



THE UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2002

(With Independent Auditor's Reports Thereon)

EIN# 57-6001153

State of South Carolina



Office of the State Auditor

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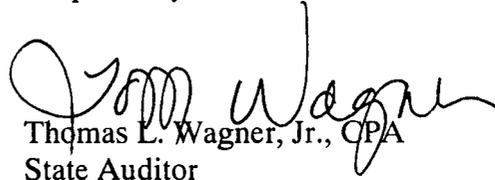
March 27, 2003

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
University of South Carolina
Columbia, South Carolina

The report on compliance and internal control over financial reporting, and the report on compliance and internal control over compliance applicable to each major program of the University of South Carolina for the fiscal year ended June 30, 2002, were issued by KPMG, LLP, Certified Public Accountants, under contract with the South Carolina Office of State Auditor. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with the basic financial statements of the University of South Carolina for the fiscal year ended June 30, 2002, issued by KPMG, LLP, Certified Public Accountants, dated September 6, 2002.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

THE UNIVERSITY OF SOUTH CAROLINA

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The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
FEDERAL AWARD EXPENDITURES		
<i>Research and Development - Cluster:</i>		
Department of Health and Human Services:	93.RD	\$ 12,627,122
Pass-through programs from:		
University of South Carolina Research Foundation	93.RD	2,101,650
South Carolina Department of Health and Human Services	93.RD	850,338
Palmetto Health Alliance	93.RD	55,873
South Carolina Department of Health and Environmental Control	93.RD	134,408
Benedict College	93.RD	106,241
Medical University of South Carolina	93.RD	182,436
University of Minnesota	93.RD	482
National Childhood Cancer Foundation	93.RD	25,343
South Carolina Department of Social Services	93.RD	226,495
South Carolina Disabilities and Special Needs	93.RD	2,000
Auburn University	93.RD	228,445
Duke University	93.RD	147,364
University of Notre Dame	93.RD	43,975
Bamberg County Hospital and Nursing Home	93.RD	5,001
Pee Dee Healthy Start	93.RD	(456)
Lowcountry Healthy Start	93.RD	12,502
South Carolina Department of Education	93.RD	20,188
Medical Health Association in Aiken County	93.RD	3,422
Clemson University	93.RD	319
Karmanos Cancer Institute	93.RD	87,309
George Washington Institute	93.RD	5,235
Association of Schools of Public Health	93.RD	183,561
American School of Public Health	93.RD	(55,130)
Cooper Institute	93.RD	26,189
Health Research Incorporated	93.RD	37,452
Greenwood Genetics	93.RD	28,152
Vanderbilt School of Medicine	93.RD	30,648
University of Texas	93.RD	11,493
<i>Total Department of Health and Human Services</i>		<i>17,128,057</i>
National Science Foundation:	47.RD	6,291,745
Pass-through programs from:		
University of South Carolina Research Foundation	47.RD	1,121,263
Drexel University	47.RD	44,866
University of Kansas Center for Research, Inc.	47.RD	10,075
University of Virginia	47.RD	1,065
South Carolina Universities Research and Education Foundation	47.RD	3,811
SURA/Jefferson Lab	47.RD	13,485
Clemson University	47.RD	600
South Carolina Research Authority	47.RD	209,472
Texas A&M Research Foundation	47.RD	14,121
National Research Council	47.RD	10,003
National Academy of Sciences	47.RD	502
IRIS	47.RD	20,209
Columbia College	47.RD	16,589
SRI International	47.RD	7,636
Southeastern Universities Research Association	47.RD	90,108
<i>Total National Science Foundation</i>		<i>7,855,550</i>

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Department of Defense:	12.RD	7,381,242
Pass-through programs from:		
University of South Carolina Research Foundation	12.RD	6,428,142
Florida State University	12.RD	54,411
The Clinical Innovation Group	12.RD	18
Office of the Adjutant General	12.RD	294,925
South Carolina National Guard	12.RD	2,308
Academy of Applied Science	12.RD	11,232
Composit Solutions, Inc.	12.RD	8,005
<i>Total Department of Defense</i>		14,180,283
Department of Energy:	81.RD	2,425,065
Pass-through programs from:		
Duke University	81.RD	(4,386)
Iowa State University	81.RD	52,909
University of South Carolina Research Foundation	81.RD	1,248,505
South Carolina Universities Research and Education Foundation	81.RD	1,185,284
IRIS	81.RD	23,995
Brookhaven National Lab	81.RD	9,837
Southeastern Universities Research Association	81.RD	3,786
SURA/Jefferson Lab	81.RD	2,103
Sandia National Laboratories	81.RD	(132)
Medical University of South Carolina	81.RD	217,109
Argonne National Laboratory	81.RD	12,356
<i>Total Department of Energy</i>		5,176,431
Environmental Protection Agency:	66.RD	527,181
Pass-through programs from:		
University of South Carolina Research Foundation	66.RD	271,400
South Carolina Research Authority	66.RD	44,790
South Carolina Department of Health and Environmental Control	66.RD	36,059
<i>Total Environmental Protection Agency</i>		879,430
National Aeronautics and Space Administration:	43.RD	790,196
Pass-through programs from:		
Medical University of South Carolina	43.RD	8,454
South Carolina Research Authority	43.RD	3,943
University of South Carolina Research Foundation	43.RD	79,911
College of Charleston	43.RD	61,005
Smithsonian Institute	43.RD	6,500
South Carolina Sea Grant Consortium	43.RD	(6,676)
MIAC, Universities Space Research Association	43.RD	62,276
<i>Total National Aeronautics and Space Administration</i>		1,005,609

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Education:	84.RD	\$ 934,194
Pass-through programs from:		
University of South Carolina Research Foundation	84.RD	158,397
Richland School District One	84.RD	49,409
South Carolina Department of Education	84.RD	41,883
<i>Total US Department of Education</i>		<u>1,183,883</u>
US Department of Transportation:	20.RD	191,147
Pass-through programs from:		
South Carolina Department of Transportation	20.RD	609,217
<i>Total US Department of Transportation</i>		<u>800,364</u>
US Department of Commerce:	11.RD	117,079
Pass-through programs from:		
South Carolina Sea Grant Consortium	11.RD	1,519,025
Clemson University	11.RD	12,273
New Jersey Marine Sciences Consortium	11.RD	33,931
South Carolina Department of Natural Resources	11.RD	132,330
South Carolina Department of Health and Environmental Control	11.RD	680,312
University of South Carolina Research Foundation	11.RD	87,975
University of North Carolina - Wilmington	11.RD	1
University of Maryland	11.RD	85,063
Harbor Branch Oceanographic Institute	11.RD	857
<i>Total US Department of Commerce</i>		<u>2,668,846</u>
US Department of Interior:	15.RD	125,099
Pass-through programs from:		
University of South Carolina Research Foundation	15.RD	57,090
Clemson University	15.RD	5,000
US Geological Survey	15.RD	50,606
Texas A&M Research Park	15.RD	5,647
<i>Total US Department of Interior</i>		<u>243,442</u>
US Department of Agriculture:	10.RD	519,152
Pass-through programs from:		
University of South Carolina Research Foundation	10.RD	116,534
South Carolina Forestry Commission	10.RD	38,838
Clemson University	10.RD	4,623
<i>Total US Department of Agriculture</i>		<u>679,147</u>

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Justice:	16.RD	313,731
Pass-through programs from:		\$
South Carolina Department of Public Safety	16.RD	843,250
Commission on Presecution Coordination	16.RD	222,662
University of South Carolina Research Foundation	16.RD	7,722
South Carolina Department of Social Services	16.RD	36,962
South Carolina Department of Juvenile Justice	16.RD	3,237
<i>Total US Department of Justice</i>		1,427,564
US Department of Housing and Urban Development	14.RD	1,711
<i>Total US Department of Housing and Urban Development</i>		1,711
US Department of State:	19.RD	225,923
Pass-through programs from:		
Checchi and Company Consulting, Inc.	19.RD	355,885
<i>Total US Department of State</i>		581,808
National Foundation of Arts and the Humanities:	45.RD	222,776
Pass-through programs from:		
South Carolina Humanities Council	45.RD	141,085
University of Alaska-Anchorage	45.RD	(210)
<i>Total National Foundation of Arts and the Humanitites</i>		363,651
Federal Emergency Management Agency:		
Pass-through programs from:		
South Carolina Department of Natural Resources	83.RD	18,335
Office of the Adjutant General	83.RD	48,002
<i>Total Federal Emergency Management Agency</i>		66,337
National Archives and Records Administration	89.RD	157,394
Pass-through programs from:		
University of South Carolina Research Foundation	89.RD	51,165
<i>Total National Archives and Records Administration</i>		208,559
Central Intelligence Agency:		
Pass-through programs from:		
University of South Carolina Research Foundation	SCRI	246,083
<i>Total Central Intelligence Agency</i>		246,083

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Cooperation for National and Community Service:		
Pass-through programs from:		
Americorps NCCC SE Campus	94.RD	\$ 10,551
<i>Total Cooperation for National and Community Service</i>		10,551
Institutional Partnership Program		
Enhancing Sustainable Development Through Environmental Education and Research in the Philippines	HNE-A00-9700059	7,402
Pass-through programs from:		
University of South Carolina Research Foundation	NRO00001C4368	408,459
<i>Total Institutional Partnership Program</i>		415,861
North Atlantic Treaty Organization		
Improvement of Cattail and Reed for Phyt	LSTCLG977497	(2,667)
<i>Total North Atlantic Treaty Organization</i>		(2,667)
<i>Total Research and Development - Cluster</i>		55,120,500
Child Nutrition:		
US Department of Agriculture:		
Pass-through programs from:		
South Carolina Department of Social Services	10.559	801,277
<i>Total US Department of Agriculture</i>		801,277
<i>Total Child Nutrition</i>		801,277
Fish and Wildlife:		
US Department of Interior:		
Wildlife Restoration	15.611	2,632
<i>Total US Department of Interior</i>		2,632
<i>Total Fish and Wildlife</i>		2,632
Highway Planning and Construction Cluster:		
US Department of Transportation:		
Pass-through programs from:		
South Carolina Department of Transportation	20.205	203,409
South Carolina Budget and Control Board	20.205	26,628
<i>Total US Department of Transportation</i>		230,037
<i>Total Highway and Planning Construction - Cluster</i>		230,037

The University of South Carolina
Schedule of Expenditures of Federal Awards
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Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
<i>HIV Cluster:</i>		
US Department of Health and Human Services:		
Pass-through programs from:		
South Carolina Department of Alcohol and Other Drug Abuses	93.915	\$ 4,853
South Carolina Department of Health and Environmental Control	93.915	1,841,625
<i>Total US Department of Health and Human Services</i>		1,846,478
<i>Total HIV Cluster</i>		1,846,478
<i>Medicaid Cluster:</i>		
US Department of Health and Human Services:		
Pass-through programs from:		
South Carolina Department of Health and Human Services	93.778	200,002
<i>Total US Department of Health and Human Services</i>		200,002
<i>Total Medicaid Cluster</i>		200,002
<i>Special Education Cluster:</i>		
US Department of Education:		
Pass-through programs from:		
South Carolina Department of Education	84.027	3,000
<i>Total US Department of Education</i>		3,000
<i>Total Special Education - Cluster</i>		3,000
<i>Student Financial Aid - Cluster:</i>		
US Department of Education:		
Federal Pell Grant Program	84.063	17,596,060
Federal Supplemental Educational Opportunity Grant	84.007	1,091,294
Federal Work Study Program	84.033	1,808,883
Federal Perkins Loan Program	84.038	178,040
Federal Family Education Loan Program	84.032	95,214,252
<i>Total US Department of Education</i>		115,888,529
US Department of Health and Human Services:		
Health Professions Student Loan	93.342	29,625
Nursing Student Loan	93.364	(3,030)
Scholarships for Health Professions Students	93.925	61,151
<i>Total US Department of Health and Human Services</i>		87,746
<i>Total Student Financial Aid - Cluster</i>		115,976,275
<i>Trio Cluster:</i>		
US Department of Education:		
Student Support Services	84.042	1,630,137
Talent Search	84.044	259,867
Upward Bound	84.047	869,843
Educational Opportunity Centers	84.066	390,859
Ronald McNair Post-Baccalaureate Achievement	84.217	236,273
<i>Total US Department of Education</i>		3,386,979
<i>Total Trio Cluster</i>		3,386,979

See accompanying notes to schedule of expenditures of federal awards.

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
<i>Other Programs:</i>		
US Department of Health and Human Services:		
Nurse Anesthetist Traineeships	93.124	\$ 7,439
The South Carolina Disability and Health Project	93.184	272,362
Occupational Safety and Health-Training Grants (B)	93.263	80,582
Advanced Education Nursing Traineeships	93.358	94,095
Basic Nurse Education and Practice Grants	93.359	144,740
LCM 220 Laser Capture Microdissection System	93.371	3,324
Developmental Disabilities University Affiliated P	93.632	345,703
Child Welfare Services Training Grants (D)	93.648	151,489
Grants for Faculty Development in Family Medicine	93.895	15,663
Public Health Traineeships	93.964	46,562
Adolescent Family Life-Demonstration Projects	93.995	193,259
Pilot Testing and Evaluation Party	93.0000068104	24,723
Employment Support Representative Training	93.Social Security	4,153
Pass-through programs from:		
South Carolina Department of Health and Human Services	93.042-779	411,750
South Carolina Department of Health and Human Services	93.A21001A	166,980
South Carolina Department of Health and Human Services	93.A31217A	18,697
South Carolina Department of Health and Environmental Control	93.127-945	133,692
South Carolina Department of Health and Environmental Control	93.PH-01-029	6,571
South Carolina Department of Health and Environmental Control	93.HV1292	13,639
South Carolina Department of Health and Environmental Control	93 . HV - 1 - 161	84,968
Medical University of South Carolina	93.136-969	2,965
Medical University of South Carolina	93.SCAHEC	800
University of South Carolina Research Foundation	93.136-570	182,607
University of South Carolina Research Foundation	93.FFK01CHILD00	63,385
University of South Carolina Research Foundation	93.9-0CCU414085	33,047
Emory University	93.145	101,850
South Carolina Department of Disabilities and Special Needs	93.234	59,402
South Carolina Department of Disabilities and Special Needs	93.SG200175	3,246
South Carolina Department of Disabilities and Special Needs	93.SG200175	42,512
Association of Schools of Public Health	93.249	2,853
South Carolina Department of Education	93.283-938	31,603
National Youth Sports Program	93.570	6,393
Communities in Schools	93.590	139,624
Communities in Schools	93.COMMUNITIES	37,959
South Carolina Department of Social Services	93.608	2,282,740
South Carolina Department of Social Services	93.643	114,163
South Carolina Department of Social Services	93,645	203,175
South Carolina Department of Social Services	93,652	86,810
South Carolina Department of Social Services	93,658	504,457
South Carolina Department of Social Services	93.C1017A-1	91,128
South Carolina Department of Social Services	93.C10001S	(179)
South Carolina Department of Social Services	93.C00009A	122,047
South Carolina Department of Social Services	93.C-10026I	25,721
South Carolina Department of Alcohol and Other Drug Abuses	93.866	(334)
Palmetto Aids Life Support Services	93.PALSS	8,618
Total US Department of Health and Human Services		6,366,983

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Defense:		
Procurement Technical Assistance for Business Firm	12.002	\$ 144,024
Basic and Applied Scientific Research	12.300	141,993
Verification and Application of a Three-Dimension Dynamic Deformation Measurement System	12.DAAD19-01-10391	90,800
Proposal to Build a Ultrahigh Vacuum System for Studying the Decomposition of Simulated CW Agents on Supported Metal Nanoparticles	12.DAAD19-01-10325	45,643
GA(1):Holly Battenhouse	12.DABT23-01-C0011	9,463
NROTC Educational Instruction: Chemistry	12.N00140-97-G3000	2,823
Pass-through programs from:		
University of South Carolina Research Foundation	12.431	35,000
Clemson University	12.4832001760	15,396
Clemson University	12.534703422320023	29,049
<i>Total US Department of Defense</i>		514,191
US Department of Energy:		
Used Energy-Related Laboratory Equipment Grants	81.022	15,660
National Energy Information Center (L)	81.039	41,189
Academic Partnerships	81.102	215,355
Pass-through programs from:		
South Carolina Office of General Services	81.117	18,094
Savannah River Ecology Laboratory	81.PO #178331	3,911
University of South Carolina Research Foundation	81.545586DOE	5,218
Westinghouse Savannah River Plant	81.AC22230T	51,865
South Carolina Department of Education	81.01GT308	11,537
<i>Total US Department of Energy</i>		362,829
National Science Foundation:		
Engineering Grants (B)	47.041	3,566
Mathematical and Physical Sciences	47.049	(19,500)
Geosciences (B)	47.050	20,862
Biological Sciences (B)	47.074	17,809
Education and Human Resources (B)	47.076	361,264
Social, Behavioral and Economic Sciences (B)	47.075	31,173
Pass-through programs from:		
Berkeley County School District	47.076	52,177
South Carolina Department of Education	47.076	74,277
<i>Total National Science Foundation</i>		541,628
US Department of Commerce:		
Technology Opportunities	11.552	34,478
Pass-through programs from:		
University of South Carolina Research Foundation	11.611	11,771
<i>Total US Department of Commerce</i>		46,249

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Justice:		
Grants to Reduce Violent Crimes Against Women on C	16.525	\$ 127,656
Juvenile Justice and Delinquency Prevention-Alloc	16.540	161,140
National Institute of Justice Research, Evaluation	16.560	6
Public Safety Partnership and Community Policing G	16.710	16,135
National Youth Sports Program	16.YSPEUDL2	15,155
Victim Services Professional Development	16.99-VF-GX-K012	49,801
Pass-through programs from:		
South Carolina Department of Public Safety	16.523	132,584
South Carolina Department of Juvenile Justice	16.540	53,652
Wake Forest University	16.540	63,688
University of South Carolina Research Foundation	16.540	40,371
Commission on Prosecution Coordination	16.542	(81,975)
Charlotte-Mecklenburg Police Department	16.710	(1,233)
South Carolina Department of Alcohol and Other Drug Abuses	16.728	26,370
<i>Total Department of Justice</i>		603,350
Environmental Protection Agency:		
Pass-through programs from:		
South Carolina Department of Health and Environment Control	66.606	12,798
University of South Carolina Research Foundation	66.709	49,645
<i>Total Environmental Protection Agency</i>		62,443
US Department of Education:		
International: Overseas-Group Projects Abroad	84.021	70,000
Special Education-Personnel Development and Training	84.029	39,540
Rehabilitation Long-Term Training	84.129	217,830
Migrant Education-High School Equivalency Program	84.141	217,962
Secondary Education and Transitional Services For	84.158	339,651
Safe and Drug-Free Schools and Communities-National	84.184	66,552
Graduate Assistance in Areas of National Need (B)	84.200	413,542
Assistive Technology	84.224	450,215
Special Education-Personnel Preparation to Improv	84.325	225,107
Child Care Access Means Parents in School	84.335	24,404
Teacher Quality Enhancement Grants	84.336	841,695
Spartanburg Writing Project	84.92-SC07	29,768
Pass-through programs from:		
University of South Carolina Research Foundation	84.021-342	308,185
South Carolina Department of Health and Environmental Control	84.181	1,440
Safe Schools/Healthy Students	84.184	830
South Carolina Department of Education	84.186	158,627
South Carolina Department of Education	84.01BB308	9,426
Allendale County Schools	84.215	184,293
The Alliance for South Carolina's Children	84.235	2,284
South Carolina Commission on Higher Education	84.281-334	446,444
National Writing Project Corporation	84.92-SC06	27,129
National Writing Project Corporation	84.92-SC05	16,915
<i>Total US Department of Education</i>		4,091,839
Corporation for National and Community Service:		
Pass-through programs from:		
AmeriCorps	94.006	45,630
South Carolina Commission on National and Community Service	94.006	60,823
University of South Carolina Research Foundation	94.006	3,478
<i>Total Corporation for National and Community Service</i>		109,931

See accompanying notes to schedule of expenditures of federal awards.

The University of South Carolina
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Agriculture:		
Pass-through programs from:		
South Carolina Department of Social Services	10.558	\$ 182,691
South Carolina Department of Social Services	10.DH26423900	48,527
South Carolina Forestry Commission	10.672	4,701
University of South Carolina Research Foundation	10.672	35,539
<i>Total US Department of Agriculture</i>		271,458
US Department of Housing and Urban Development:		
Community Development Block Grants/State's Program	14.228	73,812
Pass-through programs from:		
University of South Carolina Research Foundation	14.277	16,893
Spartanburg County Community and Economic Development Division	14.COUNTY SPTG	3,605
<i>Total US Department of Housing and Urban Development</i>		94,310
National Foundation for the Arts and the Humanities:		
Promotion of the Humanities-Preservation and Acce	45.149	3,828
Institute of Museum and Library Services-General	45.301	41,356
Institute of Museum and Library Services-National	45.312	190,237
Pass-through programs from:		
South Carolina Humanities Council	45.129	19,787
Georgia Humanities Council	45.129	924
<i>Total National Foundation for the Arts and the Humanities</i>		256,132
US Small Business Administration:		
Small Business Development Center	59.037	632,468
Small Business Innovation Research and Small Business Technology Transfer Program Outreach to Small High Technology Business	59.SBAHQ-99-R0015	52,821
<i>Total US Small Business Administration</i>		685,289
US Department of Labor:		
Pass-through programs from:		
South Carolina Employment Security Commission	17.250-255	242,247
South Carolina Employment Security Commission	17.OY90302	16,986
<i>Total US Department of Labor</i>		259,233
US Department of State:		
Pass-through program from:		
University of South Carolina Research Foundation	19.415-422	128,600
American Councils for International Education	19.ACTR/ACCELS	172,379
<i>Total US Department of State</i>		300,979
US Department of Veteran Affairs:		
GA: VA Medical Center	64.PO#544-C25031	1,499
<i>Total US Department of Veteran Affairs</i>		1,499
US Information Agency:		
Educational Exchange-University Lectures (Professor)	82.002	7,538
<i>Total US Information Agency</i>		7,538

See accompanying notes to schedule of expenditures of federal awards.

The University of South Carolina
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Social Security Administration:		
Social Security-Research and Demonstration	96.007	\$ 131,480
Pass-through programs from:		
University of South Carolina Research Foundation	96.007	24,035
<hr/> <i>Total Social Security Administration</i>		<hr/> 155,515
 <i>Total Federal Award Expenditures</i>		 \$ <u><u>192,298,576</u></u>

THE UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the University of South Carolina (the University) and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Summary of Significant Accounting Policies for Federal Award Expenditures**

Expenditures for student financial aid programs include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program grants and Federal Work Study (FWS) program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

Expenditures for federal research and development programs are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

(3) **Federal Perkins Loan Program (CFDA Number 84.038)**

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$17,170,760 as of June 30, 2002.

(4) **Matching**

Under the FWS program, the University matched \$325,158 in total compensation for the year ended June 30, 2002 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$294,933 in funds awarded to students for the year ended June 30, 2002 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

THE UNIVERSITY OF SOUTH CAROLINA
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

(5) Subrecipients

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

<u>Federal Granting Agency</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
US Department of Agriculture	10.RD	\$ 50,000
US Department of Commerce	11.RD	35,184
Pass-through programs from:		
South Carolina Sea Grant Consortium	11.RD	13,144
Total US Department of Commerce		<u>48,328</u>
US Department of Defense	12.002	47,945
US Department of Defense	12.RD	1,173,936
Total US Department of Defense		<u>1,221,881</u>
US Department of State	19.RD	20,825
US Department of Transportation	20.RD	54,642
Pass-through programs from:		
South Carolina Department of Transportation	20.RD	30,745
Total US Department of Transportation		<u>85,387</u>
National Aeronautics and Space Administration	43.RD	50,000
National Foundation of Arts and the Humanities		
Pass-through programs from:		
South Carolina Humanities Council	45.129	3,000
National Science Foundation	47.RD	246,135
Pass-through programs from:		
University of South Carolina Research Foundation	47.RD	21,997
National Science Foundation	47.070	48,165
Total National Science Foundation		<u>316,297</u>
Environmental Protection Agency	66.RD	26,971
Pass-through programs from:		
University of South Carolina Research Foundation	66.RD	8,294
South Carolina Department of Health and Environmental Control	66.RD	13,280
Total Environmental Protection Agency		<u>48,545</u>

THE UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Granting Agency	Federal CFDA Number	Amount Provided to Subrecipients
US Department of Energy	81.RD	\$ 23,525
Pass-through programs from:		
South Carolina Universities Research and Education Foundation	81.RD	5,523
Total US Department of Energy		<u>29,048</u>
US Department of Education	84.RD	37,596
US Department of Education	84.200	8,242
US Department of Education	84.336	506,109
Total US Department of Education		<u>551,947</u>
US Department of Health and Human Services	93.RD	1,124,085
US Department of Health and Human Services	93.184	29,862
Pass-through programs from:		
South Carolina Department of Health and Human Services	93.RD	28,625
University of South Carolina Research Foundation	93.RD	20,401
American School of Public Health	93.RD	4,656
South Carolina Department of Health and Human Services	93.A21001A	86,693
Total US Department of Health and Human Services		<u>1,294,322</u>
US Department of Energy		
Pass-through programs from:		
South Carolina Research and Education Foundation	81.RD	74,612
Institutional Partnership Program	99.RD	5,694
		<u>\$ 3,799,886</u>



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**Independent Auditors' Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Basic Financial Statements Performed
in Accordance With *Government Auditing Standards***

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the basic financial statements of the University of South Carolina (the University) as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. As discussed in the notes to the basic financial statements, effective July 1, 2001, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.





This report is intended solely for the information and use of the State Auditor, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 6, 2002



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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

Compliance

We have audited the compliance of the University of South Carolina (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002, except those requirements discussed in the third following paragraph. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002, other than those requirements discussed in the following paragraph.

We did not audit the University's compliance with requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Federal Perkins Loan, the Health Professions Student Loan and Nursing Student Loan programs. Those requirements govern functions that are performed by AMS Servicing Group (AMS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.





AMS' compliance with the requirements governing the functions that it performs for the University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the major program in which the University participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major program.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Federal Perkins Loan Program, in the Health Professions Student Loan and Nursing Student Loan Programs are performed by AMS. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at AMS.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University of South Carolina as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. As discussed in the notes to the basic financial statements, effective July 1, 2001, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements



and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the State Auditor, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 6, 2002

THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the basic financial statements: **none reported** Material weaknesses: **none**
- (c) Noncompliance which is material to the basic financial statements: **none**
- (d) Reportable conditions in internal control over major programs: **none reported**
Material weaknesses: **none**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **no**
- (g) Major Federal programs: **student financial aid cluster (various CFDA numbers), research and development cluster (various CFDA numbers), and Trio Cluster (various CFDA numbers)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **no**

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*: none

(3) Findings and Questioned Costs Relating to Federal Awards: none

THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Prior Year Audit Findings

Year ended June 30, 2002

There were no findings or questioned costs for the year ended June 30, 2001.