



CLEMSON UNIVERSITY

OMB Circular A-133 Reports

Year ended June 30, 2005

(With Independent Auditors' Reports Thereon)

EIN# 57-6000254

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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December 16, 2005

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

The report on compliance and on internal control over financial reporting, 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, 2005, 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, 2005, issued by KPMG, LLP, Certified Public Accountants, dated September 16, 2005.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

CLEMSON UNIVERSITY

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CLEMSON UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

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	\$ 6,999,811
Pass-through programs from:		
Auburn University	10.RD	32,434
Buckeye Bluegrass Farms, Inc.	10.RD	59
Carolina Seafood	10.RD	23,310
Cornell University	10.RD	54,176
Fort Valley State University	10.RD	5,373
Iowa State University	10.RD	28,059
Kansas State University	10.RD	33,312
Mississippi State University	10.RD	34,931
National 4-H Council	10.RD	23,501
National Forest Foundation	10.RD	66,300
North Carolina State University	10.RD	31,231
New Mexico State University	10.RD	(782)
Purdue University	10.RD	13,053
South Carolina Department of Agriculture	10.RD	3,743
South Carolina Forestry Commission	10.RD	203,734
Southern Regional Aquaculture Center	10.RD	25,000
Texas A&M University	10.RD	36,273
University of Florida	10.RD	26,841
University of Georgia	10.RD	226,487
University of Nebraska – Lincoln	10.RD	4,238
University of South Carolina	10.RD	13,240
University of Central Florida	10.RD	100,831
Total Department of Agriculture		<u>7,985,155</u>
Department of Commerce:	11.RD	1,644,983
Pass-through programs from:		
Gulf and South Atlantic Fisheries	11.RD	9,261
National Textile Center	11.RD	1,295,689
South Carolina Sea Grant Consortium	11.RD	177,731
South Carolina Space Grant Consortium	11.RD	1,815
University of Florida	11.RD	36,280
University of South Alabama	11.RD	19,579
Total Department of Commerce		<u>3,185,338</u>
Department of Defense:	12.RD	5,519,599
Pass-through programs from:		
ARC	12.RD	75,996
Aspen Systems, Inc.	12.RD	31,088
Battelle Memorial Institute	12.RD	3,619
Brookhaven National Laboratory	12.RD	107,503
Clemson University Research Foundation	12.RD	47,570
Eagen, McAllister Associates, Inc.	12.RD	114,385
Honeywell	12.RD	134,152
HydroGeoLogic, Inc	12.RD	4,754
ITT Industries	12.RD	14,240
Kent Sea Tech Corporation	12.RD	9,419
Materials Sciences Corporation	12.RD	12,387
North Carolina State University	12.RD	128,798
New Jersey Institute of Technology	12.RD	30,034
South Carolina Research Authority	12.RD	427,595
The Boeing Company	12.RD	222,823
The Research Foundation – New York State University	12.RD	10,000

CLEMSON UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Thermo Analytics, Inc.	12.RD	\$ 72,730
Touchstone Research Laboratory, Ltd.	12.RD	58,289
University of Illinois	12.RD	199,093
University of Maryland	12.RD	334,657
University of Michigan	12.RD	304,540
University of Missouri – Columbia	12.RD	11,246
Total Department of Defense		<u>7,874,517</u>
Department of Housing and Urban Development:		
Pass-through programs from:		
Anderson College	14.RD	6,436
Total Department of Housing and Urban Development		<u>6,436</u>
Department of the Interior:	15.RD	548,195
Pass-through programs from:		
American Forest Foundation	15.RD	312
Boeing Phantom Works	15.RD	(1,664)
Georgia Department of Natural Resources	15.RD	47,927
Indiana University	15.RD	17,840
South Carolina Department of Natural Resources	15.RD	28,061
Total Department of the Interior		<u>640,671</u>
Department of Labor:		
Pass-through programs from:		
Boys and Girls Clubs of America	16.RD	1,053,822
Oklahoma State University	16.RD	(414)
South Carolina Department of Education	16.RD	100,788
Total Department of Labor		<u>1,154,196</u>
Department of Transportation :	20.RD	358,489
Pass-through programs from:		
American Horse Council	20.RD	32,016
Innovative Pavement Research Foundation	20.RD	86,804
South Carolina Department of Transportation	20.RD	777,798
South Carolina State University	20.RD	30,244
Total Department of Transportation		<u>1,285,351</u>
National Aeronautics and Space Administration:	43.RD	1,481,980
Pass-through programs from:		
College of Charleston	43.RD	44,644
Honeywell	43.RD	2,038
Jet Propulsion Laboratory	43.RD	32,203
JPL Subcontract Payment Group	43.RD	23,881
Medical University of South Carolina	43.RD	10,835
National Space Biomedical Research Institute	43.RD	221,683
Ohio State University	43.RD	13,083
South Carolina Research Authority	43.RD	6,757
South Carolina Space Grant Consortium	43.RD	62,709
Space Micro Inc.	43.RD	16,215
The University of Colorado	43.RD	11,789
University of Arizona	43.RD	11,527
University of California	43.RD	12,799
University of South Carolina	43.RD	(1,767)
Virginia Polytechnic Institute	43.RD	18,305
Total National Aeronautics and Space Administration		<u>1,968,681</u>

CLEMSON UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
National Science Foundation:	47.RD	\$ 10,747,216
Pass-through programs from:		
Arizona State University	47.RD	95,679
College of Charleston	47.RD	14,698
Duke University	47.RD	471,090
Furman University	47.RD	68,655
Georgia Institute of Technology	47.RD	(369)
Greenville Technical College	47.RD	57,884
Jet Propulsion Laboratory	47.RD	60,789
Massachusetts Institute of Technology	47.RD	56,035
Mississippi State University	47.RD	21,778
National Research Council	47.RD	23,017
North Carolina State University	47.RD	56,375
Purdue University	47.RD	(11,328)
South Carolina Department of Education	47.RD	30,000
South Carolina Research Authority	47.RD	1,548,663
South Carolina State University	47.RD	130,153
Solidica	47.RD	48,500
The Academy of Natural Science	47.RD	18,224
The Shodor Education Foundation, Inc.	47.RD	27,118
University of Arizona	47.RD	22,775
University of California	47.RD	80,058
University of Florida	47.RD	224
University of Illinois	47.RD	29,950
University of Kentucky	47.RD	15,498
University of Tennessee	47.RD	49,803
University of California, Santa Barbara	47.RD	839
University of Notre Dame	47.RD	15,202
Total National Science Foundation		13,678,526
Environmental Protection Agency:	66.RD	148,086
Pass-through programs from:		
Commonwealth of Virginia	66.RD	30,816
Rensselaer Polytechnic Institute	66.RD	3,760
South Carolina Department of Health and Environmental Control	66.RD	9,535
TetraTech Inc.	66.RD	51,082
The Research Foundation – New York State University	66.RD	50,875
University of Florida	66.RD	10,145
University of South Carolina	66.RD	55,991
Total Environmental Protection Agency		360,290
Department of Energy:	81.RD	1,360,538
Pass-through programs from:		
ADA Technologies, Inc.	81.RD	55,974
Arizona State University	81.RD	13,385
Auburn University	81.RD	(34,453)
Battelle	81.RD	14,012
Clemson University Research Foundation	81.RD	1,315,254
Institute at Biltmore	81.RD	10,287
Kent Sea Tech Corporation	81.RD	24,000
Los Alamos National Laboratory	81.RD	23,027
North Carolina State University	81.RD	10,627
Oak Ridge National Laboratory	81.RD	3,500
Parsons	81.RD	34,902
Penn State University	81.RD	71,250

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Research Triangle Institute	81.RD	\$ 73,247
Sandia National Laboratories	81.RD	4,263
South Carolina Budget and Control Board State Energy Office	81.RD	15,939
South Carolina Energy Office	81.RD	4,112
South Carolina Institute Energy Studies	81.RD	73,507
South Carolina Universities Research and Education Foundation	81.RD	423,691
SeaAg, Inc.	81.RD	29,000
University of California	81.RD	212,284
UT-Battelle	81.RD	39,265
Virginia Polytechnic Institute	81.RD	3,301
Total Department of Energy		3,780,912
Department of Health and Human Services:	93.RD	4,242,415
Pass-through programs from:		
BioSurfaces	93.RD	34,939
Communities in Schools of South Carolina, Inc.	93.RD	(214)
Dynamet Technology, Inc.	93.RD	(44,920)
Emory University	93.RD	10,191
Medical College of Georgia	93.RD	178,709
South Carolina Department of Mental Health	93.RD	107,950
South Carolina Department of Social Services	93.RD	191,558
South Carolina Developmental Disabilities Council	93.RD	38,065
South Carolina Research Authority	93.RD	9,792
University of Arizona	93.RD	379,665
University of Kentucky	93.RD	2,675
University of South Carolina	93.RD	157,731
University of Virginia	93.RD	24,832
Widmeyer Communications	93.RD	78,890
Youth and Family Services	93.RD	24,793
Total Department of Health and Human Services		5,437,071
Agency for International Development:		
Pass-through programs from:		
American Council on Education	98.RD	24,817
Deloitte Touche Tohmatsu	98.RD	1,295
Virginia Polytechnic Institute	98.RD	26,892
Total Agency for International Development		53,004
Department of Education:	84.RD	555,162
Pass-through programs from:		
Butler Technical and Career Development Schools	84.RD	543
Charleston County Government	84.RD	94,581
Council for Opportunity in Education	84.RD	12,885
Greenville County School District	84.RD	10,959
Iowa Department of Education	84.RD	14,711
Marion School District Two	84.RD	(146)
National Writing Project Corporation	84.RD	39,508
Oconee County School District	84.RD	13,211
Pickens County School District	84.RD	1,617
South Carolina Commission on Higher Education	84.RD	89,187
South Carolina Department of Education	84.RD	145,589
Stephens County	84.RD	46,560
Tri-County Technical College	84.RD	—
Total Department of Education		1,024,367
Total Research and Development		48,434,515
Student Financial Aid – Cluster:		

CLEMSON UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Department of Education:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 568,057
Federal Stafford Loans	84.032	36,096,397
Federal Work Study Program	84.033	559,734
Federal Work Study Program	84.033	50,000
Federal Perkins Loan Program	84.038	158,928
Federal Pell Grant Program	84.063	5,296,579
Total Department of Education		42,729,695
Total Student Financial Aid		42,729,695
Other programs:		
Department of Agriculture:		
Agricultural Research Basic and Applied Research	10.001	91,749
Plant and Animal Disease, Pest Control, and Animal Care	10.025	944,592
Grants for Agricultural Research Competitive Research Grants	10.206	3,650
Higher Education Challenge Grants	10.217	45,310
Higher Education Multicultural Scholars Program	10.220	13,500
Integrated Programs	10.303	191,927
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,359,085
Cooperative Extension Service/Smith Lever	10.500	6,813,054
Cooperative Extension Service	10.500	62,087
Forestry Research	10.652	35,022
Pass-through programs from:		
North Carolina State University:		
Development of Multi-level Food Safety Education Program for the Retail Food Industry	10.303	2,479
Texas A&M University:		
Southern Region Watershed Resources Management	10.303	23,112
University of Florida:		
Reduced-Risk Tactics for Thrips and Tospoviruses on Solanaceous Crops	10.303	3,200
University of Maryland:		
Integrated Programs	10.303	1,717
University of Florida:		
Homeland Security Agricultural	10.304	36,223
University of Georgia:		
Risk Management Under the Farm Bill Workshop	10.304	(155)
South Carolina Department of Social Services:		
Summer Food Service Program for Children	10.559	(2,184)
State Administrative Matching Grants for Food Stamp Program	10.561	94,007
South Carolina Forestry Commission:		
Forestry Research	10.652	27,113
Cooperative Forestry Assistance	10.664	21,358
Total Department of Agriculture		9,766,846
Department of Commerce:		
Pass-through programs from:		
South Carolina Sea Grant Consortium Sea Grant Support	11.417	140,541
Total Department of Commerce		140,541
Department of Housing and Urban Development:		
Community Development Work-Study Program	14.512	50,711
Total Department of Housing and Urban Development		50,711

CLEMSON UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Department of Justice:		
Pass-through programs from:		
South Carolina Law Enforcement Division:		
Livestock and Poultry Health PPE and Testing Equipment	16.007	\$ 8,744
South Carolina Statewide Initiative on College Drinking Enforcing Underage Drinking Laws Program	16.727	<u>19,850</u>
Total Department of Justice		<u>28,594</u>
Department of Labor:		
Veterans' Employment Program	17.802	<u>(1,009)</u>
Total Department of Justice		<u>(1,009)</u>
Department of Transportation:		
Pass-through programs from:		
South Carolina Department of Transportation Highway Planning and Construction	20.205	<u>344,178</u>
Total Department of Transportation		<u>344,178</u>
National Endowment for the Arts :		
Promotion of the Arts_Grants to Organizations and Individuals	45.024	<u>39,396</u>
Total National Endowment for the Arts		<u>39,396</u>
National Science Foundation:		
Biological Sciences	47.074	735
Pass-through programs from:		
Clemson University Research Foundation: Education and Human Resources	47.076	<u>322,285</u>
Total National Science Foundation		<u>323,020</u>
Small Business Administration:		
Pass-through programs from:		
University of South Carolina: Small Business Development Center	59.037	<u>59,367</u>
Total Small Business Administration		<u>59,367</u>
Environmental Protection Agency:		
Modeling Assessment of the Benefits of Partial DNAPL Source Removal	66.500	109,327
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	500,276
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716	53,659
Environmental Education Grants	66.951	6,287
Pass-through programs from:		
University of Georgia:		
Protecting Children's Health through Water Quality Education	66.000	6,025
Pickens County Soil and Water Conservation:		
Fecal Coliform Education in the Twelve Mile Creek Watershed	66.319	15,754
Anderson County Soil and Water Conservation:		
Big Generossee Creek TMDL Implementation Through Reduction on Fecal Coliform Pollution	66.460	94
South Carolina Department of Health and Environmental Control:		
Planning and Establishing Streamside Management Zone (SMZS) During Timber Harvest Operations	66.460	8,501
Stream Restoration and Demonstration	66.460	26,660
Coneross Creek and Beaverdam Creek Total Maximum Daily Load (TMDL) Implementation Project	66.460	173,891
South Carolina Department of Health and Environmental Control: Multi-Media Capacity Building Grants for States and Tribes	66.709	14,627

CLEMSON UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
American Forest Foundation: Landowner Training Package for National Management Measures to Control Nonpoint Source Pollution from Forestry	66.999	\$ <u>26,702</u>
Total Environmental Protection Agency		<u>941,803</u>
Department of Education: Fund for the Improvement of Postsecondary Education	84.116	623,117
Fund for the Improvement of Education	84.215	167,364
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	552,391
Transition to Teaching	84.350	114,946
Pass-through programs from: Colleton County School District: Youth Leadership/Dropout Prevention Program	84.000	3,582
Fargo Public Schools: Fargo Public School Evaluation	84.000	1,336
South Carolina Department of Education: Special Education Grants to States	84.027	89,093
Vocational Education Basic Grants to States	84.048	116,475
South Carolina Department of Education: Special Education – State Personnel Development	84.323	52,228
University of Oregon: Research in Special Education	84.324	6,141
South Carolina Department of Education: Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	14,722
South Carolina Department of Education: Learn and Serve America School and Community Based Programs	94.004	<u>37,421</u>
Total Department of Education		<u>1,778,816</u>
Department of Health and Human Services: Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	224,446
Drug-Free Communities Support Program Grants	93.276	98,923
Nurse Education, Practice and Retention Grants	93.359	165,821
Test for Suppression Effects of Advanced Energy	93.999	7,141
Advanced Education Nursing Traineeships	93.358	46,982
Pass-through programs from: South Carolina Lieutenant Governor’s Office: Senior Medicare Patrol (BE-SMART)	93.000	20,280

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Federal grantor/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Medical University of South Carolina:		
Model State-Supported Area Health Education Centers	93.107	\$ 1,703
South Carolina Department of Health and Environmental Control:		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	183,084
Chesterfield County Coordinating Council:		
Temporary Assistance for Needy Families	93.558	1,268
South Carolina Department of Social Services:		
Child Care and Development Block Grant	93.575	27,954
South Carolina Developmental Disabilities Council:		
Self-Determination into Action: An After-School Youth Empowerment Program	93.630	32,364
Total Department of Health and Human Services		<u>809,966</u>
Corporation for National and Community Service:		
Pass-through programs from:		
National Youth Leadership Council:		
Planning and Program Development Grants	94.007	68,008
South Carolina Law Enforcement Division:		
State Domestic Preparedness Equipment Support Program	97.004	997,664
Total Corporation for National and Community Service		<u>1,065,672</u>
Total federal awards		<u>\$ 106,512,111</u>

See accompanying notes to schedule of expenditures of federal awards.

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(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 \$8,011,469 as of June 30, 2005.

(4) Matching

Under the FWS program, the University matched \$156,276 in total compensation for the year ended June 30, 2005 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$188,935 in funds awarded to students for the year ended June 30, 2005 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

(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>
Department of Agriculture	10.025	\$ 2,789
Department of Agriculture	10.200	13,382
Department of Agriculture	10.206	6,617
Department of Agriculture	10.302	44,671
Department of Agriculture	10.303	77,693
Department of Agriculture	10.500	14,570
Department of Agriculture	10.561	70,063
Department of Agriculture	10.652	14,272
Total Department of Agriculture		<u>244,057</u>
Department of Commerce	11.113	95,983
Department of Commerce	11.417	62,870
Department of Commerce	11.452	1,428,858
Total Department of Commerce		<u>1,587,711</u>
Department of Defense	12.000	1,191,881
Department of Defense	12.300	39,574
Department of Defense	12.420	14,000
Department of Defense	12.910	897,915
Total Department of Defense		<u>2,143,370</u>
Department of Interior	15.805	30,000
Department of Justice	16.RD	64,723
Department of Transportation	12.108	8,243
Department of Transportation	20.205	5,759
Total Department of Justice		<u>14,002</u>
National Aeronautics and Space Administration	43.999	10,450

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Federal granting agency</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
National Science Foundation	47.041	\$ 638,468
National Science Foundation	47.049	23,226
National Science Foundation	47.050	64,713
National Science Foundation	47.070	18,305
National Science Foundation	47.074	189,925
National Science Foundation	47.RD	202,821
National Science Foundation		34,404
Total National Science Foundation		<u>1,171,862</u>
Environmental Protection Agency	66.460	12,356
Environmental Protection Agency	66.606	3,918
Total Environmental Protection Agency		<u>16,274</u>
Department of Energy	81.087	36,756
Department of Energy	81.121	226
Total Department of Energy		<u>36,982</u>
Department of Education	84.116	344,199
Department of Education	84.215	167,364
Department of Education	84.287	76,354
Department of Education	84.326	182,455
Total Department of Education		<u>770,372</u>
Department of Health and Human Services	93.243	68,890
Department of Health and Human Services	93.375	270,031
Department of Health and Human Services	93.395	31,289
Department of Health and Human Services	93.575	21,829
Department of Health and Human Services	93.616	92,384
Department of Health and Human Services	93.647	288,238
Total Department of Health and Human Services		<u>772,661</u>
Agency for International Development	98.RD	10,256
		\$ <u><u>6,872,720</u></u>



KPMG LLP
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55 Beattie Place
Greenville, SC 29601-2106

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

We have audited the financial statements of the business-type activities of Clemson University (the University) and the discretely presented component units, a department of the State of South Carolina, as of and for the year ended June 30, 2005, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 16, 2005. 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 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 16, 2005.



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 16, 2005



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. Thomas L. Wagner, Jr., CPA
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, 2005, 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 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, 2005, 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 Program. Those requirements govern functions that are performed by Educational Loan Servicing, LLC (d/b/a Campus Partners) (ELS). 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.



ELS's compliance with the requirements governing the functions that they perform for the University were 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 of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization's accountants' report, we have determined that all of the compliance requirements included in the Compliance Supplement that are applicable to each of the major programs in which the University participates are addressed in either our report or the report of the service organization's accountants. Further, based on our review of the service organization's accountants' report, we have determined that it does not contain any findings or noncompliance that would have a direct and material effect on each of the University's applicable major programs.

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 are performed by ELS. 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 of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization's accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at ELS.

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 of Clemson University and the discretely presented component units, a department of the State of South Carolina, as of and for the year ended June 30, 2005, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 16, 2005. 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

October 7, 2005

CLEMSON UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

(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 Student Financial Aid Cluster (various CFDA numbers)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,108,000**
- (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