



**CLEMSON UNIVERSITY**

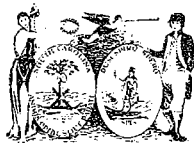
OMB Circular A-133 Reports

Year ended June 30, 2004

(With Independent Auditors' Reports Thereon)

EIN# 57-6000254

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

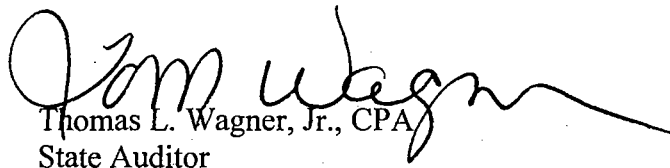
January 28, 2005

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

The report on internal control and compliance over financial reporting, and the report on internal control and compliance over compliance applicable to each major program of Clemson University for the fiscal year ended June 30, 2004, 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, 2004, issued by KPMG, LLP, Certified Public Accountants, dated September 17, 2004.

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

	<b>Page</b>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	11
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14
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	16
Schedule of Findings and Questioned Costs	18
Basic Financial Statements	Attachment

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Federal Award Expenditures		
Research and Development – Cluster:		
Department of Health and Human Services	93.RD	\$ 3,360,568
Pass-through programs from:		
South Carolina Department of Mental Health	93.RD	123,121
Dynamet Technology, Inc.	93.RD	118,613
University of Virginia	93.RD	102,912
University of Kentucky	93.RD	8,147
University of South Carolina	93.RD	841,665
University of Utah	93.RD	18,850
South Carolina Department of Health and Human Services	93.RD	33,204
University of Pittsburg	93.RD	322
Northrop Grumman IT, Inc.	93.RD	3,474
BioSurfaces	93.RD	32,568
Communities in Schools of SC, Inc.	93.RD	15,577
Widmeyer Communications	93.RD	180,480
Emory University	93.RD	19,130
Medical College of Georgia	93.RD	42,784
Medical University of South Carolina	93.RD	22,925
University of Arizona	93.RD	424,201
South Carolina Department of Social Services	93.RD	162,555
Total Department of Health and Human Services		<u>5,511,096</u>
National Science Foundation	47.RD	10,903,575
Pass-through programs from:		
University of Florida	47.RD	30,202
University of Kentucky	47.RD	77,290
University of Southern California	47.RD	6,885
Duke University	47.RD	148,248
University of Illinois	47.RD	102,520
South Carolina Research Authority	47.RD	1,232,374
Furman University	47.RD	46,610
South Carolina State University	47.RD	143,089
Greenville Technical College	47.RD	17,065
Arizona State University	47.RD	42,577
University of California	47.RD	49,684
Purdue University	47.RD	162,010
University of Southern Alabama	47.RD	32,007
Jet Propulsion Laboratory	47.RD	922
Massachussets Institute of Technology	47.RD	33,820
University of Arizona	47.RD	309,561
University of South Carolina	47.RD	5,766
University of Tennessee	47.RD	29,438
South Carolina Department of Education	47.RD	52
Total National Science Foundation		<u>13,373,695</u>

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Department of Defense:	12.RD	\$ 7,375,032
Pass-through programs from:		
Saratt Acquisition Management, Inc.	12.RD	6,838
University of Michigan	12.RD	452,279
Triton Systems, Inc.	12.RD	41,329
Science Applications International Corp.	12.RD	3,277
Mississippi State University	12.RD	13,129
Kreamer Sports	12.RD	5,673
South Carolina Research Authority	12.RD	514,822
North Carolina State University	12.RD	97,552
Touchtone Research Laboratory, Ltd.	12.RD	1,466
University of Florida	12.RD	192,684
Materials Science Corporation	12.RD	72,174
HexaTech, Inc.	12.RD	2,807
University of Illinois	12.RD	100,586
University of Northern Texas	12.RD	39,817
Clemson University Research Foundation	12.RD	32,199
Brookhaven National Laboratory	12.RD	68,545
Honeywell	12.RD	55,793
Hydro GeoLogic	12.RD	1,219
International Frontier Science Project	12.RD	12,000
New Jersey Institute of Technology	12.RD	79,966
Themo Analytics, Inc.	12.RD	17,751
University of Maryland	12.RD	61,562
Batelle Memorial Institute	12.RD	17,906
Total Department of Defense		9,266,406
Department of Energy:	81.RD	1,086,230
Pass-through programs from:		
South Carolina Budget and Control Board State Energy Office	81.RD	27,431
Battelle	81.RD	27,024
Clemson University Research Foundation	81.RD	1,588,057
South Carolina Universities Research and Education Foundation	81.RD	508,524
University of California	81.RD	168,838
Parsons Infrastructure and Technology Group, Inc.	81.RD	25,364
Sandia National Laboratories	81.RD	25,000
South Carolina Institute Energy Studies	81.RD	111,854
South Carolina Energy Office	81.RD	19,034
Auburn University	81.RD	65,476
University of Georgia	81.RD	26,891
Virginia Polytechnic Institute	81.RD	19,067
North Carolina State University	81.RD	80,290
ADA Technologies, Inc.	81.RD	15,000
Total Department of Energy		3,794,080

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Environmental Protection Agency:	66.RD	\$ 91,768
Pass-through programs from:		
South Carolina Department of Health and Environmental Control	66.RD	124,463
The Research Foundation - New York State University TetraTech	66.RD	115,499
University of South Carolina	66.RD	32,159
Rensselaer Polytechnic Institute	66.RD	48,699
University of South Alabama	66.RD	40,601
University of Nebraska – Lincoln	66.RD	4,919
Total Environmental Protection Agency		<u>8,765</u>
		<u>466,873</u>
National Aeronautics and Space Administration:	43.RD	1,463,404
Pass-through programs from:		
College of Charleston	43.RD	120,200
Ohio State University	43.RD	51,057
Pennsylvania Space Grant	43.RD	5,500
JPL Subcontract	43.RD	20,343
Norfolk St.	43.RD	3,220
SC Spalce Consortium	43.RD	3,564
Univeristy of Colorado	43.RD	13,019
Univeristy of California	43.RD	8,216
Univeristy of South Carolina	43.RD	(53,987)
South Carolina Research Authority	43.RD	268,280
University of Arizona	43.RD	11,054
Medical University of South Carolina	43.RD	12,744
Honeywell	43.RD	36,348
Total National Aeronautics and Space Administration		<u>1,962,962</u>
Department of Transportation:	20.RD	446,246
Pass-through programs from:		
South Carolina Department of Transportation	20.RD	546,699
American Horse Council	20.RD	20,339
Innovative Pavement	20.RD	5,087
South Carolina State University	20.RD	23,751
South Carolina Department of Parks, Recreation, and Tourism	20.RD	(259)
Total Department of Transportation		<u>1,041,863</u>
Appalachian Regional Commission		
Pass-through programs from:		
Marshall University Research Corporation	23.RD	10,243
South Carolina Department of Education	23.RD	90,786
Total Appalachian Regional Commission		<u>101,029</u>

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Department of Commerce:	11.RD	\$ 4,010,870
Pass-through programs from:		
National Textile Center	11.RD	1,235,529
South Carolina Sea Grant Consortium	11.RD	143,257
Gulf & South Atlantic	11.RD	2,070
University of South Alabama	11.RD	5,722
Medical University of South Carolina	11.RD	18,108
South Carolina Department of Natural Resources	11.RD	702
Total Department of Commerce		<u>5,416,258</u>
Department of Interior:	15.RD	462,633
Pass-through programs from:		
Boeing Phantom	15.RD	46,147
Indiana University	15.RD	30,387
Total Department of Interior		<u>539,167</u>
Agency for International Development:	99.RD	12,184
Pass-through programs from:		
Clemson University Research Foundation	99.RD	10,752
Deloitte Touche Tomahatsu	99.RD	24,176
American Council on Education	99.RD	52,816
Total Agency for International Development		<u>99,928</u>
Department of Agriculture:	10.RD	6,340,684
Pass-through programs from:		
Cornell University	10.RD	24,943
South Carolina Department of Agriculture	10.RD	55,579
Mississippi State University	10.RD	24,542
Auburn University	10.RD	81,008
University of Tennessee	10.RD	21,952
University of Georgia	10.RD	101,952
Kansas State	10.RD	608
National 4-H Council	10.RD	1,317
Texas A&M University	10.RD	26,209
University of Central Florida	10.RD	8,586
University of South Carolina	10.RD	398
New Mexico State University	10.RD	2,564
Purdue University	10.RD	8,549
North Carolina State University	10.RD	21,536
South Carolina Forestry Commission	10.RD	201,099
National Forest Foundation	10.RD	68,570
National Fish and Wildlife Foundation	10.RD	1,095
University of Florida	10.RD	25,301
Buckeye Bluegrass Farms, Inc.	10.RD	6,944
Total Department of Agriculture		<u>7,023,436</u>

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Department of Justice:		
Pass-through programs from:		
Boys and Girls Club of America	16.RD	\$ 1,081,815
Oklahoma State University	16.RD	59,115
Total Department of Justice		<u>1,140,930</u>
National Foundation for the Arts and Humanities:		
Pass-through programs from:		
South Carolina Arts Commission	45.RD	6,474
Total National Foundation for the Arts and Humanities		<u>6,474</u>
Department of Education:	84.RD	819,948
Pass-through programs from:		
Stephens County	84.RD	56,023
Atlanta Public Schools	84.RD	10,773
South Carolina Commission on Higher Education	84.RD	10,399
School District of Greenville County	84.RD	21,385
Pickens County School District	84.RD	21,459
Butler Tech	84.RD	6,646
Tri-County Technical College	84.RD	7,495
South Carolina Department of Education	84.RD	295,484
Anderson School District #3	84.RD	16,560
National Writing Project	84.RD	25,559
Marion School District #2	84.RD	3,154
Total Department of Education		<u>1,294,885</u>
Total Research and Development		<u>51,039,082</u>
Student Financial Aid – Cluster:		
Department of Education:		
Federal Pell Grant Program	84.063	5,284,830
Federal Supplemental Educational Opportunity Grant	84.007	821,291
Federal Work Study Program	84.033	638,065
Federal Perkins Loan Program	84.038	79,968
Federal Direct Loan Program	84.268	141,884
Total Department of Education		<u>6,966,038</u>
Total Student Financial Aid		<u>6,966,038</u>



**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Other Programs:		
Department of Health and Human Services:		
Advanced Education Nursing Traineeships	93.358	\$ 44,718
Nurse Education, Practice and Retention Grants	93.359	189,154
Coordinating Council Stop the Violence	93.243	71,868
Administrative Support for the Bullying Prevention Campaign	93.999	17,420
Chesterfield County Coordinating Rural Planning Project	92.243	115,193
Pass-through programs from:		
South Carolina Department of Social Services:		
Child Care Information & Referral System	93.575	80,574
Youth and Family Services		
Teaching Smart	93.000	26,113
Medical University of South Carolina		
Model State-Supported Area Health Education Centers	93.107	4,592
South Carolina Department of Health and Environmental Control:		
Centers for Disease Control and Prevention	93.283	37,076
South Carolina Developmental Disabilities Council		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	39,583
Chesterfield County Coordinating Council:		
Temporary Assistance for Needy Families	93.558	155
Total Department of Health and Human Services		<u>626,446</u>
National Science Foundation:		
Biological Sciences	47.074	12,570
Pass-through programs from:		
Claflin University		
Education and Human Resources	47.076	6,714
Clemson University Research Foundation:		
Education and Human Resources	47.076	519,834
South Carolina Department of Education		
Education and Human Resources	47.076	15
Total National Science Foundation		<u>539,133</u>
Department of Commerce:		
Pass-through programs from:		
South Carolina Sea Grant Consortium:		
Sea Grant Support	11.417	95,499
Total Department of Commerce		<u>95,499</u>

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Department of Justice:		
Drug Prevention Program	16.728	\$ 102,407
Pass-through programs from:		
South Carolina Department of Public Safety:		
Juvenile Justice and Delinquency Prevention	16.540	45,134
South Carolina Law Enforcement Division		
Livestock and Poultry Health PPE and Testing Equipment	16.007	21,256
South Carolina Department of Juvenile Justice		
Consultant Services for Therapeutic Recreation Program for SCDJJ	16.999	4,606
Office of the Adjutant General		
DOJ FY 2002 Equipment Grant Program	16.007	10,394
South Carolina Department of Alcohol and Drug Abuse Services:		
Enforcing Underage Drinking Laws Program	16.727	19,143
Total Department of Justice		<u>202,940</u>
Department of Transportation:		
Pass-through programs from:		
South Carolina Department of Transportation:		
Highway Planning and Construction	20.205	353,852
Funding Options for Meeting Transportation		
Infrastructure in SC	20.000	(2)
Child Passenger Safety Fitting Station	20.600	(434)
Total Department of Transportation		<u>353,416</u>
Environmental Protection Agency:		
Pesticide Enforcement Cooperative Agreement	66.700	526,197
Consolidated Pesticide Enforcement Cooperative Agreements	66.714	40,119
Environmental Education Grants	66.951	17,942
Environmental Protection: Consolidated Research	66.500	132,678
Pass-through programs from:		
American Forest Foundation	66.999	18,298
University of Georgia:		
Protecting Children's Health through Water Quality Education	66.000	4,250
South Carolina Department of Health and Environmental Control		
Capacity Building Grants and Cooperative Agreements for		
States and Tribes	66.709	28,803
Nonpoint Source Implementation Grants	66.460	261,856
Commonwealth of Virginia:		
Animal Waste Analysis for Commonwealth of Virginia	66.418	31,426
South Carolina Department of Natural Resources:		
Nonpoint Source Implementation Grants	66.460	1,793
Total Environmental Protection Agency		<u>1,063,362</u>

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Department of Education:		
Directed Grants	84.116	\$ 446,257
Transition to Teaching Program	84.350	145,924
Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	190,553
Transition to Teaching Program		
Pass-through programs from:		
South Carolina Department of Education:		
Vocational Education: Basic Grants to States	84.048	184,212
Teacher Quality Enhancement Grants	84.336	9,544
Special Education Grants to States	84.027	39,373
State Program Improvement Grants for Children with Disabilities	84.323	53,512
Anderson School District #3:		
State Technology Grant	84.999	81,672
Florence-Darlington Technical College:		
ATE Teaching Team Training Class	84.999	28
Fargo Public Schools:		
Fargo Public School Evaluation	84.000	551
Total Department of Education		<u>1,151,626</u>
Corporation for National and Community Service:		
Pass-through programs from:		
American Association of Colleges for Teacher Education:		
Learn and Serve America	94.005	12,135
National Youth Leadership Council:		
Learn and Serve America	94.007	39,930
South Carolina Department of Education:		
Learn and Serve America	94.004	27,407
Total Corporation for National and Community Service		<u>79,472</u>
Department of Agriculture:		
Agricultural Research: Basic and Applied Research	10.001	115,860
Animal Health and Disease Research	10.207	15,446
Black Creek/Lamar-Oates/Rafting Creek-Providence Township/Penny-Shanklin-Morrow Creek Project	10.999	805
Higher Education Multicultural Scholars Program	10.220	29,500
Consumers' Perceptions of Recreation Fees	10.999	
Plant and Animal Disease, Pest Control and Animal Care	10.025	520,947
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,128,790
Cooperative Extension Service/Smith-Lever	10.500	7,157,352
Integrated Programs	10.303	64,553
Higher Education Challenge Grants	10.217	52,437
Cooperative Forestry Research	10.202	348,162
Cooperative Forestry Assistance	10.206	10,973
Visualization System for Stand and Fuel Dynamics	10.652	70,155
Trail Systems as a Medium for Conservation Education	10.652	8,778

**CLEMSON UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Pass-through programs from:		
South Carolina Forestry Commission:		
Forestry Research	10.652	\$ 28,701
Cooperative Forestry Assistance	10.664	62,333
Santee-Lynches Area Council on Aging:		
Senior Community Employment Program	10.999	(1,344)
South Carolina Department of Agriculture:		
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	22,193
South Carolina Department of Social Services:		
Grants for Agricultural Research, Special Research Grants	10.200	41,408
Summer Food Service Program for Children	10.559	94,633
State Administrative Matching Grants for Food Stamp Program	10.561	858,322
University of Georgia:		
Cooperative Extension Service	10.500	9,798
University of California - Davis:		
Integrated Programs	10.303	41,073
Texas A&M University:		
Southern Region Watershed Resources Management	10.303	78,110
North Carolina State University:		
Fresh Produce Food Safety Training Program for the Southeast	10.303	423
Development of Multi-level Food Safety Education Program for the Retail Food Industry	10.303	7,112
Michigan State University:		
Cooperative Extension Service	10.500	255
University of Florida:		
Integrated Programs	10.303	6
Homeland Security: Agricultural	10.304	28,321
Auburn University:		
Cooperative Extension Service	10.500	23,890
Total Department of Agriculture		<u>10,818,992</u>
Department of Housing and Urban Development:		
Community Development Work Study Program	14.512	<u>43,779</u>
Total Department of Housing and Urban Development		<u>43,779</u>
Small Business Administration:		
Pass-through programs from:		
University of South Carolina:		
Small Business Development Center	59.037	<u>201,997</u>
Total Small Business Administration		<u>201,997</u>

**CLEMSON UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2004

<b>Federal grantors/pass-through grantors/agencies or cluster title</b>	<b>Federal CFDA number</b>	<b>Expenditures</b>
Department of Labor:		
Veterans' Employment Program	17.802	\$ 139,871
WIA Dislocated Workers	17.260	15,119
Pass-through programs from:		
University of South Carolina:		
WIA Adult Program	17.258	<u>796</u>
Total Department of Labor		<u>155,786</u>
Total Federal Award Expenditures		<u>\$ 73,337,568</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, 2004

**(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 \$7,432,801 as of June 30, 2004.

**(4) Matching**

Under the FWS program, the University matched \$196,243 in total compensation for the year ended June 30, 2004 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$273,207 in funds awarded to students for the year ended June 30, 2004 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, 2004

**(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	\$ 5,064
Department of Agriculture	10.200	26,319
Department of Agriculture	10.206	15,883
Department of Agriculture	10.302	155,086
Department of Agriculture	10.303	103,596
Department of Agriculture	10.500	34,355
Department of Agriculture	10.561	57,685
Department of Agriculture	10.652	44,972
Total Department of Agriculture		<u>442,960</u>
Department of Commerce	11.113	98,524
Department of Commerce	11.417	14,840
Department of Commerce	11.452	3,064,827
Department of Commerce	11.609	577,418
Total Department of Commerce		<u>3,755,609</u>
Department of Defense	12.RD	798,641
Department of Defense	12.300	88,375
Department of Defense	12.420	65,437
Department of Defense	12.431	63,274
Department of Defense	12.910	1,893,405
Total Department of Defense		<u>2,909,132</u>
Department of Justice	16.RD	66,427
Department of Justice	16.540	35,822
Total Department of Justice		<u>102,249</u>
Department of Transportation	20.205	13,246
National Aeronautics and Space Administration	43.RD	107,895

**CLEMSON UNIVERSITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal granting agency</u>	<u>number</u>	<u>subrecipients</u>
National Science Foundation	47.041	\$ 700,406
National Science Foundation	47.049	50,477
National Science Foundation	47.050	108,973
National Science Foundation	47.070	88,540
National Science Foundation	47.074	43,126
National Science Foundation	47.076	141,670
Total National Science Foundation		<u>1,133,192</u>
Environmental Protection Agency	66.500	(1,184)
Environmental Protection Agency	66.606	5,465
Total Environmental Protection Agency		<u>4,281</u>
Department of Energy	81.049	19,446
Department of Energy	81.087	11,104
Total Department of Energy		<u>30,550</u>
Department of Education	84.116	319,176
Department of Education	84.287	200,486
Department of Education	84.342	27,198
Total Department of Education		<u>546,860</u>
Department of Health and Human Services	93.238	1,055
Department of Health and Human Services	93.243	50,975
Department of Health and Human Services	93.375	24,440
Department of Health and Human Services	93.389	25,000
Department of Health and Human Services	93.647	406,191
Department of Health and Human Services	93.395	3,835
Total Department of Health and Human Services		<u>511,496</u>
Corporation for National and Community Services	94.005	1,517
Agency for International Development	99.RD	12,200
		<u>\$ 9,571,187</u>





**KPMG LLP**  
Suite 2300  
Three Wachovia Center  
401 South Tryon Street  
Charlotte, NC 28202-1911

**Independent Auditors' Report on Compliance and on Internal Control over  
Financial Reporting and on Compliance 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 and the discretely presented component units of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2004, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 17, 2004. 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.

**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 an opinion 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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 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*.



**KPMG LLP**  
Suite 2300  
Three Wachovia Center  
401 South Tryon Street  
Charlotte, NC 28202-1911

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 17, 2004



**KPMG LLP**  
Suite 2300  
Three Wachovia Center  
401 South Tryon Street  
Charlotte, NC 28202-1911

**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 its major federal programs for the year ended June 30, 2004. 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 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 its major federal programs for the year ended June 30, 2004.

**Internal Control over Compliance**

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



Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a 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 financial statements of the business-type activities and the discretely presented component units of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2004, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 17, 2004. Our audit was performed for the purpose of forming opinions 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 17, 2004

**CLEMSON UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**(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 Smith Lever – CFDA number 10.500**
- (h)** Dollar threshold used to distinguish between Type A and Type B programs: **\$2,200,000**
- (i)** Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

**(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**