

State of South Carolina



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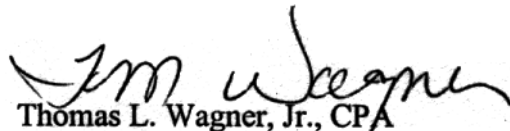
December 8, 2000

The Honorable Jim 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 fiscal year ended June 30, 2000, 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

**THE CITADEL,
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
YEAR ENDED JUNE 30, 2000**

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

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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 enumerated 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, 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 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, 2000, 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 Citadel's general ledger. We reviewed management's worksheet adjustments 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 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. 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 and the accounting manager 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 Transfers 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 of 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. We obtained from management general ledger activity for all cash receipts. We randomly selected thirty-five 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 then agreed the cash receipt amount to the records from the Athletics Department. 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. In addition, we tested NCAA distributions, concession, promotion, and advertising revenue in conjunction with the cash receipt testing. The total of the selected items was 67% 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, game guarantees, team and employee travel, other supplies, other professional service, and scholarships and grants to determine if these expenditures were complete, properly classified, and properly authorized based on a review of the supporting documentation of payroll records, game guarantee contracts, invoices, travel documents, travel vouchers, and grant awards, and if internal controls over the reporting of these expenditures were operating as described. The total of the selected items was 39% of the aggregate total of recorded expenditures. We found no exceptions as a result of the procedures.

8. (Continued)

- 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.
 - 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 examined guarantee contracts for all football, basketball, and baseball games during this fiscal year 2000. We compared the contract revenues to recorded revenues in the Intercollegiate Athletics Program series of accounts in the general ledger. We also compared football, basketball, and baseball guarantee expenditures per the contracts to expenditures recorded in the expenditure accounts in the Intercollegiate Athletics Program series of accounts in the general ledger. We identified no material unexplained differences.
10. We obtained a schedule of athletics department salaries from, and prepared by, Human Resources. We used the schedule to analytically test recorded salary expenditures. We estimated the related fringe benefit expenditures using The Citadel's prior year's average fringe benefits rate and compared our estimates with reported expenditures in the appropriate general ledger accounts. We identified no material unexplained differences.
11. We asked accounting 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 2000 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.

Mr. Thomas L. Wagner, Jr., CPA
November 22, 2000

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 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 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 Governor, the South Carolina Office of the State Auditor, the Board of Visitors 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
November 22, 2000

THE CITADEL

The Military College of South Carolina
Intercollegiate Athletics Program

Statement of Revenues, Expenditures and Transfers
For the year ended June 30, 2000

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL	PRIOR YEAR TOTAL
Revenues:						
Ticket sales	\$ 447,741	\$ 41,037	\$ 26,718	\$ -	\$ 515,496	\$ 436,279
Game guarantees	250,000	55,000	7,825	-	312,825	356,880
Program sales	11,365	664	400	-	12,429	10,634
Promotions	2,130	4,005	25,581	74,159	105,875	104,081
Concessions	28,097	9,367	10,696	7,082	55,242	64,589
Student activity fees	395,053	167,358	266,414	471,099	1,299,924	1,164,654
Entry fees	-	-	3,424	-	3,424	3,180
Mailing and handling	-	-	-	4,464	4,464	6,314
Coaches rental car payments	4,860	1,440	1,440	-	7,740	7,770
Contributions (unrestricted)	3,000	500	21,874	1,535	26,909	44,584
Contributions (restricted to scholarships)	337,676	66,358	275,966	-	680,000	655,000
Advertising	26,235	4,300	1,250	-	31,785	36,727
SOCON/NCAA distributions	-	-	-	82,602	82,602	111,481
Broadcast rights	-	-	-	3,000	3,000	6,000
Rental income	-	-	-	51,603	51,603	62,795
Parking fees	-	-	-	59,692	59,692	51,287
Other revenue	-	-	-	10,138	10,138	25,347
Total revenues	1,506,157	350,029	641,588	765,374	3,263,148	3,147,602
Transfers in for scholarships:						
From Daniel Fund of unrestricted current funds	150,000	-	-	-	150,000	150,000
From Turner Fund of unrestricted current funds	132,308	55,558	231,052	-	418,918	-
From auxiliary enterprises	411	-	-	-	411	365,822
Transfers In for Operations:						
From Turner Fund of unrestricted current funds	-	-	-	97,969	97,969	-
From auxiliary enterprises	-	-	-	780,544	780,544	811,653
Total transfers in	282,719	55,558	231,052	878,513	1,447,842	1,327,475
Total sources of funds	1,788,876	405,587	872,640	1,643,887	4,710,990	4,475,077

See accompanying notes.

THE CITADEL

The Military College of South Carolina
Intercollegiate Athletics Program

Statement of Revenues, Expenditures and Transfers
For the year ended June 30, 2000

	FOOTBALL	BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL	PRIOR YEAR TOTAL
Expenditures:						
Salaries & benefits						
Coaches	470,307	197,908	317,584	-	985,799	911,063
Other	623	1,594	-	561,582	563,799	563,112
Prospect travel	25,960	2,439	13,930	-	42,329	44,994
Team travel	136,506	65,808	156,880	-	359,194	335,040
Team entry fees	-	-	5,145	-	5,145	-
Employee travel	33,036	22,377	38,803	6,711	100,927	63,089
Food services	21,351	2,294	3,969	15,360	42,974	89,780
Game guarantees	77,000	9,000	10,000	-	96,000	43,500
Event staff	23,954	10,144	13,887	2,592	50,577	46,631
Advertising	-	-	67	7,390	7,457	11,446
Printing/binding-outside	-	-	11	6,331	6,342	9,815
Printing/binding-inside	3,046	3,293	2,682	24,650	33,671	43,773
Printing-programs	33,750	4,383	-	-	38,133	28,992
Repairs-outside	709	21	778	483	1,991	7,532
Repairs-Physical Plant	606	17	145	8,177	8,945	14,377
Other contractual services	24,205	437	5,018	16,206	45,866	96,282
Laundry and tailoring	786	34	1,601	4,461	6,882	12,179
Freight	1,895	1,204	882	14,083	18,064	5,824
Photography	675	-	1,429	1,600	3,704	5,298
Commissions	-	-	-	2,102	2,102	3,906
Maintenance contracts	351	-	-	2,170	2,521	4,571
Officials & referees	24,519	24,593	13,174	-	62,286	59,907
Physician fees	2,683	153	5,090	-	7,926	12,381
Bank fees	-	-	-	2,584	2,584	2,906
Other professional services	-	-	100	133,788	133,888	121,983
Telephone	10,812	7,555	9,554	12,662	40,583	50,629
Other utilities	-	-	3,914	19,023	22,937	18,460
Awards	2,060	289	8,953	2,345	13,647	4,621
Postage	628	14	-	9,994	10,636	17,023
Other supplies	128,125	28,639	123,656	60,633	341,053	382,732
Other fixed charges	385	-	1,146	63,447	64,978	13,157
Insurance	7,500	3,000	5,950	28,304	44,754	48,755
Dues	411	-	1,040	9,712	11,163	8,467
Overhead allocation	-	-	-	153,594	153,594	135,803
Registration fees	119	2,220	4,484	745	7,568	3,898
Equipment rental	2,967	-	8,556	23,816	35,339	18,704
Equipment	-	-	-	-	-	37,946
Admissions tax	21,271	1,939	1,262	-	24,472	20,780
Other expenses	2,073	227	613	26,704	29,617	16,958
Scholarships/grants	620,396	121,916	507,018	-	1,249,330	1,170,822
Total expenditures	1,678,709	511,498	1,267,321	1,221,249	4,678,777	4,487,136
Excess of sources of funds over (under) expenditures	\$ 110,167	\$ (105,911)	\$ (394,681)	\$ 422,638	\$ 32,213	\$ (12,059)

See accompanying notes.

**THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2000**

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, 2000.

The contribution was received from The Brigadier Foundation in the amount of \$680,000, 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 April 28, 2000.

Deadwood Ticket Count

For the 1999 football season, 230 more Reserved Seat \$16 deadwood tickets were counted during the physical inventory at the ticket office than calculated. There were also 373 more General Admission \$8 deadwood tickets counted during the physical inventory at the ticket office than calculated. Date tickets (\$7) showed a shortage of 31 tickets. This results in a net potential overage of \$6,447. This potential misstatement is properly considered as immaterial, representing only 1.44% of football ticket revenues. However, this amount has significantly increased from the 1998 football season and is comparable to the potential misstatement in the 1997 and 1996 football ticket reconciliations.

Most of the overage in General Admission tickets came from the Wofford (306) and VMI (116) games. Most of the overage in Reserved Seat tickets came from Appalachian State (152) and Wofford (91) games. One possible explanation is that some complimentary tickets were not picked up. These complimentary tickets could have been accounted for as distributed, and then re-counted in the deadwood.

Last year, a policy was enacted to exchange "Val-Pack" coupons for only one ticket each and track the denomination of tickets as used. This policy appears to be working properly and indeed generated a positive comment by the external auditors in their June 30, 1999 Agreed-Upon Procedures Report. Last year's ticket count produced minimal differences between the number of unsold tickets calculated and actual deadwood on hand.

Timeliness

Last year, the ticket count audit completed by the Internal Audit Department of The Citadel was completed in January of 1999. This year, a reorganization at SCAT (South Carolina Automated Ticket Service) delayed receipt of their reports. As a result, the ticket count and the ticket count audit conducted by the Internal Audit Department of The Citadel was delayed until April. A more timely ticket count may result in better reporting on the deadwood reconciliations.

Management's Response:

The significant overage in the deadwood general admission was due mainly to the Wofford game. The overage is believed to be due to the complimentary tickets given to groups on the day of the game. The ticket office staff assumed that 250 actual tickets were given to groups attending the game that day. However, the ticket seller apparently admitted the groups without actually giving out the groups' tickets.

ACCOUNTANTS' COMMENTS

Management's Response: - Continued

This miscommunication showed an excessive overage of tickets when actually the overage was significantly less.

The timeliness of the report was due mainly to the transition of the ticketing system, South Carolina Automated Ticketing System (SCAT). The SCAT system was bought by ETM and the transition occurred in the Fall of 1999. This impaired the timeliness of the reports that are produced by SCAT.