

**SOUTH CAROLINA STATE UNIVERSITY**

**Intercollegiate Athletics Program**

(with Independent Accountants' Report on Applying  
Agreed-Upon Procedures thereon)

Year Ended June 30, 2006

**SOUTH CAROLINA STATE UNIVERSITY**

Intercollegiate Athletics Program

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## **Independent Accountants' Report on Applying Agreed-Upon Procedures**

Andrew Hugine, Jr., Ph.D., President  
South Carolina State University  
300 College Street N.E.  
Orangeburg, South Carolina

We have performed the procedures enumerated below, which were agreed to by the management of South Carolina State University (The University) solely to assist you in evaluating whether the Statement of Revenues and Expenses of the Intercollegiate Athletic Program of The University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2006 and to assist you in your evaluation of the effectiveness of The University's internal control over financial reporting as of June 30, 2006. Management of The University is responsible for compliance with NCAA Bylaw 6.2.3.1 and maintaining effective internal control over financial reporting. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specific users of this 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.

### **Procedures Related to the Statement of Revenues and Expenses**

1. We obtained the Statement of Revenues and Expenses for the year ended June 30, 2006, as prepared by management and shown in Schedule 1 herein. We recalculated the mathematical accuracy of the amounts on the schedule and compared the amounts to The University's general ledger. Management has represented to us that all general ledger accounts related to the Intercollegiate Athletic Program have been included in the Statement of Revenues and Expenses.

We found such amounts to be in agreement.

2. We compared the amounts reported on the Statement of Revenues and Expenses in Schedule 1 for the year ended June 30, 2006 with the budgeted amounts for the year ended June 30, 2006. We obtained management's explanations of variances greater than both 10% of the budgeted amount and \$10,000 as follows:

- The budget is based on a pool. Funds budgeted for certain items will be aggregated into a pool amount. Therefore, certain accounts will have a zero budget and other accounts will have a budget that is too high. Explanations for specific accounts are as follows:
- Ticket Sales – The budgeted amount is too high.
- Parking – The budgeted amount is too high.
- Mid Eastern Athletic Conference (MEAC) - No budget was set for MEAC.
- Game Guarantees – There were more away games.
- Advertising – The budget was too low.
- Other miscellaneous income – The budget for Miscellaneous includes Donation.
- Donations – Included in Miscellaneous budget.
- Financial aid waivers – The lack of a budget for this item was an oversight on the part of the Budget Office.
- Coaches' Salaries – New coaches were hired late in the fiscal year. Additional funds to pay the new coaches were placed in the other salaries line. Therefore, the line for coaches' salaries appears to be under budgeted by \$389,059, and the other salaries line appears to be over budgeted by \$388,950.
- Other Salaries – This line appears to be over budgeted by \$388,950, but the excess funds that were placed into this particular line were for coaches' salaries.
- Uniforms & Clothing Supplies – This supply item is budgeted under the supply pool. Therefore, the amount budgeted actually falls under other supplies. As you look below, the other supplies category was over budgeted by \$67,372, and uniforms and clothing supplies was under budgeted by \$61,007.
- Other Supplies – See explanation for Uniforms & Clothing Supplies.
- Telephone – The amount budgeted only represented the standard charge. However, additional funds for the telephone expenses were budgeted in Other Contractual Services.
- Other Contractual Services – The budgeted amount included funds budgeted for team travel such as air fare, AAA bus services, etc.

- Team Travel – The amount for team travel appears to be under budgeted because additional funds budgeted for team travel were included in Other Contractual Services, and pulled from the contractual services pool as needed.
  - Advertising & Promotions – We spent more money promoting the SCSU Athletics programs which is reflected in the 25% increase in revenue.
  - Recruiting Travel – Recruiting expenses exceeded the budget due to the excessive increase in the cost of gas and hotel accommodations which were not anticipated.
  - Insurance – Funds paid for insurance are pulled from the Fixed Charges Pool which is overstated by \$213,094. Insurance appears to have a zero budget, but during the creation of the budget, funds budgeted for this category were not placed on the insurance line but instead were placed on the fixed charges line and pulled as insurance bills needed to be paid. Furthermore, there were more injuries and claims during FY06 than projected.
  - Membership Dues & Fees – Funds paid for membership dues are pulled from the Fixed Charges Pool which is overstated by \$213,094. Membership Dues & Fees appears to have a zero budget, but during the creation of the budget funds budgeted for this category were not placed on the membership dues & fees line but instead were placed on the fixed charges line and pulled as bills needed to be paid.
  - Fixed Charges – Fixed charges appears to be overstated by \$213,094 because this category includes funds budgeted for insurance and membership dues and fees.
  - Equipment Purchases – Various personnel from the Athletics Department moved into another building during FY06, and additional equipment was needed for new staff.
  - Utilities – total expenditures exceeded the budget due to the increase in rates.
3. We compared the amounts reported on the Statement of Revenues and Expenses in Schedule 1 for the year ended June 30, 2006 with the amounts reported on the Statement of Revenues and Expenses for the year ended June 30, 2005. We obtained management's explanations of variances greater than both 10% of the 2005 amount and \$10,000 as follows:
- Ticket Sales – The admissions tax was not netted from the gross ticket price as it was in 2005. In addition, season parking sales were included in ticket sales in 2006 but not in 2005, and, ticket prices for the homecoming game were increased by \$10 per ticket.
  - Parking – Season parking sales are included in ticket sales in 2006.

- NCAA/Conference Distribution – Part of this variance exists because in 2006 the NCAA Conference Distribution amount was separated from the Mid East Athletic Conference distribution. In addition, we have a letter from the NCAA stating that we will get more money for 2006, however, we don't know how much or when they're going to send it. We have not received the payment as of February 23, 2007.
- Mid East Athletic Conference – See explanation above for NCAA/Conference Distribution.
- SCSU Education Foundation and S.T.A.T.E. Club-in Kind – These amounts are provided by the Foundation. Details are in Foundation records.
- Advertising – We have received more money as a result of more effective marketing.
- Other – Tailgating revenues are recorded as Other revenues in 2006. In 2005 these revenues were a part of Parking revenues.
- Donation – In 2005 Zeus, Inc. made a contribution to SCSU. In 2006 they did not make a contribution.
- Coaches' Salaries – The Athletic Department hired two new coaches in FY06, gave raises and bonuses.
- Other Salaries – An internal operations person was hired in FY06, in addition to bonuses paid.
- Fringe Benefits – Fringes increased due to the increase in salaries and bonuses.
- Other Supplies – The Athletic Department purchased new furniture in FY06 after relocating to a new building.
- Telephone – In an effort to improve recruiting, more recruiting was done by phone.
- Other Contract Services – Substantial expenses were recorded in the Foundation books and they supplied the amounts. Details are in the Foundation.
- Team Travel – There was an increase in away games. Some distances traveled in 2006 were further than in 2005.
- Advertising & Promotions – More advertising was done on billboards, radio stations and TV stations, etc. in 2006. In addition, figures were supplied by the Foundation.

- Recruiting Travel – Travel by two new coaches as well as travel increase by other coaches.
  - Insurance – More athletic students attended SCSU without any type of insurance.
  - Membership Dues & Fees – Some figures supplied by the Foundation. Other fees incurred due to two new coaches and personnel hired.
  - Fixed Charges – Amounts are supplied by the Foundation.
  - Equipment Purchases – Substantial equipment purchases were made for the Track & Field sport in 2005 that were not necessary in 2006. Equipment purchases were made for Softball-Women and the Athletic Director that were not needed in 2006.
  - Utilities – New allocation method implemented caused increases in utilities all over campus.
  - Financial Aid Scholarships – Tuition and fees increased as well as amounts received from the Foundation.
  - Admissions Tax – 2005 taxes were netted against revenues. In 2006, it was expensed.
4. For guarantee revenue, we obtained a detail of the revenue reported and compared the amount per the detail to the corresponding amount in Schedule 1. We compared individual amounts in the detail for the games with Alabama State University, North Carolina A&T, University of New Mexico, Clemson University, University of Alabama – Birmingham, Marshall University, University of California – Berkley, and University of South Carolina to amounts on the guarantee contracts.

We found Schedule 1 and the detail to be in agreement; and we found such amounts to be in agreement with the supporting contracts.

5. We confirmed directly with responsible officials of The South Carolina State University Foundation, Inc. the amount of contribution revenue remitted to The University for the year ended June 30, 2006. We compared the amount of contribution revenue confirmed by The South Carolina State University Foundation, Inc. with the amount recorded on The University's general ledger for the year ended June 30, 2006.

We found the amount per the confirmation and the general ledger was in agreement.

6. We scanned the University's general ledger for individual contributions that constituted more than ten percent of the contribution revenue included in Schedule 1.

We found one individual contribution that constituted more than ten percent of the contribution revenue included in Schedule 1. The contribution was from South Carolina State University Foundation, Inc.

7. We obtained the Ticketmaster Audit Report for each of the home football games played during the year ended June 30, 2006. From these reports we haphazardly selected the Morgan State University game and the Florida A&M University game for additional testing. For these games we compared the ticket revenue, net of sales tax, per the Ticketmaster audit report with the amount of ticket revenue recorded in the general ledger.

The amount per the Ticketmaster Audit Report was \$ 4 less than the amount recorded in the general ledger for the Morgan State University game. The amount per the Ticketmaster Audit Report was \$ 14,570 less than the amount recorded in the general ledger for the Florida A&M University game.

8. For coaching salaries and benefits expense and support staff/administrative salaries and benefits expense we obtained a detail listing and compared the amounts per the detail to the corresponding amounts reported in the Statement of Revenue and Expenses in Schedule 1 and in the general ledger.

We found Schedule 1 and the general ledger to be in agreement with the detail.

9. We requested from management a list of all outside organizations not under the accounting control of The University that have as one of their primary purposes the generation of resources for, or on behalf of, The University's Intercollegiate Athletic Program or the promotion of this program. We also requested from management financial statements of identified outside organizations for the year ended June 30, 2006.

Management informed us South Carolina University Foundation, Inc. was the only outside organization not under the accounting control of The University that had as one of its primary purposes the generation of resources for, or on behalf of, The University's Intercollegiate Athletic Program. Management furnished us copies of audited financial statements of South Carolina State University Foundation for the year ended June 30, 2006.

10. We requested from management a list of all expenditures made by outside organizations not under the accounting control of The University for or on behalf of The University's Intercollegiate Athletic Program or any of its employees. We compared the amount of expenditures per the detail listing with the amounts reported on the Statement of Revenues and Expenses.

We found the detail listing of expenditures to be in agreement with the amounts reported on the Statement of Revenues and Expenses.

11. We obtained from management a detail listing of financial aid awarded to student athletes for the year ended June 30, 2006. We compared the amount from the detail to the corresponding amount reported on the Statement of Revenues and Expenses for the year ended June 30, 2006. We haphazardly selected six student athletes; Bailey D. Brinson, Danielle Hubbard, Natalie Ruth Dixon, Vesna Popac, Olive Aneno, and, Richard Elisu from the detail listing and compared the amount in the detail listing to the amount on the financial aid award letter.

We found the detail listing to be in agreement with the corresponding amount reported on the Statement of Revenues and Expenses. We found the amounts reported on the detail listing for the five student athletes selected to be in agreement with the amount on the individual financial aid award letter.

### Procedures Related to Internal Control Over Financial Reporting

We obtained a copy of the Policy and Procedures Manual relating to South Carolina State University's Intercollegiate Athletic Program. We discussed the manual with the Athletic Director for South Carolina State University. We made inquiries of the Athletic Director and other members of management regarding control consciousness, competency of personnel, and protection of records and equipment. We also made inquiries of the internal accounting controls that were unique to intercollegiate athletics. Based on our inquiries and in accordance with our agreement with management, we performed the following procedures:

12. Twelve revenue transactions for the year ended June 30, 2006 were haphazardly selected from South Carolina State University's general ledger. Each of the selected revenue transactions were compared to copies of the cash receipts issued by the treasurer's office. The items selected were as follows:

<u>Receipt</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
1. 0662479	Hampton University	February 27, 2006	\$ 1,730.00
2. 0659246	University of South Carolina	January 5, 2006	7,000.00
3. 0652076	Gullah Tours	September 12, 2005	700.00
4. 0660659	Dean's Ltd.	January 3, 2006	200.00
5. 0652914	SCSU Foundation	October 17, 2005	1,500.00
6. 0671637	County of Orangeburg	June 28, 2006	20,000.00
7. 0660167	Delaware State Bball	February 6, 2006	1,800.00
8. 0659250	Rutgers University	January 5, 2006	42,500.00
9. 0656957	Sports Information	October 31, 2005	2,580.00
10. 0660667	Carl B. Grant	January 3, 2006	1,000.00
11. 0651865	Citadel Maint. Fund	September 1, 2005	1,035.00
12. 0650337	Wachovia Bank	August 24, 2005	6,926.19

We found such amounts from the revenue transactions recorded in the general ledger to be in agreement with the cash receipts issued.

13. We haphazardly selected ten employees paid from the Intercollegiate Athletic Program for the year ended June 30, 2006 from the EBC440 report generated by the accounting system. For each of these employees we compared the disbursed amount to the authorized amount per pay period. To determine the authorized amount per pay period we divided the approved annual salary as listed on either the signed employee contract or most recent salary adjustment form by the number of pay periods in a year. The employees selected were as follows:

<u>Employee Name</u>	<u>Position</u>
Octavio Miro	Assistant Program Director
Zetty A. Glenn	Administrative Specialist I
Gwendolyn Bamberg	Administrative Specialist II
Peggy Edwards-Govan	Advisor to SCSU Pep Squad
Craig Harward	Head Athletic Trainer
Theo D. Davis	Football Coach
Ronald J. Hughey	Assistant Women's Basketball Coach
Stanley B. Cromartie	Men's Basketball Coach
Mary Hill	Head Volleyball Coach
Ernest N. Tche	Head Track and Field Coach

We found the disbursed amounts to be in agreement with the authorized amounts.

14. We haphazardly selected twenty-five cash disbursements from the general ledger accounts for the Intercollegiate Athletic Program for the year ended June 30, 2006. For each of these twenty-five disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. receipts, invoices and acknowledgement of receipt). The items selected were as follows:

<u>Description</u>	<u>Check Number</u>	<u>Disbursement Amount</u>
1. Palmetto Office Supplies	01-115223	\$ 2,977.31
2. Sodexho Inc & Affiliates	01-110816	298.08
3. Newton Manufacturing	01-107588	937.32
4. Medco Supply Company	01-113039	1,091.38
5. Wactor & Associates	01-105775	859.66
6. Mike's Sign Shoppe	01-108141	1,869.84
7. Daktronics Sales & Service	01-105442	8,315.60
8. Sun Printing Inc.	01-116477	1,306.98
9. B & C Retail Service	01-108858	880.00
10. Applied Video System	01-105541	115.47
11. Sheraton Dover Hotel	01-111298	1,249.56
12. Follett Bookstore	01-109501	133.98
13. Enterprise Rent-A-Car	01-110548	395.16
14. The Blue Book of College	01-110717	59.45
15. The Sportsman's Shop	01-113662	5,395.67
16. Aluminum Athletic Equipment	01-113014	1,995.00
17. Gateway 2000	01-112387	1,007.00
18. Akadema Inc.	01-111744	408.10
19. Triangle Rent-A Car	01-109860	567.72
20. Acushnet Company	01-106733	521.26
21. Big Tow Soccer	01-108824	1,173.76
22. Golf Stat	01-110405	165.00
23. Lloyd's Soccer	01-106281	2,734.20
24. Tood and Moore	01-106288	144.11
25. All Star Triangle Bowl	01-112153	198.00

We found the disbursement amounts to be in agreement with the supporting documentation.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenses of the Intercollegiate Athletic Program of South Carolina State University or on compliance with NCAA Bylaw 6.2.3.1 or on the effectiveness of South Carolina State University Intercollegiate Athletic Department's internal control over financial reporting for the year ended June 30, 2005. 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 management of South Carolina State University and is not intended to be, and should not be, used by anyone other than these specified parties.

*Chung Behant + Halland, L.L.P.*

March 6, 2007  
Charlotte, North Carolina

**SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM**

**STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006  
(Unaudited)**

Description	Football	Basketball	Other Sports	Nonprogram Specific	Total
<b>Revenues</b>					
Ticket Sales	\$ 589,299	\$ 10,788	\$ -	\$ -	\$ 600,087
Parking	7,250	-	-	-	7,250
NCAA/Conference Distribution	-	-	-	258,761	258,761
Mid Eastern Athletic Conference	-	71,353	-	27,125	98,478
Game Guarantees	240,000	208,500	-	-	448,500
SCSU Education Foundation and the S.T.A.T.E. Club-in kind	255,646	32,152	8,946	72,754	369,498
Advertising	21,077	3,156	-	5,367	29,600
Investment Income	134	-	-	-	134
Other	19,315	306	4,715	2,750	27,086
Donation	-	18,769	-	-	18,769
Financial Aid Waivers	154,032	119,140	332,519	2,554	608,245
<b>Total Revenue</b>	<b>1,286,753</b>	<b>464,164</b>	<b>346,180</b>	<b>369,311</b>	<b>2,466,408</b>
<b>Expenditures</b>					
Coaches' Salaries	543,467	395,564	346,723	-	1,285,754
Other Salaries	11,576	258	4,187	924,379	940,400
Fringe Benefits	130,147	87,293	66,154	244,192	527,786
Uniforms & Clothing Supplies	4,062	24,059	27,159	5,727	61,007
Other Supplies	155,235	20,360	87,645	139,063	402,303
Medical Health Services	-	(340)	-	7,217	6,877
Telephone	7,547	3,833	9,228	54,352	74,960
Other Contract Services	253,014	25,072	26,751	72,946	377,783
Team Travel	249,355	252,694	389,192	18,073	909,314
Advertising & Promotions	123,775	600	-	12,209	136,584
Recruiting Travel	34,194	44,171	21,359	-	99,724
Other Travel	3,457	-	650	79,373	83,480
Insurance	89,024	14,244	64,543	14,689	182,500
Membership Dues & Fees	36,260	36,775	4,390	43,580	121,005
Fixed Charges	29,976	546	5,086	102,460	138,068
Equipment Purchases	32,820	4,850	2,820	4,856	45,346
Utilities	71,585	-	-	181	71,766
Financial Aid Scholarships	893,200	365,728	934,302	180,965	2,374,195
Financial Aid Waivers	154,032	119,140	332,519	2,554	608,245
Admissions Tax	27,090	-	-	-	27,090
<b>Total Expenditures</b>	<b>2,849,816</b>	<b>1,394,847</b>	<b>2,322,708</b>	<b>1,906,816</b>	<b>8,474,187</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>\$ (1,563,063)</b>	<b>\$ (930,683)</b>	<b>\$ (1,976,528)</b>	<b>\$ (1,537,505)</b>	<b>\$ (6,007,779)</b>

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

NOTES TO STATEMENT OF REVENUES AND EXPENSES  
JUNE 30, 2006  
(Unaudited)

**Note 1 – Summary of Significant Accounting Policies**

The Department of Athletics is responsible for the intercollegiate athletic programs of South Carolina State University (The University). The Department of Athletics transactions are reported in The University's unrestricted current funds.

Basis of Presentation – The accompanying statement presents the recorded amounts of revenues and expenses of South Carolina State University's Department of Athletics. It is not intended to be a complete presentation of the revenues and expenses of South Carolina State University or South Carolina State University's Department of Athletics. The Statement of revenues and expenses has been prepared using the accrual basis of accounting. However, no provision has been made for depreciation of physical plant assets. Revenue is recognized when earned and expensed when supplies or services are received.

**Note 2 – Donations**

South Carolina State University received one donation from an outside organization that exceeded ten percent of all donations to the Athletic Department during the year ended June 30, 2006. Contributions were received from the South Carolina State Foundation, Inc. \$ 369,498.