



CLEMSON UNIVERSITY

OMB Circular A-133 Reports

Year ended June 30, 2006

(With Independent Auditors' Reports Thereon)

EIN# 57-6000254

State of South Carolina



Office of the State Auditor

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November 13, 2006

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

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and the 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 of Clemson University for the fiscal year ended June 30, 2006, 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 Clemson University for the fiscal year ended June 30, 2006, issued by KPMG, LLP, Certified Public Accountants, dated September 22, 2006.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr." with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

CLEMSON UNIVERSITY

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CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Federal Award Expenditures		
Research and Development - Cluster:		
Department of Agriculture:	10.RD	\$ 6,877,906
Pass-through programs from:		
Alabama A&M University	10.RD	1,271
Auburn University	10.RD	57,520
Buckeye Bluegrass Farms, Inc.	10.RD	3,355
Carolina Seafood	10.RD	13,156
Cornell University	10.RD	9,430
Fort Valley State University	10.RD	15,512
Herbert Green Agroecology, Inc.	10.RD	6,764
Iowa State University	10.RD	60,929
Kansas State University	10.RD	11,795
Lowcountry Food Bank	10.RD	7,003
Mississippi State University	10.RD	30,390
National Forest Foundation	10.RD	14,602
North Carolina State University	10.RD	22,667
North Dakota State University	10.RD	1,539
South Carolina Department of Agriculture	10.RD	(132)
South Carolina Department of Natural Resources	10.RD	19,769
South Carolina Forestry Commission	10.RD	92,300
Southern Regional Aquaculture Center	10.RD	23,698
Texas A&M University	10.RD	31,188
University of Florida	10.RD	39,255
University of Georgia	10.RD	327,056
University of Nebraska - Lincoln	10.RD	16,184
University of South Carolina	10.RD	14,102
Virginia Polytechnic Institute	10.RD	53,646
Total Department of Agriculture		<u>7,750,905</u>
Department of Commerce:	11.RD	498,380
Pass-through programs from:		
College of Charleston	11.RD	3,312
Gulf and South Atlantic Fisheries	11.RD	21,113
National Textile Center	11.RD	1,249,720
South Carolina Department of Natural Resources	11.RD	6,587
South Carolina Sea Grant Consortium	11.RD	133,534
University of Florida	11.RD	3,215
University of South Alabama	11.RD	9,700
Total Department of Commerce		<u>1,925,561</u>
Department of Defense:	12.RD	6,827,852
Pass-through programs from:		
Appleton	12.RD	111,649

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Aspen Systems, Inc.	12.RD	\$ 1
Auburn University	12.RD	33,714
Battelle Memorial Institute	12.RD	43,276
Brookhaven National Laboratory	12.RD	102,426
Clarkson University	12.RD	40,838
Clemson University Research Foundation	12.RD	14,690
Eagen, McAllister Associates, Inc.	12.RD	(585)
ITT Industries	12.RD	58,985
Kent Sea Tech Corporation	12.RD	1,612
Kiara Networks	12.RD	34,865
Lockheed Martin Corporation	12.RD	68,497
Luna Innovations	12.RD	33,317
Massachusetts Institute of Technology Lincoln Laboratory	12.RD	18,906
Materials Sciences Corporation	12.RD	30,179
National Council on Education	12.RD	390
National Security Agency	12.RD	22,809
North Carolina State University	12.RD	12,901
Penn State University	12.RD	5,000
Sarratt Acquisition Management, Inc.	12.RD	113,581
South Carolina Research Authority	12.RD	1,154,476
South Carolina State University	12.RD	38,456
The Boeing Company	12.RD	(4,082)
Thermo Analytics, Inc.	12.RD	195,988
University of Central Florida	12.RD	30,820
University of Dayton Research Institute	12.RD	5,102
Touchstone Research Laboratory, Ltd.	12.RD	71,364
University of Illinois	12.RD	153,231
University of Maryland	12.RD	397,259
University of Michigan	12.RD	263,042
University of Missouri - Columbia	12.RD	138,435
Total Department of Defense		10,018,994
Department of Housing and Urban Development:		
Pass-through programs from:		
Anderson College	14.RD	9,652
Total Department of Housing and Urban Development		9,652
Department of the Interior:	15.RD	611,286
Pass-through programs from:		
Georgia Department of Natural Resources	15.RD	65
Indiana University	15.RD	3,091
Kentucky Fish & Wildlife Resources	15.RD	5,899
South Carolina Department of Natural Resources	15.RD	26,856
Total Department of the Interior		647,197

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Department of Justice		
Pass-through programs from:		
Boys and Girls Clubs of America	16.RD	\$ 688,848
FirstPic Inc.	16.RD	114,835
South Carolina Department of Education	16.RD	17,568
Total Department of Justice		821,251
Department of Labor:		
Pass-through programs from:		
Upstate Workforce Investment Board	17.RD	66,870
Total Department of Labor		66,870
Department of Transportation :	20.RD	466,873
Pass-through programs from:		
American Horse Council	20.RD	20,751
Appalachian Regional Commission	20.RD	91,003
Innovative Pavement Research Foundation	20.RD	120,086
South Carolina Department of Transportation	20.RD	842,443
South Carolina State University	20.RD	35,594
Total Department of Transportation		1,576,750
National Aeronautics and Space Administration:	43.RD	1,051,729
Pass-through programs from:		
College of Charleston	43.RD	24,769
Jet Propulsion Laboratory	43.RD	79,988
National Space Biomedical Research Institute	43.RD	162,714
South Carolina Space Grant Consortium	43.RD	55,234
Space Micro Inc.	43.RD	33,785
The University of Colorado	43.RD	25,192
University of Arizona	43.RD	2,310
University of California	43.RD	7,062
University of South Carolina	43.RD	25,000
Virginia Polytechnic Institute	43.RD	13,594
Total National Aeronautics and Space Administration		1,481,377
National Science Foundation	47.RD	10,894,615
Pass-through programs from:		
Arizona State University	47.RD	87,031
College of Charleston	47.RD	3,692
Colorado School of Mines	47.RD	289
Colorado State University	47.RD	5,055
Duke University	47.RD	289,220
Furman University	47.RD	41,315
Greenville Technical College	47.RD	76,866

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Jet Propulsion Laboratory	47.RD	\$ (1,711)
Massachusetts Institute of Technology	47.RD	23,138
Mississippi State University	47.RD	21,365
National Research Council	47.RD	15,483
North Carolina State University	47.RD	32,869
Ohio State University	47.RD	16,929
South Carolina Research Authority	47.RD	1,711,370
South Carolina State University	47.RD	175,504
Solidica	47.RD	8,894
The Academy of Natural Science	47.RD	24,157
The Shodor Education Foundation, Inc.	47.RD	45,818
University of Arizona	47.RD	242,575
University of California	47.RD	98,696
University Of California, San Diego	47.RD	19,999
University Of California, Santa Barbara	47.RD	123,625
University of Florida	47.RD	122,707
University of Kentucky	47.RD	51,098
University of New Hampshire	47.RD	25,227
University of Tennessee	47.RD	80,401
Total National Science Foundation		14,236,227
Environmental Protection Agency:	66.RD	27,567
Pass-through programs from:		
Commonwealth of Virginia	66.RD	31,788
Friends of Lake Keowee Society, Inc.	66.RD	2,442
TetraTech Inc.	66.RD	(1,501)
University of Florida	66.RD	16,604
University of South Alabama	66.RD	3,315
University of South Carolina	66.RD	21,699
Total Environmental Protection Agency		101,914
Department of Energy:	81.RD	1,343,318
Pass-through programs from:		
ADA Technologies, Inc.	81.RD	47,453
Argonne National Laboratory	81.RD	8,939
Arizona State University	81.RD	6,615
Aspen Systems, Inc.	81.RD	5,607
Clemson University Research Foundation	81.RD	1,116,618
Department of Agriculture	81.RD	315,384
Kent Sea Tech Corporation	81.RD	84,387
Los Alamos National Laboratory	81.RD	113,557
Medical University of South Carolina	81.RD	56,220
National Association of State Energy	81.RD	54,657

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Penn State University	81.RD	\$ 106,050
Research Triangle Institute	81.RD	88,754
Sandia National Laboratories	81.RD	27,860
SeaAg, Inc.	81.RD	76,993
South Carolina Budget and Control Board State Energy Office	81.RD	4,278
South Carolina Institute Energy Studies	81.RD	88,397
South Carolina State University	81.RD	57,137
South Carolina Universities Research and Education Foundation	81.RD	323,507
University of California	81.RD	203,413
UT-Battelle, LLC	81.RD	76,010
Total Department of Energy		4,205,154
Department of Health and Human Services:	93.RD	4,051,362
Pass-through programs from:		
BioSurfaces	93.RD	21,174
Chesterfield County Coordinating Council	93.RD	20,899
Dynamet Technology, Inc.	93.RD	13,451
Emory University	93.RD	15,814
Medical College of Georgia	93.RD	137,128
Medical University of South Carolina	93.RD	14,806
Mote Marine Laboratory	93.RD	10,000
Oconee Memorial Hospital	93.RD	934
Rutgers, The State University of New Jersey	93.RD	67,693
South Carolina Department of Mental Health	93.RD	68,079
South Carolina Department of Social Services	93.RD	188,493
South Carolina Research Authority	93.RD	8,645
University of Arizona	93.RD	(13,588)
University of Kentucky	93.RD	8,690
University of South Carolina	93.RD	412,419
University of Washington	93.RD	44,193
Widmeyer Communications	93.RD	114,220
Youth and Family Services	93.RD	9,555
Total Department of Health and Human Services		5,193,967
Agency for International Development:	98.RD	48,677
Pass-through programs from:		
Virginia Polytechnic Institute	98.RD	73,645
Total Agency for International Development		122,322
Department of Education:	84.RD	23,871
Pass-through programs from:		
American Institutes for Research	84.RD	3,968
Charleston County Government	84.RD	47,550
Council For Opportunity In Education	84.RD	12,119

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Indiana Department of Education	84.RD	\$ 52,650
Iowa Department of Education	84.RD	60,791
National Writing Project Corporation	84.RD	69,528
New Hampshire Department of Education	84.RD	6,337
Pickens County School District	84.RD	8,795
South Carolina Commission on Higher Education	84.RD	91,938
South Carolina Department of Education	84.RD	668,928
Stephens County	84.RD	26,453
University of Connecticut	84.RD	176,906
University of Tennessee	84.RD	19,353
Total Department of Education		<u>1,269,187</u>
Total Research and Development		<u>49,427,328</u>
Student Financial Aid - Cluster:		
Department of Education:		
Federal Supplemental Educational Opportunity Grant	84.007	559,747
Federal Stafford Loans	84.032	38,115,038
Federal Work Study Program	84.033	503,524
Federal Work Study Program	84.033	50,000
Federal Perkins Loan Program	84.038	184,748
Federal Pell Grant Program	84.063	4,963,030
Total Department of Education		<u>44,376,087</u>
Total Student Financial Aid		<u>44,376,087</u>
Other Programs:		
Department of Agriculture:		
Agricultural Research_Basic and Applied Research	10.001	104,371
Plant and Animal Disease, Pest Control, and Animal Care	10.025	969,341
Payments to 1890 Land-Grant Colleges Tuskegee University	10.205	139,000
Grants for Agricultural Research_Competitive Research Grants	10.206	129
Higher Education Challenge Grants	10.217	92,335
Higher Education Multicultural Scholars Program	10.220	9,058
Integrated Programs	10.303	183,116
International Science and Education Grants	10.305	582
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,266,936
Cooperative Extension Service	10.500	102,468
Cooperative Extension Service/Smith Lever	10.500	7,386,101
Pass-through programs from:		
Texas A&M University:		
Southern Region Watershed Resources Management	10.303	12,424
University of Maryland:		
Developing an E-Learning Resources for Water Nutrient Management and Conservation	10.303	10,558
University of Florida:		

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Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Regional Plant Diagnostic Center Laboratory	10.304	\$ 27,545
South Carolina Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	176,628
South Carolina Forestry Commission:		
Using the Media to Deliver Arboricultural/Horticultural Information	10.000	2,328
Teaching School Children the Importance of Urban and Community Forestry	10.664	1,400
South Carolina Forest Stewardship Program	10.999	1,688
Total Department of Agriculture		<u>10,486,008</u>
Department of Commerce:		
Pass-through programs from:		
South Carolina Sea Grant:		
The South Carolina Sea Grant Extension Program	11.417	135,246
Total Department of Commerce		<u>135,246</u>
Department of Housing and Urban Development:		
Community Development Work-Study Program	14.512	39,622
Total Department of Housing and Urban Development		<u>39,622</u>
Department of the Interior		
Charles Pinckney National Historic Site -		
Implement Workshop Recommendations July 26, 2005	15.999	8,977
Incorporating SE MAPS into the Kings Mountain Outreach Program	15.999	4,802
Pass-through programs from:		
South Carolina Department of Archives and History:		
FY2005 Federal Grant (Hopewell Property)	15.904	4,959
Total Department of the Interior		<u>18,738</u>
Department of Justice:		
Pass-through programs from:		
South Carolina Department of Transportation:		
Develop Series of Truancy Publications	16.541	11,256
Total Department of Justice		<u>11,256</u>
Department of Transportation:		
Pass-through programs from:		
South Carolina Department of Transportation		
Transportation Technology Transfer Service(T3S)	20.205	400,207
Total Department of Transportation		<u>400,207</u>
National Endowment for the Arts :		
Promotion of the Arts_Grants to Organizations and Individuals	45.024	15,354
Total National Endowment for the Arts		<u>15,354</u>

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
National Science Foundation:		
Pass-through programs from:		
Clemson University Research Foundation:		
Clemson University GK-12 Project	47.076	\$ 12,351
Total National Science Foundation		<u>12,351</u>
Small Business Administration:		
Pass-through programs from:		
University of South Carolina:		
Small Business Development Center	59.037	272,216
Total Small Business Administration		<u>272,216</u>
Environmental Protection Agency:		
Modeling Assessment of the Benefits of Partial DNAPL Source Removal	66.500	86,853
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	488,450
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716	3,166
Environmental Education Grants	66.951	60,387
Pass-through programs from:		
University of Georgia:		
Protecting Children's Health through Water Quality Education	66.000	4,331
Pickens County Soil and Water Conservation:		
Fecal Caliform Education in the Twelve Mile Creek Watershed	66.319	41,202
Anderson County Soil and Water Conservation:		
Big Generostee Creek TMDL Implementation		
Through Reduction on Fecal Coliform Pollution	66.460	63,246
South Carolina Department of Health and Environmental Control:		
Tyger River Total Maximum Daily Load Implementation Project	66.460	7,105
Coneross Creek and Beaverdam Creek Total Maximum Daily Load (TMDL)		
Implementation Project	66.460	80,146
Stream Restoration and Demonstration	66.460	17,700
Total Environmental Protection Agency		<u>852,586</u>
Department of Education:		
Fund for the Improvement of Postsecondary Education	84.116	185,917
Fund for the Improvement of Education	84.215	227,093
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	709,636
Pass-through programs from:		
South Carolina Department of Education:		
Special Education_Grants to States	84.027	48,154
Vocational Education Basic Grants to States	84.048	88,805
Strom Thurmond Institute	84.298	5,000
South Carolina State Improvement Grant	84.323	3,159
Mathematics South Carolina Partnership	84.366	147,382

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Schedule of Expenditures of Federal Awards
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Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
South Carolina Commission on Higher Education:		
Digital Express	84.367	\$ 86,209
Council for Opportunity in Education:		
Revising COE Online Community	84.103	1,814
University Of Oregon:		
National Center of Secondary, Transition and Postsecondary Outcomes for Students with Disabilities	84.324	36,575
Minnesota State Department of Education:		
Dropout Prevention, Retention, and Graduation	84.360	35,819
Total Department of Education		<u>1,575,563</u>
National Archives and Records Administration:		
Pass-through programs from:		
South Carolina Department of Archives and History:		
South Carolina SHRAB: Processing Audiotape Collections	89.003	<u>7,197</u>
Total National Archives and Records Administration		<u>7,197</u>
Department of Health and Human Services:		
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	130,039
Drug-Free Communities Support Program Grants	93.276	85,913
Nurse Education, Practice and Retention Grants	93.359	(48)
Advanced Education Nursing Traineeships	93.358	32,680
Pass-through programs from:		
Department of Justice:		
Sumter Citizens Drug-Free Initiative	93.276	28,408
Medical University of South Carolina:		
South Carolina Area Education Consortium	93.107	(20)
South Carolina Lieutenant Governor's Office:		
Senior Medicare Patrol (BE-SMART)	93.000	11,980
South Carolina Department of Health and Environmental Control:		
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	70,522
Total Department of Health and Human Services		<u>359,474</u>
Corporation for National and Community Service:		
Pass-through programs from:		
National Youth Leadership Council:		
National Service - Learning Exchange Project	94.007	13,310
South Carolina Department of Education:		
Learn and Serve America_School and Community Based Programs	94.004	49,783
Project SPIRIT	94.004	7,214
Total Corporation for National and Community Service		<u>70,307</u>
Department of Homeland Security:		
Pass-through programs from:		

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 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
South Carolina Law Enforcement Division:		
State Domestic Preparedness Equipment Support Program	97.004	\$ 620,788
Homeland Security Grant Program	97.067	654,664
Total Department of Homeland Security		<u>1,275,452</u>
Total Federal Awards		<u>\$ 109,334,992</u>

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Clemson University (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 \$8,222,000 as of June 30, 2006.

(4) Matching

Under the FWS program, the University matched \$138,072 in total compensation for the year ended June 30, 2006 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$186,416 in funds awarded to students for the year ended June 30, 2006 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

(5) Subrecipients

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

Federal granting agency	Federal CFDA number	Amount provided to subrecipients
Department of Agriculture	10.025	\$ 22,661
Department of Agriculture	10.200	6,558
Department of Agriculture	10.206	9,584
Department of Agriculture	10.217	15,538
Department of Agriculture	10.303	37,700
Department of Agriculture	10.457	9,643
Department of Agriculture	10.500	95,941
Department of Agriculture	10.561	168,846
Department of Agriculture	10.912	809
Total Department of Agriculture		367,280
Department of Commerce	11.113	156,250
Department of Commerce	11.417	(47)
Department of Commerce	11.452	291,216
Total Department of Commerce		447,419
Department of Defense	12.000	1,052,352
Department of Defense	12.300	31,702
Department of Defense	12.420	7,861
Department of Defense	12.431	277,336
Department of Defense	12.910	1,694,139
Total Department of Defense		3,063,390
Department of Interior	15.812	19,996
Department of Interior	15.999	11,037
Total Department of Interior		31,033
Department of Justice	16.000	35,810
Department of Transportation	20.000	4,965
Department of Transportation	20.108	40,225
Department of Transportation	20.205	14,091
Total Department of Transportation		59,281

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

<u>Federal granting agency</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
Appalachian Regional Commission	23.002	\$ 34,338
National Aeronautics and Space Administration	43.999	4,656
National Science Foundation	47.041	596,618
National Science Foundation	47.049	44,442
National Science Foundation	47.050	47,522
National Science Foundation	47.070	4,935
National Science Foundation	47.074	105,139
National Science Foundation	47.076	201,961
Total National Science Foundation		<u>1,000,617</u>
Department of Energy	81.049	17,500
Department of Energy	81.064	18,244
Department of Energy	81.087	32,036
Department of Energy	81.121	28,123
Department of Energy	81.999	4,487
Total Department of Energy		<u>100,390</u>
Department of Education	84.116	55,054
Department of Education	84.215	198,690
Department of Education	84.287	112,934
Department of Education	84.326	247,544
Total Department of Education		<u>614,222</u>
Department of Health and Human Services	93.009	350,000
Department of Health and Human Services	93.243	19,671
Department of Health and Human Services	93.276	70,580
Department of Health and Human Services	93.375	325,663
Department of Health and Human Services	93.575	24,974
Department of Health and Human Services	93.616	81,825
Department of Health and Human Services	93.647	50,000
Department of Health and Human Services	93.853	7,320
Total Department of Health and Human Services		<u>930,033</u>
Agency for International Development	98.001	49,583
Agency for International Development	98.009	22,871
Total Agency for International Development		<u>72,454</u>
		<u>\$ 6,760,923</u>



KPMG LLP
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Mr. Richard H. Gilbert, Jr., CPA
Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the financial statements of the business-type activities and discretely presented component units of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2006, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 22, 2006. 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. The financial statements of Clemson University Foundation, a discretely presented component unit, were not audited in accordance with *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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of the University in a separate letter dated September 22, 2006.

This report is intended solely for the information and use of the Interim 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 22, 2006



KPMG LLP
Suite 900
55 Beattie Place
Greenville, SC 29601-2106

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Mr. Richard H. Gilbert, Jr., CPA
Interim State Auditor
State of South Carolina
Columbia, South Carolina

Compliance

We have audited the compliance of Clemson University (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended June 30, 2006. 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 considered 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, 2006.

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.



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 reportable condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 financial statements of the business-type activities and discretely presented component units of Clemson University, a department of the State of South Carolina, as of and for the year ended June 30, 2006, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 22, 2006. 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 Interim 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

October 6, 2006

CLEMSON UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

(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: **Research and Development Cluster (various CFDA numbers) and Cooperative Extension Service/Smith Lever – CFDA number 10.500**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,131,056**
- (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