

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES

**SOUTH CAROLINA STATE UNIVERSITY**  
**INTERCOLLEGIATE ATHLETICS PROGRAM**  
Orangeburg, South Carolina

June 30, 2000

# State of South Carolina



## Office of the State Auditor

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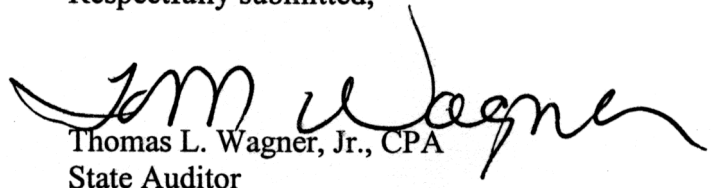
December 18, 2000

The Honorable Jim Hodges, 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 and the statement of revenues, expenditures, and transfers of the South Carolina State University Intercollegiate Athletics Program for the fiscal year ended June 30, 2000, was issued by Finch, Hamilton & Co., LLC., 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

TLWjr/sag

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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 Trustees and management of South Carolina State University solely to assist the University in complying with NCAA Bylaw 6.2.3.1 for the fiscal year ended June 30, 2000. 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 either for the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

- We obtained from management the statement of revenues, expenditures and transfers and notes thereto of the South Carolina State University Intercollegiate Athletics Program for the year ended June 30, 2000, as prepared by management of the University and shown on pages 7 – 9 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 2-28000 series of accounts in the University'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.
2. We obtained from management a list of all outside organizations not under the University'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 University's 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. We found no exceptions as a result of the procedures.
  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.

intercollegiate athletics program or its employees and determined they are included as revenues and expenditures on the University's intercollegiate athletics program's accounting records and its statement of revenues, expenditures, and transfers. We found no exceptions as a result of the procedures.

5. We scanned the University's 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. For these recorded receipts, we reviewed the supporting documentation to determine if they were properly classified, to identify those received from independent outside sources (those which don't have as one of their principal purposes the promotion and support of the athletics program), and to determine that the source and value of each such contribution is disclosed in a footnote to the statement. We found no exceptions as a result of the procedures.
6. From the University's intercollegiate athletics program general ledger transactions, we randomly selected ticket sales 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. The total of the selected items was 16% of the aggregate total of recorded ticket sales. We found no exceptions as a result of the procedures.
7. We asked management to describe specific elements of the University's internal controls 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 all recorded game guarantees and NCAA revenues, and tested randomly selected football ticket sales and advertising revenues 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 ticket manager, letter and checks remitted by the NCAA, contracts with advertisers and game guarantee contracts. The total of the selected football ticket sales and advertising revenues was 37% and 62%, respectively, of the aggregate total. We also tested the selected recorded revenues to determine if internal controls over the reporting of these revenues were operating as described. Our finding as a result of these procedures is presented in comment #3 in the Accountants' Comments Section of this report.
  - b. Based on the materiality of certain expenditure accounts reported on the statement, we tested all recorded expenditures for financial aid and tested randomly selected, clothing and other supplies, utilities, equipment purchases, insurance, travel, telephone contractual services, and membership dues and fees to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation of financial aid award listings, vendor invoices and travel expenditure support documents, and if internal controls over the reporting of these expenditures were operating as described. The total of the selected items was 12% of the aggregate total of those recorded expenditures. We found no exceptions as a result of these procedures.
  - c. We obtained a copy of the University's internal auditor's report on its review and reconciliation of the football ticket sales reports. We randomly chose one of the six home games and tested the reconciliation by verifying its mathematical accuracy and agreeing amounts thereon to the supporting documentation. The total football revenues for this one game was 36% of the total revenues for football ticket sales. We found no exceptions as a result of these procedures.

- d. We tested reported student activity fees revenue for reasonableness by comparing the recorded amount to the Board of Trustees approved budget allocation. We found no exceptions as a result of the procedures.
8. We were provided all daily cash receipts reports for the football program prepared by the ticket manager. We randomly selected four 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 University's general ledger accounts for the intercollegiate athletics program. The totals of football receipts for these reports were 13% of the total recorded receipts for football ticket sales. We found no exceptions as a result of the procedures.
9. We examined guarantee contracts for all football and basketball games during fiscal year 2000. We compared the contract revenues to recorded revenues in the general ledger. We identified no material unexplained variance.
10. We obtained a schedule of athletics department salaries prepared and provided by the accounting department 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. We identified no material unexplained variance.

We reviewed the status of the deficiencies described in the findings reported in the prior year to determine if the University has taken adequate corrective action. Neither of the fiscal year 1999 findings is repeated for fiscal year 2000. However, neither of the recommendations we made for corrective actions related to the fiscal year 1999 deficiencies were implemented even though, in both cases, management's official response to the fiscal year 1999 comments stated both would be implemented. See comments #1 & #2 in the Accountants' Comments section of this report for our repeated recommendations related to the fiscal year 1999 findings #1 and #2 concerning ticket sales reports and reconciliations and managerial oversight responsibility for the ticket office.

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. Furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over financial reporting described in paragraph one and procedures one through eleven 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 University'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 Office of the State Auditor, the Governor, and the Board of Trustees and management of South Carolina State University and is not intended to be and should not be used by anyone other than these specified parties.

*Finch, Hamilton & Co. LLC*

November 14, 2000

## ACCOUNTANTS' COMMENTS

### TICKET SALES

#### 1. Finding

For the year ended June 30, 1999, recorded aggregate football ticket sales revenue did not agree to the final ticket sales reports. The reports were \$23,311 more than the recorded ticket revenue. We identified no such revenue discrepancy for fiscal year 2000. Our recommendation that the football ticket sales be reconciled the week following each game was not followed. Instead, the football ticket sales were reconciled after the end of the season.

#### Recommendation

We again recommend that football ticket sales revenue be reconciled to the final ticket sales report the week following each game and the reconciliation be reviewed by a member of management. Timely reconciliation will identify items that may need adjustment such as tickets that were pulled off of the system to facilitate sales, but were not sold, and were never entered back on the ticket system.

#### Management's Response

We concur with the recommendation; but due to a shortage of staff it was not implemented by FY-2000 game season. A reconciliation will be performed after each game and reviewed by the Office of Internal Auditor.

#### 2. Finding

For the year ended June 30, 1999, the ticket office was unable to provide the final ticket sales report for the one home football game that was selected for testing. The University was able to locate the report we selected for fiscal year 2000 testing. Our recommendation that a member of management be selected for oversight responsibility of the ticket office to insure that internal controls are functioning as management intends was not followed.

#### Recommendation

We again recommend that a member of management be selected for oversight responsibility of the ticket office to insure that internal controls are functioning as management intends, including those related to review and filing of ticket sales reports.

#### Management Response

The Office of Finance and Management will assign an individual to carry out the oversight responsibility of the Ticket Office this year.

3. Finding

No final reconciliation is prepared for tickets that are sold for away football games.

Recommendation

We recommend that a final ticket reconciliation be performed for tickets that are sold for away games. The reconciliation should detail the number of tickets received from the opposing team's ticket office, the number of tickets not sold, the amount of money that should have been deposited (based on tickets sold and tickets prices) and the amount of money that actually was deposited.

Management Response

We concur with the recommendation. We will prepare a football ticket reconciliation for all of the away games.

## STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 2000

	Football	Basketball	Other Sports	Non Program Specific	Total
Operating revenue					
Ticket sales	\$ 616,048	\$ 16,634	\$ --	\$ --	\$ 632,682
Vending and parking	73,883	2,575	--	--	76,458
NCAA distributions	--	197,427	443	105,272	303,142
Game guarantees	356,857	185,500	--	--	542,357
SCSU Educational Foundation					
S.T.A.T.E. Club in-kind -- Note A					
contributions	84,690	4,269	70	--	89,029
Student activity fees	519,509	307,906	392,697	479,888	1,700,000
Advertising	36,100	--	--	21,770	57,870
Donations--unrestricted -- Note A	79,345	870	4,620	2,000	86,835
Ticket service fees	5,415	6	--	--	5,421
Tuition waivers	131,566	54,318	188,834	9,876	384,594
Other	<u>--</u>	<u>1,298</u>	<u>0</u>	<u>7,181</u>	<u>8,479</u>
Total operating revenue	1,903,413	770,803	586,664	625,987	3,886,867
Operating expenditures					
Coaches' salaries	287,951	217,778	82,093	--	587,822
Other salaries	31,569	1,157	44,666	496,680	574,072
Fringe benefits	75,048	50,025	25,916	117,379	268,368
Uniforms and clothing supplies	22,183	1,567	28,062	228	52,040
Other supplies	17,785	8,939	25,100	52,347	104,171
Travel					
Team	101,967	174,560	220,125	1,754	498,406
Recruiting	23,601	25,268	8,413	--	57,282
Other	--	899	--	26,272	27,171
Medical and health services	--	--	--	14,036	14,036
Telephone	16,524	12,060	10,480	20,910	59,974
Publicity promotions	6,662	742	292	350	8,046
Contractual services	199,017	52,427	8,560	128,972	388,976
Game guarantees	--	--	--	--	--
Insurance	--	--	--	74,817	74,817
Membership dues and fees	--	15,350	640	47,228	63,218
Fixed charges	6,158	320	--	6,014	12,492
Equipment purchases	17,339	885	1,620	9,925	29,769
Utilities	41,753	--	--	--	41,753
Financial aid	390,145	149,285	324,337	174,449	1,038,216
Financial aid-waivers	131,566	54,318	188,834	9,876	384,594
Other	<u>--</u>	<u>40</u>	<u>1,947</u>	<u>5,369</u>	<u>7,356</u>
Total operating expenditures	<u>1,369,268</u>	<u>765,620</u>	<u>971,085</u>	<u>1,186,606</u>	<u>4,292,579</u>

## STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS--CONTINUED

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 2000

	Football	Basketball	Other Sports	Non Program Specific	Total
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER (UNDER) OPERATING EXPENDITURES	\$ 534,145	\$ 5,183	\$ (384,421)	\$ (560,619)	\$ (405,712)
Transfer for stadium debt service	<u>183,713</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>183,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS OUT	<u>\$ 350,432</u>	<u>\$ 5,183</u>	<u>\$ (384,421)</u>	<u>\$ (560,619)</u>	<u>\$ (589,425)</u>

NOTES TO STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 2000

NOTE A - CONTRIBUTIONS

The following are both individual contributions in excess of ten percent of all cash donations and individual contributions in excess of ten percent of all contributions (in-kind and cash) received for intercollegiate athletics: \$10,000 from the Historically Black Collegiate Coalition, and \$158,484 from the S.T.A.T.E. Club.

NOTE B – COST RECOVERY

For the year ended June 30, 1999, a cost recovery allocation in the amount of \$280,000 was made to the athletics program to recognize certain revenues generated primarily from the use of athletic facilities and employees by other South Carolina State University departments.

No cost recovery allocation was made for the year ended June 30, 2000 due to a finding on the University's June 30, 1999 financial statements which interpreted this cost recovery allocation as a transfer of expenditures amongst departments, which is contrary to generally accepted accounting principles.