



CLEMSON UNIVERSITY

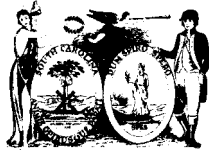
OMB Circular A-133 Reports

Year ended June 30, 2002

(With Independent Auditor's Reports Thereon)

EIN# 57-6000254

State of South Carolina



Office of the State Auditor

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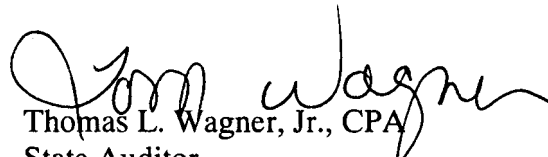
March 27, 2003

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

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

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

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

CLEMSON UNIVERSITY

Table of Contents

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	10
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	13
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Questioned Costs	18
Basic Financial Statements	Attachment

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
FEDERAL AWARD EXPENDITURES		
<i>Research and Development - Cluster:</i>		
Department of Health and Human Services:	93.RD	\$ 1,536,686
Pass-through programs from:		
South Carolina Department of Mental Health	93.RD	114,134
University of Texas - El Paso	93.RD	2,511
University of South Carolina	93.RD	16,638
University of Virginia	93.RD	8,644
University of Kentucky	93.RD	33
University of South Carolina	93.RD	63,708
Cornell University	93.RD	10,896
University of Utah	93.RD	23,307
South Carolina Department of Health and Human Services	93.RD	43,232
Immucell	93.RD	9,006
Arizona State University	93.RD	4,324
University of California - San Diego	93.RD	58,953
American Red Cross	93.RD	162
South Carolina Department of Health and Environmental Control	93.RD	28,462
Center for Substance Abuse Prevention	93.RD	18,800
Widmeyer Communications	93.RD	139,015
Emory University	93.RD	4,528
<hr/> <i>Total Department of Health and Human Services</i>		<hr/> 2,083,039
National Science Foundation:	47.RD	8,246,235
Pass-through programs from:		
University of Florida	47.RD	212,508
Georgia Institute of Technology	47.RD	57,556
Clemson University Research Foundation	47.RD	41,686
University of Kentucky	47.RD	16,604
University of Southern California	47.RD	86,008
Virginia Commonwealth University	47.RD	2,022
University of Illinois	47.RD	26,527
South Carolina Research Authority	47.RD	7,924
University of Georgia	47.RD	2,021
University of Missouri - Columbia	47.RD	541,981
Cornell University	47.RD	(2,218)
University of California	47.RD	68,909
University of Southern Alabama	47.RD	23,780
University of New York - Albany	47.RD	13,418
North Carolina State University	47.RD	144,069
South Carolina Research Authority	47.RD	477,277
University of South Carolina	47.RD	160,969
South Carolina State Board for Technical and Comprehensive Education	47.RD	3,978
South Carolina Department of Education	47.RD	58,705
<hr/> <i>Total National Science Foundation</i>		<hr/> 10,189,959

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Department of Defense:	12.RD	\$ 5,713,249
Pass-through programs from:		
Saratt Acquisition Management, Inc.	12.RD	68,812
University of Michigan	12.RD	490,289
Triton Systems, Inc.	12.RD	14,363
Mississippi State University	12.RD	46,547
South Carolina Research Authority	12.RD	403,986
North Carolina State University	12.RD	178,923
University of Florida	12.RD	492,939
West Virginia University	12.RD	15,346
University of Illinois	12.RD	210,079
Clemson University Research Foundation	12.RD	1,696,935
ITT Industries	12.RD	741
<i>Total Department of Defense</i>		9,332,209
Department of Energy:	81.RD	1,124,990
Pass-through programs from:		
Sandia National Laboratory	81.RD	15,032
Battelle	81.RD	8,377
Clemson University Research Foundation	81.RD	1,219,793
South Carolina Universities Research and Education Foundation	81.RD	943,762
University of California	81.RD	68,476
Los Alamos National Laboratory	81.RD	15,077
Bechtel BWXT Idaho, LLC	81.RD	167,933
Oak Ridge National Laboratory	81.RD	2,118
University of Miami	81.RD	17,246
South Carolina Energy Office	81.RD	44,215
University of South Carolina	81.RD	98,505
University of Georgia	81.RD	77,752
Virginia Polytechnic Institute	81.RD	51,953
North Carolina State University	81.RD	14,814
Oak Ridge Associated Universities	81.RD	954
<i>Total Department of Energy</i>		3,870,997
Environmental Protection Agency:	66.RD	228,415
Pass-through programs from:		
South Carolina Department of Health and Environmental Control	66.RD	247,718
South Carolina Department of Natural Resources	66.RD	27,922
Duke University	66.RD	9,902
North Carolina State University	66.RD	17,001
University of South Carolina	66.RD	29,339
University of Alabama	66.RD	1,171
National Audobon Society	66.RD	17,902
Battelle Memorial Institute	66.RD	(730)
Rensselaer Polytechnic Institute	66.RD	39,637
University of South Alabama	66.RD	1,608
University of Nebraska - Lincoln	66.RD	622
Clemson University Research Foundation	66.RD	4,652
<i>Total Environmental Protection Agency</i>		625,159

See accompanying notes to schedule of expenditures of federal awards.

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
National Aeronautics and Space Administration:	43.RD	\$ 1,376,384
Pass-through programs from:		
College of Charleston	43.RD	155,868
Ohio State University	43.RD	25,239
South Carolina Research Authority	43.RD	130,697
Aerospace Corporation	43.RD	19,845
University of South Carolina	43.RD	46,103
Medical University of South Carolina	43.RD	7,620
Honeywell	43.RD	16,270
<i>Total National Aeronautics and Space Administration</i>		1,778,026
Department of Transportation:	20.RD	240,819
Pass-through programs from:		
Greenville Technical College	20.RD	61,862
South Carolina Department of Transportation	20.RD	676,719
South Carolina Department of Public Safety	20.RD	3,140
South Carolina State University	20.RD	44,716
<i>Total Department of Transportation</i>		1,027,256
Department of Commerce:		
Pass-through programs from:		
National Textile Center	11.RD	1,593,599
South Carolina Sea Grant Consortium	11.RD	295,185
University of Texas El Paso	11.RD	3,488
South Carolina Research Authority	11.RD	8,694
University of South Carolina	11.RD	12,928
South Carolina Department of Natural Resources	11.RD	8,023
<i>Total Department of Commerce</i>		1,921,917
Department of Interior:	15.RD	409,106
Pass-through programs from:		
National Fish and Wildlife Foundation	15.RD	12,372
Virginia Polytechnic Institute	15.RD	6,870
South Carolina Department of Natural Resources	15.RD	10,820
South Carolina Department of Parks, Recreation & Tourism	15.RD	154,954
<i>Total Department of Interior</i>		594,122
Agency for International Development:	99.RD	6,315
Pass-through programs from:		
Michigan State University	99.RD	121,363
Supreme Council of Universities	99.RD	(7,335)
<i>Total Agency for International Development</i>		120,343

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Department of Agriculture:	10.RD	\$ 5,980,864
Pass-through programs from:		
Cornell University	10.RD	61,145
South Carolina Department of Agriculture	10.RD	39,907
University of Arkansas	10.RD	12,323
Southern Regional Aquaculture Center	10.RD	20,668
Auburn University	10.RD	44,262
University of Tennessee	10.RD	8,825
University of Georgia	10.RD	18,304
University of Missouri - Columbia	10.RD	19,524
Virginia Polytechnic Institute	10.RD	4,161
South Carolina State University	10.RD	11,080
Erskine College	10.RD	1,033
Louisiana State University Agricultural Center	10.RD	8,808
Washington State University	10.RD	164,209
Purdue University	10.RD	7,659
North Carolina State University	10.RD	201
South Carolina Forestry Commission	10.RD	11,249
Southern Sun Propagation Systems	10.RD	368
National Fish and Wildlife Foundation	10.RD	1,002
University of Florida	10.RD	21,834
Buckeye Bluegrass Farms, Inc.	10.RD	18,392
<i>Total Department of Agriculture</i>		<i>6,455,818</i>
Department of Justice:		
Pass-through programs from:		
Oklahoma State University	16.RD	45,864
<i>Total Department of Justice</i>		<i>45,864</i>
National Foundation for the Arts and Humanities:		
Pass-through programs from:		
South Carolina Humanities Council	45.RD	1,200
<i>Total National Foundation for the Arts and Humanities</i>		<i>1,200</i>
Department of Education:	84.RD	863,457
Pass-through programs from:		
Arizona State University	84.RD	(3,802)
Stephens County	84.RD	14,598
South Carolina Commission on Higher Education	84.RD	3,191
School District of Greenville County	84.RD	112,907
Pickens County School District	84.RD	19,304
Mullins High School	84.RD	23,730
Tri-County Technical College	84.RD	10,991
South Carolina Department of Education	84.RD	2,000
Anderson School District #5	84.RD	47,707
<i>Total Department of Education</i>		<i>1,094,083</i>

See accompanying notes to schedule of expenditures of federal awards.

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Federal Emergency Management Agency:		
Pass-through programs from:		
Greenehome & O'Mara, Inc.	83.RD	\$ 449
Dewberry & Davis LLC	83.RD	1,356
<i>Total Federal Emergency Management Agency</i>		1,805
Corporation for National and Community Service	94.RD	480
<i>Total Research and Development</i>		39,142,277
<i>Student Financial Aid - Cluster:</i>		
Department of Education:		
Federal Pell Grant Program	84.063	4,771,771
Federal Supplemental Educational Opportunity Grant	84.007	823,877
Federal Work Study Program	84.033	697,665
Federal Perkins Loan Program	84.038	144,667
Federal Direct Loan Program	84.268	1,052,827
<i>Total Department of Education</i>		7,490,807
<i>Total Student Financial Aid</i>		7,490,807
<i>Other Programs:</i>		
Department of Health and Human Services:		
Advanced Education Nursing Traineeships	93.358	41,718
National Institute of Health	—	13,508
Pass-through programs from:		
South Carolina Department of Social Services:		
Management and Administrative Training for Support Staff	93.C10007/20007S-1	188,800
Child Abuse and Neglect State Grants	93.669	20,851
South Carolina Department of Health and Human Services:		
Health of South Carolina's Children	93.778	4,850
Child Care and Development Block Grant	93.575	130,227
Social Services Block Grant	93.667	122,489
South Carolina Department of Health and Environmental Control:		
Centers for Disease Control and Prevention	93.283	35,548
Communities in Schools of South Carolina, Inc.:		
Temporary Assistance for Needy Families	93.558	47,949
<i>Total Department of Health and Human Services</i>		605,940
Department of Defense:		
Pass-through programs from:		
University of South Carolina:		
Procurement Technical Assistance Program	12.05446J	33,553
South Carolina Commission on Higher Education:		
SC Troops to Teachers Coalition	12.002-90	308,475
<i>Total Department of Defense</i>		342,028

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Department of Energy:		
Pass-through programs from:		
South Carolina Emergency Preparedness Division:		
Emergency Management Performance Grants	83.552	\$ 1,857
<hr/>		
<i>Total Department of Energy</i>		1,857
National Science Foundation:		
Mathematical and Physical Sciences	47.049	139,852
Pass-through programs from:		
Clemson University Research Foundation:		
Education and Human Resources	47.076	219,218
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<i>Total National Science Foundation</i>		359,070
Department of Commerce:		
Pass-through programs from:		
South Carolina Sea Grant Consortium:		
Sea Grant Support	11.417	194,624
<hr/>		
<i>Total Department of Commerce</i>		194,624
Department of Justice:		
Bullying Prevention Training in Virginia	16.000	4,005
Drug-Free Communities Support Program	16.729	32,799
Consortium on Children, Families and the Law	16.542	49,624
Integrating Family Treatment and Justice	16.580	(1,594)
Pass-through programs from:		
South Carolina Department of Public Safety:		
Juvenile Justice and Delinquency Prevention	16.540	349,729
South Carolina Department of Alcohol and Drug Abuse Services:		
Enforcing Underage Drinking Laws Program	16.727	16,681
<hr/>		
<i>Total Department of Justice</i>		451,244
Department of Transportation:		
Recreational Trails Program	20.219	587
Pass-through programs from:		
South Carolina Department of Transportation:		
Highway Planning and Construction	20.205	242,050
Highway Training and Education	20.215	40
State and Community Highway Safety	20.600	103,521
Funding Options for Meeting Transportation Infrastructure in SC	20.000	142,900
Child Passenger Safety Fitting Station	20.600	97,781
South Carolina Department of Parks, Recreation, and Tourism:		
Recreational Trails Program	20.219	9,950
<hr/>		
<i>Total Department of Transportation</i>		596,829

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Environmental Protection Agency:		
FCL Mentors as "Tools for Schools"	66.606	\$ 2,507
Pesticide Enforcement Cooperative Agreement	66.700	440,442
Pesticide Environmental Stewardship Program	66.714	6,644
Enforcement Cooperative Agreement	66.605	82,991
Pass-through programs from:		
University of Georgia:		
Protecting Children's Health through Water Quality Education	66.RE353-131	3,627
South Carolina Department of Health and Environmental Control		
Stream Restoration and Demonstration	66.419	25,598
Nonpoint Source Implementation Grants	66.460	35,038
Commonwealth of Virginia:		
Nonpoint Source Implementation Grants	66.460	14,924
South Carolina Department of Natural Resources:		
Nonpoint Source Implementation Grants	66.460	3,396
<hr/> <i>Total Environmental Protection Agency</i>		<hr/> 615,167
Department of Education:		
Special Education Personnel Development and Parent Training	84.029	5,471
Directed Grants	84.116	1,336
Funds for the Improvement of Postsecondary Education		
Pass-through programs from:		
South Carolina Department of Education:		
Vocational Education: Basic Grants to States	84.048	95,023
Teacher Quality Enhancement Grants	84.336	25,444
National Writing Project Corporation:		
Upstate Writing Project	84.928	13,899
South Carolina Commission on Higher Education:		
Eisenhower Professional Development State Grants	84.281	46,459
<hr/> <i>Total Department of Education</i>		<hr/> 187,632
Corporation for National and Community Service:		
Learn and Serve America	94.005	2,018
Pass-through programs from:		
American Association of Colleges for Teacher Education:		
Learn and Serve America	94.005	19,302
National Youth Leadership Council:		
Learn and Serve America	94.007	103,430
South Carolina Department of Education:		
Planning and Program Development Grants	94.007	47,500
BR4IC	94.004	10,018
University of Minnesota:		
Learn and Serve America	94.009	5,159
<hr/> <i>Total Corporation for National and Community Service</i>		<hr/> 187,427

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Department of Agriculture:		
Clemson University Extension Packaging Program in Charleston, S.C.	10.000	\$ 4,250
Agricultural Research: Basic and Applied Research	10.001	14,780
Black Creek/Lamar-Oates/Rafting Creek-Providence Township/Penny-Shanklin-Morrow Creek Project	10.74-4639-0-00	1,834
Cooperative Support Agreement	10.500	20,643
Master Tree Program	10.43-6401-1-01	34,726
Cooperative Pesticide Recordkeeping Program	10.163	23,697
Higher Education Multicultural Scholars Program	10.220	34,000
USDA Recordkeeping Cooperative Agreement	10.163	24,046
Plant and Animal Disease, Pest Control and Animal Care	10.025	376,071
Grants for Agricultural Research: Competitive Research Grants		1,963
Food Stamp Cluster	10.561	1,527,826
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,685,011
Cooperative Extension Service/Smith-Lever	10.500	6,963,201
Forestry Research	10.652	12,547
Cooperative Forestry Assistance	10.664	6,390
Pass-through programs from:		
South Carolina Forestry Commission:		
National Student Arboriculture and Urban Forestry Conference	10.664	10,985
Forestry Research	10.652	12,962
Cooperative Forestry Assistance	10.664	40,300
University of Georgia:		
FSMOD: Internet-delivery of Context-specific Food Safety Modules	10.000	4,740
Cooperative Extension Service	10.500	26,250
Technology Training for Urban Forestry Professional	10.664	32,029
Texas A&M University:		
Publications, Videos, and Computer Software	10.200	1,000
Southern Region Watershed Resources Management	10.303	55,474
North Carolina State University:		
Fresh Produce Food Safety Training Program for the Southeast	10.303	27,040
Development of Multi-level Food Safety Education Program for the Retail Food Industry	10.303	15,873
Cooperative Extension Service	10.500	5,251
Georgia State University:		
Internet Delivery of Context-Specific Food Safety Modules	10.501	7,317
Auburn University:		
South Carolina Risk Management Programs 2000	10.000	2,500
Buckeye Bluegrass Farms, Inc.:		
Senior Community Employment Program	—	4,662
<i>Total Department of Agriculture</i>		10,977,368
Department of Housing and Urban Development:		
Community Development Work Study Program	14.512	79,621
<i>Total Department of Housing and Urban Development</i>		79,621

CLEMSON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
National Foundation for the Arts and the Humanities:		
Museum Assessment Program	45.302	\$ 1,775
Public Art Commission	45.4053	21,749
Pass-through programs from:		
South Carolina Humanities Council:		
Promotion of the Humanities-Federal/State Partnership	45.129	2,343
<hr/> <i>Total National Foundation for the Arts and the Humanities</i>		<hr/> 25,867
Small Business Administration:		
Pass-through programs from:		
University of South Carolina:		
Small Business Development Center	59.037	236,562
<hr/> <i>Total Small Business Administration</i>		<hr/> 236,562
Department of Interior:		
U.S. Geological Survey: Research and Data Acquisition	15.808	12,800
<hr/> <i>Total Department of Interior</i>		<hr/> 12,800
<hr/> <i>Total Federal Award Expenditures</i>		<hr/> <u>\$ 61,507,120</u>

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of 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 loan fund of the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$6,888,535 as of June 30, 2002.

(4) Matching

Under the FWS program, the University matched \$182,114 in total compensation for the year ended June 30, 2002 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$118,033 in funds awarded to students for the year ended June 30, 2002 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

(5) Subrecipients

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

<u>Federal Granting Agency</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Department of Agriculture	10.RD	\$ 643,782
Department of Agriculture	10.500	33,853
Department of Agriculture	10.551	3,000
Department of Agriculture	10.561	24,028
Total Department of Agriculture		<u>704,662</u>
 Department of Commerce	 11.RD	 198,250
Department of Defense	12.RD	1,686,704
Department of Defense	12.002-90	74,587
Total Department of Defense		<u>1,761,291</u>
 Department of Interior	 15.RD	 37,222
Department of Justice	16.540	147,476
Department of Justice	16.542	26,778
Total Department of Justice		<u>174,254</u>
 Department of Transportation	 20.RD	 1,826
National Aeronautics and Space Administration	43.RD	61,991
National Science Foundation	47.RD	1,411,585
 Environmental Protection Agency	 66.460	 1,591
Environmental Protection Agency	66.RD	50,601
Total Environmental Protection Agency		<u>52,192</u>
 Department of Energy	 81.RD	 52,246
Department of Education	84.RD	132,236

CLEMSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<u>Federal Granting Agency</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Department of Health and Human Services	93.RD	\$ 17,500
Department of Health and Human Services	93.667	27,699
Total Department of Health and Human Services		<u>45,199</u>
Corporation for National and Community Services	94.005	3,182
Agency for International Development	99.RD	42,000
		\$ <u>4,678,136</u>



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

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

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

Compliance

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

Internal Control Over Financial Reporting

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





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

KPMG LLP

September 6, 2002



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

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

Compliance

We have audited the compliance of 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* that are applicable to each of its major federal programs for the year ended June 30, 2002, except those requirements discussed in the third following paragraph. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

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

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





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

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

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



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

KPMG LLP

September 6, 2002

CLEMSON UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the basic financial statements: **none reported** Material weaknesses: **none**
- (c) Noncompliance which is material to the basic financial statements: **none**
- (d) Reportable conditions in internal control over major programs: **none reported** Material weaknesses: **none**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **no**
- (g) Major Federal programs: **student financial aid cluster (various CFDA numbers), research and development cluster (various CFDA numbers), and cooperative extension service/Smith-Lever (10.500)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,845,000**
- (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

CLEMSON UNIVERSITY

Schedule of Prior Year Audit Findings

Year ended June 30, 2002

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