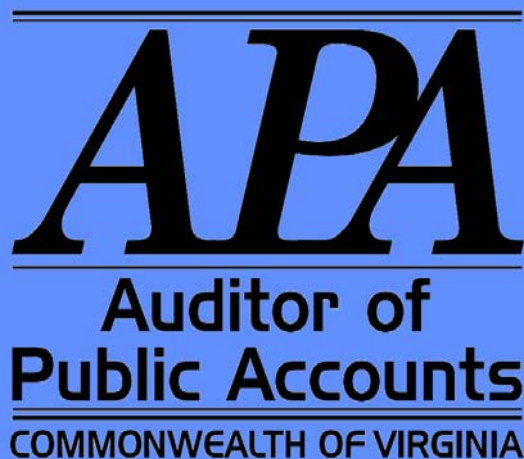


**VIRGINIA STATE UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2007**



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## INTERNAL CONTROL FINDING AND RECOMMENDATION

### Deposit Cash Receipts Promptly

The Athletic Department does not consistently deposit collections the next business day, as required by University policy. Our review found seven of twelve deposits we reviewed occurred two to nine business days after collection. Promptly depositing all collections is important to safeguard collections and to maximize interest income on University funds.

University policy and procedures require deposit of cash receipts by the next business day. Athletic Department management should improve its oversight over cash collections to ensure that all athletics collection points consistently deposit all funds in accordance with University policy. Athletic Department management must understand that prompt deposit of all collections is an important internal control to prevent mishandling of funds and safeguard against loss.



**Walter J. Kucharski, Auditor**

# **Commonwealth of Virginia**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

January 15, 2008

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
And Review Commission

Eddie N. Moore, Jr.  
President, Virginia State University

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

We have performed the procedures enumerated below, which were agreed to by the President of **Virginia State University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3, for the year ended June 30, 2007. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. 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.

### **Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs**

The procedures that we performed and our findings are as follows:

#### **Internal Controls**

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to intercollegiate athletics programs, which were not reviewed in connection with our audits of the University's financial statements.

2. We reviewed an organizational chart provided by Intercollegiate Athletics Department and discussed it with appropriate personnel. 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.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the intercollegiate athletics programs.

#### Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. The Virginia State University Foundation prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

#### Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2007, 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 Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. 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 analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

#### Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.

11. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be materially in agreement.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period, which we agreed to the accounting records. Based on an analytical review of the amounts reported in the Schedule, we consider the amount reported to be reasonable. This amount was deemed to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods, or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency, or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. We vouched each individual contribution received directly by the University for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia State University Foundation, an affiliated organization, and the Virginia State University Athletic Club, a booster organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. Based on an analytical review of the amounts reported on the Schedule, we consider the amount reported to be reasonable. This amount was deemed to be immaterial for detailed testing.
15. We obtained an understanding of the University's methodology for recording revenues from sport camps and inspected sports-camp contracts between the University and persons conducting sport-camps or clinics during the reporting period. Based on an analytical review of the amounts reported on the Schedule, we consider the amount reported to be reasonable. This amount was deemed to be immaterial for detailed testing.
16. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We found all reviewed amounts to be in agreement with supporting documentation, deposited intact, and properly recorded in the accounting records. However, we noted that the receipts were not deposited promptly in accordance with University policy and procedures. The control deficiency entitled "Deposit Cash Receipts Promptly" is described in the section titled "Internal Control Finding and Recommendation."

#### Expenses

17. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
18. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as financial aid in the student accounting system.

19. Based on analytical review of the amounts reported in the Schedule, we deemed game guarantee expenses for home games to be reasonable. We deemed these expenses to be immaterial for detailed testing.
20. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
21. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
22. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics program. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Virginia State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and do not extend to the financial statements of Virginia State University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University 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

JHS/wdh

## **SCHEDULE**



VIRGINIA STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES  
OF INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2007

|   | Football     | Men's<br>Basketball | Women's<br>Basketball |
|---|--------------|---------------------|-----------------------|
| Operating revenues:   |              |                     |                       |
| Ticket sales  | \$ 90,390    | \$ 6,329            | \$ -                  |
| Student fees  | -            | -                   | -                     |
| Game guarantees   | 40,000       | 40,000              | 400                   |
| Contributions   | -            | -                   | -                     |
| Program sales, concessions, novelty sales, and parking  | 15,284       | -                   | -                     |
| Sports camps  | -            | -                   | -                     |
| Endowment and investment income   | -            | -                   | -                     |
| Royalties, advertisements and sponsorships  | -            | -                   | -                     |
| Other   | -            | 3,042               | 3,042                 |
| Total operating revenues:   | 145,674      | 49,371              | 3,442                 |
| Operating expenses:   |              |                     |                       |
| Athletics student aid   | 226,618      | 86,603              | 78,521                |
| Game guarantees   | -            | 1,600               | -                     |
| Coaching salaries, benefits, and bonuses<br>paid by the University and related entities                     | 268,903      | 127,631             | 104,645               |
| Support staff administrative salaries, benefits,<br>and bonuses paid by the University and related entities | 2,794        | -                   | -                     |
| Team travel   | 28,522       | 41,314              | 34,538                |
| Equipment, uniforms, and supplies   | 21,409       | 9,166               | 11,059                |
| Sports camps  | -            | -                   | -                     |
| Direct facilities, maintenance, and rental  | 4,581        | -                   | 3,569                 |
| Spirit groups   | -            | -                   | -                     |
| Medical expenses and medical insurance  | -            | -                   | -                     |
| Membership and dues   | -            | -                   | 230                   |
| Other   | 100,844      | 36,936              | 34,400                |
| Total operating expenses:   | 653,671      | 303,250             | 266,962               |
| Excess (deficiency) of revenues over<br>(under) expenses  | \$ (507,997) | \$ (253,879)        | \$ (263,520)          |

Other sports includes Women's Volleyball, Men's and Women's Track, Baseball, Cheerleader:  
Men's and Women's Tennis, Softball, Golf and Women's Bowling.

Non-Program Specific consists of the Sports Information account, the Athletic Director's  
Office account, and the Athletic Trainer account.

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

| Other<br>Sports | Non-Program<br>Specific | Total      |
|-----------------|-------------------------|------------|
| \$ 124,315      | \$ -                    | \$ 221,034 |
| -               | 2,572,587               | 2,572,587  |
| -               | -                       | 80,400     |
| -               | 31,699                  | 31,699     |
| -               | -                       | 15,284     |
| -               | 33,043                  | 33,043     |
| -               | 15,374                  | 15,374     |
| -               | 16,400                  | 16,400     |
| 1,574           | 918                     | 8,576      |
| 125,889         | 2,670,021               | 2,994,397  |
| 338,866         | 17,500                  | 748,108    |
| -               | -                       | 1,600      |
| 153,037         | -                       | 654,216    |
| -               | 400,031                 | 402,825    |
| 108,509         | -                       | 212,883    |
| 47,474          | 214,569                 | 303,677    |
| -               | 19,821                  | 19,821     |
| 3,337           | 4,672                   | 16,159     |
| 5,600           | -                       | 5,600      |
| -               | 6,022                   | 6,022      |
| 2,670           | 6,503                   | 9,403      |
| 83,270          | 348,189                 | 603,639    |
| 742,763         | 1,017,307               | 2,983,953  |
| \$ (616,874)    | \$ 1,652,714            | \$ 10,444  |

VIRGINIA STATE UNIVERSITY  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2007

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses for the University's Athletic Department has been prepared on the cash basis of accounting. The purpose of the Schedule is to present a summary of receipts and disbursements of the Intercollegiate Athletic Programs of the University for the year ended June 30, 2007. The Schedule includes both those receipts and expenses for Athletic programs under the direct accounting control of the University and those on behalf of the University's Athletic programs by outside organizations not under the University's accounting control. 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 cash flows for the year then ended. Receipts and expenses directly identifiable with each category of sport presented are reported accordingly. Receipts and expenses not directly identifiable to a specific sport are reported under the category "non-program specific".

2. CONTRIBUTIONS

The Schedule includes contributions of the Virginia State University Foundation (The Foundation) made on behalf of the athletics programs. This foundation was organized for fund-raising activities that support the welfare, efficiency and general objectives of the University. The Foundation's support of Virginia State University athletics totaled \$31,699.

3. ENDOWMENT FUNDS

A. Quasi- Endowment

During fiscal year 1998, the University established a quasi-endowment fund for athletic scholarships and certain other expenses to support the athletic program. The University has made deposits into the quasi-endowment fund using a portion of guarantees received for participation in specific sporting events. As of June 30, 2007, earnings on the \$109,000 corpus since its inception total \$60,142.

B. True-Endowment

As of June 30, 2007, earnings on the \$24,775 corpus since its inception total \$5,194.

#### 4. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure assets, and equipment, are stated at historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at fair value on the date of acquisition. Equipment is capitalized when the acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Infrastructure assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life as follows:

|                       |             |
|-----------------------|-------------|
| Buildings             | 40-50 years |
| Infrastructure assets | 15-20 years |
| Equipment             | 2-10 years  |

A summary of athletic related capital assets for the year ending June 30, 2007 is presented as follows:

|                                    |                     |
|------------------------------------|---------------------|
| Depreciable capital assets:        |                     |
| Building and building improvements | \$ 227,730          |
| Infrastructure assets              | 1,229,670           |
| Equipment                          | <u>321,760</u>      |
| Total depreciable capital assets   | <u>1,779,160</u>    |
| Less accumulated depreciation:     |                     |
| Building and building improvements | 33,636              |
| Infrastructure                     | 130,851             |
| Equipment                          | <u>83,661</u>       |
| Total accumulated depreciation     | <u>248,148</u>      |
| Total capital assets, net          | <u>\$ 1,531,012</u> |

#### 5. LONG-TERM DEBT

For debt related to the Intercollegiate Athletics Department, the University has issued Section 9(d) bonds pursuant to Article X of the Constitution of Virginia. These bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. In 2004, the University participated in the Virginia College Building Authority (VCBA) through the Pooled Bond Program to fund Rogers Stadium. As a participating institution in the program, the University issued a note payable to VCBA.

| <u>Description</u> | <u>Maturity</u> | <u>Balance at<br/>June 30, 2007</u> |
|--------------------|-----------------|-------------------------------------|
|--------------------|-----------------|-------------------------------------|

|                              |      |                    |
|------------------------------|------|--------------------|
| Rogers Stadium, Series 2005A | 2025 | <u>\$2,465,000</u> |
|------------------------------|------|--------------------|

Long-term debt matures as follows:

| <u>Year ending June 30,</u> | <u>Principal</u>   | <u>Interest</u>    |
|-----------------------------|--------------------|--------------------|
| 2008                        | \$ 80,000          | \$ 118,306         |
| 2009                        | 85,000             | 114,781            |
| 2010                        | 90,000             | 110,969            |
| 2011                        | 95,000             | 106,906            |
| 2012                        | 100,000            | 102,031            |
| 2013 – 2017                 | 575,000            | 428,281            |
| 2018 – 2022                 | 720,000            | 267,656            |
| 2023 – 2026                 | <u>720,000</u>     | <u>70,234</u>      |
| Total                       | <u>\$2,465,000</u> | <u>\$1,319,164</u> |

#### 6. OTHER EXPENSES

The Commonwealth's Appropriation Act requires that educational and general programs in institutions of higher education recover the full indirect cost of auxiliary enterprise programs. Therefore, the University assesses each auxiliary unit an "agency service charge" to recover institutional educational and general administrative costs. In fiscal year 2007, this charge to the Intercollegiate Athletics Department totaled \$368,364 and is included in other expenses in the Schedule. Plant fund expenses are not reflected in the accompanying schedules.



# VIRGINIA STATE UNIVERSITY

PETERSBURG, VIRGINIA 23806

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Vice President for Administration & Finance

TDD (804) 524-5487

January 9, 2008

Mr. Walter Kucharski  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218-1295

Dear Mr. Kucharski:

Virginia State University appreciates the opportunity to respond to the Internal Control Findings and Recommendation related to your FY 2007 NCAA Agreed Upon Procedures Report. In accordance with Government Auditing Standards, we are providing the following response for inclusion in your published report.

## Finding and Recommendation:

### Deposit Cash Receipts Timely

The Athletic Department does not consistently deposit collections the next business day, as required by University policy. Our review found seven of twelve deposits we reviewed occurred two to nine business days after collection. Promptly depositing all collections is important to safeguard collections and to maximize interest income on University funds.

University policy and procedures require deposit of cash receipts by the next business day. Athletic Department management should improve its oversight over cash collections to ensure that the all athletics collection points consistently deposit all funds in accordance with University policy. Athletic Department management must understand that prompt deposit of all collections is an important internal control to prevent mishandling of funds and safeguard against loss.

## University Response:

The University understands the importance of having cash receipts deposited promptly in accordance with its policy and procedures, either on the day of receipt or within one business day of receipt. This is an important internal control over cash handling. A review of the underlying documentation does reveal that in three of the seven cases noted by the APA, the date of the check and not the date of receipt was used to determine late deposit. The check date was entered on the cash transmittal form instead of the date the check was received in the Athletics Department.

Because the Athletics Department has been entering the check date in the date field and not capturing the date the check was actually received, it appears that funds are being deposited late or later than calculated using the check receipt date. Athletics is now capturing the date checks are received. In addition, the University Cash Transmittal forms and related procedures are being revised to capture both the vendor check date as well as the deposit date for more accurate monitoring of this control.

Page two

The University acknowledges and concurs with the determination of delay in making the deposits in the Cashier's Office in the other four instances cited in the finding.

While we agree that Athletics did not follow University policy, the dollar amounts for the seven deposits in question are very small, totaling \$1852.50. In addition, the Athletic Department has a fireproof safe to safeguard and maintain any funds on hand prior to deposit. We believe that the immaterial amounts involved and the adequate means to safeguard funds greatly reduce the University's exposure to risk in this situation.

The University has taken steps to address this issue and ensure that it does not occur again. The Athletic Director has notified all of the head coaches in a memorandum dated August 30, 2007 of the proper cash handling procedures. She has also assigned an "administrator" in her office to assist coaches in handling cash collections at all events or activities when cash is collected. We believe this adequately addresses this issue.

Thank you and your staff for bringing this issue to our attention and for your continued collaboration and support for improving the University.

Sincerely,



Clementine S. Cone

Vice President for Administration and Finance

cc: Dr. Eddie N. Moore, Jr., President  
Mr. David A Von Moll, State Controller  
The Honorable Dr. Thomas R. Morris, Secretary of Education  
Mr. Richard D. Brown, Director of Planning and Budget  
Mr. Cortez Dial, Chief of Staff  
Ms. Peggy Davis, Director of Athletics

VIRGINIA STATE UNIVERSITY  
Petersburg, Virginia

BOARD OF VISITORS  
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