

RADFORD UNIVERSITY

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



- TABLE OF CONTENTS -

	<u>Pages</u>
INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS	1
INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES	2-6
SCHEDULE:	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	7-8
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	9-10
UNIVERSITY RESPONSE	11-12
UNIVERSITY OFFICIALS	13

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Perform a Stringent Review of Existing Operations in the Athletic Department

Our review of the University's Athletic Department revealed several areas that require management's attention to ensure there are proper controls in place.

Receipts:

The Department did not deposit receipts timely. We tested revenue sharing, game guarantees and ticket sales and found delays in all three areas. One of three revenue sharing deposits, seven of 10 game guarantee deposits, and 25 of 25 ticket sale deposits tested were untimely. In addition, staff did not consistently document the date of receipt. There is also a lack of separation of duties in the handling of receipts and the review process.

For game guarantees, staff did not mark the contracts "paid" or otherwise ensure the receipt of the proper payment. Two contracts were more than three months late, and for one, the opposing college had to bring the issue to the attention of the Department. In another instance, it took more than nine months before the Department took action to collect the amount due for one game guarantee. In addition, there is a lack of separation of duties in the collecting, depositing, and reviewing of game guarantees.

Expenses:

We tested 25 purchase orders and found that one did not have supporting documentation, one was mathematically incorrect and seven had untimely payment.

The Department has a contract with Abbott for team travel. However, the Department paid invoices without obtaining a copy of the bill computation to determine if the amounts paid were reasonable.

Reporting:

The Department omitted \$6,205 in scholarships payments from the Radford University Foundation to NCAA athletes from the NCAA Schedule.

The University omitted the Dedmon Center Roof Repair from the fiscal year 2006 capital asset footnote. As a result, the fiscal year 2007 beginning balances reflect a difference of \$235,078 for construction in progress and total capital assets.

Management should perform a stringent review of Athletic Department operations and strengthen internal controls to prevent future occurrences. Management should ensure that Athletic Department personnel understand and adhere to the University's policies and procedures and state regulations.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 14, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

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

Penelope W. Kyle
President, Radford 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 **Radford 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 the 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 Intercollegiate Athletics Department prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations 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 (Schedule) 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 discrepancies and issues of non-compliance which are described further in the report below and in the section entitled "Internal Control Findings and Recommendations".
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. We identified non-compliance with regard to timely deposits of ticket sale revenue as discussed further in the section entitled “Internal Control Findings and Recommendations”.
11. We compared student fees reported in the Schedule to comprehensive fee amounts reported in the accounting records. 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. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found non-compliance with regard to timely deposits of game guarantee revenue as discussed further in the section entitled “Internal Control Findings and Recommendations”.
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 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.
14. From the summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We noted differences in amounts verified with the Foundation to amounts reported in the schedule due to an omission of athletic scholarship payments.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We inspected the agreements and verified the mathematical accuracy and coding of the distribution amounts. However, we noted non-compliance with regard to the timely deposit of revenue sharing funds as discussed further in the section entitled “Internal Control Findings and Recommendations”.

16. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics program. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation and properly recorded in the accounting records. However, we found that all revenue had not been deposited promptly and intact and that there was a lack of segregation of duties in the handling of receipts as discussed further in the section entitled “Internal Control Findings and Recommendations”.

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. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.
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. After a discussion with Intercollegiate Athletic Department management, we determined that the indirect facilities support charge was properly calculated and recorded in the accounting system for fiscal year ending June 30, 2007.
23. Based on disbursements 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 non-compliance with regard to maintaining supporting documentation, mathematical correctness and timely

payments as discussed further in the section entitled “Internal Control Findings and Recommendations”.

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 Radford 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 does not extend to the financial statements of Radford 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

MSM:clj
clj:38

SCHEDULE

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

	Men's Basketball	Women's Basketball
Operating revenues:		
Ticket sales - cash sales	\$ 4,541	\$ 1,137
Student activity fees	-	-
Game proceeds - guarantees	148,000	-
Contributions	-	-
NCAA revenue sharing	-	-
Other income	-	-
Total operating revenues	152,541	1,137
Operating expenses:		
Athletics student aid	253,647	256,386
Game guarantees	10,500	6,000
Coaching salaries, benefits and bonuses	343,537	263,715
Support staff and administration salary, wages and benefits	-	-
Travel - recruiting	23,481	43,246
Travel - team	138,818	90,316
Equipment, uniforms, and supplies	24,440	28,342
Game expenses	20,693	23,010
Fund raising, marketing and promotions	19,315	1,143
Direct facilities, maintenance and rental	-	-
Spirit groups	-	-
Medical expenses and medical insurance	-	-
Memberships and dues	894	-
Other	18,723	7,853
Total operating expenses	854,048	720,011
Excess (deficiency) of revenues over (under) expenses	\$ (701,507)	\$ (718,874)

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletic Programs a

Other Sports	Non-Program Specific	Total
\$ -	\$ -	\$ 5,678
-	5,786,653	5,786,653
7,800	-	155,800
-	168,154	168,154
-	281,231	281,231
-	324	324
7,800	6,236,362	6,397,840
1,185,874	33,874	1,729,781
500	-	17,000
730,357	-	1,337,609
-	998,929	998,929
4,454	54,078	125,259
573,763	67,608	870,505
186,976	44,114	283,872
57,841	6,430	107,974
7,471	58,802	86,731
8,613	453,060	461,673
-	41,046	41,046
-	15,400	15,400
3,035	16,100	20,029
15,513	196,653	238,742
2,774,397	1,986,094	6,334,550
\$ (2,766,597)	\$ 4,250,268	\$ 63,290

are an integral part of this schedul

RADFORD 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 of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2007. The Schedule includes those intercollegiate athletics revenues and expenses 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 either the financial position, changes in financial position, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The intercollegiate athletics program received \$168,154 from the Radford University Foundation, Inc., which is 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 \$376,680 during the fiscal year that is recorded as Non-Program Specific.

4. CAPITAL ASSETS

Capital assets consisting of buildings and equipment are stated at the estimated historical cost or actual cost where determinable. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction in progress expenses are capitalized at actual cost as the major capital assets and improvements are constructed. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 years for buildings and two to 25 years for equipment.

A summary of changes in capital assets follows for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Buildings	\$11,078,594	\$3,380,451	-	\$14,459,045
Site improvements	1,648,075	-	-	1,648,075
Equipment	<u>150,674</u>	<u>36,605</u>	<u>-</u>	<u>187,279</u>
Total depreciable capital assets, at cost	<u>12,877,343</u>	<u>3,417,056</u>	<u>-</u>	<u>16,294,399</u>
Less accumulated depreciation:				
Buildings	6,554,645	1,475,940	-	8,030,585
Site improvements	247,211	82,404	-	329,615
Equipment	<u>111,304</u>	<u>5,697</u>	<u>-</u>	<u>117,001</u>
Total accumulated depreciation	<u>6,913,160</u>	<u>1,564,041</u>	<u>-</u>	<u>8,477,201</u>
Total depreciable capital assets, net of accumulated depreciation	<u>5,964,183</u>	<u>1,853,015</u>	<u>-</u>	<u>7,817,198</u>
Non-depreciable capital assets:				
Construction in progress	<u>3,647,123</u>	<u>-</u>	<u>3,412,045</u>	<u>235,078</u>
Total capital assets, net of accumulated depreciation	<u>\$ 9,611,306</u>	<u>\$1,853,015</u>	<u>\$3,412,045</u>	<u>\$8,052,276</u>



OFFICE OF THE PRESIDENT
PENELOPE W. KYLE

February 6, 2008

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

Dear Mr. Kucharski:

I write this letter to respond to the management letter comment issued to Radford University following the recent application of Agreed-Upon Procedures related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2007.

Omission of Scholarship Payments: Prior to July 1, 2008, Radford University's Financial Services staff will work with the Accounting office of the Radford University Foundation to better define the scholarships payment information that is required for the NCAA Schedule.

Revenue Sharing Deposits: Employees in the Athletic Business Office are now date-stamping all checks immediately upon receipt. Additional staff has been added to the Athletic Business Office, which has resulted in improvement in the timeliness of deposits.

Game Guarantee Deposits: As noted above, the Athletic Business Office is now date-stamping all checks immediately upon receipt. Additionally, a new deposit form that documents the date of receipt has been implemented. The Athletic Business Office is now actively monitoring game guarantees to ensure that payment from the opposing schools is received timely and the Athletic Director verifies receipt of all game guarantees.

Ticket Sales Deposits: The Athletic Business Office reconciles game ticket sales the morning of the business day following the game and deposits receipts the same day. One employee reconciles and deposits ticket sales and a second employee verifies receipt and deposit within one business day.

Purchase Orders: The Athletic Business Office is now reviewing purchase orders carefully to ensure that payments are adequately supported and mathematically correct. In February 2008, the Athletics Business Office will implement procedures to help ensure that payments are made timely.

Martin Hall Radford, VA 24142
(540) 831-5401 (540) 831-6619 FAX
pwkyle@radford.edu www.radford.edu

Invoice Computation: All invoices received from this vendor now have a mileage computation; payment will not be issued without this computation.

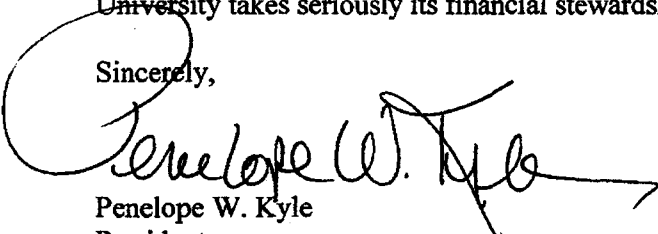
Complimentary Ticket Documentation: The document reflecting 210 was for individual game tickets and the document reflecting 134 was for season tickets. Therefore, the two documents were not expected to agree. The University provided the Auditor with documentation regarding the distribution of the 72 season tickets in question, including details of all exchange transactions that occurred.

Capital Asset Footnote: The Financial Reporting Manager detected and corrected this omission for the FY07 beginning balances.

In addition to the corrective measures noted above, the University did take appropriate action to address employee issues in the Athletic Business Office through the state and university personnel policies and procedures. The University has also approved a new position (Executive Associate Athletic Director for Business and Finance) to oversee the finance operations in this area.

I would like to thank you and your staff for the valuable services you provide. Radford University takes seriously its financial stewardship role.

Sincerely,



Penelope W. Kyle
President

RADFORD UNIVERSITY
Radford, Virginia

BOARD OF VISITORS
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