

**RADFORD UNIVERSITY
RADFORD, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2002**



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March 25, 2003

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission

Douglas Covington, Ph.D.
President, Radford University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Radford University** as of and for the year ended June 30, 2002, and have issued our unqualified report thereon dated March 25, 2003. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2002, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenue and Expenditures of Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 2002, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletic Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletic

Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analysis and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from Radford University Foundation, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified amounts or items should be adjusted. Had we performed additional procedures, or had we made an audit of any financial statements of the intercollegiate athletic department of the University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of the University or its intercollegiate athletic department taken as a whole.

Internal Control Policies and Procedures Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Radford University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletic Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of

Internal Audit in the department, competence of personnel, and protection of records and equipment.

- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to intercollegiate athletics, which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Radford University in effect for the year ended June 30, 2002, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" and "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University. However, in connection with applying procedure "e" above, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition relating to internal control over the Intercollegiate Athletic Program activities administered by the University. The reportable condition is described in the section titled, "Internal Control Finding and Recommendation."

This report is intended solely for the information and use of the University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Strengthen Controls Over Cash Receipting and Depositing

The Athletic Department does not make deposits timely as required by CAPP Manual Section 20205 and the University's official Deposit Procedures. The department did not deposit any of the seven game guarantee deposits tested within twenty-four hours of receipt. Furthermore, the department made only three deposits during the year for all ticket sales revenue.

The Athletic Department should comply with all policies and procedures. To achieve compliance, University personnel should be adequately trained in the proper policies and procedures, and management should enforce compliance with those policies and procedures. Employees need to understand their responsibilities and see results of enforced consequences for non-compliance. University management should perform random reviews on an annual basis to ensure compliance with State and University regulations.

Strengthen Controls Over Voucher Processing

The Athletic department does not make payments to vendors for goods or services in a timely manner as required by CAPP Manual Section 20300 Topic 20315 "Prompt Payment." The department did not pay four of five vouchers tested by the vendor established due date.

The Athletic Department should comply with all Commonwealth policies and procedures. To achieve compliance, the University needs to strengthen controls over voucher processing. The University must improve communication between the departments and vendors. Personnel should be adequately trained in proper practices in accordance with policies and procedures and held accountable for non-compliance.

SCHEDULE

RADFORD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2002

	Men's Basketball	Men's Other	Women's Basketball
Operating revenues:			
Ticket sales - Cash sales	\$ 15,900	\$ -	\$ 2,044
Ticket sales - Game proceeds	120,000	1,000	12,000
Student activity fees	-	-	-
Gifts - Restricted	-	-	-
Camps and clinics	-	-	-
NCAA revenue sharing	-	-	-
Other income	-	-	-
Total operating revenue	135,900	1,000	14,044
Operating expenditures:			
Coaches and other personal services	227,666	211,831	136,594
Travel - Teams	60,245	55,724	56,087
Travel - Recruiting	9,809	781	22,141
Travel - Other	3,085	269	1,113
Financial aid	209,481	269,821	248,056
Game guarantees	2,100	-	-
University administrative fees (Note 3)	-	-	-
Maintenance and general administration	32,783	50,002	19,588
Supplies and equipment	27,526	33,175	26,329
Promotion and publicity	3,942	1,857	4,854
Insurance	-	-	-
Telephone	3,183	2,142	1,597
Total operating expenditures	579,820	625,602	516,359
Excess (deficiency) of revenues over (under) expenditures	\$ (443,920)	\$ (624,602)	\$ (502,315)

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

Women's Other	Non-Program Specific	Total
\$ -	\$ -	\$ 17,944
-	-	133,000
-	3,777,357	3,777,357
-	364,514	364,514
-	(125)	(125)
-	213,026	213,026
-	33,090	33,090
-	4,387,862	4,538,806
279,591	660,543	1,516,225
103,859	2,798	278,713
237	12,607	45,575
918	106,475	111,860
419,850	1,439	1,148,647
-	60,000	62,100
-	420,000	420,000
73,796	118,950	295,119
59,666	70,801	217,497
229	103,331	114,213
-	39,993	39,993
1,936	20,660	29,518
940,082	1,617,597	4,279,460
\$ (940,082)	\$ 2,770,265	\$ 259,346

RADFORD UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2002

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule) has been prepared on the accrual basis of accounting. However, the Schedule accounts for capital purchases as expenditures when purchased with current revenues, does not account for depreciation, and accounts for long term capital purchases as amounts for debt service are transferred to the general university accounts. The purpose of the Schedule is to present a summary of revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2002 using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes those intercollegiate athletics revenues and expenditures made on behalf of the University's athletic programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present the financial position, changes in financial position, or changes in cash flows for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category, "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received \$337,404 in contributions from Radford University Foundation, Incorporated, which are included in the accompanying schedule.

3. UNIVERSITY ADMINISTRATIVE FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. Athletics paid \$420,000 during the fiscal year ended June 30, 2002, which is recorded as Non-Program Specific.

RADFORD UNIVERSITY
Radford, Virginia

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Greig Denny, Athletic Director