



THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2008

(With Independent Auditors' Reports Thereon)

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Research and Development – Cluster:		
U.S. Department of Agriculture:		
Direct programs:		
Coop State Research, Education & Ext Services	10.RD	\$ <u>241,677</u>
		<u>241,677</u>
Passed-through programs:		
Guild Associates, Inc.	10.RD	<u>306</u>
		<u>306</u>
Total U.S. Department of Agriculture		<u>241,983</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	123,142
National Oceanic & Atmospheric Association	11.RD	234,586
Department of Commerce – Other Federal	11.RD	<u>9,693</u>
		<u>367,421</u>
Passed-through programs:		
University of Maryland	11.RD	3,023
South Carolina Sea Grant Consortium	11.RD	106,575
South Carolina Department of Natural Resources	11.RD	<u>74,287</u>
		<u>183,885</u>
Total U.S. Department of Commerce		<u>551,306</u>
U.S. Department of Defense:		
Direct programs:		
Office of Naval Research	12.RD	152,745
Dept of Army, Army Research & Material Command	12.RD	1,378,151
Army Research Office	12.RD	491,007
US Army Material Command	12.RD	338,039
US Army Medical Command	12.RD	39,519
US Army Research, Development & Engineering	12.RD	100,290
Office of the Secretary of Defense	12.RD	8,100
US Army Medical Research & Acquisition Activity	12.RD	<u>37,294</u>
		<u>2,545,145</u>
Passed-through programs:		
GEO Centers	12.RD	1,120
Science Applications International Corporation	12.RD	(29)
Henry M. Jackson Foundation	12.RD	37,212
South Carolina Research Authority	12.RD	28,354
University of Virginia	12.RD	2,345
Guild Associates	12.RD	114
Advanced Technology Institute	12.RD	<u>671,823</u>
		<u>740,939</u>
Total U.S. Department of Defense		<u>3,286,084</u>

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of the Interior:		
Direct program:		
U.S. Department of the Interior-Other Federal	15.RD	\$ (538)
Total U.S. Department of the Interior		<u>(538)</u>
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	460,035
Bureau of Justice Assistance	16.RD	114,318
		<u>574,353</u>
Passed-through programs:		
Dee Norton Lowcountry Children's Center	16.RD	26
		<u>26</u>
Total U.S. Department of Justice		<u>574,379</u>
National Aeronautics and Space Administration		
Direct program:		
National Aeronautics and Space Administration	43.RD	115,785
Passed-through programs:		
South Carolina Space Grant Consortium	43.RD	833
College of Charleston	43.RD	64,316
		<u>65,149</u>
Total National Aeronautics and Space Administration		<u>180,934</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.RD	527,126
		<u>527,126</u>
Passed-through programs:		
Massachusetts Eye and Ear Infirmary	47.RD	77,953
Clemson University	47.RD	4,390
Georgia Institute of Technology	47.RD	90,274
University of Missouri-Columbia	47.RD	152,014
South Carolina Research Authority	47.RD	1,977,523
		<u>2,302,154</u>
Total National Science Foundation		<u>2,829,280</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
U.S. Department of Veteran Affairs-Other Federal	64.RD	452,588
Total U.S. Department of Veteran Affairs		<u>452,588</u>

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Environmental Protection Agency:		
Direct programs:		
Environmental Protection Agency-Other Federal	66.RD	\$ 14,022
		<u>14,022</u>
Passed-through programs:		
University of South Carolina	66.RD	14,319
		<u>14,319</u>
Total Environmental Protection Agency		<u>28,341</u>
U.S. Department of Energy:		
Direct programs:		
Office of Science	81.RD	723,576
Office of the Environment	81.RD	124,887
U.S. Department of Energy-Other Federal	81.RD	184,033
		<u>1,032,496</u>
Passed-through programs:		
MFC Technologies, LLC	81.RD	33,082
South Carolina Universities Research and Education Foundation	81.RD	2,249,098
		<u>2,282,180</u>
Total U.S. Department of Energy		<u>3,314,676</u>
U.S. Department of Education:		
Direct programs:		
Office of Special Education and Rehabilitative Services	84.RD	84,972
Office of Assistant Secretary for Special Education	84.RD	201,288
U.S. Department of Education-Other Federal	84.RD	225,920
		<u>512,180</u>
Total U.S. Department of Education		<u>512,180</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	106,819
Total Food and Drug Administration		<u>106,819</u>
National Institutes of Health	93.RD	768,774
National Institutes of Health	93.RD	2,099,147
National Institutes of Health	93.RD	22,374
National Institutes of Health	93.RD	1,233,178
National Institutes of Health	93.RD	260,639
National Institutes of Health	93.RD	132,524
National Institutes of Health	93.RD	4,376,884
National Institutes of Health	93.RD	164,003
National Institutes of Health	93.RD	291,781
National Institutes of Health	93.RD	3,278,903
National Institutes of Health	93.RD	11,333,584
National Institutes of Health	93.RD	371,984

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
National Institutes of Health	93.RD	\$ 232,959
National Institutes of Health	93.RD	37,234
National Institutes of Health	93.RD	350,668
National Institutes of Health	93.RD	273,591
National Institutes of Health	93.RD	5,089,362
National Institutes of Health	93.RD	1,456,004
National Institutes of Health	93.RD	71,666
National Institutes of Health	93.RD	5,058,566
National Institutes of Health	93.RD	2,070,055
National Institutes of Health	93.RD	7,431
National Institutes of Health	93.RD	760,954
National Institutes of Health	93.RD	117,451
National Institutes of Health	93.RD	8,517,857
National Institutes of Health	93.RD	135,823
National Institutes of Health	93.RD	1,020,240
National Institutes of Health	93.RD	2,636,271
National Institutes of Health	93.RD	369,484
National Institutes of Health	93.RD	2,177,906
National Institutes of Health	93.RD	1,746,895
National Institutes of Health	93.RD	5,690,586
National Institutes of Health	93.RD	452,731
National Institutes of Health	93.RD	227,131
National Institutes of Health	93.RD	2,437,771
National Institutes of Health	93.RD	1,794,978
National Institutes of Health	93.RD	3,488,469
National Institutes of Health	93.RD	2,202,331
National Institutes of Health	93.RD	196,515
National Institutes of Health	93.RD	1,913,695
Total National Institutes of Health		74,868,399
Health Resources and Services Administration	93.RD	891,604
Center for Disease Control and Prevention	93.RD	1,962,313
Agency for Healthcare Research and Quality	93.RD	511,730
National Heart Lung & Blood Institute	93.RD	811,003
National Institute on Aging	93.RD	19,788
National Institute of Drug Abuse	93.RD	877,481
National Institute of Allergy & Infectious Disease	93.RD	244,167
National Institute on Deafness & Other Communication Disorders	93.RD	112,107
National Institute Dental & Craniofacial Research	93.RD	407,295
National Institute Diabetes, Digest & Kidney Disease	93.RD	521,624
National Institute on General Medical Sciences	93.RD	1,053,723
National Institute of Neurological Disorders & Stroke	93.RD	1,769,229
National Surgical Adjunct Breast & Bowel (NSABP)	93.RD	16,294
National Cancer Institute	93.RD	654,618
National Center for Research Resources	93.RD	4,457,442
Office of the Secretary	93.RD	274,781
U.S. Department of Health and Human Services-Other Federal	93.RD	2,882,087
Total U.S. Department of Health and Human Services		92,442,504

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Passed-through programs:		
Albert Einstein College of Medicine Yeshiva University	93.RD	\$ (383)
American Academy of Child and Adolescent Psychiatry	93.RD	141,099
American Academy of Pediatrics	93.RD	3,447
American College of Radiology	93.RD	14,270
American College of Radiology Imaging Network	93.RD	82,617
American Psychiatric Institute for Research and Education	93.RD	(11,565)
Argolyn Bioscience, Inc.	93.RD	528
Association of American Medical Colleges	93.RD	291,100
Audiology, Inc.	93.RD	33,947
Baylor University	93.RD	42,743
Benroya Research Institute at Virginia Mason	93.RD	(510)
Beth Israel Deaconess Medical Center	93.RD	21,775
Brigham and Young Women's Hospital	93.RD	12,268
Case Western Reserve University	93.RD	134,177
Cell and Tissue Systems, Inc.	93.RD	29,023
Children's Hospital of Philadelphia	93.RD	27,342
Children's Hospital Research Foundation	93.RD	(39)
Children's National Medical Center	93.RD	114,664
Clemson University	93.RD	97,602
Clinical Trials and Surveys Corporation	93.RD	78,042
Dartmouth College	93.RD	38,019
Duke University	93.RD	203,489
Duquense University	93.RD	108,251
Emory University	93.RD	120,756
Firststring Research, LLC	93.RD	27,813
Fred Hutchinson Cancer Research Center	93.RD	20,262
Friends of the Congressional Glaucoma Caucus Foundation, Inc.	93.RD	5,215
Gynecologic Oncology Group	93.RD	22,980
Henry M. Jackson Foundation	93.RD	41,568
Johns Hopkins University	93.RD	(223)
Johns Hopkins University (MISTIE)	93.RD	545
Lam Foundation	93.RD	13,858
Lenient Corporation	93.RD	157,859
Los Angeles Biomedical Research Institute at UCLA	93.RD	1,079
Loyola University	93.RD	14,868
Mathematica Policy Research, Inc.	93.RD	1,336
Mayo Clinic	93.RD	8,614
Mayo Clinic of Jacksonville	93.RD	96,236
Mayo Clinic of Rochester	93.RD	(61)
MCP Hahnemann University	93.RD	(48,126)
Medical College of Georgia	93.RD	42,705
Memorial Sloan-Kettering Cancer Center	93.RD	1,958
Morehouse School of Medicine, Inc.	93.RD	21,817
Mount Sinai Medical Center	93.RD	111,926
National Childhood Cancer Foundation	93.RD	109,874
New England Research Institute	93.RD	100,574
New Jersey Medical School	93.RD	31,458
Novelos Therapeutics	93.RD	20,798
Optima Neuroscience, Inc.	93.RD	7,071
Organ Recovery Systems	93.RD	991

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Princeton University	93.RD	\$ 650,125
Research Foundation for Mental Hygiene, Inc.	93.RD	150,861
Research Triangle Institute	93.RD	2,463
Rhode Island Hospitals	93.RD	61,563
Scripps Research Institute	93.RD	272,149
Seattle Institute for Cardiac Research	93.RD	13,048
South Carolina Department of Health and Environmental Control	93.RD	19,767
South Carolina EPSCOR (Experimental Prgm to Stimulate Competitive Research)	93.RD	99,724
South Carolina Sea Grant Consortium	93.RD	1,026
South Carolina State University	93.RD	882
South West Oncology Group	93.RD	52,249
St. Jude Children's Hospital	93.RD	117,692
St. Jude Medical, Inc.	93.RD	57,799
Stanford University/LSJU	93.RD	222
Taligen, Inc.	93.RD	20,575
Temple University	93.RD	56,203
Texas A&M University	93.RD	(14,991)
Texas Southern University	93.RD	7,097
United States Immunodeficiency Network	93.RD	96,568
University of Alabama at Birmingham	93.RD	279,825
University of California at Los Angeles	93.RD	29,107
University of California at San Diego	93.RD	108,726
University of Central Florida	93.RD	57,977
University of Chicago	93.RD	92,096
University of Cincinnati	93.RD	23,876
University of Colorado	93.RD	349,102
University of Connecticut	93.RD	11,320
University of Florida	93.RD	16,327
University of Georgia	93.RD	32,289
University of Illinois at Chicago	93.RD	22,566
University of Indiana	93.RD	41,274
University of Kansas Medical Center	93.RD	95,219
University of Louisville	93.RD	(82,660)
University of Maryland	93.RD	86,267
University of Massachusetts	93.RD	70,965
University of Medicine and Dentistry of New Jersey	93.RD	3,290
University of Michigan	93.RD	6,197
University of Minnesota	93.RD	24,377
University of North Carolina	93.RD	30,535
University of Pennsylvania	93.RD	53,500
University of Pittsburgh	93.RD	123,544
University of South Carolina	93.RD	729,637
University of South Carolina (SC INBRE)	93.RD	42,308
University of South Florida	93.RD	180,871
University of Southern California	93.RD	(492)
University of Sydney	93.RD	12,325
University of Tennessee	93.RD	63,989
University of Texas	93.RD	27,028
University of Texas Southwestern Medical Center	93.RD	21,108
University of Texas Southwestern Medical Center at Dallas	93.RD	20,653

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
University of Washington at Seattle	93.RD	\$ 188,180
University of Washington School of Public Health	93.RD	23,341
University of Wisconsin at Madison	93.RD	52,861
Vanderbilt University	93.RD	19,225
Virginia Commonwealth University	93.RD	103,852
Washington University in St. Louis	93.RD	19,030
Yale University	93.RD	(26,550)
		<u>7,013,764</u>
Total U.S. Department of Health and Human Services		<u>99,456,268</u>
Total Research and Development	*	<u>111,427,481</u>
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	18,979
Federal Family Education Loans	84.032	58,179,878
Federal Work-Study Program	84.033	469,161
Federal Perkins Loan Program	84.038	1,129,754
Federal Pell Grant Program	84.063	129,437
Total U.S. Department of Education		<u>59,927,209</u>
U.S. Department of Health and Human Services:		
Health Professions Student Loans Including Primary Care Loans/Loans for Disadvantaged Students	93.342	1,523,529
Total U.S. Department of Health and Human Services		<u>1,523,529</u>
Total Student Financial Aid	*	<u>61,450,738</u>
Other Programs:		
U.S. Department of Commerce:		
Direct program:		
U.S. Department of Commerce	11.617	1,781,889
Total U.S. Department of Commerce		<u>1,781,889</u>
U.S. Department of Justice:		
Passed-through programs:		
South Carolina State Office of Victims Assistance	16.582	396
South Carolina Department of Public Safety	16.588	239,116
Total U.S. Department of Justice		<u>239,512</u>
U.S. Department of Transportation:		
Passed-through programs:		
Think First Foundation	20.218	3,329
South Carolina Department of Transportation	20.999	7,770,607
Total U.S. Department of Transportation		<u>7,773,936</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.076	30,199

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Passed-through programs:		
South Carolina Research Authority	47.076	\$ 6,000
		<u>6,000</u>
Total National Science Foundation		<u>36,199</u>
U.S. Department of Veteran Affairs:		
Direct program:		
Veteran's Administration Medical Center	64.999	328,586
Total U.S. Department of Veteran Affairs		<u>328,586</u>
U.S. Department of Energy:		
Direct program:		
U.S. Department of Energy	81.049	163,149
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.114	114,674
South Carolina State University	81.999	229,343
Savannah State University	81.999	33,210
Tennessee State University	81.999	61,615
		<u>438,842</u>
Total U.S. Department of Energy		<u>601,991</u>
U.S. Department of Education:		
Direct program:		
Office of the Assistant for Postsecondary Education	84.200	318,166
Passed-through programs:		
South Carolina Department of Education	84.027	1,000
		<u>1,000</u>
Total U.S. Department of Education		<u>319,166</u>
National Archives and Records Administration		
Direct program:		
National Historic Publications and Records Grants	89.003	37,857
Total National Archives and Records Administration		<u>37,857</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.004	213,674
Health Resources and Services Administration	93.107	332,092
Health Resources and Services Administration	93.110	14,113
National Institutes of Health	93.121	32,361
Health Resources and Services Administration	93.124	17,253
Health Resources and Services Administration	93.162	37,500
Health Resources and Services Administration	93.191	5,435
Agency for Healthcare Research and Quality	93.225	234,225
National Institutes of Health	93.242	252,631
Substance Abuse & Mental Health Services Administration	93.243	222,603
Health Resources and Services Administration	93.247	205,606
Nurse Faculty Loan Program	93.264	123,761

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
National Institutes of Health	93.279	\$ 295,991
Centers for Disease Control and Prevention	93.283	338,649
Health Resources and Services Administration	93.358	53,955
Health Resources and Services Administration	93.359	459,378
National Institutes of Health	93.389	116,207
National Institutes of Health	93.837	90,569
National Institutes of Health	93.849	162,918
National Institutes of Health	93.853	66,550
National Institutes of Health	93.859	20,407
National Institutes of Health	93.879	251,876
Health Resources and Services Administration	93.884	511,592
Health Resources and Services Administration	93.887	2,367,413
National Institutes of Health	93.989	12,000
Health Resources and Services Administration	93.996	1,247,054
U.S. Department of Health and Human Services-Other Federal	93.999	39,045
		<u>7,724,858</u>
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	128,795
Association of Teachers of Preventive Medicine	93.185	67,327
Dartmouth College	93.242	7,611
Allegheny-Singer Research Foundation	93.243	14,816
Palmetto Project	93.252	(1,385)
South Carolina Department of Health and Environmental Control	93.283	2,498
South Carolina State University	93.307	49,072
Boston University	93.398	5
Wayne State University	93.847	17,034
South Carolina Department of Health and Environmental Control	93.889	196,306
South Carolina Department of Health and Environmental Control	93.917	1,571,473
Advocates for Youth	93.938	5,038
South Carolina Department of Health and Environmental Control	93.94	9,984
South Carolina Department of Alcohol and Other Drug Areas	93.959	2,702
University of South Carolina	93.969	18,157
South Carolina Department of Health and Environmental Control	93.994	30,017
University of Maryland	93.999	4,738
Ambulatory Pediatric Association	93.999	3,589
		<u>2,127,777</u>
Total U.S. Department of Health and Human Services		<u>9,852,635</u>
Total federal expenditures		\$ <u><u>193,849,990</u></u>

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Medical 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. Federal Pell grant awards are recognized as agency transactions and are not recorded as expenditures in the financial statements.

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) Non-Cash Assistance

Most federal financial assistance is in the form of cash awards. However, there are a number of federal programs that do not involve cash transactions with the University. These noncash transactions in which the University obtains other assistance are the Federal Family Education Loan Program (FFELP), which includes the Federal Stafford Student Loan program (subsidized and unsubsidized) and the Federal Parent Loans for Undergraduate Students (FPLUS) and revolving loan programs such as the Federal Perkins Loan program.

The loans advanced and related expenditures are as follows for the various student loan programs:

	<u>CFDA number</u>	<u>Amount</u>
Federal Perkins Loan program:	84.038	\$ 933,667
Student loans advanced		<u>196,087</u>
Cancellation of loans		<u>\$ 1,129,754</u>
Federal Family Education Loan Program –	84.032	
Student loans advanced:		\$ 15,200,081
Stafford Loan Program		35,026,668
Unsubsidized Stafford Loan Program		77,059
Federal PLUS Loan Program		<u>7,876,070</u>
Federal Graduate PLUS Loan Program		<u>\$ 58,179,878</u>
Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students:		
Loans advanced	93.342	\$ 1,523,529

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The Federal Perkins Loan, Health Professions Student Loan (HPSL), and the Loans for Disadvantaged Students (PCL) programs are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. The balance of loans outstanding under the Federal Perkins, HPSL, and PCL programs were \$5,902,212, \$7,044,122, and \$405,011, respectively, as of June 30, 2008.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan Programs and, accordingly, these loans are not included in its financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of June 30, 2008.

(4) Matching

Under the Federal Work Study (FWS) program, the University matched \$102,750 in total compensation for the year ended June 30, 2008 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the Federal Supplemental Education Opportunity Grant (FSEOG) program, the University matched \$5,615 in funds awarded to students for the year ended June 30, 2008 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

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(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>
U.S. Department of Agriculture:		
Department of Agriculture	10.RD	\$ 258,702
Total U.S. Department of Agriculture		<u>258,702</u>
U.S. Department of Commerce:		
Department of Commerce	11.RD	<u>(3,497)</u>
Total U.S. Department of Commerce		<u>(3,497)</u>
U.S. Department of Defense:		
Department of Defense	12.RD	<u>151,351</u>
Total U.S. Department of Defense		<u>151,351</u>
U.S. Department of Justice:		
Department of Justice	16.RD	<u>266,866</u>
Total U.S. Department of Justice		<u>266,866</u>
National Aeronautics and Space Administration:		
National Aeronautics and Space Administration	43.RD	
Pass-through programs from:		
South Carolina Research Authority	43.RD	<u>22,514</u>
Total National Aeronautics and Space Administration		<u>22,514</u>
National Science Foundation:		
National Science Foundation	47.RD	<u>87,689</u>
Total National Science Foundation		<u>87,689</u>
U.S. Department of Energy:		
U.S. Department of Energy	81.RD	10,550
U.S. Department of Energy	81.114	<u>554,680</u>
Total U.S. Department of Energy		<u>565,230</u>

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Year ended June 30, 2008

<u>Federal granting agency</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
U.S. Department of Health and Human Services:		
U.S. Department of Health and Human Services	93.RD	\$ 4,775,983
National Institute of Health	93.242	1,326,076
Pass-through programs from:		
The Association of American Medical Colleges	93.283	<u>80,294</u>
Total U.S. Department of Health and Human Services		<u>6,182,353</u>
Total		<u>\$ 7,531,208</u>
		???



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**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***

Board of Trustees
Medical University of South Carolina
Charleston, South Carolina:

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 22, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, discretely presented component units, were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the Medical University Hospital Authority. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for this entity. The findings, if any, included in that report are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.



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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 22, 2008.

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

This report is intended solely for the information and use of management, the Board of Trustees, and others within the organization, 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 22, 2008



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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**

Board of Trustees
Medical University of South Carolina
Charleston, South Carolina:

Compliance

We have audited the compliance of the Medical 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 each of its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2008 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audit of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

The University's basic financial statements include the operations of the Medical University Hospital Authority (the Authority), which received \$422,259,500 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2008. Our audit, described below, did not include the operations of the Authority because the Authority's federal awards are separately audited in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133



require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-2, 2008-3, 2008-4, and 2008-5.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

A control deficiency in the University's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the University's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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



Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University, a department of the State of South Carolina, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. 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 management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 22, 2008, except for Compliance and
Internal Control over Compliance, as to
which the date is February 27, 2009

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **Yes** Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Significant deficiencies in internal control over major programs: **Yes**
Material weaknesses: **No**
- (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: **Yes**
- (g) Major Federal programs: **Research and Development cluster (various CFDA numbers), Student Financial Aid cluster (various CFDA numbers), and Intermodel Parking Facility (CFDA number 20.099)**
- (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: **Yes**

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

2008-1

Cash Reconciliations and Journal Entry Review

Criteria

Reconciling items should be corrected in the general ledger in a timely manner and journal entries should be reviewed to ensure appropriate accounts are being charged before approving the entry.

Condition, Cause, and Effect

A cash reconciling item of approximately \$1.3 million was not corrected timely in the general ledger. The reconciling item was caused by a journal entry to erroneously debit cash and credit accrued liabilities. The University ultimately recorded the adjustment to properly reflect these accounts.

Recommendation

We recommend that management implement a more thorough review of cash reconciliations by an appropriate accounting manager. All reconciling items should be thoroughly investigated and resolved in a timely manner. In addition, all journal entries should be reviewed by an appropriate accounting manager. The accounting manager should ensure that the appropriate accounts are being charged before approving the journal entry. The cash reconciliation process and journal entry review is a critical control process to ensure the completeness and accuracy of financial reporting.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Management's Response

We do agree that the manager reviewing the journal entry should have caught the error. We have reinforced to the manager that the review of journal entries must include verification that the accounts being charged are appropriate.

The questionable item was identified and reflected on the cash account reconciliation by the manager responsible for the cash account reconciliation. A copy of the reconciliation was provided to the manager(s) responsible for the functional area associated with each reconciling item.

(3) Findings and Questioned Costs Relating to Federal Awards

2008-02

Procurement – Solicitation of Bids

Federal Program:	Research and Development Cluster
Federal Agency:	U.S. Department of Health and Human Services
Pass-through Entity:	University of South Carolina
CFDA No.	93.RD
Federal Award Year:	December 1, 2003 through November 30, 2008 September 30, 2005 through April 30, 2009

Criteria

Per A-110, Section 43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The University also has a purchasing policy which requires purchase orders to be properly approved before a purchase is made.

Condition

During our test work over the Research and Development Cluster, we selected a sample of 30 purchases and noted that documentation for two bids and purchase orders could not be located. Our exceptions are systemic in nature.

Cause

The University could not locate the documentation due to an oversight in maintaining the required documentation.

Questioned Cost

Not determinable.

Effect

The University may not be obtaining the best prices for goods and services and the University is exposed to the risk that personnel are not obtaining proper approval before procuring goods.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Questioned Cost

None.

Effect

Noncompliance could result in a lack of timely reporting in accordance with the terms of the grant agreement.

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that all financial status reports are submitted in a timely manner in accordance with the grant agreement.

Management Response

While we agree that the reports were not submitted on the dates established, we do not agree with the cited cause. Management was fully aware of the reports' due dates and thereby maximized the staff's workload to the fullest extent. By managing our workload, we were able to minimize the number of reports issued late as well as the number of days beyond due dates. This is reflected in the fact that four of the six reports cited were submitted within eight days or less of the established due dates.

Further, relative to Project 85380, we were directed by the department not to issue this report. Regrettably, the Principal Investigator (PI) on this award died in March 2008. Upon review of the project, the University determined that certain aspects of the award were not complete and wanted to continue the research. In order to do this, another PI would have to be assigned and a request to the sponsor for a no-cost extension would have to be made. Therefore, a final report could not be submitted because upon the submission of the final report, the no-cost extension could not be requested and the remaining funding would have been lost. Due to these extenuating circumstances, we believe our decision not to submit the final report was appropriate.

We will continue to monitor our reporting requirements and set our priorities for our staff so that we meet our most critical needs.

2008-04

Special Tests and Provisions – Student Status Changes

Federal Program:	Student Financial Aid Cluster
Federal Agency:	U.S. Department of Education
CFDA No.	84.032
Award year:	July 1, 2007 through June 30, 2008

Criteria

Under the FFEL program, schools must complete and return within 30 days of receipt the Student Status Confirmation Report (SSCR) sent by the Department of Education (ED) or a guaranty agency.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Condition

During our test work over the Student Financial Assistance Cluster, we selected a sample of 35 student status changes. Within our sample, we noted 2 instances in which the changes were not submitted to the National Student Loan Data System (NSLDS) within 30 days as required.

Cause

The University experienced breakdowns in its process to ensure that reports of all student status changes are submitted on a timely basis. The status change exceptions are systemic in nature.

Questioned Cost

None.

Effect

Noncompliance could result in failure to report student status changes on a timely basis and potential for over-award of federal funds.

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that student status changes are communicated timely.

Management Response

We agree that the notification of the changes in these 2 instances were not reported within the required timeframe. To strengthen our processes and controls in this area MUSC's Financial Aid office has established a new procedure to ensure that the lenders are notified within the period designated by regulation. Further, the Registrar's office has revised its process to ensure enrollment reports are submitted to the National Student Loan Clearinghouse within a maximum of 60 days.

2008-5

Reporting

Federal Program:	Intermodal Parking Facility
Federal Agency:	U.S. Department of Transportation
Pass-through Entity:	South Carolina Department of Transportation
CFDA No.	20.099
Award year:	December 5, 2005 through September 30, 2009

Criteria

Per the subrecipient agreement between the South Carolina Department of Transportation and the University, monthly invoices are due the 15th of each month, quarterly progress reports are due 30 days after the end of each quarter, and a final invoice is due 30 days after the end of the contract period.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Condition

The University did not submit invoices and progress reports in accordance with the grant agreement. The reporting exception is systemic in nature.

Cause

Management of the University believes that the reporting timeline is not feasible due to the nature of the project. The grant was a construction project and there were months where little or no activity was made so management believes no invoice should have been submitted each month. The State of South Carolina made site visits to monitor progress, therefore, quarterly progress reports were not prepared.

Questioned Cost

None.

Effect

Noncompliance could result in failure to comply with specific requirements of the grant agreement relating to progress reporting.

Recommendation

We recommend that the University obtain clarification regarding grant reporting requirements and strengthen its processes and controls in place to help ensure that all reports specified in the grant agreement are prepared and submitted in a timely manner.

Management Response

The fact that MUSC did not submit monthly invoices was not a result of an oversight or a breakdown in our system but a matter of practice. When the award does not specifically state that negative balance reports or zero balance invoices are to be submitted when no activity is occurring on the project, we do not prepare and submit these reports. Our practice is to review the account to determine if there are any expenses to invoice for; if there none, a notation is made in the file that a review was performed.

In addition, the Agreement with SCDOT states, "Failure on the part of the Subrecipient to comply with this requirement may result in suspension of expense reimbursements." If the manner in which MUSC was submitting invoices was not acceptable to the sponsor, SCDOT would have exercised this clause of the agreement. At no time during the period of this award did SCDOT notify the University that we were at risk for nonpayment because we were not submitting invoices on a monthly basis.

Accordingly, we take exception to this finding and believe that the processes and controls currently in place are adequate for ensuring proper reporting.