

**STATE OF WEST VIRGINIA**  
**AUDIT REPORT**  
**OF**

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
**FOR THE PERIOD**  
**JULY 1, 1999 – JUNE 30, 2001**



**OFFICE OF THE LEGISLATIVE AUDITOR**  
**POST AUDIT DIVISION**

**CAPITOL BUILDING**

**CHARLESTON, WEST VIRGINIA 25305-0610**

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
**FOR THE PERIOD**  
**JULY 1, 1999 - JUNE 30, 2001**

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division  
Building 1, Room W-329  
1900 Kanawha Blvd., E.  
Charleston, WV 25305-0610



Area Code (304)  
Phone: 347-4880  
Fax: 347-4889

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the Marshall University Athletic Department.

Our examination covers the period July 1, 1999 through June 30, 2001. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Theford L. Shanklin".

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Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division

TLS/jdb

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
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**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
**EXIT CONFERENCE**

We held an exit conference on June 4, 2002 with the Senior Vice President of Operations, the Senior Vice President of Finance Affairs and other representatives of Marshall University. All findings were reviewed and discussed. The University's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**

**INTRODUCTION**

The primary purpose of the intercollegiate athletic program at Marshall University is to direct student athletes toward growing as a total person, earning a meaningful degree, and developing as a student-athlete. At Marshall University, student-athletes are provided an opportunity and encouraged to progress toward a degree of their choice, in an environment consistent with high standards of academic scholarship, sportsmanship, leadership, and institutional loyalty. All individuals participating in intercollegiate athletics must be enrolled, in at least a minimum full-time program of study, be in good academic standing and maintain satisfactory progress toward a baccalaureate degree.

The Marshall University Athletic Department's goal is to focus on the total student-athlete and encourage excellence in all their undertakings. The opportunity exists for student-athletes to obtain an education, whether it be undergraduate or graduate level status and at the same time, compete for a championship in their given sport. Through various student-athlete programs, and the athletic experience, the University hopes to graduate students who are prepared to play a positive and productive role in society.

The annual operating budget of the Athletic Department is Accounted, in part, by student fees, ticket revenue, donations from the Big Green Scholarship Foundation, Inc., and revenue from advertising, rentals, and concessions. These resources are used to Account athletics scholarships and other athletically related activities. The Director of Athletics is responsible for

overseeing the Athletic Department's budget, as well as providing leadership, coordination, and supervision of all other areas in the department.

The aim of the Athletic Department is to be a member of an athletic conference of peer institutions who share the same goals of benefitting the student-athletes and who aspire to aggressively market their institution and the conference a national level, providing exposure and recognition for quality to the member institutions. This national exposure is expected to increase student interest in Marshall and improve job opportunities for all Marshall students.

Currently, Marshall University is a member of the Mid-American Conference (MAC) competing in National Collegiate Athletic Association (NCAA) Division I-A athletics across the board in eight (8) men's and eight (8) women's intercollegiate sports. Prior to re-joining the MAC in 1997, Marshall University athletic teams competed at the NCAA Division I-AA level, and were members of the Southern Conference since 1977.

Marshall University athletic teams and their student-athletes have enjoyed a great deal of success, both on and off the playing field, as many accomplishments and awards have been bestowed. Marshall teams have earned a combined total of 25 regular season conference and post-season championships, at both the Division I-A and I-AA levels. In addition, several student-athletes have been named an Academic and /or an Athletic All-American, while some have gone on to compete at the professional level in various sports.

**MARSHALL UNIVERSITY**

**ADMINISTRATIVE OFFICES AND STAFF**

**June 30, 2001**

Dr. Dan Angel..... President  
(January 2000 - Current)

Mike Perry .....(Interim) President  
(August 1, 1999 - December 31, 1999)

Dr. J. Wade Gilley ..... President  
(August 1, 1991 - July 21, 1999)

Dr. K. Edward Grose ..... Senior Vice President of Operations

Herbert J. Karlet.....Senior Vice President of Finance Affairs

Ted W. Massey ..... Associate Vice President of Finance

Larry E. Barnhill.....Director of Accounting

Barry Beckett ..... Director Student Financial Systems /Bursar

Perry Chaffin.....Director of Audits

William J. Shondel.....Director of Purchasing and  
Materials Management

**Athletic Department**

Lance West..... Athletic Director

David B. Steele ..... Associate Athletic Director  
(Administration)

Michael Bianchin ..... Assistant Athletic Director  
(Operations & Facilities)

Beatrice Crane..... Associate Athletic Director  
(Senior Women’s Administration)

David Ridpath ..... Assistant Athletic Director  
(Compliance)

Steven Cotton..... Assistant Athletic Director  
(External Affairs - March 1998 - June 2000)  
Director of Broadcast Services July 2000-present

Carol Gale ..... Assistant Business Manager

Joseph Arnone..... Ticket Manager  
(July 95 - July 99)

Mike Correa ..... Ticket Manager  
(August 1999 - June 2000)

Warren Peterson..... Ticket Manager  
(August 2000 - June 2001)

Michael Bianchin ..... Ticket Manager (Interim)  
(June 2001 - July 2001)

Michael Carpenter..... Ticket Manager  
(July 16, 2001- Present)

**MARSHALL UNIVERSITY**

**ATHLETIC DEPARTMENT ACCOUNT**

**SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES**

**Lack of Effective System of Internal Controls**

1. During the course of our examination it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, Marshall University did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

**Auditor's Recommendation**

We recommend Marshall University Athletics comply with Chapter 18B, Article 10, Section 11, of the West Virginia Code.

**Agency Response**

*Marshall University agrees there were some weaknesses noted in our internal control procedures. (See pages 17-20.)*

**University Trademarks and Logos**

1. Marshall University has permitted the Marshall University Foundation, Inc. (Foundation) to register all Marshall University trademarks and logos in the name of the Foundation. The Foundation has received \$410,558 in royalties for the period of July 1, 1997 through June 30, 2001 which, according to the Marshall University Senior Vice-President of Operations, were dedicated by the Foundation to Marshall University for Scholarships.

**Auditor's Recommendation**

We recommend the management and the contractual obligations of Marshall University's trademarks and logos be immediately transferred to the University.

**Agency Response**

*We agree with the auditor's recommendations and have taken steps to transfer the management of the trademarks and logos to the University.* (See pages 20 and 21.)

**Contracts with Coaches**

3. During fiscal year 2001, the Marshall University Athletic Department provided for \$60,000 in incentive compensation based on the average home football game season attendance for the fall 2000 season. In violation of Article VI, Section 38 of the West Virginia Constitution, these funds were disbursed to the Head Football Coach and to his assistants in accordance with the Head Football Coaches instructions.

**Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Article VI, Section 38 of the West Virginia Constitution.

**Agency Response**

*We agree with the auditor's recommendations and will issue new contracts in the coming year that comply with the recommendations.* (See pages 21-23.)

### **Unauthorized Disbursements**

4. The Athletic Facilities Construction Reserve Account (4233) shall be used only for construction, repair or replacement of athletic facilities. However, the Athletic Department made unauthorized disbursements totaling \$62,747.68 from the Athletic Facilities Construction Reserve Account(4233) during fiscal years 2001 and 2000 for items other than construction, repair or replacement of athletic facilities.

#### **Auditor's Recommendation**

We recommend Marshall University Athletics comply with Chapter 18B, Article 10, Section 11, of the West Virginia Code.

#### **Agency Response**

*Based on clarification of state code provided in the audit, the athletic department will no longer fund maintenance costs from this account.* (See pages 24 and 25.)

### **Local Bank Accounts**

5. While testing the local bank accounts we noted ten instances where checks totaling \$12,044.25 drawn on the Game Expense Account were not signed, four instances where checks totaling \$2,663.84 drawn on the Game Expense Account were signed by employees without signature authority, and two instances where blank checks for the Clearing Account were stored with the checks that had been used and returned by the bank.

**Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

**Agency Response**

*We agree with the auditor's recommendation and have implemented changes to prevent these types of errors from occurring in the future.* (See pages 25-27.)

**Football and Men's Basketball Ticket Sales**

6. The Marshall University Athletic Department deposited approximately \$2.6 million for fiscal year 2001 and \$2.9 million for fiscal year 2000 in ticket revenue for football and men's basketball. However, due to inadequate and incomplete accounting records for this period, we were unable to perform tests to account for all available tickets and to determine if all ticket monies received were properly deposited to the credit of the Athletic Department Account (4234).

**Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. Additionally, we recommend that management periodically reconcile all purchased ticket stock to ticket sales and voids and that these reconciliations be documented. Finally, we recommend that ticket sellers reconcile batch reports before closing of the sales batch to receipts and voids and that management re-perform, document, and approve by signature these batch reconciliations.

**Agency Response**

*We agree with the auditor's recommendations. In the spring of 2001, the Athletic Department recognized that the ticket office procedures needed improvement. (See pages 27-29.)*

**Olympic Sports Ticket Sales**

7. The Ticket Office was unable to provide us with any documentation indicating that tickets used for Olympic Sports were recorded and reconciled to receipts. Since this documentation was unavailable, we were unable to determine whether those attending Olympic events actually paid to attend them, or if all ticket monies collected were actually deposited to the credit of the Athletic Department Account (4234).

**Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. We also recommend that Olympic Sports ticket sales be included in the Paciolian database system.

**Agency Response**

*We agree with this recommendation and have implemented procedures to improve the accounting for these ticket sales. (See pages 29 and 30.)*

**Statutory Transfers**

8. Marshall University failed to make statutorily required transfers totaling \$2,603.26 and \$2,338.62 for Fiscal Years 2001 and 2000, respectively, to the Athletic Facilities Construction Reserve Account(4233). The University also failed to

make additional statutorily required transfers of an indeterminable amount from the Athletic Account to the Reserve Account.

**Auditor's Recommendation**

We recommend Marshall University Athletics comply with Chapter 18B, Article 10, Section 11, of the West Virginia Code.

**Agency Response**

*We agree with the recommendation and will begin making the additional 1% gross revenue transfer for post-season events.* (See pages 30-32.)

**Overstated Annual Leave Balance**

9. During our audit, we noted an employee of the Marshall University Athletic Department was overpaid \$1,586.34 as a result of an error made by the Athletic Department in calculating the employee's annual leave balance and an additional error made by the Payroll Department in their failure to remove the employee from the payroll after the employee's leave balance was exhausted.

**Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. We also recommend Marshall University use all methods available to them under Chapter 14, Article 1 of the West Virginia Code to collect the overpayment.

**Agency Response**

*We agree that an error did occur and will use all methods available to us to collect the overpayment.* (See pages 32-34.)

### **Failure to Maintain Leave Requests**

10. The Marshall University Athletic Department was unable to provide us with the Department of Athletics Sick/Annual Leave Request Forms (Leave Requests) for five out of eight employees who took leave in our leave test sample. As a result, we could not determine if 38.75 hours of annual leave and 23.00 hours of sick leave taken by these employees were properly requested by the employees and properly approved by the Director of Athletics.

#### **Auditor's Recommendation**

We recommend Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and the Athletic Department policy on Sick and Annual Leave.

#### **Agency Response**

*We agree that documentation needs to be improved at the department level.* (See pages 34-36.)

### **Failure to Maintain Current Inventory Records**

11. We noted the Marshall University Athletic Department does not have an effective system for maintaining current inventory records, as they failed to update inventory records for a camcorder and a video cassette recorder (VCR) listed on the inventory records but not tagged, and a computer and a multistation exercise machine physically present but not recorded on the inventory listing. In addition, we noted a big screen television not tagged or recorded on the inventory listing and

a VCR purchased for \$1,498.34 recorded on the inventory listing that we were unable to physically locate.

**Auditor's Recommendation**

We recommend the Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and Section 13.2.1 of the State College and University Systems of West Virginia Purchasing Procedures Manual.

**Agency Response**

*We agree with the finding but feel that it should be noted that the athletic department currently keeps an internal inventory list to reconcile with the records kept by the University Receiving Department.* (See pages 36 and 37.)

**Ticket Revenue Not Deposited Timely**

12. While performing our testing of ticket revenues, we noted eight (8) deposits totaling \$37,156.00 were made two (2) to seven (7) days after their receipt.

**Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and deposit all monies received within 24 hours.

**Agency Response**

*We agree with the recommendation and have implemented procedures to better monitor the timeliness of deposits.* (See pages 37 and 38.)

### **Monies Due Athletic Department**

13. Due to an apparent mathematical error, the Marshall University Athletic Department failed to collect \$90.00 due from the Men's Soccer Team's Travel Administrator.

#### **Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. We further recommend the Athletic Department collect the \$90.00 due the Department.

#### **Agency Response**

*We agree that an error was made in the amount of \$90 on a particular travel settlement.* (See pages 38 and 39.)

### **Travel Expenses Paid for More Individuals Than Authorized**

14. During our review of Athletic Team Travel, we noted 29 instances totaling \$41,599.81 in which the Marshall University Athletic Department paid lodging and meal expenses for more individuals than authorized in its policies. Additionally, on 17 of these instances, the Athletic Department paid a total of \$4,867.66 in meal expenses for more individuals than was listed on the Marshall University Team Meal List Form, and/or Marshall University Official Travel Party List.

### **Auditor's Recommendation**

We recommend the Marshall University Athletic Department comply with its Athletic Team Policies and Section 7.1 of Title 128, Series 47 Procedural Rule of the University Systems of the West Virginia Board of Trustees.

### **Agency Response**

*In some instances, we agree that travel parties exceeded the total number permitted in our travel policy.*

*We agree that meal expenses funded from the university funds must be in compliance with our travel policy. (See pages 39-42.)*

### **Purchasing Card Violations**

- 15 During our review of Purchasing Card transactions we noted the following procedural violations: (1) There were seven instances totaling \$8,834.99 of stringing invoices; (2) There were three instances for invoices totaling \$585.00 where payment was made past the 60-day threshold; (3) There were three hospitality payments totaling \$1,900.00 where the amount of employees attending a brunch or dinner involving athletic prospects exceeded the amount of non employees. Additionally, on one occasion for a hospitality disbursement for \$1,371.25, a list of attendees was not provided with the supporting documents and, as a result, we could not determine those individuals who attended the event.

**Auditor's Recommendation**

We recommend Marshall University comply with the West Virginia State Auditor's Office Purchasing Card Policies and Procedures and Marshall University's Hospitality Policy.

**Agency Response**

*We agree with the recommendation and have increased the monitoring of the purchase card transactions.* (See pages 42-45.)

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
**GENERAL REMARKS**

**INTRODUCTION**

We have completed a post audit of the Marshall University Athletic Department Account. The audit covered the period July 1, 1999 through June 30, 2001.

**GENERAL REVENUE ACCOUNT**

The Athletic Department had payroll expenditures approximating \$569,000.00 for fiscal year 2001 and \$559,000.00 for fiscal year 2000 which were paid from the following general revenue account:

<b><u>NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
0348-09 .....	General Administration Account

**SPECIAL REVENUE ACCOUNT**

During our audit period, Marshall University maintained two special revenue accounts to contain the proceeds received and pay expenses related to the operation of the University's athletic programs as required by law. Monies collected were deposited with the State Treasurer in the following special revenue accounts:

<b><u>NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
4234-999 .....	Athletic Account
4233-999 .....	Athletic Facilities Construction Reserve Account (Athletic Facilities Construction, Repair or Replacement Reserve Account)

**LOCAL BANK ACCOUNTS**

The Athletic Department maintained two local bank accounts used for managing funds required on a day-to-day basis. These local bank account are as follows:

<b><u>NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
2500301949.....	Athletic Department Game Expense Account
800244686.....	Athletic Department Clearing Account

**COMPLIANCE MATTERS**

Chapter 18B generally governs Marshall University, while Chapter 18B, Article 10, Section 11 specifically authorizes the collection of fees for Athletic contests as well as the authority to enter into contracts, and spend and receive money under such contracts for student athletic teams. We tested the above plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code, as they pertain to financial matters. Our findings our discussed below:

**Lack of Effective System of Internal Controls**

During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, Marshall University (Marshall) did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, states in part:

“The head of each agency shall: . . .  
(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to

furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities. . . .”

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of Marshall, we found the following violations of State laws or other rules and regulations: (1) Marshall University has permitted the Marshall University Foundation, Inc. (Foundation) to register all Marshall University trademarks and logos in the name of the Foundation. (2) Marshall University Athletic Department disbursed a total of \$20,000.00 in compensation to assistant coaches at amounts subject to the discretion of the head football coach. (3) The Athletic Department had unauthorized expenditures totaling of \$62,747.68 during fiscal years 2001 and 2000 from the Athletic Facilities Construction Reserve Account (4233) for items and services that do not qualify as constructions, repair or replacement of athletic facilities. (4) There were ten instances where checks totaling \$12,044.25 drawn on the Game Expense Local Bank Account were not signed, four instances where checks totaling \$2,663.84 drawn on the Game Expense Local Bank Account were signed by employees without signature authority and two instances where blank checks for the Local Bank Clearing Account were stored with the checks that had been used and returned by the bank. (5) The Marshall University Athletic Department deposited approximately \$2.6 million for fiscal year 2001 and \$2.9 million for fiscal year 2000 in ticket revenue in the Athletic Account for football and men's basketball, however, due to a lack of available records supporting ticket sales, we were unable to perform tests to account for available tickets and to determine if all ticket monies received were deposited to the credit of the Athletic Department Account (4234). (6) The Athletic Department

deposited \$13,023.99 during fiscal years 2001 and 2000 for Olympic Sports (all sports excluding football and basketball), however, due to lack of supporting documentation, we were unable to determine whether those attending Olympic events actually paid to attend them, or if all ticket monies collected were actually deposited to the credit of the Athletic Department Account (4234).

(7) The Athletic Department failed to make statutorily required transfers totaling \$2,603.26 and \$2,338.62 for Fiscal Years 2001 and 2000, respectively, from the Athletic Fund (4234) to the Athletic Facilities Construction Reserve Fund (4233). Also, the Athletic Department failed to make additional statutorily required transfers of an indeterminable amount from the Athletic Fund to the Reserve Fund.

(8) We noted an employee of the Marshall University Athletic Department was overpaid \$1,586.34 for termination pay as the result of an error made by the Athletic Department in calculating the employee's annual leave balance and an additional error made by the Marshall University Payroll Department in allowing the employee to remain payroll after his leave balance was exhausted.

(9) The Marshall University Athletic Department was unable to provide us with the Department of Athletics Sick/Annual Leave Request Forms (Leave Requests) for five of eight employees who took leave in our leave test sample and, as a result, we could not determine if 38.75 hours of annual leave and 23.00 hours of sick leave, valued at approximately \$2,150.00, were properly requested by the employees and properly approved by the Director of Athletics.

(10) Marshall University failed to place inventory tags on a camcorder, a video cassette recorder (VCR) and a big screen television. Also, a computer and a multistation exercise machine were not recorded on the inventory listing and we were unable to physically locate a VCR purchased for \$1,498.34 that was recorded on the inventory listing.

(11) While performing our testing of ticket revenues, we noted eight deposits totaling \$37,156.00 were

made two to seven days after their receipt. **(12)** Due to an apparent mathematical error on a Team Travel Advance Settlement Summary form, the Marshall University Athletic Department failed to collect \$90.00 due from the Men's Soccer Team's Travel Administrator. **(13)** During our review of Athletic Team Travel, we noted 29 instances totaling \$41,599.81 in which the Marshall University Athletic Department (MUAD) paid lodging and meal expenses for more individuals than authorized in its policies. Additionally, on 17 of these instances, the Athletic Department paid a total of \$4,867.66 in meal expenses for more individuals than was listed on the Marshall University Team Meal List Form, and/or Marshall University Official Travel Party List. **(14)** During our review of Marshall University's Athletic Department's Purchasing Card transactions, we noted the following procedural violations during fiscal years 2000 and 2001: (a) seven instances totaling \$8,834.99 of stringing invoices; (b) three instances for invoices totaling \$585.00 where payment was made past the 60-day threshold; (c) three hospitality payments totaling \$1,900.00 where the amount of employees attending a brunch or dinner involving athletic prospects exceeded the amount of non employees in violation of the Marshall University hospitality.

We recommend Marshall comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

**Agency's Response**

*Marshall University agrees there were some weaknesses noted in our internal control procedures. The University has revised and corrected each area specified in this report and will continue to monitor performance to assure compliance with our control procedures.*

**University Trademarks and Logos**

Marshall University has permitted the Marshall University Foundation, Inc. (Foundation) to register all Marshall University trademarks and logos in the name of the Foundation. These trademarks and logos are registered by the Foundation with Collegiate Licensing and all royalties for the use of these trademarks and logos are paid by Collegiate Licensing directly to the Foundation. According to information provided to us by Marshall University, the Foundation has received the following in royalties:

Fiscal Year				
<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>Total</u>
\$79,524	\$95,725	\$121,528	\$113,781	\$410,558

According to the Marshall University Senior Vice-President of Operations, all of the royalty revenues received by the Foundation from Collegiate Licensing are dedicated by the Foundation to the University for Scholarships (one-half for academic scholarships and one-half for athletic scholarships).

We recommend the management and the contractual obligations of Marshall University's trademarks and logos be immediately transferred to the University.

Agency's Response

*We agree with the auditor's recommendations and have taken steps to transfer the management of the trademarks and logos to the University.*

Contracts with Coaches

The fiscal year 2001 Marshall University employment contract with the Head Football Coach provides for incentive compensation based on average home football game season attendance. The Addendum to the notice of appointment of the Head Football Coach states in part:

“...In an effort to provide incentives to increase game attendance, a pool of funds shall be provided annually based upon average home game attendance. For the 2000-2001 season and thereafter, the incentive pool, based upon average home game attendance, shall be determined as follows:

- |                      |                      |                      |
|----------------------|----------------------|----------------------|
| 1. 26,000 - \$20,000 | 4. 29,000 - \$20,000 | 7. 34,000 - \$20,000 |
| 2. 27,000 - \$20,000 | 5. 30,000 - \$20,000 | 8. 36,000 - \$20,000 |
| 3. 28,000 - \$20,000 | 6. 32,000 - \$20,000 | 9. 38,000 - \$20,000 |

**...These funds are to be distributed to the head coach and/or his designees in a manner to be determined solely by the head coach....” (Emphasis Added)**

Based on average home game attendance for the 2000 football season of 28,497, home game attendance incentives totaling \$60,000 were paid during fiscal year 2001 from the Athletic Account (4234). In accordance with the instructions of the Head Football Coach as documented in a memorandum provided by the Athletic Department, the Head Football Coach received \$40,000.00 of this amount and ten Assistant/ Associate Football Coaches received \$2,000.00 each. We consulted with a Legislative Services’ attorney concerning these payments, his opinion follows:

“Article VI, Section 38 of the West Virginia Constitution provides, in relevant part:

No extra compensation shall be granted or allowed to any public officer, agent, servant or contractor, after the services shall have been rendered or the contract made; ...

The type of suspect payments provided in the agreements you supplied include payments contingent on post season play, attendance and ticket sales. There is also a reference to the “Marshall Athletics Coaches Incentive Bonus Program Policy, as amended November 23, 1999.” You have provided a copy of a document labeled Coaches Incentive Bonus Program, numbered pages 256 through 258.

Incentive provisions included in the contracts and the Coaches Incentive Bonus Program, such as payments for specified levels of ticket sales and attendance, winning specified number of games and achieving specified levels of post season play may comply with the constitutional provision since the amounts to be paid can be determined upon the occurrence of the specified events and are not subject to the discretion of the supervising authority.

Some of the payments made pursuant to the Memo dated November 16, 2000, from David Steele to Dr. Grose may be in violation of the constitutional provision. These funds appear to be the funds identified in section 2 (c) of Coach Pruett’s Contract. These bonus payments are made in amounts subject to the discretion of Coach Pruett. Arguably, the portion of the \$60,000 that Coach Pruett was paid may not violate the constitutional provision since he could have decided to receive the entire amount.

However, the payments made to the assistant coaches do seem to violate the constitutional provision. They appear to be one-time payments that are paid by the State to the assistant coaches that are not specifically provided for in the coaches’ contracts, that were made for services already rendered and after their contracts were made. Consequently, these payments seem to be in violation of this constitutional provision. Although, if paid by a “booster club” such a payment may be permissible. The Ethics Commission has issued an advisory opinion, 99-14, in which it found that as long as the bonus does not come from public funds and involves no quid pro quo, it would not be a violation of the ethics law for a coach to accept a boosters club’s gift of a cash bonus.”

Additionally, we noted the Athletic Department did not require a coach to sign an employment contract for Fiscal Year 2001. Although we believe that the absence of a signed contract would not invalidate a Coach's employment status, we believe it may be preferable to require each Coach to sign a contract prior to the commencement of each fiscal year.

We recommend Marshall University comply with Article VI, Section 38 of the West Virginia Constitution and not pay from the Athletic Account (4234) extra compensation at amounts subject to the discretion of an Athletic Coach. We also recommend Marshall University secure signed employment contracts with Coaches for each fiscal year of their employment.

#### *Agency's Response*

*We agree with the auditor's recommendations and will issue new contracts in the coming year that comply with the recommendations.*

#### **Unauthorized Disbursements**

The Athletic Facilities Construction Reserve Account (4233) shall be used only for construction, repair or replacement of athletic facilities. However, of \$188,116.28 disbursements reviewed from this Account during fiscal years 2001 and 2000, \$62,747.68 or approximately 33% were for items or services other than construction, repair or replacement of athletic facilities. Included in this amount were \$21,426.56 paid to a temporary services provider for janitorial work, \$5,769.00 paid for a Gravely Tractor and attachments, \$4,218.50 paid for carpet cleaning and \$2,775.00 paid for window cleaning services.

Chapter 18B, Article 10, Section 11 of the West Virginia Code states in part:

“...a separate and distinct special revenue account for each individual state institution of higher education, which special revenue account shall be designated “athletic facilities construction, repair or replacement reserve account,” in the state treasury. Such **revenues shall be used only for construction, repair or**

**replacement of athletic facilities** at the same individual state institution of higher education to which such special revenue account is credited....” (**Emphasis Added**)

The Marshall University Athletic Department Associate Athletic Director stated his understanding is that any expense related to repair and maintenance of athletic facilities is permissible. He added that this practice is consistent with how items have been processed in prior years.

In accordance with Chapter 18B, the Athletic Facilities Construction Reserve Account is designated “for construction, repair or replacement of athletic facilities”. Therefore, when unauthorized purchases are made from this Account for items such as supplies and routine maintenance, Marshall University runs the risk of not having monies available in the Account when they are needed for their intended purpose.

We recommend the Marshall University Athletic Department comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code.

**Agency’s Response**

*The athletic department interpreted the code to allow for maintenance expenditures. Based on clarification of state code provided in the audit, the athletic department will no longer fund maintenance costs from this account.*

**Local Bank Accounts**

The Marshall University Athletic Department maintains two local bank accounts. One local account (Game Expense Account) is used to deposit monthly team travel and home game advance checks from the Athletic Account (4234). The Accounts are subsequently disbursed throughout the month as needed for travel and home game expenses. Receipts for the

Game Expense Account totaled \$1,912,511.40 for fiscal year 2001 and \$2,078,228.39 for fiscal year 2000. Disbursements for the Game Expense Account totaled \$1,914,883.85 for fiscal year 2001 and \$2,075,642.33 for fiscal year 2000.

The other local account (Clearing Account) is used to split receipts that have a dual purpose. For example, if a single check is received that includes a payment for tickets as well as a donation to the Marshall University Foundation, the check is deposited into this local bank account and two checks are disbursed from the local account as follows: One check for the price of the tickets is written payable to Marshall University and is deposited in the Athletic Account (4234); the second check is written payable to the Marshall University Foundation for the amount of the donation. Receipts for the clearing account totaled \$511,792.60 for fiscal year 2001 and \$594,488.51 for fiscal year 2000. Disbursements totaled \$512,272.56 for fiscal year 2001 and \$600,373.95 for fiscal year 2000.

While testing these local bank accounts, we noted the following failures of internal controls: (1) Ten instances where checks totaling \$12,044.25 drawn on the Game Expense Account were not signed; (2) Four instances where checks totaling \$2,663.84 drawn on the Game Expense Account were signed by employees without signature authority; and, (3) Two instances where blank checks for the Clearing Account were stored with the checks that had been used and returned by the bank. Weaknesses in the current procedures, and the lack of management supervision increases the risk of theft, misapplication, and misappropriation of collections for the local bank accounts.

Chapter 5A, Article 8, Section 9 of the West Virginia Code which states in part:

“The head of each agency shall: . . .

**(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies,**

**decisions, procedures and essential transactions of the agency** designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities...." (**Emphasis Added**)

Since the bank is cashing Game Expense Account checks with an unauthorized signature or in some cases no signature at all, it is possible someone with access to the athletic offices could obtain a blank check and fraudulently obtain monies from the account. Also, the two blank checks for the Clearing Account were kept with the returned checks in a storage area accessible to several employees. Someone with access to the storage area could possibly obtain a blank check and fraudulently obtain monies from the clearing account. Checks that are not used should either be kept in a secured area with access only by the employee responsible for the account or they should be voided or defaced in some manner to prevent unauthorized use.

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

**Agency's Response**

*We agree with the auditor's recommendation and have implemented changes to prevent these types of errors from occurring in the future. We do note that all the expenditures from these accounts were appropriate.*

**Football and Men's Basketball Ticket Sales**

According to deposit information supplied by the Marshall University Bursar's Office, the Marshall University Athletic Department deposited approximately \$2.6 million for fiscal year 2001 and \$2.9 million for fiscal year 2000 in ticket revenue for football and men's basketball. However, due to a lack of management supervision and adequate written Ticket Office procedures, available records supporting ticket sales were inadequate and incomplete. As

a result, we were unable to perform tests to account for available tickets and to determine if all ticket monies received were deposited to the credit of the Athletic Account (4234).

Marshall University Athletic Department could not provide documentation verifying that purchased ticket stock was ever reconciled to sales, voided tickets and remaining unused ticket stock during our test period. Also, reconciliations between moneys collected and the tickets disbursed and voided should be performed by the Ticket Seller and Management. However, the Athletic Department was unable to provide us with documentation indicating that these reconciliations were performed for all 41 sales batches in our sample. Additionally, locating a particular voided ticket of the 3,400 voided tickets indicated in our sample of sales batch reports was not possible. According to the current Ticket Office Manager, all voided tickets during the audit period were simply stored in a box designated for voided tickets. These voided tickets were not grouped by game, ticket type, batch, or by any other method that would facilitate locating a particular voided ticket. Therefore, we were unable to determine if tickets actually were voided.

Chapter 5A, Article 8, Section 9 of the West Virginia Code states in part:

“The head of each agency shall . . .

**(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency** designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities. . . .” **(Emphasis Added)**

The Associate Athletic Director stated all available documentation supporting tickets and ticket sales was provided to us. He added inventory records of ticket stock may not have been up to standards due to personnel issues with the former Ticket Office Staff. In

addition, he said the current Ticket Manager has only been employed since July 16, 2001 and, prior to his employment, a total of four individuals held the position of Ticket Manager during our audit period of July 1, 1999 to June 30, 2001. This total includes the Associate Athletic Director for Operations and Facilities who served as the Interim Ticket Manager for approximately one month preceding the current Ticket Manager's employment.

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code. Additionally, we recommend that management periodically reconcile all purchased ticket stock to ticket sales and voids and that these reconciliations be documented and maintained. Finally, we recommend ticket sellers reconcile collections to receipts and voided tickets and that management document, approve by signature and maintain these reconciliations.

**Agency's Response**

*We agree with the auditor's recommendations. In the spring of 2001, the Athletic Department recognized that the ticket office procedures needed improvement. A reorganization and staff changes were made at that time. Additional resources were allocated to the ticket office in order to improve the process of the office. These changes are being closely monitored to assure that improvement continues.*

**Olympic Sports Ticket Sales**

Batch reports documenting ticket sales for Olympic Sports (all sports except football and men's basketball) for our audit period are nonexistent. According to deposit information supplied by the Bursar's Office, \$13,023.99 was deposited during fiscal years 2001 and 2000 for Olympic Sports ticket sales. The Ticket Office was unable to provide us with any

documentation indicating that tickets used for Olympic Sports were recorded and reconciled to receipts. Since this documentation was unavailable, we were unable to determine whether those attending Olympic events actually paid to attend them, or if all ticket monies collected were actually deposited to the credit of the Athletic Department Account (4234).

Chapter 5A, Article 8, Section 9 of the West Virginia Code states in part:

“The head of each agency shall . . .

**(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency** designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities....” **(Emphasis Added)**

According to the Associate Athletic Director, all available documentation supporting tickets and ticket sales was provided to us. He added that a total of four individuals held the position of Ticket Manager during our audit period of July 1, 1999 to June 30, 2001.

We recommend the Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

#### *Agency’s Response*

*We agree with this recommendation and have implemented procedures to improve the accounting for these ticket sales.*

#### **Statutory Transfers**

The University is required to transfer one percent of all gross receipts deposited into the Athletic Account (4234) to the Athletic Facilities Construction Reserve Account (4233). Although yearly transfers have been made, these transfers have not been based on all gross receipts deposited into the Athletic Account since gross receipts for post season athletic play have

been routinely excluded from the one percent transfer calculations. If these receipts had been included in the calculation, an additional \$2,603.26 and \$2,368.06 for Fiscal Years 2001 and 2000, respectively, would have been transferred to the Athletic Facilities Construction Reserve Account.

Also, the University is required to transfer 25% of the net receipts received for televised athletic events from the Athletic Account to the Athletic Facilities Construction Reserve Account. However, the University excluded from the transfer calculations royalty payments received from International Sports Properties (ISP) totaling \$320,000.00 for fiscal year 2001 and \$310,000.00 for fiscal year 2000. These payments were for the licensing rights to numerous athletic properties, including local broadcast rights for television network play-by-play of athletic events. However, since the rights licensed to ISP include numerous licensing rights that would not be subject the aforementioned 25% transfer requirement and the value of television play-by-play is not specified in the terms of the contract between ISP and Marshall University, we were unable to calculate the amount excluded from the transfer for royalties for local television network play-by-play.

Chapter 18B, Article 10, Section 11 of the West Virginia Code, states in part:

**“(1) one percent of the total gross receipts deposited into the athletic accounts and (2) not less than twenty-five percent of the net receipts from televised athletic events, bowl games and post-season tournaments deposited into the athletic accounts shall be transferred** into a separate and distinct special revenue account for each individual state institution of higher education, which special revenue account shall be designated “athletic facilities construction, repair or replacement reserve account,” in the state treasury....”  
**(Emphasis Added)**

Article 4, Section 4.01 of the contract between Marshall University and International Sports Properties (ISP), effective January 1, 1998, states in part:

“Marshall, as licensor, grants to Licensee the *exclusive worldwide license* to certain athletic properties of Marshall which are described in Exhibits A-M to this License Agreement. These properties are:

- (a) Marshall Sports Internet
- (b) Football game publication**
- (c) Basketball game publication
- (d) Official sports periodical
- (e) Stadium advertising
- (f) Basketball arena advertising
- (g) At-event impact
- (h) At-event hospitality
- (i) Radio Network: play-by-play, coaches call-in show and daily report
- (j) Television network play-by-play
- (k) Television coaches show
- (l) Miscellaneous advertising and sponsorship opportunities
- (m) Merchandising and licensing opportunities” Emphasis Added

Furthermore, Exhibit J, Section 3.01 of the aforementioned contract states in part:

“**Licensee Obligations** Licensee will make reasonable, good faith efforts to telecast or arrange for telecast a minimum of six(6) regular season football games and five(5) regular season basketball games per License Agreement year....”

Finally, Exhibit J, Section 5.01 of the same contract states:

“**Special Terms** Licensee has the right to program up to forty minutes of advertising inventory per television network broadcast and to sell all advertising inventory for each of the television network broadcasts.”

The Associate Athletic Director stated his understanding is that post season play revenues are restricted to the 25% net transfer requirement and, therefore, are not subject to the one-percent gross revenue transfer. However, our position is that the 25% net revenue transfer

requirement for certain revenues stipulated in Chapter 18B of the West Virginia Code does not preclude the one percent gross revenue transfer requirement on these same revenues.

The Associate Athletic Director added that the nature of the multi-media rights contract with ISP would make it difficult to determine the net revenue (if any) from local television broadcasts for Marshall athletic events. He further added it should be determined if the intent of the West Virginia Code was related only to revenue due directly to Marshall University for televised events and if the intent was only for national broadcasts.

We recommend Marshall University Athletics comply with Chapter 18B, Article 10, Section 11 of the West Virginia Code. We also recommend that Marshall University use some rational method to determine the portion of ISP royalties attributable for television play-by-play and transfer 25% of this amount to the Athletic Construction Reserve Account(4233).

**Agency's Response**

*We agree with the recommendation and will begin making the additional 1% gross revenue transfer for post-season events. We will also determine if any additional transfer should be made with regard to the televised events.*

**Overstated Annual Leave Balance**

We noted an employee of the Marshall University Athletic Department was overpaid \$1,586.34 for termination pay. The overpayment was the result of an error made by the Athletic Department in calculating the employee's annual leave balance and an additional error made by the Marshall University Payroll Department in their failure to remove the employee from the payroll after the employee's leave balance was exhausted. As a result, the employee

was paid for services before such services were rendered in violation of Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended which states:

“No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered.”

According to the employee’s attendance form, the employee took a total of nine days annual leave between the dates of August 4, 1999 and August 16, 1999, however, the Athletic Department Leave Coordinator only deducted nine hours from the employee’s leave balance. Therefore the employee’s leave balance was overstated by 58.5 hours. Of the \$1,586.34 overpayment made to the employee, \$708.98 was a result of this overstated leave balance.

Also, we analyzed the termination payment made to the employee by the Payroll Department. Assuming the employee’s leave balance was correct, the employee should have remained on the payroll up to and including three quarters of the day on July 16, 2001. However, the employee was paid his full salary for the period of July 16 through July 31, 2001 and August 01 through August 16, 2001. Of the \$1,586.34 overpayment, \$877.36 was a result of the employee remaining on the payroll after his leave balance was exhausted.

The Associate Athletic Director and the Director of Payroll agreed the overpayment was a result of both the annual leave overstatement and the fact the employee remained on the payroll after his leave balance was exhausted.

We recommend the Marshall University Athletic Department comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended. We also recommend Marshall University use all methods available to them under Chapter 14, Article 1 of the West Virginia Code to collect the overpayment.

### Agency's Response

*We agree that an error did occur and will use all methods available to us to collect the overpayment.*

### Failure to Maintain Leave Requests

The Marshall University Athletic Department was unable to provide us with the Department of Athletics Sick/Annual Leave Request Forms (Leave Requests) for five of eight employees who took leave in our leave test sample. As a result, we could not determine if 38.75 hours of annual leave and 23.00 hours of sick leave valued at approximately \$2,150.00 were properly requested by the employees and properly approved by the Director of Athletics. Furthermore, we could not determine if the leave deducted in the Marshall University leave system agreed with the leave requested by the employee and approved by the Director.

The Athletic Department Policy on Sick and Annual Leave states in part:

- “...1. Two (2) weeks prior to taking annual leave, **a Sick/Annual Leave Request Form must be submitted to the Director of Athletics for approval.** A decision on the request will be made promptly and the approved original will be returned to the person making the request.
2. **A copy of the authorized form will be filed in the Athletic Business Office personnel files....” (Emphasis Added)**

Also, Chapter 5A, Article 8, Section 9 of the West Virginia Code states in part:

- “The head of each agency shall: . . .
- (b) **Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency** designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities....” **(Emphasis Added)**

The Athletic Department Leave Coordinator stated if a Leave Request was not provided, then the employee probably did not complete one. The Coordinator added that many employees do not complete Leave Requests even though they have been told numerous times that these forms are required for annual and sick leave.

Additionally, another employee submitted a Leave Request for ten days annual leave, which was approved via the signature of the Director of Athletics. However, only five days of annual leave were deducted in the Marshall University leave system. According to the Leave Coordinator, the employee only took five days after he initially requested ten days. Each Athletic Department Employee also completes an Attendance Record Form which is forwarded monthly to the Leave Coordinator. This form indicated the employee only took the first five days of leave requested on the Leave Request Form. However, Attendance Record Forms are not reviewed or approved by each employee's immediate supervisor or the Director of Athletics. Therefore, according to the leave requested and approved, this employee's leave balance is overstated by five days.

We recommend Marshall University Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and the Athletic Department policy on Sick and Annual Leave.

**Agency's Response**

*We agree that documentation needs to be improved at the department level. Based upon a previous review by the auditors, effective January 1, 2002, the university implemented new standardized leave request forms and procedures for all departments to follow.*

*We do note that the employees' annual leave balance in question is not overstated. The employee only took five days of annual leave after initially requesting 10 days. Only five days were submitted to Human Resources on the monthly form approved by the Director of Athletics.*

### **Failure to Maintain Current Inventory Records**

Marshall University Athletic Department failed to update inventory records when new equipment was acquired and when equipment was removed from service. Specifically, we observed a camcorder, a video cassette recorder (VCR) and a big screen television that were not tagged. We also noted a computer and a multistation exercise machine physically present and tagged but not recorded on the inventory listing. Since we could not locate these items on the inventory list, we were unable to determine their purchase price. In addition, a VCR purchased for \$1,498.34 was recorded on the inventory listing, however, we were unable to physically locate this item.

The lack of an effective inventory system could result in theft or unauthorized use of the equipment. Chapter 5A, Article 8, Section 9 of the West Virginia Code states in part:

“The head of each agency shall . . .

**(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency** designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities....” **(Emphasis Added)**

Section 13.2.1 of the State College and University Systems of West Virginia Purchasing Procedures Manual states:

“The chief procurement officer shall inventory all equipment and furnishings that have a value at the time of purchase or acquisition

of \$1,000 or more per unit. **Such inventory shall be kept current at all times.” (Emphasis Added)**

The Assistant Business Manager stated the computer was purchased in Fall 2001 and has not yet been added to the inventory list, while the multistation exercise machine was inadvertently removed from the inventory listing. In addition, she stated the camcorder was a replacement that was shipped directly to the Athletic Department and as a result an identification tag was not affixed by the Receiving Department. Furthermore, the Assistant Business Manager stated the big screen television was either donated or purchased from private funds and has been in the Athletic Department prior to most of the current Administration.

We recommend the Athletic Department comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and Section 13.2.1 of the State College and University Systems of West Virginia Purchasing Procedures Manual.

**Agency’s Response**

*We agree with the finding but feel that it should be noted that the athletic department currently keeps an internal inventory list to reconcile with the records kept by the University Receiving Department. An additional accountant position was added in April 2002, and this position has been assigned inventory responsibility. This will assist to keep the department’s records more current. We will continue to work to improve in this area.*

**Ticket Revenue Not Deposited Timely**

While performing our testing of ticket revenues, we noted eight deposits totaling \$37,156.00 were made two to seven days after their receipt. This violates Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, which states in part:

“(a)All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia shall keep a daily

itemized record of moneys so received for deposit in the state treasury and **shall deposit within twenty-four hours** with the state treasurer all moneys received or collected by them for or on behalf of the state for any purpose whatsoever....” (**Emphasis Added**)

The Associate Athletic Director stated there are occasions when the volume of activity in the Ticket Office is at such a high level it is impossible to make all deposits within 24 hours. Furthermore, he added the employees involved in these deposits are no longer employed by the University and any detailed explanation of the deposits in question cannot be obtained.

Keeping cash and other receipts on hand more than 24 hours before deposit increases the possibility receipts may be lost or stolen. Furthermore, interest revenue is lost when receipts are not timely deposited.

We recommend the Marshall University Athletic Department comply with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, and deposit all monies received within 24 hours.

**Agency’s Response**

*We agree with the recommendation and have implemented procedures to better monitor the timeliness of deposits.*

**Monies Due Athletic Department**

Due to an apparent mathematical error on a Team Travel Advance Settlement Summary form, the Marshall University Athletic Department failed to collect \$90.00 due from the Men’s Soccer Team’s Travel Administrator. The Travel Administrator received a \$990.00 cash advance and incurred \$737.77 in out-of-pocket reimbursable expenses during an athletic trip in October 2000. Therefore, \$252.23 should have been remitted to the Athletic Department

(\$990.00 “minus” \$737.77), however, the Travel Administrator only returned \$162.23 to the Athletic Department.

The Associate Athletic Director and the Athletic Department’s Accountant stated apparently the Travel Administrator made a mathematical error on his settlement form and the Game Expense Account was shorted \$90.00.

Title 128, Series 47, Section 10.2.3.1 Procedural Rule of the University System of West Virginia Board of Trustees states:

**“All cash advances must be settled by the individual traveler, student representative, student group advisor/sponsor, or band and athletic department. Such settlement shall be submitted by the institution to the State Auditor’s Office for settlement *within the time frame prescribed by the State Auditor’s Office.*” (Emphasis Added)**

We recommend the Marshall University Athletic Department comply with Title 128, Series 47, Section 10.2.3.1 Procedural Rule of the University System of West Virginia Board of Trustees. Chapter 5A, Article 8, Section 9 of the West Virginia Code. We further recommend the Athletic Department collect the \$90.00 due the Department from the Travel Administrator for Men’s Soccer.

**Agency’s Response**

*We agree that an error was made in the amount of \$90 on a particular travel settlement. The \$90 has been collected and deposited in the Game Expense account.*

**Travel Expenses Paid for More Individuals Than Authorized**

During our review of Athletic Team Travel, we noted 29 instances totaling \$41,599.81 in which the Marshall University Athletic Department (MUAD) paid lodging and meal expenses for more individuals than authorized in its policies. These instances included trips

taken by the Football, Men’s Basketball, and Women’s Basketball teams during December 1999 and November and December 2000. Additionally, on 17 of these instances, the Athletic Department paid a total of \$4,867.66 in meal expenses for more individuals than was listed on the Marshall University Team Meal List Form, and/or Marshall University Official Travel Party List.

According to the Marshall University Athletic Team Travel Policies, the actual size of travel parties for each athletic team shall be limited to a designated number of individuals, including players and auxiliary personnel. Auxiliary personnel are defined as coaches, managers, radio and television personalities and any other personnel required by the Football and Men’s Basketball teams.

The Marshall University Athletic Team Travel Policies states in part:

“ . . . The travel parties for the individual sports shall be as follows:

<u>SPORT</u>	<u>PLAYERS</u>	<u>AUX. PERSONNEL</u>	<u>TOTAL</u>
Football	60	30	90
M. Basketball	15	11	26
W. Basketball	15	7	22"

The Associate Athletic Director stated there was no written documentation from the Director of Athletics authorizing travel party sizes in excess of the numbers stated in its policies. He added there are occasions when meal guarantees are required, which can result in meal charges in excess of the number of individuals submitted on travel or meal lists.

In addition to the instances discussed above, the MUAD paid a total of \$18,353.64 in excess of the maximum daily meal rate for out-of-state travel during three football trips. These instances occurred on six different days and a combined total of 842 individuals incurred total meal expenses which exceeded the \$50.00 maximum daily rate for out-of-state travel.

Section 7.1 of Title 128, Series 47, Procedural Rule of the University Systems of West Virginia Board of Trustees. states in part:

“Meal expense reimbursement is limited to actual expenses for food, service and gratuities up to the applicable maximum daily rate . . .”

Appendix A - Chart of Reimbursable Expenses in the Marshall University Travel Policies and Procedures states in part:

“ . . .Meals, overnight stay... Actual cost up to... \$50 out-of state . . .”

The Associate Athletic Director stated that, due to the travel schedules and the large number of individuals in the football travel party, the majority of meals must be provided at the hotel site. He added meals provided at the hotel usually results in a 15% - 20% gratuity in addition to the actual meal charges. Furthermore, he added the type of meal normally provided to a Division 1-A football player is one of rather large quantities and the Athletic Department believes these expenses are in line with other Division 1-A programs.

We recommend the Marshall University Athletic Department comply with its Athletic Team Policies and Section 7.1 of Title 128, Series 47, Procedural Rule of the University Systems of West Virginia Board of Trustees.

**Agency's Response**

***In some instances, we agree that travel parties exceeded the total number permitted in our travel policy. But in all cases, as provided by the policy, these exceptions were approved by the Director of Athletics. In the future, these exceptions will be better documented.***

*Our policies do allow for travel party sizes to be altered for tournaments, play-off contests, non-conference events, championship events or trips during vacation periods with the approval of the Director of Athletics. Many of the events cited during this time period fell into this category, including Football Bowl games. Travel party lists especially for Bowl trips were discussed with and approved by University Administration. We believe all expenses for these trips were authorized and appropriate.*

*We agree that meal expenses funded from the university funds must be in compliance with our travel policy. We believe the expenses for football student-athlete meals, which exceeded the \$50 out-of-state limit, are reasonable and comparable to other Division IA programs and will pursue private funding sources to cover these overages.*

#### **Purchasing Card Violations**

During our review of Marshall University's Athletic Department's Purchasing Card transactions, we noted the following procedural violations during fiscal years 2000 and 2001: (1) seven instances totaling \$8,834.99 of stringing invoices; (2) three instances for invoices totaling \$585.00 where payment was made past the 60-day threshold; (3) three hospitality payments totaling \$1,900.00 where the amount of employees attending a brunch or dinner involving athletic prospects exceeded the amount of non employees. Additionally, on one occasion for a hospitality disbursement for \$1,371.25, a list of attendees was not provided with the supporting documents and, as a result, we could not determine those individuals who attended the event.

The *State of West Virginia Purchasing Card Policies and Procedures* states in part:

“Effective July 1, 1998 purchases of goods and approved services which do not exceed the transaction limit, may be made by using State of West Virginia Purchasing Card. The Purchasing Card was established to provide a more efficient, cost-effective method of purchasing and paying for small dollar purchases.”

“Transaction Limit- For the period beginning July 1, 1998, the maximum dollar amount permitted in a single transaction is \$1,000.00, except for maintenance which cannot exceed \$15,000.00 annually for all colleges and universities and \$10,000.00 annually for all other spending units and utilities, which are unlimited.”

In an Addendum to the *State of West Virginia Purchasing Card Policies and Procedures* effective February 1, 2000 states in part:

“...(new) Definition: stringing of purchases/charges - “the intentional manipulation of the ordering, billing, or payment process in order to circumvent the transaction limit...””

... (new) Bullet: Stringing of purchases/charges is strictly prohibited....”

Chapter 5A, Article 3, Section 54 (b)(1), of the West Virginia Code, as amended, states:

“(b)(1) Except as provided in subdivision (2) of this subsection, for purchases of services or commodities made on or after the first day of July, one thousand nine hundred ninety-one, a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate, as determined by the state tax commissioner under the provisions of section seventeen-a [§ 11-10-17a], article ten, chapter eleven of this code, which interest shall be calculated from the sixty-first day after such invoice was received by the state agency until the date on which the state check is mailed to the vendor.”

Marshall University’s Hospitality Policy states in part:

“Expenditures for hospitality are defined as food, non-alcoholic beverages, and related expenses for guests who are not employees of the University.

- (1) At Marshall University, it shall be official policy that University state Accounts may be used for food, beverage, and related expenses only in the following situations:

Meetings, seminars, conferences, etc. where Marshall is the host, and the primary benefit of the event accrues to the outside participants. In each instance, attendance by Marshall employees is only incidental; that is, those attending from Marshall are acting primarily as hosts or in a limited capacity as attendees (employees generally should not outnumber guests)....”

The Hospitality Policy also states:

“Generally, University state Accounts may not be used for hospitality expenses in the following categories:  
... 2. Receptions, departmental open-houses, parties for other than students, and other social events;...”

As described in Number (1) above, we noted seven instances where more than one transaction was made by a same cardholder to the same vendor and on the same day. In each case the \$1,000.00 limitation as set forth in the Purchasing Card Policies and Procedures was exceeded. These transactions totaled \$8,834.99.

According to the Associate Athletic Director, all transactions were less than the \$1,000.00 limit and in some cases made on different days. He added, it is not always feasible to control the date the transaction may be processed by the vendor. He added that in many cases the purchases were requested by different sports with separate budgets. He also stated due to their high volume of activity, purchases are frequently made with the same vendors which may give the appearance of “stringing invoices”.

As stated earlier in Number (2) above, there were three instances where payment was made past the 60 day limit for payment of invoices as established by statute. All three

invoices were from *Affirmative Action* and were charged to the Purchasing Card on July 1, 1999. One invoice was dated September 15, 1996 and two were dated October 15, 1996.

According to the Associate Athletic Director, prior to implementation of the purchase card, all advertising for job postings were processed with a requisition by the purchasing department. The Athletics Department did not receive the invoices listed until June of 1999. He added that once the invoices were received by the Department and it was determined payment was due, the payment process was initiated. He further added that payment was made with a purchase card since there was not an open Purchase Order for these items and the purchase card was the most efficient way to process the payments.

As conveyed in Number (3) above, we noted three instances where monies were spent on hospitality for official visits for athletic prospects. During these visits brunch and dinner were served. During two brunches and one dinner, employees of the University exceeded the amount of non employees in attendance. During another official visit there was not a list of attendees including with supporting documents and, since we could not determine who attended this hospitality event, we were unable to determine the ratio of employees to non-employees.

According to the Associate Athletic Director, hospitality is an approved activity for official visits and these events are scheduled prior to the actual arrival of the recruits. He added that cancellations by recruits often can occur and not all the coaches present necessarily participate in the meals with the recruits. He further added that the Athletic Department is required to list all parties present during these events whether they participated in the meals or not.

We recommend Marshall University comply with the West Virginia State Auditor's Office Purchasing Card Policies and Procedures and Marshall University's Hospitality Policy.

**Agency's Response**

*We agree with the recommendation and have increased the monitoring of the purchase card transactions.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balances of Marshall University Athletic Department for the years ended June 30, 2001 and June 30, 2000. The financial statement is the responsibility of the management of Marshall University. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient competent evidential matter to test ticket revenues generated by the Marshall University Athletic Department. The Marshall University Athletic Department deposited approximately \$2.6 million for fiscal year 2001 and \$2.9 million for fiscal year 2000 in ticket revenues. However, due to inadequate and incomplete accounting records for this period, we were unable to perform tests to account for all available tickets and to determine if all ticket monies received were properly deposited to the credit of the Athletic Department Account. We were unable to apply alternative procedures to satisfy ourselves as to the fairness of the amounts.

As described in Note A, the financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for our inability to examine evidence regarding ticket revenues as discussed in paragraph three, the financial statement referred to in the first paragraph above present fairly, in all material respects, the revenues collected and expenses paid of the Marshall University Athletic Department for the years ended June 30, 2001 and June 30, 2000 in conformity with the basis of accounting described in Note A.

Respectively submitted,



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Theoford L. Shanklin, CPA, Director  
Legislative Post Audit Division

March 8, 2002

Auditors: Ethelbert Scott Jr., Supervisor  
Stanley D. Lynch, CPA, Auditor-in-Charge  
Peter J. Maruish Jr., CPA  
Lori A. Fischer  
Charles B. Thompson

**MARSHALL UNIVERSITY  
ATHLETIC DEPARTMENT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES**

**Year Ended June 30, 2001**

	<b><u>Special Revenue</u></b>	<b><u>Local Accounts</u></b>	<b><u>Combined Totals</u></b>
Cash Receipts:			
Interest Earnings	\$ 205,330.67	\$ 3,605.98	\$ 208,936.65
Other Rental Income	28,084.00	0.00	28,084.00
Tuition and Fees	1,604,782.55	0.00	1,604,782.55
Athletic Event Income	4,757,235.19	0.00	4,757,235.19
Athletic Event Television Receipts	550,730.18	0.00	550,730.18
Other Collections, Fees, Licenses, and Income	282.47	0.00	282.47
Athletic Department Clearing Account Deposits	0.00	121,627.99	121,627.99
Miscellaneous	<u>0.00</u>	<u>4,813.91</u>	<u>4,813.91</u>
	7,146,445.06	130,047.88	7,276,492.94
Personal Services:			
Personal Services	2,762,803.85	0.00	2,762,803.85
Annual Increment	6,545.00	0.00	6,545.00
Employee Benefits	572,060.29	0.00	572,060.29
Current Expenses	2,978,090.96	0.00	2,978,090.96
Repairs and Alterations	89,587.53	0.00	89,587.53
Equipment	232,796.31	0.00	232,796.31
Other Extraordinary Disbursements	948,874.97	0.00	948,874.97
Transfers to MU Foundation and MU Clubs	0.00	7,080.00	7,080.00
Payments to Huntington Sports Committee	0.00	76,203.84	76,203.84
Game Expense Account Disbursements	0.00	10,792.34	10,792.34
Miscellaneous	<u>0.00</u>	<u>38,824.11</u>	<u>38,824.11</u>
	<u>7,590,758.91</u>	<u>132,900.29</u>	<u>7,723,659.20</u>
Cash Receipts (Under) Disbursements	(444,313.85)	(2,852.41)	(447,166.26)
Beginning Balance	<u>2,761,708.38</u>	<u>4,450.64</u>	<u>2,766,159.02</u>
Ending Balance	<u>\$2,317,394.53</u>	<u>\$ 1,598.23</u>	<u>\$2,318,992.76</u>

*See Notes To Financial Statement*

**Year Ended June 30, 2000**

<b><u>Special Revenue</u></b>	<b><u>Local Accounts</u></b>	<b><u>Combined Totals</u></b>
\$ 115,291.84	\$ 3,002.96	\$ 118,294.80
0.00	0.00	0.00
<u>1,534,122.69</u>	<u>0.00</u>	<u>1,534,122.69</u>
<u>5,269,752.25</u>	<u>0.00</u>	<u>5,269,752.25</u>
<u>174,340.00</u>	<u>0.00</u>	<u>174,340.00</u>
0.00	0.00	0.00
0.00	195,540.66	195,540.66
0.00	2.96	22.96
<u>7,093,506.78</u>	<u>198,566.58</u>	<u>7,292,073.36</u>
2,678,831.88	0.00	2,678,831.88
0.00	0.00	0.00
549,938.66	0.00	549,938.66
3,164,866.58	0.00	3,164,866.58
42,934.41	0.00	42,934.41
112,068.78	0.00	112,068.78
707,141.65	0.00	707,141.65
0.00	50,493.74	50,493.74
0.00	119,660.00	119,660.00
0.00	439.86	439.86
0.00	31,272.36	31,272.36
<u>7,255,781.96</u>	<u>201,865.96</u>	<u>7,457,647.92</u>
(162,275.18)	(3,299.38)	(165,574.56)
<u>2,920,983.56</u>	<u>7750.02</u>	<u>2,928,733.58</u>
<u>\$2,758,708.38</u>	<u>\$ 4,450.64</u>	<u>\$2,763,159.02</u>

**MARSHALL UNIVERSITY**

**ATHLETIC DEPARTMENT**

**NOTES TO FINANCIAL STATEMENTS**

**Note A - Accounting Policies**

Accounting Method: The cash basis of accounting is followed for the Special Revenue Account. Therefore, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

**Note B - Pension Plan**

All eligible employees are members of the West Virginia Teachers' Retirement System or the Teachers' Insurance Annuity Association. Certain eligible employees belonging to the West Virginia State Teachers' Retirement System may also belong to the Teachers' Insurance Annuity Association.

For the West Virginia State Teachers' Retirement System employees' contribution are 6.0% of their compensation and employees are vested under certain circumstances. The aggregate of the University's contributions shall be the following percentages of the earned compensation of the members fiscal year 2000 - 15% and fiscal year 2001 - 15%.

For the Teachers' Insurance Annuity Association, employees' contributions are either 6.0% or 7.5% of their compensation and employees are vested under certain circumstances. Contributions by the University are also either 6.0% of 7.5% of the compensation on which the employee made contributions.

Contributions to the pension and retirement plans were as follows:

	<b><u>Year Ended June 30,</u></b>	
	<b><u>2001</u></b>	<b><u>2000</u></b>
Special Revenue	<b><u>\$152,690.93</u></b>	<b><u>\$152,489.59</u></b>

**SUPPLEMENTAL INFORMATION**

MARSHALL UNIVERSITY

ATHLETIC DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCE

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<b><u>Athletics Account - 4234-099/523/640</u></b>		
Cash Receipts:		
Interest Earnings	\$ 193,863.63	\$ 108,948.12
Other Rental Income	28,084.00	0.00
Tuition and Fees	1,604,782.55	1,534,122.69
Athletic Event Income	4,757,235.19	5,269,752.25
Athletic Event Television Receipts	550,730.18	174,340.00
Other Collections, Fees, Licenses, and Income	<u>282.47</u>	<u>0.00</u>
	7,134,978.02	7,087,163.06
Cash Disbursements:		
Personal Services	2,762,803.85	2,678,831.88
Annual Increment	6,545.00	0.00
Employee Benefits	572,060.29	549,938.66
Current Expenses	2,945,797.44	3,140,508.21
Repairs and Alterations	27,425.88	8,267.10
Equipment	224,221.31	100,941.02
Other Extraordinary Disbursements	948,874.97	707,141.65
Transfer of Funds	<u>150,185.95</u>	<u>48,795.62</u>
	7,637,914.69	7,234,424.14
Cash Receipts (Under) Disbursements	(502,936.67)	(147,261.08)
Beginning Balance	<u>2,640,030.79</u>	<u>2,784,291.87</u>
Ending Balance	<u>\$2,137,094.12</u>	<u>\$2,637,030.79</u>

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCE**  
**SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<b><u>Athletic Facilities Construction</u></b>		
<b><u>and Reserve Account - 4233-099/523/640</u></b>		
Cash Receipts:		
Interest Earnings	\$ 11,467.04	\$ 6,343.72
Statutory Transfers	<u>150,185.95</u>	<u>48,795.62</u>
	161,652.99	55,139.34
Cash Disbursements:		
Current Expenses	32,293.52	24,358.37
Repairs and Alterations	62,161.65	34,667.31
Equipment	<u>8,575.00</u>	
		<u>11,127.76</u>
Cash Receipts Over/(Under) Disbursements	<u>103,030.17</u>	<u>70,153.44</u>
Beginning Balance	58,622.82	(15,014.10)
Ending Balance	<u>121,677.59</u>	<u>136,691.69</u>
	<u>\$180,300.41</u>	<u>\$121,677.59</u>

MARSHALL UNIVERSITY

ATHLETIC DEPARTMENT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<b><u>Athletic Department Game Expense Account</u></b>		
Beginning Balance	\$ 2,966.14	\$ 380.08
Cash Receipts:		
Game Advances	1,904,091.51	2,075,202.47
Miscellaneous	4,813.91	22.96
Interest	<u>3,605.98</u>	<u>3,002.96</u>
	<u>1,912,511.40</u>	<u>2,078,228.39</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$1,915,477.54</u>	<u>\$2,078,608.47</u>
Cash Disbursements	\$1,914,883.85	\$2,075,642.33
Ending Balance	<u>593.69</u>	<u>2,966.14</u>
TOTAL CASH ACCOUNTED FOR	<u>\$1,915,477.54</u>	<u>\$2,078,608.47</u>

**MARSHALL UNIVERSITY**

**ATHLETIC DEPARTMENT**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

**LOCAL ACCOUNTS**

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
<b><u>Athletic Department Clearing Account</u></b>		
Beginning Balance	\$ 1,484.50	\$ 7,369.94
Cash Receipts	<u>511,792.60</u>	<u>594,488.51</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$513,277.10</u>	<u>\$601,858.45</u>
Cash Disbursements:		
Transfers to Marshall Intercollegiate Athletics	\$390,164.61	\$398,947.85
Transfers to MU Foundation and Clubs	7,080.00	50,493.74
Payments to Huntington Sports Committee	76,203.84	119,660.00
Miscellaneous	<u>38,824.11</u>	<u>31,272.36</u>
	<u>512,272.56</u>	<u>600,373.95</u>
Ending Balance	<u>1,004.54</u>	<u>1,484.50</u>
TOTAL CASH ACCOUNTED FOR	<u>\$513,277.10</u>	<u>\$601,858.45</u>

**MARSHALL UNIVERSITY**  
**ATHLETIC DEPARTMENT**  
**RECONCILIATIONS**  
**JUNE 30, 2001**

**Athletic Department Game Expense Account**

Balance per Bank	\$593.69
Balance per Book	<u>\$593.69</u>

**Athletic Department Clearing Account**

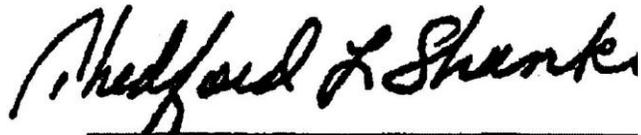
Balance per Bank	\$4,604.54
Less: Outstanding Check	
Check Number:           40399	<u>3,600.00</u>
Balance per Book	<u>\$1,004.54</u>

**STATE OF WEST VIRGINIA**

**OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:**

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 6<sup>th</sup> day of September 2002.

A handwritten signature in black ink, reading "Thedford L. Shanklin". The signature is written in a cursive style with a horizontal line underneath the name.

**Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division**

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to Marshall University; Governor; Attorney General; and State Auditor.