

December 16, 1999

The Honorable James H. 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, 1999, 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/trb

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES

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

June 30, 1999

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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, 1999. 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 notes thereto of the South Carolina State University Intercollegiate Athletics Program for the year ended June 30, 1999, 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.
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 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 24% 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, game guarantees and NCAA revenues, and tested randomly selected 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 advertising revenues was 76% 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 comments #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, equipment purchases, 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 26% 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 44% of the total revenues for football ticket sales. Our findings as a result of these procedures are presented in comments #1 and #2 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 five 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 25% 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 1999. 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 asked the University's management to explain its method for allocating cost recovery to the athletics programs. We performed tests and analyses to determine if the recovery amounts for fiscal year 1999 were reported under the appropriate program headings and if the basis for the allocations 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.
12. 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 the 1998 findings concerning improper classifications and ticket sales. See comment #1 in the Accountants' Comments section of this report for additional finding related to the 1998 finding #3 concerning ticket reconciliations.

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 twelve 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 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.

November 11, 1999

## ACCOUNTANTS' COMMENTS

### TICKET SALES

1. Finding

Recorded aggregate football ticket sales revenue did not agree to the final ticket sales reports sent by the ticket software provider. The reports were \$23,311 more than the recorded ticket revenue.

Recommendation

We recommend that football ticket sales revenue is 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 have need for 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. We will prepare football ticket reconciliations the week following each game and have the reconciliations reviewed by a member of management.

2. Finding

The ticket office was unable to provide the final ticket sales report for the one home football game that was selected for testing.

Recommendation

We 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's response

We concur with the recommendation and will appoint a member of management to have oversight responsibility of the ticket office, including the review and filing of ticket sales reports.

STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 1999

	Football	Basketball	Other Sports	Non Program Specific	Total
Operating revenue					
Ticket sales	\$ 491,955	\$ 7,045	\$ --	\$ --	\$ 499,000
Vending and parking	71,423	--	--	--	71,423
NCAA distributions	--	--	--	94,017	94,017
Game guarantees	41,000	122,379	--	--	163,379
SCSU Educational Foundation					
S.T.A.T.E. Club in-kind -- Note A contributions	1,853	12,000	--	24,065	37,918
Student activity fees	526,481	317,232	361,645	494,642	1,700,000
Advertising	54,000	--	--	16,793	70,793
Donations--unrestricted -- Note A	24,575	--	5,535	--	30,110
Ticket service fees	4,509	377	--	--	4,886
Cost recovery -- Note B	137,000	6,000	3,000	134,000	280,000
Tuition waivers	149,514	38,300	108,772	12,256	308,842
Other	--	29,730	--	1,490	31,220
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Total operating revenue	1,502,310	533,063	478,952	777,263	3,291,588
Operating expenditures					
Coaches' salaries	296,930	214,561	80,288	--	591,779
Other salaries	21,294	--	32,315	480,254	533,863
Fringe benefits	72,169	49,721	21,634	114,368	257,892
Uniforms and clothing supplies	22,110	1,368	21,244	866	45,588
Other supplies	24,609	6,211	23,510	58,206	112,536
Travel					
Team	85,108	112,867	175,141	866	373,982
Recruiting	9,412	13,480	106	--	22,998
Other	--	--	--	19,807	19,807
Medical and health services	4,375	1,050	4,025	15,333	24,783
Telephone	22,961	16,288	13,786	18,043	71,078
Publicity promotions	1,853	12,000	--	2,575	16,428
Contractual services	146,821	34,613	5,465	112,467	299,366
Game guarantees	20,000	--	--	--	20,000
Insurance	--	--	--	74,590	74,590
Membership dues and fees	--	150	695	47,454	48,299
Fixed charges	517	--	--	13,613	14,130
Equipment purchases	5,375	89	1,880	24,052	31,396
Utilities	30,321	--	--	--	30,321
Financial aid	284,568	155,379	241,635	154,517	836,099
Financial aid-waivers	149,514	38,300	108,772	12,256	308,842
Other	--	87	--	3,835	3,922
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Total operating expenditures	1,197,937	656,164	730,496	1,153,102	3,737,699

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

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 1999

	Football	Basketball	Other Sports	Non Program Specific	Total
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER (UNDER) OPERATING EXPENDITURES	\$ 304,373	\$ (123,101)	\$ (251,544)	\$ (375,839)	\$ (446,111)
Transfer for stadium debt service	<u>125,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>125,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS OUT	<u>\$ 179,373</u>	<u>\$ (123,101)</u>	<u>\$ (251,544)</u>	<u>\$ (375,839)</u>	<u>\$ (571,111)</u>

NOTES TO STATEMENT OF REVENUES, EXPENDITURES, AND TRANSFERS

SOUTH CAROLINA STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS PROGRAM

Year Ended June 30, 1999

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, \$5,000 from Nationwide Insurance, and \$45,418 from the S.T.A.T.E. Club.

NOTE B – COST RECOVERY ALLOCATION

The South Carolina State University allocates cost recovery amounts to the athletics program based on the following:

<u>Description</u>	<u>Amount recovered</u>
Sports information	100% of costs
Ticket office	80% of wages
Oliver C. Dawson Stadium	\$12,000 per day
Suites at Oliver C. Dawson Stadium	\$7,000 per game
Weight room at Oliver C. Dawson Stadium	\$400 per day
Teaching assignment	\$1500 per assignment