

SOUTH CAROLINA STATE UNIVERSITY

ORANGEBURG, SOUTH CAROLINA

OMB CIRCULAR A-133 REPORTS

(With Independent Auditors' Report Thereon)

YEAR ENDED JUNE 30, 2007

SOUTH CAROLINA STATE UNIVERSITY

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SOUTH CAROLINA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
Research and Development Cluster			
Direct Programs:			
U.S. Department of Agriculture			
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	\$ 1,225,188	\$ -
1890 Institution Capacity Building Grants	10.216	176,861	43,632
U.S. Department of Defense			
Basic and Applied Scientific Research	12.300	178,975	154,698
U.S. Department of Transportation			
Highway Training and Education	20.215	2,484,345	1,834,505
University Transportation Centers Program	20.701	11,536	10,904
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	124,995	30,942
National Science Foundation			
Engineering Grants	47.041	12,597	-
Education and Human Resources	47.076	632,599	439,662
U.S. Department of Energy			
Office of Science Financial Assistance Program	81.049	826,928	358,269
University Reactor Infrastructure and Education Support	81.114	125,695	-
U.S. Department of Health and Human Services			
National Center on Minority Health and Health Disparities	93.307	392,397	-
Research	93.865	45,617	-
Rural Health Outreach and Rural Network Development Program	93.912	26,660	3,143
		<u>6,264,393</u>	<u>2,875,755</u>
 Pass-Through State Agencies:			
U.S. Department of Energy			
Passed Through University of South Carolina Renewable Energy Research and Development	81.087	11,612	-
Total Pass-Through State Agencies		<u>11,612</u>	<u>-</u>
 Pass-Through Other Than State Agencies:			
National Aeronautics and Space Administration			
Passed Through University of Alabama Aerospace Education Services Program	43.001	6,501	4,024

SOUTH CAROLINA STATE UNIVERSITY
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For the Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
National Science Foundation			
Passed Through South Carolina Resource Authority Education and Human Resources	47.076	209,484	-
U.S. Department of Health and Human Services			
Passed Through Central State University Family and Community Violence Prevention Program	93.910	12,766	-
Total Pass-Through Other Than State Agencies		<u>228,751</u>	<u>4,024</u>
Total Research and Development Cluster		<u>6,504,756</u>	<u>2,879,779</u>
Student Financial Assistance Programs Cluster			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	742,663	-
Federal Work-Study Program	84.033	411,588	-
Federal Perkins Loan Program - Federal Capital Contribution	84.038	1,988,295	-
Federal Pell Grant Program	84.063	8,241,656	-
Academic Competitiveness Grants	84.375	188,587	-
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	117,464	-
Total Higher Education Cluster		<u>11,690,253</u>	-
Non-Cluster Programs			
Direct Programs:			
U.S. Department of Agriculture			
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	1,179,819	-
1890 Institution Capacity Building Grants	10.216	57,686	-
Rural Development, Forestry, and Communities	10.672	102,557	-
Rural Cooperative Development Grants	10.771	235,156	-
1890 Land Institutions Rural Entrepreneurial Outreach Program	10.856	106,785	-
Soil and Water Conservation	10.902	(96,935)	-
U.S. Department of Housing and Urban Development			
Northeastern Corridor of Orangeburg Community Development Corporation	14.237	355,800	-
U.S. Department of Transportation			
Highway Planning and Construction	20.205	8,720	-
Highway Training and Education	20.215	211,649	86,488
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	12,383	-

SOUTH CAROLINA STATE UNIVERSITY
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For the Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
National Science Foundation			
Engineering Grants	47.041	15,729	-
Education and Human Resources	47.076	710,007	-
U.S. Department of Energy			
Office of Environmental Cleanup and Acceleration	81.104	598	-
University Reactor Infrastructure and Education Support	81.114	237,495	31,917
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	324,887	4,267
U.S. Department of Education			
Special Education-Grants to States	84.027	13,683	-
Higher Education-Institutional Aid Title III	84.031	2,712,387	-
TRIO-Student Support Services	84.042	173,678	-
TRIO-Talent Search	84.044	123,647	-
TRIO-Upward Bound	84.047	261,253	-
TRIO-Educational Opportunity Centers	84.066	201,760	-
Minority Science and Engineering Improvement	84.120	35,853	-
Rehabilitation Long-Term Training	84.129	352,706	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	394,459	63,611
Improving Teacher Quality State Grants	84.367	47,032	-
Historically Black Colleges and Universities Capital Financing Program	84.XXX	18,234,381	-
U.S. Department of Health and Human Services			
Rural Health Outreach and Rural Network Development Program	93.912	81,321	-
U.S. Agency for International Development			
USAID Foreign Assistance for Programs Oversees	98.001	333,073	-
		26,427,569	186,283
Indirect Programs:			
Pass-Through State Agencies:			
U.S. Department of Agricultural			
Passed Through Fort Valley State University Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	8,121	-
Passed Through Tennessee State University International Science and Education Grants	10.305	3,690	-
Passed Through Clemson University Cooperative Extension Service	10.500	50,745	-
Small Business Administration			
Passed Through University of South Carolina Small Business Development Center	59.037	124,384	-
U.S. Environmental Protection Agency			
Passed Through South Carolina Department of Health and Environmental Control Nonpoint Source Implementation Grants	66.460	39,090	-

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
U.S. Department of Energy			
Passed Through SC University Research and Education Foundation			
University Reactor Infrastructure and Education Support	81.114	451,186	207,835
U.S. Department of Education			
Passed Through Clemson University			
Fund for the Improvement of Education	84.215	450	-
Passed Through South Carolina Department of Education			
Special Education Grants to States	84.027	33,987	4,500
Improving Teacher Quality State Grants	84.367	24,040	-
Total Passed Through State Agencies		735,693	212,335
Pass-Through Other Than State Agencies:			
U.S. Department of Energy			
Passed Through North Carolina State University			
University Reactor Infrastructure and Education Support	81.114	20,026	-
U.S. Department of Health and Human Services			
Passed Through National Youth Sports Program Fund			
Community Services Block Grant-Discretionary Award	93.570	7,003	-
Total Pass-Through Other Than State Agencies		27,029	-
Total Federal Assistance		\$ 45,385,300	\$ 3,278,397

SOUTH CAROLINA STATE UNIVERSITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies for Federal Award Expenditures

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

Note 3 - Federal Perkins Loan Program (CFDA Number 84.038)

The Federal Perkins Loan Program is administered directly by the University and balances and transactions are included in of the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan Program was \$2,047,030 as of June 30, 2007.



**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***

Members of the Board of Trustees
South Carolina State University
Orangeburg, South Carolina

We have audited the financial statements of the business type activity and the discretely presented component unit of South Carolina State University (the "University"), as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 9, 2007. Our opinion on the financial statements insofar as it relates to the amounts for the South Carolina State University Foundation, Inc., a component unit of the University, is based solely on the reports of other auditors. 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 South Carolina State University Foundation, Inc. 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, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described

in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of South Carolina State University in a separate letter dated October 9, 2007.

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Hilton Head Island, South Carolina
March 28, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Members of the Board of Trustees
South Carolina State University
Orangeburg, South Carolina

Compliance

We have audited the compliance of South Carolina State 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* that are applicable to each of its major federal programs for the year ended June 30, 2007. The University's major federal programs are identified in the summary of auditor's 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 on 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, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-02.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal controls 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

We have audited the financial statements of the business type activity and the discretely presented component unit of South Carolina State University (the "University"), as of and for the year ended June 30, 2007, and have issued our report thereon dated October 9, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of federal expenditures of federal awards is presented for the 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 for the information and use of the Board of Trustees, 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.

Cheng Beckett + Holland, C.L.P.

Hilton Head Island, South Carolina

March 28, 2008, except for the schedule of expenditures of federal awards, as to which the date is October 9, 2007

SOUTH CAROLINA STATE UNIVERSITY
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2007

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ___ yes ___X___ no
- Significant deficiencies identified that are not considered to be a material weaknesses ___X___ yes ___ none reported

Noncompliance material to financial statements noted ___ yes ___X___ no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? ___ yes ___X___ no
- Significant deficiencies identified that are not considered to be material weaknesses ___ yes ___X___ none reported

Noncompliance material to federal awards ___ yes ___X___ no

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 ___X___ yes ___ no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
84.007	Student Financial Aid Cluster of Programs: Federal Supplemental Educational Opportunity Grant Program
84.032	Federal Family Education Loans
84.033	Federal College Work Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grant
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants

SOUTH CAROLINA STATE UNIVERSITY
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2007

Section I. Summary of Auditors' Results (continued)

Identification of major federal programs (continued):

<u>CFDA#</u>	<u>Program Name</u>
	TRIO Cluster of Programs:
84.042	Student Support Services
84.044	Talent Search
84.047	Upward Bound
84.066	Educational Opportunity Centers
	Research and Development Cluster of Programs:
10.205	Payments to 1890 Land-Grant Colleges and Tuskegee University
10.216	1890 Institution Capacity Building Grants
12.300	Basic and Applied Scientific Research
20.215	Highway Training and Education
20.701	University Transportation Centers Program
43.001	Aerospace Education Services Program
47.041	Engineering Grants
81.049	Office of Science Financial Assistance Program
81.114	University Reactor Infrastructure and Education Support
93.307	National Center on Minority Health and Health Disparities
93.865	Research
93.912	Rural Health Outreach and Rural Network Development Program
81.087	Renewable Energy Research and Development
43.001	Aerospace Education Services Program
47.076	Education and Human Resources
93.910	Family and Community Violence Prevention Program
84.xxx	Historically Black Colleges and Universities Capital Financing Program
10.205	Payments to 1890 Land-Grant Colleges and Tuskegee University
84.031	Higher Education-Institutional Aid

Dollar threshold used to distinguish between
 Type A and Type B Programs

\$ 754,879

Auditee qualified as low-risk auditee?

___yes X no

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section II. Financial Statement Findings

Finding: 07-01 – Audit Adjustments

Criteria:

Statement on Auditing Standards No. 112 includes a presumption that the discovery of financial statement misstatements in the course of an audit indicates a deficiency in internal control exists.

Condition:

We proposed several entries to correct misstatements discovered during the course of the audit of the financial statements as of and for the year ended June 30, 2007. Some of the entries were individually significant to the financial statements and the aggregate combined likely misstatement resulting from the misstatement was also significant, but not material, to the financial statements.

Effect:

Significant misstatements may not be of the magnitude that would affect a reasonable user's decisions about financial position or the changes in net assets. However, significant misstatements of current year financial statement could affect the fairness of presentation of a future years' financial statements if not corrected.

Cause:

During fiscal year 2007, the finance department was undergoing significant changes relating to installing and implementing new accounting and management software. Time requirements of the implementation reduced the time available to perform the necessary functions to prevent or detect the misstatements.

Recommendation:

The finance department, once the new accounting software package has been implemented, should review procedures to ensure all required adjustments and journal entries are recorded.

Management response:

See Corrective Action Plan.

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section III: Findings related to the audit of major federal award programs

Finding: 07-02 – Federal Reporting of Perkins Loan Information

United States Department of Education
Federal Perkins Loan Program
CFDA# 84.038

Instance of immaterial noncompliance

Criteria:

Amounts included in financial reports submitted to grantor agencies are required to be supported by and agree with amounts reported in the entity's underlying accounting records.

Condition:

Amounts reported in Part III Section A of the FISAP report for the year ended June 30, 2007 did not agree with amounts recorded in the University's general ledger for the year ended June 30, 2007.

Questioned costs:

There were no questioned costs related to this finding.

Effect:

Information provided to the grantor may not be accurate.

Cause:

Amounts reported in Part III of the FISAP are cumulative in nature. As a result once an amount has been reported it can never be reduced. In prior years certain categories in the loan principal canceled section had been over reported. The report is submitted electronically and is programmed in such a way that the University is not able to reduce the amounts that were over reported in prior years.

Recommendation:

The University should contact the Department of Education directly to determine if there is some way to adjust prior year numbers downward.

Management response:

See Corrective Action Plan.



South Carolina State University

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ASST. VICE PRESIDENT
FOR
FISCAL AFFAIRS

CORRECTIVE ACTION PLAN

Contact Person: Joseph M. Pearman Jr., CPA
Assistant Vice President for Fiscal Affairs (803) 533-3742

2007-1

Currently university management has fully implemented the new finance administrative system and has implemented procedures to help ensure that all required adjustments and journal entries are recorded for year-end closing.

2007-2

The Controller's Office contacted the United States Department of Education's (USDOE) Financial Reporting Office concerning the over reported amount in Part III of the FISAP. The amount in question is a cumulative figure and the University was told by the USDOE that due to system safeguard controls the figures could not be decreased but only increased. According to the USDOE there is no mechanism to correct this variance. The University will modify future year postings to minimize the variance over time. The University will continue to keep records of the variance.