

THE UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2003

(With Independent Auditors' Reports Thereon)

EIN# 57-6001153

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

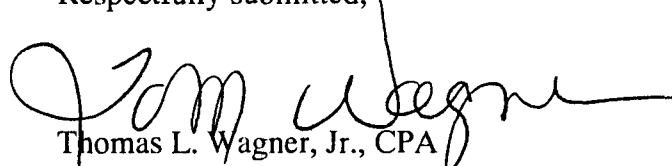
January 13, 2004

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
University of South Carolina
Columbia, 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 the University of South Carolina for the fiscal year ended June 30, 2003, 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 the University of South Carolina for the fiscal year ended June 30, 2003, issued by KPMG, LLP, Certified Public Accountants, dated October 10, 2003.

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

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

THE UNIVERSITY OF SOUTH CAROLINA

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THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Federal Award Expenditures:		
Research and Development – Cluster:		
Department of Health and Human Services:	93.RD	\$ 9,841,202
Pass-through programs from:		
University of South Carolina Research Foundation	93.RD	10,780,903
South Carolina Department of Health and Human Services	93.RD	1,299,229
Palmetto Health Alliance	93.RD	29,144
South Carolina Department of Health and Environmental Control	93.RD	324,485
Benedict College	93.RD	92,503
Medical University of South Carolina	93.RD	227,553
National Childhood Cancer Foundation	93.RD	14,427
South Carolina Department of Social Services	93.RD	132,876
South Carolina Disabilities and Special Needs	93.RD	(1)
Auburn University	93.RD	172,808
Duke University	93.RD	(42)
University of Notre Dame	93.RD	42,994
South Carolina Department of Education	93.RD	30,251
Mental Health Association in Aiken County	93.RD	6,863
Karmanos Cancer Institute	93.RD	84,139
Association of Schools of Public Health	93.RD	26,480
Greenwood Genetics	93.RD	67,422
Vanderbilt School of Medicine	93.RD	(11,487)
University of Texas	93.RD	823
Claflin University	93.RD	42,142
South Carolina Department of Insurance	93.RD	83,967
Total Department of Health and Human Services		<u>23,288,681</u>
National Science Foundation:	47.RD	4,050,141
Pass-through programs from:		
University of South Carolina Research Foundation	47.RD	3,787,867
Drexel University	47.RD	11,741
South Carolina Universities Research and Education Foundation	47.RD	5,367
South Carolina Research Authority	47.RD	500,797
National Research Council	47.RD	(342)
Benedict College	47.RD	21,632
Office of the Adjutant General	47.RD	51,204
South Carolina State University	47.RD	4,789
National Academy of Sciences	47.RD	70
Southeastern Universities Research Association	47.RD	37,448
South Carolina ETV	47.RD	21,727
Total National Science Foundation		<u>8,492,441</u>
Department of Defense:	12.RD	3,811,609
Pass-through programs from:		
University of South Carolina Research Foundation	12.RD	10,850,850
The Clinical Innovation Group	12.RD	2,760
Office of the Adjutant General	12.RD	62,185
South Carolina National Guard	12.RD	73,738

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Academy of Applied Science	12.RD	\$ (820)
South Carolina Sea Grant Consortium	12.RD	70,205
Total Department of Defense		<u>14,870,527</u>
Department of Energy:	81.RD	2,168,875
Pass-through programs from:		
Iowa State University	81.RD	43,576
University of South Carolina Research Foundation	81.RD	1,074,848
South Carolina Universities Research and Education Foundation	81.RD	1,088,888
IRIS	81.RD	79,327
SURA/Jefferson Lab	81.RD	3,706
Medical University of South Carolina	81.RD	257,782
Argonne National Laboratory	81.RD	89,241
South Carolina Energy Office	81.RD	1,611
Total Department of Energy		<u>4,807,854</u>
Environmental Protection Agency:	66.RD	364,339
Pass-through programs from:		
University of South Carolina Research Foundation	66.RD	101,550
South Carolina Research Authority	66.RD	242,297
South Carolina Department of Health and Environmental Control	66.RD	47,812
Total Environmental Protection Agency		<u>755,998</u>
National Aeronautics and Space Administration:	43.RD	644,587
Pass-through programs from:		
Medical University of South Carolina	43.RD	14,062
South Carolina Research Authority	43.RD	49,765
University of South Carolina Research Foundation	43.RD	258,368
College of Charleston	43.RD	25,652
South Carolina Space Grant Consortium	43.RD	766
Total National Aeronautics and Space Administration		<u>993,200</u>
US Department of Education:	84.RD	871,478
Pass-through programs from:		
University of South Carolina Research Foundation	84.RD	424,837
Richland School District One	84.RD	120,233
South Carolina Department of Education	84.RD	111,795
Total US Department of Education		<u>1,528,343</u>
US Department of Transportation:	20.RD	98,559
Pass-through programs from:		
South Carolina Department of Transportation	20.RD	962,899
CNS&G	20.RD	33,013
Total US Department of Transportation		<u>1,094,471</u>
US Department of Commerce:	11.RD	38,136
Pass-through programs from:		
South Carolina Sea Grant Consortium	11.RD	1,649,326
Clemson University	11.RD	27,859
New Jersey Marine Sciences Consortium	11.RD	8,126

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
South Carolina Department of Natural Resources	11.RD	138,458
South Carolina Department of Health and Environmental Control	11.RD	\$ 203,055
University of South Carolina Research Foundation	11.RD	2,817,090
University of Maryland	11.RD	94,238
Total US Department of Commerce		<u>4,976,288</u>
US Department of Interior:	15.RD	80,828
Pass-through programs from:		
University of South Carolina Research Foundation	15.RD	186,409
US Geological Survey	15.RD	38,727
Texas A&M Research Park	15.RD	12,224
Total US Department of Interior		<u>318,188</u>
US Department of Agriculture:	10.RD	796,413
Pass-through programs from:		
University of South Carolina Research Foundation	10.RD	191,197
South Carolina Forestry Commission	10.RD	1,189
Clemson University	10.RD	8,500
Total US Department of Agriculture		<u>997,299</u>
US Department of Justice:	16.RD	191,863
Pass-through programs from:		
South Carolina Department of Public Safety	16.RD	619,763
University of South Carolina Research Foundation	16.RD	386,713
South Carolina Department of Energy	16.RD	47,444
South Carolina Department of Alcohol and Other Drug Abuses	16.RD	7,321
Total US Department of Justice		<u>1,253,104</u>
US Department of Housing and Urban Development	14.RD	52,498
Pass-through programs from:		
South Carolina Department of Commerce	14.RD	3,000
Total US Department of Housing and Urban Development		<u>55,498</u>
US Department of State:	19.RD	30,432
Pass-through programs from:		
University of South Carolina Research Foundation	19.RD	188,766
Total US Department of State		<u>219,198</u>
National Foundation of Arts and the Humanities:	45.RD	37,672
Pass-through programs from:		
South Carolina Humanities Council	45.RD	27,281
University of South Carolina Research Foundation	45.RD	2,493
South Carolina Arts Commission	45.RD	18,868
Total National Foundation of Arts and the Humanities		<u>86,314</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Federal Emergency Management Agency:		
Pass-through programs from:		
South Carolina Department of Natural Resources	83.RD	\$ 7,095
Office of the Adjutant General	83.RD	10,331
South Carolina Emergency Management Division	83.RD	44,743
Total Federal Emergency Management Agency		<u>62,169</u>
National Archives and Records Administration:	89.RD	(27)
Pass-through programs from:		
University of South Carolina Research Foundation	89.RD	224,906
Total National Archives and Records Administration		<u>224,879</u>
Central Intelligence Agency:		
Pass-through programs from:		
University of South Carolina Research Foundation	SCRI	55,574
Total Central Intelligence Agency		<u>55,574</u>
Cooperation for National and Community Service:		
Pass-through programs from:		
Americorps NCCC SE Campus	94.RD	(600)
South Carolina Department of Education	94.RD	18,902
Total Cooperation for National and Community Service		<u>18,302</u>
Institutional Partnership Program:		
Enhancing Sustainable Development Through Environmental Education and Research in the Philippines	HNE-A00-9700059	16,113
Pass-through programs from:		
University of South Carolina Research Foundation	NRO00001C4368	520,641
University of South Carolina Research Foundation	NRO00003CO122	15,193
Total Institutional Partnership Program		<u>551,947</u>
OmniSeer:		
Pass-through programs from:		
University of South Carolina Research Foundation	SC2003H27570000	52,304
Total OmniSeer Program		<u>52,304</u>
Total Research and Development – Cluster		<u>64,702,579</u>
Child Nutrition:		
US Department of Agriculture:		
Pass-through programs from:		
South Carolina Department of Social Services	10.559	1,204,779
Total US Department of Agriculture		<u>1,204,779</u>
Total Child Nutrition		<u>1,204,779</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Fish and Wildlife:		
US Department of Interior:		
Wildlife Restoration	15.611	\$ 25
Total US Department of Interior		<u>25</u>
Total Fish and Wildlife		<u>25</u>
Highway Planning and Construction Cluster:		
US Department of Transportation:		
Pass-through programs from:		
South Carolina Budget and Control Board	20.205	<u>30,711</u>
Total US Department of Transportation		<u>30,711</u>
Total Highway and Planning Construction – Cluster		<u>30,711</u>
HIV Cluster:		
US Department of Health and Human Services:		
Pass-through programs from:		
South Carolina Department of Health and Environmental Services	93.915	1,618,263
South Carolina Department of Health and Human Services	93.915	<u>5,413</u>
Total US Department of Health and Human Services		<u>1,623,676</u>
Total HIV Cluster		<u>1,623,676</u>
Medicaid Cluster:		
US Department of Health and Human Services:		
Pass-through programs from:		
South Carolina Department of Health and Human Services	93.778	<u>194,470</u>
Total US Department of Health and Human Services		<u>194,470</u>
Total Medicaid Cluster		<u>194,470</u>
Special Education Cluster:		
US Department of Education:		
Pass-through programs from:		
South Carolina Department of Education	84.027	<u>6,900</u>
Total US Department of Education		<u>6,900</u>
Total Special Education - Cluster		<u>6,900</u>
Student Financial Aid – Cluster:		
US Department of Education:		
Federal Pell Grant Program	84.063	20,440,820
Federal Supplemental Educational Opportunity Grant	84.007	1,475,838
Federal Work Study Program	84.033	1,472,663
Federal Perkins Loan Program	84.038	408,560
Federal Family Education Loan Program	84.032	<u>79,895,170</u>
Total US Department of Education		<u>103,693,051</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
US Department of Health and Human Services:		
Health Professions Student Loan	93.342	\$ 34,784
Nursing Student Loan	93.364	(222)
Scholarships for Health Professions Students	93.925	46,003
Total US Department of Health and Human Services		<u>80,565</u>
Total Student Financial Aid - Cluster		<u>103,773,616</u>
Trio Cluster:		
US Department of Education:		
Student Support Services	84.042	1,711,873
Talent Search	84.044	261,654
Upward Bound	84.047	1,070,009
Educational Opportunity Centers	84.066	88,358
Pass-through programs from:		
University of South Carolina Research Foundation	84.066	348,717
Ronald McNair Post-Baccalaureate Achievement	84.217	235,263
Total US Department of Education		<u>3,715,874</u>
Other Programs:		
US Department of Health and Human Services:		
Nurse Anesthetist Traineeships	93.124	165
The South Carolina Disability and Health Project	93.184	1,003
Occupational Safety and Health-Training Grants (B)	93.263	(225)
Advanced Education Nursing Traineeships	93.358	78,962
Basic Nurse Education and Practice Grants	93.359	28,960
Developmental Disabilities University Affiliated P	93.632	199
Child Welfare Services Training Grants (D)	93.648	172,198
Public Health Traineeships	93.964	39,068
Adolescent Family Life-Demonstration Projects	93.995	29,971
Pass-through programs from:		
South Carolina Department of Health and Human Services	93.779	233,354
South Carolina Department of Health and Human Services	93.044	39,669
South Carolina Department of Health and Human Services	93.048	98,790
South Carolina Department of Health and Human Services	93.999	454,488
South Carolina Department of Health and Human Services	93.575	279,889
South Carolina Department of Health and Human Services	93.042	1,116
South Carolina Department of Health and Environmental Control	93.999	158,248
South Carolina Department of Health and Environmental Control	93.153	113,549
South Carolina Department of Health and Environmental Control	93.645	(136)
South Carolina Department of Health and Environmental Control	93.658	185,011
South Carolina Department of Health and Environmental Control	93.917	399,239
South Carolina Department of Health and Environmental Control	93.945	49,215
Medical University of South Carolina	93.969	4,201
University of South Carolina Research Foundation	93.124	34,597
University of South Carolina Research Foundation	93.145	121,593

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
University of South Carolina Research Foundation	93.153	\$ 5,501
University of South Carolina Research Foundation	93.184	459,290
University of South Carolina Research Foundation	93.253	166,203
University of South Carolina Research Foundation	93.263	64,920
University of South Carolina Research Foundation	93.359	77,731
University of South Carolina Research Foundation	93.393	8,315
University of South Carolina Research Foundation	93.570	72,829
University of South Carolina Research Foundation	93.600	11,040
University of South Carolina Research Foundation	93.631	38,448
University of South Carolina Research Foundation	93.632	377,474
University of South Carolina Research Foundation	93.652	22,667
University of South Carolina Research Foundation	93.923	61,832
University of South Carolina Research Foundation	93.938	1,314
University of South Carolina Research Foundation	93.999	1,205,585
Emory University	93.145	1,523
South Carolina Department of Disabilities and Special Needs	93.234	72,793
South Carolina Department of Disabilities and Special Needs	93.999	100
Association of Schools of Public Health	93.249	13,711
South Carolina Department of Education	93.282	7,000
South Carolina Department of Education	93.283	5,039
Communities in Schools	93.590	102,773
North Carolina Institute of Public Health	93.964	24,492
Office of Governor of South Carolina	93.569	4,096
South Carolina Department of Social Services	93.608	2,329,685
South Carolina Department of Social Services	93.643	344,561
South Carolina Department of Social Services	93.645	124,186
South Carolina Department of Social Services	93.658	277,845
South Carolina Department of Social Services	93.956	204,121
South Carolina Department of Social Services	93.999	108,207
Palmetto Richland Memorial Hospital	93.879	9,391
Total US Department of Health and Human Services		<u>8,725,796</u>
US Department of Defense:		
Procurement Technical Assistance for Business Firm	12.002	145,206
Ga: Center for Selection, Wellness and Enhanced Programs	12.002	6,596
Ga: Center for One - Soldier Support Institute	12.002	22,947
Ga: Army Fort Jackson	12.002	(51)
Ga: NROTC Educational Instruction	12.002	8,824
Pass-through programs from:		
University of South Carolina Research Foundation	12.002	40,989
Clemson University	12.4832001760	8,363
Total US Department of Defense		<u>232,874</u>

THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
US Department of Energy:		
National Energy Information Center (L)	81.039	\$ 41,252
Academic Partnerships	81.102	229,731
Pass-through programs from:		
South Carolina Office of General Services	81.117	4
University of South Carolina Research Foundation	81.545586DOE	11,912
Westinghouse Savannah River Plant	81.AC22230T	42,838
B&CB Office of Internal Operations	81.041	57,053
University of Georgia	81.999	10,266
Total US Department of Energy		<u>393,056</u>
National Science Foundation:		
Biological Sciences (B)	47.074	301
Education and Human Resources (B)	47.076	391,813
Pass-through programs from:		
Berkeley County School District	47.076	37,648
South Carolina Department of Education	47.076	171,532
University of South Carolina Research Foundation	47.076	57,105
Total National Science Foundation		<u>658,399</u>
US Department of Commerce:		
Technology Opportunities	11.552	39,109
Pass-through programs from:		
University of South Carolina Research Foundation	11.611	8,768
South Carolina Sea Consortium	11.417	6,723
Total US Department of Commerce		<u>54,600</u>
US Department of Justice:		
Grants to Reduce Violent Crimes Against Women on C	16.525	151,982
Juvenile Justice and Delinquency Prevention-Alloc	16.540	238,218
Public Safety Partnership and Community Policing G	16.710	7,746
Victim Services Professional Development	16.99-VF-GX-K012	72,107
Pass-through programs from:		
South Carolina Department of Public Safety	16.523	37,439
South Carolina Department of Public Safety	16.999	7,255
Wake Forest University	16.540	72,933
University of South Carolina Research Foundation	16.582	52,499
University of South Carolina Research Foundation	16.727	159,488
South Carolina Department of Alcohol and Other Drug Abuses	16.540	7,493
South Carolina Department of Alcohol and Other Drug Abuses	16.727	19,558
South Carolina Department of Alcohol and Other Drug Abuses	16.728	1
South Carolina Department of Alcohol and Other Drug Abuses	16.999	2,095
Total Department of Justice		<u>828,814</u>

THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Environmental Protection Agency:		
Pass-through programs from:		
South Carolina Department of Health and Environment Control	66.606	\$ 15,332
University of South Carolina Research Foundation	66.709	44,802
SCRA - North Charleston, SC	66.950	7,611
		<hr/>
Total Environmental Protection Agency		67,745
US Department of Education:		
Special Education-Personnel Development and Training	84.029	19,355
Rehabilitation Long-Term Training	84.129	165,599
Migrant Education-High School Equivalency Program	84.141	432,305
Secondary Education and Transitional Services For	84.158	241,414
Safe and Drug-Free Schools and Communities-National	84.184	58,014
Graduate Assistance in Areas of National Need (B)	84.200	461,563
Assistive Technology	84.224	501,595
Special Education-Personnel Preparation to Improv	84.325	297,481
Child Care Access Means Parents in School	84.335	58,439
Teacher Quality Enhancement Grants	84.336	909,618
Spartanburg Writing Project	84.999	39,287
Pass-through programs from:		
University of South Carolina Research Foundation	84.021-342	330,865
South Carolina Department of Health and Environmental Control	84.181	325,204
South Carolina Department of Education	84.186	(35)
South Carolina Department of Education	84.326	4,086
South Carolina Department of Education	84.336	147
South Carolina Department of Education	84.338	24,598
Allendale County Schools	84.215	147,923
The Alliance for South Carolina's Children	84.235	7,716
South Carolina Commission on Higher Education	84.281-334	422,095
National Writing Project Corporation	84.92-SC06	30,108
National Writing Project Corporation	84.92-SC05	32,171
		<hr/>
Total US Department of Education		4,509,548
Corporation for National and Community Service:		
Pass-through programs from:		
AmeriCorps	94.006	13,271
South Carolina Commission on National and Community Service	94.006	97,313
South Carolina Department of Education	94.006	6,242
Lowcountry AHEC	94.006	800
		<hr/>
Total Corporation for National and Community Service		117,626

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
US Department of Agriculture:		
USDA Forest Service	10.999	\$ 1,506
Pass-through programs from:		
South Carolina Department of Social Services	10.558	280,203
South Carolina Forestry Commission	10.672	1,939
University of South Carolina Research Foundation	10.672	72,914
Total US Department of Agriculture		<u>356,562</u>
US Department of Housing and Urban Development:		
Community Development Block Grants/State's Program	14.228	233,591
Pass-through programs from:		
University of South Carolina Research Foundation	14.277	15,258
University of South Carolina Research Foundation	14.235	3,169
Total US Department of Housing and Urban Development		<u>252,018</u>
National Foundation for the Arts and the Humanities:		
Institute of Museum and Library Services-National	45.312	2,754
Pass-through programs from:		
South Carolina Humanities Council	45.129	32,194
University of South Carolina Research Foundation	45.129	18,755
Total National Foundation for the Arts and the Humanities		<u>53,703</u>
US Small Business Administration:		
Small Business Development Center	59.037	528,569
Total US Small Business Administration		<u>528,569</u>
US Department of Labor:		
Pass-through programs from:		
South Carolina Employment Security Commissior	17.250	259,368
South Carolina Employment Security Commissior	17.255	1,074
South Carolina Employment Security Commissior	17.258	117,896
South Carolina Employment Security Commissior	17.999	634
South Carolina Department of Education	17.249	16,355
Total US Department of Labor		<u>395,327</u>
US Department of State:		
Pass-through program from:		
University of South Carolina Research Foundation	19.415	96,188
University of South Carolina Research Foundation	19.418	203,035
University of South Carolina Research Foundation	19.422	257,339
Total US Department of State		<u>556,562</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Federal grantors/pass-through grantors/agencies or cluster title	Federal CFDA number	Expenditures
Social Security Administration:		
Social Security-Research and Demonstration	96.007	\$ 878
Pass-through programs from:		
University of South Carolina Research Foundation	96.007	<u>439,474</u>
Total Social Security Administration		<u>440,352</u>
Library of Congress		
Pass-through program from:		
Carolina Piedmont Foundation	42.007	<u>102,892</u>
Total Library of Congress		<u>102,892</u>
Total Federal Award Expenditures		<u>\$ 193,527,073</u>

See accompanying notes to schedule of expenditures of federal awards.

THE UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the University of South Carolina (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 \$17,274,087 as of June 30, 2003.

(4) Matching

Under the FWS program, the University matched \$436,911 in total compensation for the year ended June 30, 2003 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$401,005 in funds awarded to students for the year ended June 30, 2003 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

(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>
US Department of Commerce	11.RD	\$ 1,248,138
Total US Department of Commerce		<u>1,248,138</u>
US Department of Defense	12.002	40,877
US Department of Defense	12.RD	1,266,931
Total US Department of Defense		<u>1,307,808</u>
US Department of Transportation	20.RD	54,531
Total US Department of Transportation		<u>54,531</u>
National Aeronautics and Space Administration	43.RD	210,552
National Science Foundation	47.RD	292,023
Pass-through programs from:		
University of South Carolina Research Foundation	47.RD	21,394
National Science Foundation	47.070	3,240
Total National Science Foundation		<u>316,657</u>
Environmental Protection Agency	66.RD	110,905
Total Environmental Protection Agency		<u>110,905</u>

THE UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Federal granting agency</u>	<u>Federal CFDA Number</u>	<u>Amount provided to subrecipients</u>
US Department of Energy	81.RD	\$ <u>51,886</u>
Total US Department of Energy		<u>51,886</u>
US Department of Education	84.RD	82,106
US Department of Education	84.200	57,400
US Department of Education	84.336	<u>525,288</u>
Total US Department of Education		<u>664,794</u>
US Department of Health and Human Services	93.RD	2,699,709
US Department of Health and Human Services	93.184	100,131
Total US Department of Health and Human Services		<u>2,799,840</u>
Institutional Partnership Program	99.RD	<u>14,504</u>
		\$ <u><u>6,779,615</u></u>



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

**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 the University of South Carolina (the University) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 10 2003. 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 of America.

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 basic 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

October 10, 2003



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

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 the University of South Carolina (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 federal program for the year ended June 30, 2003, except those requirements discussed in the third following paragraph. The University's major federal program is 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 program 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 program for the year ended June 30, 2003, 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, the Health Professions Student Loan and Nursing Student Loan programs. 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, in the Health Professions Student Loan and Nursing Student Loan Programs 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 the University of South Carolina as of and for the year ended June 30, 2003, and have issued our report thereon dated October 10, 2003. 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

October 10, 2003

THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

(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 0.510(a) of OMB Circular A-133: **no**
- (g) Major Federal programs: **student financial aid cluster (various CFDA numbers)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section 0.530 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

THE UNIVERSITY OF SOUTH CAROLINA

Schedule of Prior Year Audit Findings

Year ended June 30, 2003

There were no findings or questioned costs for the year ended June 30, 2002.