

**CLEMSON UNIVERSITY  
CLEMSON, SOUTH CAROLINA**

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

**JUNE 30, 1999**

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

November 16, 1999

The Honorable James H. Hodges, Governor  
and  
Members of the Board of Trustees  
Clemson University  
Clemson, South Carolina

This report on the supplemental information – schedule of auxiliary net revenues of Clemson University and on the University's internal control for the year ended June 30, 1999, 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/cwc

**CLEMSON UNIVERSITY  
CLEMSON, SOUTH CAROLINA**

**TABLE OF CONTENTS  
JUNE 30, 1999**

	Page
<b>SUPPLEMENTAL INFORMATION:</b>	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION - SCHEDULE OF AUXILIARY NET REVENUES	1
SCHEDULE OF AUXILIARY NET REVENUES	2
<b>AUDITOR'S COMMENTS:</b>	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	3
MANAGEMENT LETTER COMMENTS	4 and 5
STATUS OF PRIOR FINDINGS	6
MANAGEMENT'S RESPONSE	APPENDIX A

**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

CLEMSON UNIVERSITY  
SCHEDULE OF AUXILIARY NET REVENUES  
FOR THE YEAR ENDED JUNE 30, 1999

	Dining Services	Vending Operations	Bookstore	Parking Services	Clemson House	Housing	TOTALS
REVENUES:							
Student meal plans	\$ 8,050,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,050,079
Other	991,402	-	245	-	242,953	361,185	1,595,785
Residence halls	-	-	-	-	1,008,679	13,928,013	14,936,692
Reimbursements	67,484	-	-	-	-	-	67,484
Campus vending machines	-	352,753	-	-	-	-	352,753
ATM rental	-	60,565	-	-	-	-	60,565
Commissions	-	-	458	-	-	-	458
Contract revenue	-	-	832,370	153,483	-	-	985,853
Parking permits	-	-	-	767,774	-	-	767,774
Parking citations	-	-	-	710,148	-	-	710,148
Investment income	136,734	44,786	50,947	48,785	19,590	162,786	463,628
TOTAL REVENUES	<u>9,245,699</u>	<u>458,104</u>	<u>884,020</u>	<u>1,680,190</u>	<u>1,271,222</u>	<u>14,451,984</u>	<u>27,991,219</u>
EXPENDITURES:							
Salaries	127,094	16,098	28,964	280,815	341,255	4,171,186	4,965,412
Fringe benefits	29,722	3,599	7,033	68,081	77,322	833,481	1,019,238
Travel	975	49	(202)	147	14,830	63,077	78,876
Contractual services	6,248,122	-	-	199,812	-	124,309	6,572,243
Repairs	402,188	1,458	525	6,402	101,472	549,750	1,061,795
Telecommunications	1,529	13,101	-	2,384	64,543	817,840	899,397
Heat, light and power	338,077	-	18,693	1,803	124,236	860,070	1,342,879
Water, sewer and garbage	102,741	-	454	-	69,604	332,496	505,295
Rents	104,732	-	9,159	37,459	3,221	31,344	185,915
Supplies and materials	10,723	-	(610)	38,968	66,216	883,570	998,867
Insurance	16,054	-	-	1,777	4,395	114,268	136,494
Other operating expenses	435,253	30,595	14,599	588,458	330,707	1,962,348	3,361,960
Capital outlay	-	-	-	-	-	14,730	14,730
TOTAL EXPENDITURES	<u>7,817,210</u>	<u>64,900</u>	<u>78,615</u>	<u>1,226,106</u>	<u>1,197,801</u>	<u>10,758,469</u>	<u>21,143,101</u>
NET REVENUES	<u>\$ 1,428,489</u>	<u>\$ 393,204</u>	<u>\$ 805,405</u>	<u>\$ 454,084</u>	<u>\$ 73,421</u>	<u>\$ 3,693,515</u>	<u>\$ 6,848,118</u>

## 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.

**CLEMSON UNIVERSITY  
CLEMSON, SOUTH CAROLINA**

**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**

**CLEMSON**  
UNIVERSITY

November 19, 1999

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, 1999. 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 and recommendations. These findings do not indicate a misuse or loss of university assets but indicates a need to review and improve processes to monitor performance of fiscal responsibilities delegated to campus departments. These recommendations and audit findings are taken seriously and appropriate actions will be taken to strengthen accountability throughout the reconciliation processes. Clemson University's response is attached.

Please feel free to contact me if any further discussions are necessary.

Sincerely,



Scott Ludlow  
Chief Financial Officer

attachment

cc: James Barker  
Steffen Rogers  
Thornton Kirby  
Michael Hughey  
Administrative Council



FINANCIAL AFFAIRS

Chief Financial Officer G-06 Sikes Hall Box 345301 Clemson, SC 29634-5301

864.656.2420 FAX 864.656.2008

## **MANAGEMENT'S RESPONSE**

### **Local County Extension Funds**

Differences in the reconciled bank balances and the general ledger were the result of June outstanding checks and deposits in transit not being recorded on the general ledger by the Public Service Activities Business Office. Procedures have been changed to require additional accountability in the recording and reconciliation of the local county extension funds. An independent verification process to assure accuracy and timeliness has been assigned in the Public Service Business Office. Due to the repeat audit findings, formal approved reconciliations will be required to be sent to the Chief Financial Officer's Office on a monthly basis.

### **Accounts Receivable**

The university accounts receivable policy is being updated to improve accountability by requiring all invoicing to be recorded on the University general ledger. All receivable accounts will be assigned to a university employee as part of the Chief Financial Officer authorization for a department to extend the credit of the institution. Monthly reconciliations will be completed on a timely basis and submitted to the Bursar's Office, who will provide a quarterly aged receivable report.

### **Travel Advances**

The travel advance policy and procedures are being updated to improve accountability. University staff will be informed that travel advances will be granted on an exception basis. Management at the Vice President and Dean level will be notified monthly of travel advances outstanding in their areas of responsibility.

### **Liability Account Reconciliations**

The liability account procedures are being updated to improve accountability. All liability accounts will be assigned to a university employee. Quarterly reconciliations will be completed on a timely basis. The Comptroller's Office is assigned responsibility to verify the timelines and accuracy of the reconciliation no later than a quarterly basis.

### **Bank Reconciliations**

The bank reconciliation procedure will be improved to require at least a quarterly review by the Comptroller's Office staff to assure all outstanding bank reconciliation items are cleared on a timely basis.