

December 4, 1998

The Honorable David M. Beasley, 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, 1998, 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/tdc

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES

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

June 30, 1998

## CONTENTS

Independent Accountants' Report on Applying Agreed-Upon Procedures.....	Page	4 – 6
Accountants' Comments .....		7
Statement of Revenues, Expenditures, and Transfers.....		8 - 9
Note to Statement of Revenues, Expenditures, and Transfers .....		10



## 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, 1998. 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:

1. We obtained from management the statement of revenues, expenditures and transfers and note thereto of the South Carolina State University Intercollegiate Athletics Program for the year ended June 30, 1998, as prepared by management of the University and shown on pages 8 - 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.
4. We obtained from management a listing of all expenditures made directly by the respective

outside organizations (not under the University's accounting control) to or on behalf of the University's intercollegiate athletics program or 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 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 37% 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 football ticket sales and game guarantees, and tested randomly selected advertising revenues and NCAA 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 advertising revenues and NCAA revenues was 73% and 85%, 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 findings as a result of these procedures are presented in comment #1 and #2 in the Accountants' Comments section of this report.
  - b. Based on the materiality of certain expenditure accounts reported on the statement, we tested selected recorded expenditures for financial aid, clothing and other supplies, utilities, insurance, team travel, 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 47% 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 of the selected revenues was 36% of the total revenues for football ticket sales. Our finding as a result of these procedures is presented in comment #3 in the Accountants' Comments section of this report.
  - 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 the tested receipts were 37% 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 1998. We compared the contract revenues to recorded revenues in the general ledger. We also compared football guarantee expenditures per the contracts to game guarantee expenditures recorded in the University's intercollegiate athletics program accounts in the general ledger. We identified no material unexplained variance.
10. We obtained a schedule of athletics department salaries 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.
11. 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. We found the University has taken adequate corrective action on all of the previously reported weaknesses.

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 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 an opinion. 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 use of the specified users and should not be used by those who have not agreed to the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

November 18, 1998

## ACCOUNTANTS' COMMENTS

### 1. IMPROPER CLASSIFICATIONS

#### Finding

Revenues for game guarantees were recorded as other revenue.

#### Recommendation

We recommend that the University enhance procedures to monitor the designation of account coding of revenues such as preparing a narrative description of the contents of each account and to periodically review the general ledger detail for revenue coding.

#### Response

We concur with the recommendation. We will enhance procedures to monitor the designation of account coding on revenues and will prepare a narrative description of the contents of each revenue account and will review the general ledger detail to ensure all revenues are properly coded.

### 2. TICKET SALES

#### Finding

The ticket sales revenue and corresponding ticket charge expenditures from ticket outlet services were not recorded at gross ticket sales and charges, but were recorded at amounts between net and gross sales and charges.

#### Recommendation

We recommend that the journal entries for the outlet ticket sales and charges be reviewed and approved by a person with accounting knowledge such as the controller

#### Response

We concur with the recommendation. We will have the journal entries reviewed and approved by the controller.

### 3. TICKET RECONCILIATION

#### Finding

The football and basketball ticket sales were not reconciled in a timely manner to the final ticket sales report.

#### Recommendation

We recommend that reconciliation of football and basketball ticket sales to the final sales report be prepared in a timely manner.

#### Response

We concur with the recommendation and will have the reconciliation prepared in a timely manner.

STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 1998

	Football	Basketball	Other Sports	Non Program Specific	Total
Operating revenue					
Ticket sales	\$ 505,725	\$ 18,924	\$ --	\$ --	\$ 524,649
Vending and parking	61,985	--	--	--	61,985
NCAA distributions	--	146,095	--	27,262	173,357
Game guarantees	315,201	94,383	--	--	409,584
SCSU Educational Foundation					
S.T.A.T.E. Club in-kind contributions	3,500	6,533	--	--	10,033
Student activity fees	616,617	287,207	268,932	527,244	1,700,000
Advertising	47,200	--	--	18,580	65,780
Donations--unrestricted	18,717	200	5,000	780	24,697
Ticket service fees	6,679	1,648	--	--	8,327
Other	<u>2,347</u>	<u>33,850</u>	<u>--</u>	<u>15,530</u>	<u>51,727</u>
 Total operating revenue	 1,577,971	 588,840	 273,932	 589,396	 3,030,139
Operating expenditures					
Coaches' salaries	295,899	181,781	60,934	--	538,614
Other salaries	52,054	8,050	27,115	483,937	571,156
Fringe benefits	73,162	42,233	16,838	116,341	248,574
Uniforms and clothing supplies	11,032	7,884	20,730	5,329	44,975
Other supplies	78,865	3,927	10,696	77,125	170,613
Travel					
Team	107,113	136,788	137,753	1,286	382,940
Recruiting	12,316	14,893	3,234	--	30,443
Other	--	--	--	18,353	18,353
Medical and health services	2,430	1,060	2,960	29,703	36,153
Telephone	13,449	11,711	10,045	10,847	46,052
Publicity promotions	4,500	6,533	86	3,226	14,345
Contractual services	103,216	17,094	3,916	101,416	225,642
Game guarantees	40,000	6,500	--	--	46,500
Insurance	--	--	--	70,846	70,846
Membership dues and fees	18,018	28,500	--	38,059	84,577
Fixed charges	2,468	--	341	8,805	11,614
Equipment purchases	4,735	--	5,134	23,611	33,480
Utilities	53,022	--	--	--	53,022
Financial aid	356,566	127,861	200,017	156,716	841,160
Financial aid-waivers	129,737	38,004	92,755	15,600	276,096
Other	<u>45</u>	<u>--</u>	<u>--</u>	<u>509</u>	<u>554</u>
 Total operating expenditures	 <u>1,358,627</u>	 <u>632,819</u>	 <u>592,554</u>	 <u>1,161,709</u>	 <u>3,745,709</u>

STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS--CONTINUED

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 1998

	Football	Basketball	Other Sports	Non Program Specific	Total
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER (UNDER) OPERATING EXPENDITURES	\$ 219,344	\$ (43,979)	\$ (318,622)	\$ (572,313)	\$ (715,570)
Transfer for stadium debt service	<u>152,480</u>	--	--	--	<u>152,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS OUT	<u>\$ 66,864</u>	<u>\$ (43,979)</u>	<u>\$ (318,622)</u>	<u>\$ (572,313)</u>	<u>\$ (868,050)</u>

NOTE TO STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 1998

NOTE A - CONTRIBUTIONS

Individual contributions in excess of ten percent of all donations received for intercollegiate athletics were from the National Minority College Scholarship Fund in the amount of \$3,500 and from Burger King Corporation in the amount of \$10,000.