



**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

OMB Circular A-133 Reports

Year ended June 30, 2013

(With Independent Auditors' Reports Thereon)

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**Table of Contents**

	<b>Page</b>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	11
Independent Auditors' Report on 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>	15
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>	17
Schedule of Findings and Questioned Costs	20

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Research and development – cluster:		
U.S. Department of Agriculture:		
Passed-through programs:		
Clemson University	10.RD	\$ 3,929
Total U.S. Department of Agriculture		<u>3,929</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	96,837
Department of Commerce – Other Federal	11.RD	<u>20,119</u>
		<u>116,956</u>
Passed-through programs:		
University Corporation for Atmospheric Research	11.RD	13
South Carolina Sea Grant Consortium	11.RD	<u>2,600</u>
		<u>2,613</u>
Total U.S. Department of Commerce		<u>119,569</u>
U.S. Department of Defense:		
Direct programs:		
Office of Naval Research	12.RD	113,401
US Army Medical Command	12.RD	<u>8,777,902</u>
		<u>8,891,303</u>
Passed-through programs:		
Advanced Technology Institute	12.RD	(890)
Charleston Research Institute	12.RD	68,351
Clemson University	12.RD	5,755
Henry M. Jackson Foundation	12.RD	(767)
Institute for Molecular Neuroscience	12.RD	470,934
Johns Hopkins University	12.RD	8,997
South Carolina Research Authority	12.RD	324,769
University of Central Florida	12.RD	26,766
University of Maryland	12.RD	36,897
University of Michigan	12.RD	423,828
University of Virginia	12.RD	233,056
Veterans Medical Research FDN	12.RD	<u>2,300</u>
		<u>1,599,996</u>
Total U.S. Department of Defense		<u>10,491,299</u>
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	<u>415,949</u>
		<u>415,949</u>
Passed-through programs:		
University of Massachusetts, Lowell	16.RD	<u>81,957</u>
		<u>81,957</u>
Total U.S. Department of Justice		<u>497,906</u>

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
National Aeronautics and Space Administration:		
Direct programs:		
Exploration	43.RD	\$ 81,231
		<u>81,231</u>
Passed-through programs:		
South Carolina Space Grant Consortium	43.RD	2,899
College of Charleston	43.RD	33,897
		<u>36,796</u>
Total National Aeronautics and Space Administration		<u>118,027</u>
National Science Foundation:		
Direct programs:		
Biological Sciences	47.RD	434,178
Polar Programs	47.RD	(2,696)
Mathematical and Physical Sciences	47.RD	144,474
Computer and Information Science and Engineering	47.RD	12,445
Education and Human Resources	47.RD	36,413
		<u>624,814</u>
Passed-through programs:		
College of Charleston	47.RD	11,622
University of Missouri-Columbia	47.RD	(20,352)
Georgia Institute of Technology	47.RD	(12,660)
University of South Carolina	47.RD	832,649
South Carolina Research Authority	47.RD	363,142
		<u>1,174,401</u>
ARRA Passed-through programs:		
South Carolina Research Authority	47.RD	86,828
Total National Science Foundation		<u>1,886,043</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
U.S. Department of Veteran Affairs-Other Federal	64.RD	1,716,019
Total U.S. Department of Veteran Affairs		<u>1,716,019</u>
U.S. Department of Energy:		
Direct programs:		
Epidemiology and Other Health Studies Financial Assistance Program	81.RD	(54)
Advanced Research and Projects Agency	81.RD	554,699
		<u>554,645</u>
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.RD	1,654,189
		<u>1,654,189</u>
Total U.S. Department of Energy		<u>2,208,834</u>

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
U.S. Department of Education:		
Direct programs:		
Office of Special Education and Rehabilitative Services	84.RD	\$ 1,330,469
Office of Postsecondary Education	84.RD	256,722
		<hr/>
		1,587,191
Passed-through programs:		
Shepherd Center	84.RD	35,993
University of Massachusetts	84.RD	2,326
		<hr/>
		38,319
ARRA Passed-through programs:		
Charleston County School District	84.RD	8,892
		<hr/>
Total U.S. Department of Education		1,634,402
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	16,080
		<hr/>
Total Food and Drug Administration		16,080
National Institutes of Health	93.RD	477,968
National Institutes of Health	93.RD	732,258
National Institutes of Health	93.RD	3,394,265
National Institutes of Health	93.RD	(652)
National Institutes of Health	93.RD	2,703,749
National Institutes of Health	93.RD	213,819
National Institutes of Health	93.RD	3,709,930
National Institutes of Health	93.RD	279,939
National Institutes of Health	93.RD	6,099,343
National Institutes of Health	93.RD	14,066,290
National Institutes of Health	93.RD	145,513
National Institutes of Health	93.RD	395,634
National Institutes of Health	93.RD	122,955
National Institutes of Health	93.RD	250,291
National Institutes of Health	93.RD	4,002,420
National Institutes of Health	93.RD	1,070,798
National Institutes of Health	93.RD	111,037
National Institutes of Health	93.RD	4,060,648
National Institutes of Health	93.RD	355,515
National Institutes of Health	93.RD	1,913,113
National Institutes of Health	93.RD	3,260,815
National Institutes of Health	93.RD	1,823,640
National Institutes of Health	93.RD	428,988
National Institutes of Health	93.RD	6,817,790
National Institutes of Health	93.RD	172,850
National Institutes of Health	93.RD	658,904
National Institutes of Health	93.RD	2,314,007
National Institutes of Health	93.RD	5,467,155
National Institutes of Health	93.RD	8,415,498
National Institutes of Health	93.RD	2,188,222
National Institutes of Health	93.RD	(577)
National Institutes of Health	93.RD	8,079,252
National Institutes of Health	93.RD	1,740,473
National Institutes of Health	93.RD	1,293,906
National Institutes of Health	93.RD	2,698,649
National Institutes of Health	93.RD	97,491
		<hr/>
		89,561,896

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	\$ 1,534,401
Total National Institutes of Health		<u>91,096,297</u>
Health Resources and Services Administration	93.RD	726,579
Health Resources and Services Administration:		
American Recovery and Reinvestment Act (ARRA)	93.RD	184,709
Total Health Resources and Services Administration		<u>911,288</u>
Agency for Healthcare Research and Quality	93.RD	722,225
Agency for Healthcare Research and Quality:		
American Recovery and Reinvestment Act (ARRA)	93.RD	535,843
Total Agency for Healthcare Research and Quality		<u>1,258,068</u>
Centers for Disease Control and Prevention	93.RD	<u>983,194</u>
U.S. Department of Health and Human Services-Other Federal	93.RD	<u>1,755,961</u>
Passed-through programs:		
Academic Pediatric Association	93.RD	1,538
Actuated Medical, Inc	93.RD	1,221
American College of Radiology	93.RD	76
Apogee Biotechnology Corporation	93.RD	269,225
Aretech, LLC	93.RD	23,843
Arizona State University	93.RD	35,051
Arkansas Childrens Hospital	93.RD	10,755
Baylor University	93.RD	340,048
Beth Israel Deaconess Medical Center	93.RD	143,291
Brigham and Women's Hospital	93.RD	114,934
Case Western Reserve University	93.RD	246,739
Cell & Tissue Systems, Inc	93.RD	30,118
Children's Hospital Medical Center at the University of Cincinnati	93.RD	29,477
Children's Hospital of Philadelphia	93.RD	8,441
Children's Hospital Research Foundation	93.RD	47,024
City College of New York	93.RD	26,687
Clemson University	93.RD	659,079
Cornell University Medical Center	93.RD	142
Communication Disorders Technology, Inc	93.RD	28,754
Dartmouth College	93.RD	3,090
Denver Health & Hospital Authority	93.RD	(8,368)
Duke University	93.RD	214,612
Duquesne University	93.RD	(19,499)
Emory University	93.RD	347,174
Gynecologic Oncology Group	93.RD	3,567
Harvard University	93.RD	29,510
Health Research, Inc.	93.RD	21,510
Henry M. Jackson Foundation	93.RD	(2,819)
Jackson Laboratory	93.RD	28,571
Jaeb Center for Health Research, Inc	93.RD	4,636
Johns Hopkins University	93.RD	254,348
John Snow, Inc.	93.RD	5,255
Kaiser Foundation Health Plan, Inc.	93.RD	36,184
Lam Foundation	93.RD	10
Loyola University Chicago	93.RD	1,224,141
Massachusetts General Hospital	93.RD	12,502
Mathematica Policy Research, Inc.	93.RD	(48)
Medical College of Georgia	93.RD	12,395
Medical College of Wisconsin	93.RD	55,663

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Miriam Hospital	93.RD	\$ 8,353
Mitohealth, Inc.	93.RD	164,071
Moffitt Cancer Center	93.RD	12,480
Montefiore Medical Center	93.RD	6,803
Morehouse School of Medicine, Inc	93.RD	20,233
NSABP	93.RD	1,800
National Childhood Cancer Foundation	93.RD	686
National Environmental Education Foundation	93.RD	908
National Marrow Donor Program	93.RD	2,540
New England Research Institutes	93.RD	72,090
Northwestern University	93.RD	59,421
Omega Optics, Inc.	93.RD	27,943
Optima Neuroscience, Inc	93.RD	109,438
Oregon Health Sciences University	93.RD	39,170
Radiation Therapy Oncology Group	93.RD	104,245
Rady Children's Hospital San Diego	93.RD	35,440
Rhode Island Hospital	93.RD	(16,702)
SAIC-Frederick, Inc.	93.RD	152,711
South Carolina Department of Health and Environmental Control	93.RD	1,617,337
South Carolina Department of Health and Human Services	93.RD	44,352
South Carolina Experimental Program to Stimulate Competitive Research (EPSCoR)	93.RD	63,679
South West Oncology Group	93.RD	112,049
SRA International, Inc	93.RD	204
State University of New York at Stony Brook	93.RD	392,828
Temple University	93.RD	54,895
Tulane University	93.RD	73,952
University of Alabama	93.RD	7,458
University of Alabama at Birmingham	93.RD	472,060
University of California at Los Angeles	93.RD	65,227
University of California at San Diego	93.RD	204,387
University of California, San Francisco	93.RD	252,828
University of Cincinnati	93.RD	29,710
University of Colorado	93.RD	126,013
University of Illinois at Chicago	93.RD	99,284
University of Iowa	93.RD	26,831
University of Kansas Medical Center	93.RD	(4,509)
University of Maryland	93.RD	81,294
University of Miami	93.RD	132
University of Michigan	93.RD	143,354
University of New Mexico Health Sciences Center	93.RD	120,510
University of North Carolina	93.RD	220,672
University of Oklahoma	93.RD	123,308
University of Pennsylvania	93.RD	199,059
University of Pittsburgh	93.RD	39,142
University of Rochester	93.RD	42,607
University of South Carolina	93.RD	1,005,729
University of South Florida	93.RD	46,959
University of Texas Health Science Center at Houston	93.RD	151,944
University of Texas Health Science Center, San Antonio	93.RD	119,032
University of Texas Southwestern Medical Center	93.RD	565,849
University of Toledo	93.RD	146
University of Vermont	93.RD	57,415
University of Virginia	93.RD	242,101
University of Washington at Seattle	93.RD	11,008
University of Waterloo	93.RD	33,212
University of Wisconsin	93.RD	56

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Utah State University	93.RD	\$ 3,787
Wayne State University	93.RD	42,385
Westat	93.RD	44,709
Yale University	93.RD	140
Zumatek, Inc.	93.RD	20,481
		<hr/>
		11,994,123
 ARRA Passed-through programs:		
Audiology, Inc	93.701 RD	151,390
Clemson University	93.701 RD	2
Duke University	93.701 RD	471
Oklahoma Medical Research Foundation	93.701 RD	3,753
Oklahoma University Health Science Center	93.701 RD	(3,128)
University of Alabama at Birmingham	93.799 RD	5,579
University of California at San Diego	93.701 RD	(7,437)
University of California at San Francisco	93.701 RD	45,417
University of Miami	93.701 RD	13,130
University of Pittsburgh	93.701 RD	(584)
University of South Carolina	93.701 RD	66,861
University of Toledo	93.701 RD	32,404
University of Texas Southwestern Medical Center	93.701 RD	2,022
University of Virginia	93.701 RD	2,213
		<hr/>
		312,093
 Total U.S. Department of Health and Human Services		<hr/>
		108,327,104
 Other Federal Assistance:		
Passed-through programs:		
Manpower Demonstration Research Corporation	94.999	36,847
		<hr/>
Total Other Federal Assistance		36,847

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
U.S. Department of Homeland Security:		
Passed-through programs:		
South Carolina Emergency Preparedness Division	97.RD	\$ 162,298
South Carolina Universities Research and Education Foundation	97.RD	<u>1,643,197</u>
Total U.S. Department of Homeland Security		<u>1,805,495</u>
Agency for International Development:		
Passed-through programs:		
Johns Hopkins University	98.999	<u>209,278</u>
Total Research and Development Cluster	*	<u>129,054,752</u>
Student Financial Assistance – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	18,603
Federal Direct Student Loans	84.268	86,291,292
Federal Work-Study Program	84.033	385,487
Federal Perkins Loan Program	84.038	151,915
Federal Pell Grant Program	84.063	<u>91,981</u>
Total U.S. Department of Education		<u>86,939,278</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Nurse Faculty Loan Program	93.264	63,428
Health Professions Student Loans	93.342	<u>—</u>
Total U.S. Department of Health and Human Services		<u>63,428</u>
Total Student Financial Assistance Cluster	*	<u>87,002,706</u>
Other Programs:		
U.S. Department of Justice:		
Direct programs:		
Office of Victims of Crime	16.582	<u>(723)</u>
		<u>(723)</u>

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
U.S. Department of Justice:		
Passed-through programs:		
South Carolina Department of Public Safety	16.575	\$ 79,932
National Children's Alliance	16.582	3,075
South Carolina Department of Public Safety	16.588	119,367
South Carolina Department of Public Safety	16.607	3,473
South Carolina Department of Public Safety-ARRA	16.801	59,471
		<u>265,318</u>
Total U.S. Department of Justice		<u>264,595</u>
U.S. Department of State:		
Direct programs:		
Bureau of Near Eastern Affairs	19.021	26,274
Total U.S. Department of State		<u>26,274</u>
National Aeronautics and Space Administration:		
Passed-through programs:		
College of Charleston	43.001	4,166
Total National Aeronautics and Space Administration		<u>4,166</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.050	(342)
		<u>(342)</u>
Passed-through programs:		
University of South Carolina	47.081	8,829
		<u>8,829</u>
Total National Science Foundation		<u>8,487</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
Veteran's Administration Medical Center	64.999	833,884
Total U.S. Department of Veteran Affairs		<u>833,884</u>
Environmental Protection Agency:		
Passed-through programs:		
National Environmental Education and Training	66.999	3,516
Total Environmental Protection Agency		<u>3,516</u>
U.S. Department of Energy:		
Direct programs:		
U.S. Department of Energy	81.136	781,334
		<u>781,334</u>

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.114	\$ (267)
South Carolina Universities Research and Education Foundation	81.136	(8,832)
South Carolina State University	81.999	453,413
		<hr/>
		444,314
		<hr/>
Total U.S. Department of Energy		1,225,648
<hr/>		
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.059	413,283
Health Resources and Services Administration	93.107	331,185
National Institutes of Health	93.121	29,999
Health Resources and Services Administration	93.124	21,842
Health Resources and Services Administration	93.153	273,084
National Institutes of Health	93.173	(1,640)
National Institutes of Health	93.242	48,865
Substance Abuse and Mental Health Services Administration	93.243	976,727
Advanced Nursing Education Grants	93.247	236,102
National Institutes of Health	93.279	427,701
Centers for Disease Control and Prevention	93.283	474,576
Health Resources and Services Administration	93.358	349,919
Health Resources and Services Administration – ARRA	93.403	364,084
Health Resources and Services Administration	93.510	283,147
Health Resources and Services Administration	93.513	324,720
Centers for Disease Control and Prevention	93.531	2,584
Centers for Medicare and Medicaid Services	93.611	78,615
ARRA – National Center for Research Resources, Recovery Act Construction Support	* 93.702	3,002,018
National Institutes of Health	93.847	10,295
National Institutes of Health	93.879	(31)
U.S. Department of Health and Human Services-Other Federal	93.999	30,000
		<hr/>
		7,677,075
<hr/>		
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	49,911
Allegheny General Hospital	93.242	22,675
Hermes, LLC	93.242	(634)
Allegheny-Singer Research Institute	93.243	34,011
Sheidow Consulting, Inc.	93.279	37,423
University of Virgin Islands	93.307	37,275
Childrens Trust of South Carolina	93.505	141,196
South Carolina Department of Health and Human Services	93.767	20,172
Wayne State University	93.847	(798)
South Carolina Department of Health and Environmental Control	93.917	1,560,837

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
South Carolina Department of Health and Environmental Control	93.943	\$ 96,197
University of South Carolina	93.969	46,209
South Carolina Department of Health and Environmental Control	93.994	63,233
Advocates for Youth	93.999	(2,842)
Association of University Centers on Disabilities	93.999	4,000
Center for Public Service Communications	93.999	63,341
Humanities Council of South Carolina	93.999	1,016
ICF Incorporated, LLC	93.999	20,547
National Reach Coalition	93.999	127,943
South Carolina Cancer Alliance	93.999	(565)
South Carolina Primary Health Care Association	93.999	17,751
South Carolina Tobacco Collaborative	93.999	34,299
University of Maryland	93.999	11,999
		<hr/>
		2,385,196
		<hr/>
Total U.S. Department of Health and Human Services		10,062,271
		<hr/>
U.S. Department of Homeland Security:		
Direct programs:		
PDM Competitive Grant Program	97.017	1,217,773
Assistance to Firefighters	97.044	100,698
		<hr/>
Total U.S. Department of Homeland Security		1,318,471
		<hr/>
Total federal expenditures		\$ 229,804,770
		<hr/> <hr/>

\* 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, 2013

**(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 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	\$	913,069
Cancellation of loans			<u>150,262</u>
Total Federal Perkins Loan Program		\$	<u><u>1,063,331</u></u>
Federal Direct Student Loan Program –			
Student loans advanced:	84.268		
Direct Stafford Loan Program		\$	6,544,917
Direct Unsubsidized Stafford Loan Program			52,433,113
Federal Direct PLUS Loan Program			253,534
Federal Direct Graduate PLUS Loan Program			<u>27,059,728</u>
Total Federal Direct Student Loan Program		\$	<u><u>86,291,292</u></u>

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

	<u>CFDA number</u>		<u>Amount</u>
Health Professions Student Loans, including Primary Care Loans/Loans for disadvantaged students:			
Loans advanced	93.342	\$	574,670
Cancellation of loans			<u>63,428</u>
Total Health Professions Student Loans		\$	<u><u>638,098</u></u>

The Federal Perkins Loan, the Health Professions Student Loan (HPSL) and the Nurse Faculty Loan (NFLP) 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 Nurse Faculty Loan programs were \$4,584,912, \$7,131,679 and \$881,340, respectively, as of June 30, 2013.

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, 2013.

**(4) Matching**

Under the FWS program, the University matched \$126,219 in total compensation for the year ended June 30, 2013 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$6,489 in funds awarded to students for the year ended June 30, 2013 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, 2013

**(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	\$ <u>188,528</u>
Total U.S. Department of Defense		<u>188,528</u>
U.S. Department of Justice:		
U.S. Department of Justice	16.RD	146,312
Pass-through programs from:		
University of Massachusetts, Lowell	16.RD	<u>60,882</u>
Total U.S. Department of Justice		<u>207,194</u>
National Science Foundation:		
National Science Foundation	47.RD	77,614
Pass-through programs from:		
SC Research Authority	47.RD	<u>13,845</u>
Total National Science Foundation		<u>91,459</u>
U.S. Department of Energy:		
U.S. Department of Energy – ARRA	81.RD	344,720
Pass-through programs from:		
SC Research and Education Foundation	81.RD	<u>169,023</u>
Total U.S. Department of Energy		<u>513,743</u>
U.S. Department of Education:		
U.S. Department of Education	84.RD	<u>242,678</u>
Total U.S. Department of Education		<u>242,678</u>

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<b>Federal granting agency</b>	<b>Federal CFDA number</b>	<b>Amount provided to subrecipients</b>
U.S. Department of Health and Human Services:		
U.S. Department of Health and Human Services	93.RD	9,736,596
U.S. Department of Health and Human Services – ARRA	93.RD	507,564
Pass-through programs from:		
Duke University	93.RD	19,165
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	444,890
Pass-through programs from:		
University of Miami (ARRA)	93.701 RD	3,139
Total U.S. Department of Health and Human Services		10,711,354
U.S. Department of Homeland Security:		
U.S. Department of Homeland Security	97.RD	592,321
Total Research and Development		\$ 12,547,277



**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, in accordance with the 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 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) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 10, 2013. Our report includes a reference to other auditors who 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 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. The financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control 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, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the



accompanying schedule of findings and responses as finding 2013-01 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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*.

### **The University's Response to Findings**

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Atlanta, Georgia  
October 10, 2013



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

**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Medical University of South Carolina (the University)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. 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.

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, 2013 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 \$378,579,500 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 10, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Atlanta, Georgia  
January 13, 2014

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: **Unmodified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **Yes, see finding 2013-01** Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Significant deficiencies in internal control over major programs: **None reported** Material weaknesses: **None**
- (e) The type of report issued on compliance for major programs: **Unmodified opinion**
- (f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **No**
- (g) Major Federal programs: **Student Financial Assistance Cluster (Various CFDA numbers), Research and Development cluster (various CFDA numbers), and National Center for Research Resources, Recovery Act Construction Support (CFDA number 93.702)**
- (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***

**Finding 2013-01**

Payroll supervisor approval of employee timecards as required by MUSC policy.

***Criteria***

Time sheets are required to be reviewed and approved by a supervisor.

***Condition, Cause, and Effect***

Compensation and employee benefit costs are a significant element to the University's operations representing approximately 56% of total operating expenses. During our test work over payroll, we noted that although the control over supervisor approval of timecards was designed and implemented properly, the control was not operating effectively during fiscal year 2013. Of the 25 sample timesheets selected for testing from all departments in the University, 5 from one department did not show sufficient evidence of supervisory review and approval. This deficiency increases the potential for payments for unauthorized time charges. This instance potentially affects the existence, accuracy, and presentation of the operating expense financial statement caption "Compensation and Employee Benefits", as employee time records are a direct input into this significant account.

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

In some circumstances, a control deficiency may be mitigated by appropriate compensating controls. To have a mitigating effect, the compensating control should operate at a level of precision that would prevent or detect material misstatements of the account impacted by the deficiency. However, we did not identify relevant compensating controls to mitigate the risks associated with the above control deficiency.

***Recommendation***

We recommend the University strengthen its monitoring of payroll time sheet submissions and follow up on supervisory review compliance. We also recommend the University obtain detailed documentation from the departments to support amounts being submitted as of June 30 to ensure information recorded in the general ledger is complete and accurate.

***Management Response***

*We concur with KPMG's cited deficiency and the appropriate management within the College has already held mandatory training sessions to review leave documentation policies and procedures for University timekeepers. The Administrator for the one department identified is no longer employed at the University. Internal Audit will be reviewing leave documentation during departmental audits to ensure compliance with established policies and procedures.*

**(3) Findings and Questioned Cost Relating to Federal Awards**

None