



THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2011

(With Independent Auditors' Reports Thereon)

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Table of Contents

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	16
Schedule of Findings and Questioned Costs	19

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
Research and Development – Cluster:		
U.S. Department of Agriculture:		
Passed-through programs:		
Clemson University	10.RD	\$ 76,472
Total U.S. Department of Agriculture		<u>76,472</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	63,251
National Oceanic and Atmospheric Association	11.RD	22,035
Department of Commerce – Other Federal	11.RD	2,691
		<u>87,977</u>
Passed-through programs:		
University Corporation for Atmospheric Research	11.RD	171,435
South Carolina Sea Grant Consortium	11.RD	44,088
		<u>215,523</u>
Total U.S. Department of Commerce		<u>303,500</u>
U.S. Department of Defense:		
Direct programs:		
Office of Naval Research	12.RD	248,656
US Army / USAMRAA	12.RD	3,439,149
US Army Research Office	12.RD	213,641
US Army Material Command	12.RD	179,717
US Army Medical Command	12.RD	620,021
Department of Defense – Other Federal	12.RD	1,165,940
		<u>5,867,124</u>
Passed-through programs:		
Indiana University	12.RD	17,249
Idaho Technology Inc.	12.RD	20,803
Charleston Research Institute	12.RD	69,531
Clemson University	12.RD	35,389
Columbia University	12.RD	13,836
Henry M. Jackson Foundation	12.RD	26,661
South Carolina Research Authority	12.RD	140,669
University of Central Florida	12.RD	119,162
University of Michigan	12.RD	49,894
University of Virginia	12.RD	57,905
Advanced Technology Institute	12.RD	901,423
		<u>1,452,522</u>
Total U.S. Department of Defense		<u>7,319,646</u>
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	(393)
		<u>(393)</u>
Passed-through programs:		
New Jersey Department of Corrections	16.RD	29,610
University of Massachusetts, Lowell	16.RD	1,573
		<u>31,183</u>
Total U.S. Department of Justice		<u>30,790</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
National Aeronautics and Space Administration:		
Passed-through programs:		
South Carolina Space Grant Consortium	43.RD	\$ 37,205
Clemson University	43.RD	10
College of Charleston	43.RD	<u>22,020</u>
		<u>59,235</u>
Total National Aeronautics and Space Administration		<u>59,235</u>
National Science Foundation:		
Direct programs:		
Biological Sciences	47.RD	152,331
Polar Programs	47.RD	<u>38,686</u>
		<u>191,017</u>
Passed-through programs:		
College of Charleston	47.RD	37,325
University of Missouri-Columbia	47.RD	81,763
South Carolina Research Authority	47.RD	<u>1,224,738</u>
		<u>1,343,826</u>
Total National Science Foundation		<u>1,534,843</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
U.S. Department of Veteran Affairs-Other Federal	64.RD	<u>819,400</u>
Total U.S. Department of Veteran Affairs		<u>819,400</u>
Environmental Protection Agency:		
Passed-through programs:		
National Environmental Education Foundation	66.RD	<u>1,796</u>
Total Environmental Protection Agency		<u>1,796</u>
U.S. Department of Energy:		
Direct programs:		
Office of the Environment	81.RD	5
U.S. Department of Energy-Other Federal	81.RD	<u>408,828</u>
		<u>408,833</u>
Passed-through programs:		
MFC Technologies, LLC	81.RD	86,265
Savannah River	81.RD	(88,907)
South Carolina Universities Research and Education Foundation	81.RD	<u>3,542,586</u>
		<u>3,539,944</u>
Total U.S. Department of Energy		<u>3,948,777</u>
U.S. Department of Education:		
Direct programs:		
Office of Special Education and Rehabilitative Services	84.RD	(804)
Office of the Assistant Secretary for Special Education	84.RD	28,232
U.S. Department of Education-Other Federal	84.RD	<u>1,538,250</u>
		<u>1,565,678</u>
Passed-through programs:		
Charleston County School District	84.RD	8,329
University of Massachusetts	84.RD	<u>36,301</u>
		<u>44,630</u>
Total U.S. Department of Education		<u>1,610,308</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	\$ 154,090
Total Food and Drug Administration		<u>154,090</u>
National Institutes of Health	93.RD	506,463
National Institutes of Health	93.RD	1,939,606
National Institutes of Health	93.RD	135,492
National Institutes of Health	93.RD	2,863,733
National Institutes of Health	93.RD	178,110
National Institutes of Health	93.RD	1,657
National Institutes of Health	93.RD	5,107,484
National Institutes of Health	93.RD	181,038
National Institutes of Health	93.RD	352,879
National Institutes of Health	93.RD	6,009,080
National Institutes of Health	93.RD	13,840,746
National Institutes of Health	93.RD	70,392
National Institutes of Health	93.RD	42,716
National Institutes of Health	93.RD	13,107
National Institutes of Health	93.RD	261,754
National Institutes of Health	93.RD	9,189,446
National Institutes of Health	93.RD	687,007
National Institutes of Health	93.RD	236,271
National Institutes of Health	93.RD	4,860,876
National Institutes of Health	93.RD	1,298,972
National Institutes of Health	93.RD	1,745,740
National Institutes of Health	93.RD	585,688
National Institutes of Health	93.RD	(407)
National Institutes of Health	93.RD	10,005,738
National Institutes of Health	93.RD	231,809
National Institutes of Health	93.RD	435,646
National Institutes of Health	93.RD	1,348,996
National Institutes of Health	93.RD	6,084,070
National Institutes of Health	93.RD	9,225,471
National Institutes of Health	93.RD	625,791
National Institutes of Health	93.RD	294,411
National Institutes of Health	93.RD	3,008,727
National Institutes of Health	93.RD	1,646,858
National Institutes of Health	93.RD	915,868
National Institutes of Health	93.RD	2,433,265
National Institutes of Health	93.RD	49,342
National Institutes of Health	93.RD	1,678,425
		<u>88,092,267</u>
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.999 RD	552,621
American Recovery and Reinvestment Act (ARRA)	93.701 RD	13,164,259
Total National Institutes of Health		<u>101,809,147</u>
Health Resources and Services Administration	93.RD	677,448
Health Resources and Services Administration:		
American Recovery and Reinvestment Act (ARRA)	93.403	246,544
Total Health Resources and Services Administration		<u>923,992</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Center for Disease Control and Prevention	93.RD	\$ 1,312,196
Agency for Healthcare Research and Quality	93.RD	1,045,078
National Cancer Institute	93.RD	765,924
National Center for Research Resources	93.RD	2,942,436
National Heart, Lung & Blood Institute	93.RD	1,160,831
National Institute on Aging	93.RD	63,535
National Institute Alcohol Abuse and Alcoholism	93.RD	380,500
National Institute of Allergy & Infectious Disease	93.RD	308,943
National Institute Art, Musculoskeletal and Skin Disease	93.RD	38,268
National Institute Dental & Craniofacial Research	93.RD	496,012
National Institute Diabetes, Digestive, Kidney Disease	93.RD	1,310,826
National Institute on Drug Abuse	93.RD	2,221,327
National Institute of Environmental Health Science	93.RD	204,203
National Institute of General Medical Sciences	93.RD	293,860
National Library of Medicine	93.RD	(19,940)
National Institute of Neurological Disorders & Stroke	93.RD	715,698
National Institute of Nursing Research	93.RD	16,453
National Surgical Adjuvant Breast & Bowel	93.RD	2,976
New England Research Institutes	93.RD	98,816
Substance Abuse and Mental Health Services Administration	93.RD	(2,288)
U.S. Department of Health and Human Services-Other Federal	93.RD	46,620
Total U.S. Department of Health and Human Services		13,402,274
Passed-through programs:		
American College of Radiology	93.RD	10,528
American College of Radiology Imaging Network	93.RD	118,583
Apogee Biotechnology Corporation	93.RD	298,958
Arizona State University	93.RD	45,895
Association of American Medical Colleges	93.RD	103,616
Baylor University	93.RD	7,087
Beth Israel Deaconess Medical Center	93.RD	41,098
BioChem Genetics, LLC	93.RD	5,493
Boston Medical Center	93.RD	865
Brigham and Young Women's Hospital	93.RD	108,486
Case Western Reserve University	93.RD	142,211
Cell and Tissue Systems, Inc.	93.RD	31,741
Children's Hospital Medical Center at the University of Cincinnati	93.RD	(19,826)
Children's Hospital of Philadelphia	93.RD	8,481
Children's Hospital Research Foundation	93.RD	69,194
City College of New York	93.RD	52,678
Clemson University	93.RD	631,738
Clinical Trials and Surveys Corporation	93.RD	5,152
Communications Disorders Technology, Inc.	93.RD	12,604
Cornell University Medical Center	93.RD	20,041
Dartmouth College	93.RD	70,861
Duke University	93.RD	240,925
Duquesne University	93.RD	1,483
Emory University	93.RD	338,284
Feinstein Institute for Medical Research	93.RD	59
Fred Hutchinson Cancer Research Center	93.RD	106,965
Georgetown University	93.RD	14,635
Greenwood Genetic Center	93.RD	(5,836)
Gynecologic Oncology Group	93.RD	26,948
Harvard University	93.RD	4,219
Henry M. Jackson Foundation	93.RD	7,954
Jackson Laboratory	93.RD	19,666
Jaeb Center for Health Research, Inc.	93.RD	743

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Johns Hopkins University	93.RD	\$ 225,531
Johns Hopkins University (MISTIE)	93.RD	(1,530)
Lam Foundation	93.RD	(3,464)
Lentigen Corporation	93.RD	635,348
Long Island Jewish Health Systems	93.RD	(74)
Loyola University Chicago	93.RD	90,762
Massachusetts General Hospital	93.RD	3,220
Mayo Clinic	93.RD	103,670
Medical College of Georgia	93.RD	74,326
Medical College of Wisconsin	93.RD	2,898
Milton S. Hershey Medical Center, Pennsylvania State University	93.RD	(1,010)
Montefiore Medical Center	93.RD	4,543
Morehouse School of Medicine, Inc.	93.RD	70,505
National Childhood Cancer Foundation	93.RD	44,945
National Environmental Education Foundation	93.RD	4,378
National Marrow Donor Program	93.RD	16,300
National Surgical Adjuvant Breast and Bowel Project Foundation, Inc.	93.RD	(8,736)
New England Research Institutes	93.RD	89,766
Northwestern University	93.RD	(12,645)
Optima Neuroscience, Inc.	93.RD	(5,854)
Oregon Health Sciences University	93.RD	70,368
Princeton University	93.RD	200,538
Q. R. Pharma	93.RD	57,618
Radiation Therapy Oncology Group	93.RD	55,465
Rady Children's Hospital San Diego	93.RD	50,565
Research Foundation for Mental Hygiene, Inc.	93.RD	15,416
Rhode Island Hospitals	93.RD	(175)
Seattle Institute for Cardiac Research	93.RD	(31,156)
South Carolina Department of Health and Environmental Control	93.RD	55,561
South West Oncology Group	93.RD	129,753
SphingoGene, Inc.	93.RD	82,898
SRA International, Inc.	93.RD	4,009
St. Jude Children's Hospital	93.RD	257,262
St. Jude Medical, Inc.	93.RD	40,285
Texas Biomedical Research Institute	93.RD	(84)
University of Alabama	93.RD	6,247
University of Alabama at Birmingham	93.RD	394,341
University of Arkansas	93.RD	26,922
University of California at Los Angeles	93.RD	140,221
University of California at San Diego	93.RD	38,368
University of California, San Francisco	93.RD	52,549
University of Central Florida	93.RD	(145)
University of Chicago	93.RD	63,327
University of Cincinnati	93.RD	158,852
University of Colorado	93.RD	301,539
University of Connecticut	93.RD	(6,951)
University of Georgia	93.RD	83,465
University of Illinois at Chicago	93.RD	74,707
University of Iowa	93.RD	36,945
University of Kansas Medical Center	93.RD	114,019
University of Maryland	93.RD	95,417
University of Massachusetts	93.RD	25,416
University of Medicine and Dentistry of New Jersey	93.RD	(15)
University of Miami	93.RD	9,873
University of Michigan	93.RD	110,635
University of North Carolina	93.RD	20,789
University of Pennsylvania	93.RD	120,702

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
University of Pittsburgh	93.RD	\$ 22,882
University of South Carolina	93.RD	948,701
University of South Carolina Research Foundation	93.RD	(1,827)
University of South Florida	93.RD	216,715
University of Southern California	93.RD	13,113
University of Tennessee	93.RD	(897)
University of Texas	93.RD	205,288
University of Texas Health Science Center at Houston	93.RD	104,282
University of Texas Southwestern Medical Center	93.RD	276,663
University of Texas Southwestern Medical Center at Dallas	93.RD	26,819
University of Toledo	93.RD	4,280
University of Vermont	93.RD	339,093
University of Washington at Seattle	93.RD	175,668
University of Wisconsin at Madison	93.RD	18,563
Vanderbilt University	93.RD	15
Virginia Commonwealth University	93.RD	59
Vortex Biotechnology Corporation	93.RD	19,375
Wayne State University	93.RD	68,781
		<u>9,147,527</u>
ARRA Passed-through programs:		
Clemson University	93.701 RD	18,296
Audiology, Inc.	93.701 RD	88,580
Duke University	93.701 RD	5,105
Johns Hopkins University	93.701 RD	6,814
University of Texas Southwestern Medical Center	93.701 RD	85,007
Oklahoma Medical Research Foundation	93.701 RD	65,100
Oklahoma University Health Science Center	93.701 RD	72,817
University of Arkansas	93.701 RD	105,560
University of California at San Diego	93.701 RD	59,182
University of California at San Francisco	93.701 RD	190,424
University of Colorado	93.701 RD	77,562
University of Massachusetts	93.701 RD	46,528
University of Miami	93.701 RD	479,925
University of Pittsburgh	93.701 RD	4,272
University of South Carolina	93.701 RD	446,673
University of the Virgin Islands	93.701 RD	180,456
University of Virginia	93.701 RD	211,359
Medical College of Wisconsin	93.701 RD	22,602
St. Lukes Roosevelt Hospital	93.867 RD	181
South Carolina Universities Research and Education Foundation	93.999 RD	59,352
		<u>2,225,795</u>
Total U.S. Department of Health and Human Services		<u>127,662,825</u>
U.S. Department of Homeland Security:		
Passed-through programs:		
Louisiana State University	97.061 RD	15,283
Total U.S. Department of Homeland Security		<u>15,283</u>
Agency for International Development:		
Passed-through programs:		
Johns Hopkins University	98.999	50,486
Total Research and Development Cluster	*	<u>143,433,361</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 20,910
Federal Direct Student Loans	84.268	76,110,881
Federal Work-Study Program	84.033	265,758
Federal Perkins Loan Program	84.038	943,491
Federal Pell Grant Program	84.063	<u>107,348</u>
Total U.S. Department of Education		<u>77,448,388</u>
CFDA numbers and expenditure amount:		
U.S. Department of Health and Human Services:		
Direct program:		
Health Professions Student Loans	93.342	<u>1,258,171</u>
Total U.S. Department of Health and Human Services		<u>1,258,171</u>
Total Student Financial Aid	*	<u>78,706,559</u>
Other Programs:		
U.S. Department of Commerce:		
Direct program:		
U.S. Department of Commerce	*	<u>11,777,810</u>
Total U.S. Department of Commerce		<u>11,777,810</u>
U.S. Department of Defense:		
Direct programs:		
National Guard Bureau	12.400	(25,839)
US Army Material Command	12.431	7,848
U.S. Department of Defense – Other Federal	12.999	<u>30,119</u>
		12,128
Passed-through programs:		
American Nuclear Society	12.999	<u>(9)</u>
Total U.S. Department of Defense		<u>12,119</u>
U.S. Department of Justice:		
Direct programs:		
Office of Victims of Crime	16.582	<u>437,319</u>
		<u>437,319</u>
U.S. Department of Justice:		
Passed-through programs:		
South Carolina Department of Public Safety	16.575	83,943
National Children’s Alliance	16.582	102,343
University of Massachusetts, Lowell	16.582	4,044
South Carolina Department of Public Safety	16.588	159,775
South Carolina Department of Public Safety	16.801	60,595
South Carolina Department of Public Safety	16.803	100,806
South Carolina Department of Public Safety	16.999	<u>17,231</u>
		<u>528,737</u>
Total U.S. Department of Justice		<u>966,056</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.050	24,770
National Science Foundation	47.076	<u>11,235</u>
		<u>36,005</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Passed-through programs:		
South Carolina Research Authority	47.081	\$ 22,887
		<u>22,887</u>
Total National Science Foundation		<u>58,892</u>
U.S. Department of Veteran Affairs:		
Direct program:		
Veteran's Administration Medical Center	64.999	1,398,734
Total U.S. Department of Veteran Affairs		<u>1,398,734</u>
Environmental Protection Agency:		
Direct program:		
Office of Pollution Prevention and Toxics Substances	66.716	34,734
Total Environmental Protection Agency		<u>34,734</u>
U.S. Department of Energy:		
Direct programs:		
U.S. Department of Energy	81.041	1,408,526
U.S. Department of Energy	81.136	327,154
		<u>1,735,680</u>
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.114	72,146
South Carolina Universities Research and Education Foundation	81.136	26,426
Tennessee State University	81.136	79,866
South Carolina State University	81.999	783,429
Savannah State University	81.999	2,857
		<u>964,724</u>
Total U.S. Department of Energy		<u>2,700,404</u>
U.S. Department of Education:		
Passed-through programs:		
ARRA – State of South Carolina American Recovery and Reinvestment Act	* 84.394	15,921,291
Total U.S. Department of Education		<u>15,921,291</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.107	378,593
Health Resources and Services Administration	93.110	19,681
Health Resources and Services Administration	93.124	4,754
Health Resources and Services Administration	93.165	15,000
National Institutes of Health	93.173	37,554
Health Resources and Services Administration	93.191	173
Agency for Healthcare Research and Quality	93.225	(548)
National Institutes of Health	93.242	48,010
Substance Abuse and Mental Health Services Administration	93.243	521,197
Nurse Faculty Loan Program	93.264	50,819
National Institutes of Health	93.279	366,852
Centers for Disease Control and Prevention	93.283	555,514
Health Resources and Services Administration	93.358	67,676
Health Resources and Services Administration	93.359	(871)
National Institutes of Health	93.389	3,612
Health Resources and Services Administration – ARRA	93.403	196,224
Health Resources and Services Administration – ARRA	* 93.411	581,131
Health Resources and Services Administration	93.510	518
Health Resources and Services Administration	93.513	89,760
National Institutes of Health	93.701	157,345

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
ARRA	93.702	\$ 386,206
National Institutes of Health	93.847	202,045
National Institutes of Health	93.879	58,127
Health Resources and Services Administration	93.884	308,683
Health Resources and Services Administration	93.887	6,361,564
U.S. Department of Health and Human Services-Other Federal	93.999	50,202
		<u>10,459,821</u>
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	157,923
University of Georgia	93.242	8,906
University of Georgia	93.243	14,703
Allegheny-Singer Research Institute	93.243	(1,492)
Academic Pediatric Association	93.712	26,899
University of South Carolina	93.718	82,082
South Carolina Department of Health and Human Services	93.728	185,218
Wayne State University	93.847	18,748
University of North Carolina	93.865	36,221
South Carolina Department of Health and Environmental Control	93.917	1,535,057
South Carolina Department of Health and Environmental Control	93.940	103,342
University of South Carolina	93.969	60,788
South Carolina Department of Health and Environmental Control	93.994	32,808
Advocates for Youth	93.999	450
Center for Public Service Communications	93.999	57,153
National Environmental Education and Training Foundation	93.999	35,858
National Hispanic Medical Association	93.999	42,975
South Carolina Primary Health Care Association	93.999	54,351
University of Maryland	93.999	21,078
University of South Carolina	93.999	2,650
		<u>2,475,718</u>
Total U.S. Department of Health and Human Services		12,935,539
Total federal expenditures		\$ <u>267,945,499</u>

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(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 non cash transactions in which the University obtains other assistance are the Federal Direct Student Loan Program (FDSLPL), which includes the Federal Direct Stafford Student Loan program (subsidized and unsubsidized) and the Federal Direct Parent Loans for Undergraduate Students (FDPLUS) and revolving loan programs such as the Federal Perkins Loan program.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

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:		
Student loans advanced	84.038	\$ 943,491
Cancellation of loans		<u>235,287</u>
Total Federal Perkins Loan Program		<u>\$ 1,178,778</u>
Federal Direct Student Loan Program –		
Student loans advanced:	84.268	
Direct Stafford Loan Program		\$ 15,776,403
Direct Unsubsidized Stafford Loan Program		40,480,184
Federal Direct PLUS Loan Program		185,930
Federal Direct Graduate PLUS Loan Program		<u>19,668,364</u>
Total Federal Direct Student Loan Program		<u>\$ 76,110,881</u>
Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students:		
Loans advanced	93.342	\$ 1,258,171

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 and HPSL programs were \$5,205,056 and \$9,127,003, respectively, as of June 30, 2011.

The University is responsible only for the performance of certain administrative duties with respect to the guaranteed student 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, 2011.

(4) Matching

Under the FWS program, the University matched \$86,395 in total compensation for the year ended June 30, 2011 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$6,970 in funds awarded to students for the year ended June 30, 2011 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(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 Defense:		
Department of Defense	12.RD	\$ 25,662
Total U.S. Department of Defense		<u>25,662</u>
National Science Foundation:		
National Science Foundation	47.RD	6,878
Pass-through programs from:		
SC Research Authority	47.RD	<u>35,000</u>
Total National Science Foundation		<u>41,878</u>
U.S. Department of Energy:		
U.S. Department of Energy – ARRA	81.RD	195,273
Pass-through programs from:		
SC Research and Education Foundation	81.RD	<u>401,355</u>
Total U.S. Department of Energy		<u>596,628</u>
U.S. Department of Education:		
U.S. Department of Education	84.RD	<u>226,992</u>
Total U.S. Department of Education		<u>226,992</u>
U.S. Department of Health and Human Services:		
U.S. Department of Health and Human Services	93.RD	9,967,396
U.S. Department of Health and Human Services – ARRA	93.RD	194,025
Pass-through programs from:		
Princeton University	93.RD	164,996
St. Jude Children’s Hospital	93.RD	26,921
Clinical Trials and Surveys Corporation	93.RD	869
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	857,676
Pass-through programs from:		
University of Miami	93.701 RD	<u>381,263</u>
Total U.S. Department of Health and Human Services		<u>11,593,146</u>
Total Research and Development		<u><u>12,484,306</u></u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency	Federal CFDA number	Amount provided to subrecipients
U.S. Department of Health and Human Services:		
Health Resources and Services Administration	93.107	\$ 314,962
National Institutes of Health	93.242	40,852
Substance Abuse and Mental Health Services Administration	93.243	31,394
Centers for Disease Control and Prevention	93.283	30,000
Health Resources and Services Administration	93.879	32,424
Pass-through programs from:		
University of South Carolina (ARRA)	93.718	55,935
SC Dept of Health and Human Services	93.728	64,092
University of South Carolina	93.969	43,081
SC Primary Health Care Association (ARRA)	93.999	33,820
Total U.S. Department of Health and Human Services		<u>646,560</u>
Total federal expenditures		<u>\$ 13,130,866</u>



KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' 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*

The Board of Trustees
The 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, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2011. 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.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable



possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 14, 2011.

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 14, 2011



KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees
The 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, 2011. 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, 2011 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 \$395,707,815 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2011. 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, 2011. 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 Findings 2011-1 and 2011-2.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2011-1 and 2011-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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.

The University's responses 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 responses, 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, 2011, and have issued our report thereon dated October 14, 2011. 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, 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

November 30, 2011, except as to the paragraph relating to the schedule of expenditures of federal awards, which is as of October 14, 2011

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(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: **None reported** Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Significant deficiencies in internal control over major programs: **Yes, see findings 2011-1 and 2011-02** 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: **Yes, see findings 2011-01 and 2011-02**
- (g) Major Federal programs: **Research and Development cluster (various CFDA numbers), Student Financial Assistance Cluster (various CFDA numbers), Congressionally – Identified Projects (CFDA number 11.617), ARRA – State Fiscal Stabilization Fund (CFDA number 84.394), and ARRA – Equipment to Enhance Training for Health Professionals (CFDA number 93.411)**
- (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*

None

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2011-1

Reporting – Financial Status Reports

Federal Agency:	U.S. Department of Defense U.S. Department of Health and Human Services
Federal Program:	Research and Development Cluster
Pass-through Agency:	U.S. Army/USAMRAA National Institutes of Health Health Resources and Services Administration Agency for Healthcare Research and Quality
CFDA No.	12.RD 93.RD
Federal Award Year:	See Appendix A

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Criteria

Per Circular A-110, Section 52, the Federal awarding agency shall determine the frequency of the Financial Status Report for each project or program, considering the size and complexity of the particular project or program. Each project is assigned a reporting due date for which financial status reports, forms 269s and 272s, must be filed.

Condition

During our test work over the Research and Development Cluster, we selected a sample of 80 financial status reports and noted that 19 of the reports had not been submitted within the required time frame as stipulated in the grant agreement.

Cause

The University experienced breakdowns in its process to ensure that all grant reports are submitted on a timely basis. The reporting exception appears to be systemic in nature.

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

We take no exception to the reported finding. To address the issue of timely submission of reports, additional financial resources were provided to increase staffing in Grants and Contracts Accounting. We expect to be fully staffed by the end of December 2011.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Finding 2011-2

Subrecipient Monitoring

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Research and Development Cluster
Pass-through Agency:	National Institutes of Health
CFDA No.	93.RD
Award year:	February 1, 2008 – April 30, 2013

Criteria

Under OMB Circular A-133, at the time of the award, a pass-through entity is responsible for identifying to the subrecipient the federal award information including CFDA title and number, award name and number, if the award is research and development, and the name of the Federal awarding agency.

Condition

During our test work over the Research and Development Cluster, we selected a total sample of 75 sub recipients. Within our sample, we noted that one subrecipient was provided the incorrect CFDA number and at the time of the audit the University did not correct the error.

Cause

The University experienced breakdowns in its process to ensure that all information provided to sub recipients is accurate. The subrecipient monitoring exception does not appear to be systemic in nature based on the limited number of exceptions identified in our sample test work results.

Questioned Cost

None.

Effect

Noncompliance could result in ineffective monitoring of subrecipients and lack of accuracy in reporting pass-through awards.

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that all information provided to subrecipients is correct.

Management Response

We take no exception to the reported finding. The subrecipient has been notified of the change in CFDA number. The University is in the implementation phase of a new grants management system which will include controls and edit checks necessary to eliminate these types of errors. In addition, we have modified our subrecipient amendment document to include the CFDA number. We have also provided additional training to our staff stressing the importance of verifying the CFDA number and promptly informing our subrecipients when there is a change.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Project Periods for Programs
Related to Finding 2011-1

Year ended June 30, 2011

CFDA Number	Project beginning date	Project ending date
12.RD	July 1, 2009	December 31, 2011
12.RD	September 1, 2009	August 31, 2010
93.RD	July 1, 1997	July 31, 2013
93.RD	September 1, 2009	June 30, 2011
93.RD	July 1, 1999	June 30, 2014
93.RD	July 1, 2008	September 29, 2011
93.RD	July 2, 2007	June 30, 2011
93.RD	December 1, 1984	July 31, 2010
93.RD	September 15, 2007	June 30, 2012
93.RD	June 1, 2009	July 31, 2010
93.RD	September 20, 2005	August 31, 2010
93.RD	July 1, 2002	August 1, 2013
93.RD	September 30, 2003	June 30, 2011
93.RD	January 1, 2009	April 30, 2011
93.RD	July 1, 1997	April 30, 2011
93.RD	June 1, 2003	May 31, 2011
93.RD	March 4, 2010	March 31, 2011
93.RD	July 1, 2005	June 30, 2011
93.RD	September 30, 2009	September 29, 2010