

**RADFORD UNIVERSITY
RADFORD, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2003**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 9, 2004

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Vice 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, 2003, and have issued our unqualified report thereon dated April 9, 2004. 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, 2003, 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 Revenues 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, 2003, 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 Structure 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, 2003, 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 matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions relating to internal control over the Intercollegiate Athletic Program activities administered by the University. The reportable conditions are described in the section titled, "Internal Control Findings and Recommendations." However, we do not consider the reportable conditions described to be material weaknesses.

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.

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. Of the five game guarantees tested, all five deposits were made at one time. Only one deposit was made for ticket revenue for thirteen games that were held between November 22, 2003 and January 13, 2004.

The University Athletic department should comply with all formal policies and procedures. To achieve compliance, University personnel should be adequately trained in proper practices in accordance with policies and procedures. Management should sufficiently enforce compliance with those policies and procedures. Unless employees both understand and see direct results of enforced consequences of non-compliance, efforts to circumvent the system of internal control will continue. University management should perform random reviews on an annual basis to ensure compliance with State and University regulations. The Athletic Department head needs to be held accountable for deposits made for the division.

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." We reviewed twenty transactions that occurred during July 1, 2003 to October 30, 2003 and found five late payments. Two payments appeared to have been paid late because of discussions with the vendor or Foundation as to the payment amount or terms. For the other three payments, there was not a reason given for the late payment.

The University 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 significantly 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.

AUDITOR OF PUBLIC ACCOUNTS

SRS:whb

whb:41

SCHEDULE

RADFORD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES OF
Intercollegiate Athletic Programs
For the Year Ended June 30, 2003

	Men's Basketball	Men's Other	Women's Basketball
Operating revenues:			
Ticket sales - Cash sales	\$ 9,718	\$ -	\$ 1,311
Game proceeds - Guarantees	65,000	-	2,000
Student activity fees	-	-	-
Gifts - Restricted	-	-	-
NCAA revenue sharing	-	-	-
Other income	-	-	-
Total operating revenue	74,718	-	3,311
Operating expenditures:			
Coaches and other personal services	213,059	240,781	174,047
Travel - Teams	44,490	102,797	31,316
Travel - Recruiting	19,761	1,446	20,000
Travel - Other	72	202	190
Financial aid	192,437	309,798	225,644
Game guarantees	2,000	15	1,000
University administrative fees	-	-	-
Maintenance and general administration	27,456	46,901	10,937
Supplies and equipment	41,754	97,832	13,566
Promotion and publicity	861	1,689	895
Insurance	-	-	-
Telephone	3,445	955	812
Total operating expenditures	545,336	802,416	478,407
Excess (deficiency) of revenues over (under) expenditures	\$ (470,618)	\$ (802,416)	\$ (475,096)

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
-	\$	557	\$ 11,586
-		-	67,000
-		4,027,744	4,027,744
-		231,663	231,663
-		281,937	281,937
-		39,680	39,680
-		4,581,582	4,659,611
319,734		505,902	1,453,523
102,019		18,173	298,794
-		21,453	62,661
595		(926)	134
461,775		(9)	1,189,645
-		-	3,015
-		414,158	414,158
82,804		54,303	222,402
77,860		108,775	339,786
7,777		100,099	111,320
-		52,328	52,328
1,790		40,767	47,768
1,054,352		1,315,022	4,195,533
\$ (1,054,352)	\$	3,266,560	\$ 464,078

RADFORD UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS
AS OF JUNE 30, 2003

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. 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, 2003. 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 Intercollegiate Athletic Program received \$231,663 from the Radford University Foundations, Inc., 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 \$414,158 during the fiscal year that is recorded as Non-Program Specific.

RADFORD UNIVERSITY
Radford, Virginia

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ADMINISTRATIVE OFFICERS

Douglas Covington, Ph.D., President

David A. Burdette, Vice President for Business Affairs

Greig Denny, Athletic Director