	866	1,260	14,436	16,958	3,724
Scholarships/grants	622,704	127,196	420,922	-	1,170,822	1,043,951
Total revenues	1,599,172	504,112	1,164,189	1,219,663	4,487,136	4,045,507
Excess of sources of funds over (under) expenditures	\$ 100,178	\$ (104,440)	\$ (399,964)	\$ 392,167	\$ (12,059)	\$ (16,574)

See accompanying notes.

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO FINANCIAL STATEMENT
JUNE 30, 1999**

1. Allocation of Overhead

The Citadel prepares an annual study of overhead to charge to all of its auxiliary activities. The Overhead charge to the athletics department is derived from that study. The study is reviewed as part of the college's regular financial audit, and is comprised of an allocation of various institutional costs.

2. Contributions

The Citadel received one contribution from an outside organization which exceeded ten percent of all contributions to the athletics department during the year ended June 30, 1999.

The contribution was received from The Brigadier Foundation in the amount of \$655,000, and the purpose of the contribution is restricted to scholarships.

3. Gift for Altman Athletic Center

The Citadel received a gift of approximately \$700,000 and a pledge of an additional \$300,000 from the family of Mr. William M. Altman, Jr. during fiscal year 1999. The \$1 million gift will be a major component of the funding for an end zone facility in the football stadium. This end zone facility will consist of a hospitality and locker room complex and will be dedicated to Mr. Altman and called the Altman Athletic Center. The pledge is scheduled to be paid in equal quarterly installments over the next four years. The gifts are recorded in the unexpended plant funds.

ACCOUNTANTS' COMMENTS

These comments are based upon our review and testing of the reconciliations included in The Citadel's Internal Auditors' Report dated January 28, 1999.

During the 1996 and 1997 football season, "Val-Pak" coupons were issued for buy one, get one free tickets, with each coupon exchangeable for up to six tickets. The coupons could be exchanged for \$16 or \$14 reserved tickets or \$8 general admission tickets. The coupons could be exchanged for one to six tickets per coupon.

The actual volume and ticket price of tickets issued in exchange for coupons was not recorded for any game. As a result, ticket count reconciliations could not be verified, and variances in the comparison of the reconciliation to deadwood totals (remaining unused tickets) could not be accounted for or identified properly. Also, ticket sellers could take cash and replace it with a coupon without detection because there were no internal controls over the coupons.

We recommend that coupons be made exchangeable for only one ticket, and that the coupons indicate the denomination of ticket for which it may be exchanged. Also, coupon users should provide name and address when exchanged in order to reduce the possibility of ticket seller fraud. The reconciliations that were prepared at that time were not complete because of the tickets issued for coupons. The reconciliations should fully reconcile ticket counts (including those issued for coupons) and attendance to ticket sales reports. Also, the coupons received should be reconciled to the free tickets issued by ticket denomination.

This comment was originally presented in the Internal Auditors' Report and in our report on fiscal year 1997 and repeated in both reports for fiscal year 1998. In its responses to both auditors' comments, Management indicated that the necessary changes would be made for the 1998 football season in fiscal year 1999.

For the 1998 football season, a new coupon policy was implemented to effect a more accurate ticket count. Coupons are now exchangeable for only one ticket each and these are tracked by denomination as used in order to properly account for tickets. As a result, ticket count reconciliations are now complete and variances in the reconciliation to deadwood totals can be accounted for and identified properly.