



THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2012

(With Independent Auditors' Reports Thereon)

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<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	\$ <u>30,221</u>
Total U.S. Department of Agriculture		<u>30,221</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	(4,783)
Department of Commerce – Other Federal	11.RD	<u>85,075</u>
		<u>80,292</u>
Passed-through programs:		
University Corporation for Atmospheric Research	11.RD	152,391
South Carolina Sea Grant Consortium	11.RD	<u>2,879</u>
		<u>155,270</u>
Total U.S. Department of Commerce		<u>235,562</u>
U.S. Department of Defense:		
Direct programs:		
Office of Naval Research	12.RD	274,338
US Army Medical Command	12.RD	<u>5,961,141</u>
		<u>6,235,479</u>
Passed-through programs:		
Charleston Research Institute	12.RD	63,474
Clemson University	12.RD	50,206
Columbia University	12.RD	7,447
Henry M. Jackson Foundation	12.RD	20,110
South Carolina Research Authority	12.RD	350,809
University of Central Florida	12.RD	332,952
University of Michigan	12.RD	417,569
University of Virginia	12.RD	126,820
Advanced Technology Institute	12.RD	<u>330,215</u>
		<u>1,699,602</u>
Total U.S. Department of Defense		<u>7,935,081</u>
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	<u>178,379</u>
		<u>178,379</u>
Passed-through programs:		
New Jersey Department of Corrections	16.RD	6,455
University of Massachusetts, Lowell	16.RD	<u>49,748</u>
		<u>56,203</u>
Total U.S. Department of Justice		<u>234,582</u>

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<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	\$ 4,604
College of Charleston	43.RD	56,062
		60,666
Total National Aeronautics and Space Administration		60,666
National Science Foundation:		
Direct programs:		
Biological Sciences	47.RD	138,028
Polar Programs	47.RD	66,504
Mathematical and Physical Sciences	47.RD	73,738
National Science Foundation- Other Federal	47.RD	35,000
		313,270
Passed-through programs:		
College of Charleston	47.RD	99,850
University of Missouri-Columbia	47.RD	(3,980)
South Carolina Research Authority	47.RD	1,256,543
		1,352,413
ARRA Passed-through programs:		
South Carolina Research Authority	47.RD	322,341
Total National Science Foundation		1,988,024
U.S. Department of Veteran Affairs:		
Direct programs:		
U.S. Department of Veteran Affairs-Other Federal	64.RD	1,031,484
Total U.S. Department of Veteran Affairs		1,031,484
Environmental Protection Agency:		
Passed-through programs:		
National Environmental Education Foundation	66.RD	18,204
Total Environmental Protection Agency		18,204
U.S. Department of Energy:		
Direct programs:		
Office of Science Financial Assistance	81.RD	(59,566)
Advanced Research and Projects Agency	81.RD	784,488
		724,922
Passed-through programs:		
MFC Technologies, LLC	81.RD	(505)
Savannah River	81.RD	(216,882)
South Carolina Universities Research and Education Foundation	81.RD	4,322,940
		4,105,553
Total U.S. Department of Energy		4,830,475

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Year ended June 30, 2012

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Education:		
Direct programs:		
Office of Special Education and Rehabilitative Services	84.RD	\$ 1,195,976
Office of Postsecondary Education	84.RD	393,568
		1,589,544
Passed-through programs:		
Shepherd Center	84.RD	6,224
University of Massachusetts	84.RD	25,847
		32,071
ARRA Passed-through programs:		
Charleston County School District	84.RD	11,677
Total U.S. Department of Education		1,633,292
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	16,109
Total Food and Drug Administration		16,109
National Institutes of Health	93.RD	790,380
National Institutes of Health	93.RD	2,894,958
National Institutes of Health	93.RD	214,483
National Institutes of Health	93.RD	2,551,630
National Institutes of Health	93.RD	359,131
National Institutes of Health	93.RD	4,092,884
National Institutes of Health	93.RD	88,566
National Institutes of Health	93.RD	333,657
National Institutes of Health	93.RD	6,270,213
National Institutes of Health	93.RD	15,020,251
National Institutes of Health	93.RD	141,607
National Institutes of Health	93.RD	50,869
National Institutes of Health	93.RD	70,883
National Institutes of Health	93.RD	26,421
National Institutes of Health	93.RD	4,113,491
National Institutes of Health	93.RD	600,000
National Institutes of Health	93.RD	560,143
National Institutes of Health	93.RD	7,000,992
National Institutes of Health	93.RD	1,439,197
National Institutes of Health	93.RD	244,530
National Institutes of Health	93.RD	4,062,460
National Institutes of Health	93.RD	2,466,141
National Institutes of Health	93.RD	1,895,385
National Institutes of Health	93.RD	487,794
National Institutes of Health	93.RD	9,069,735
National Institutes of Health	93.RD	213,063
National Institutes of Health	93.RD	699,741
National Institutes of Health	93.RD	1,486,930
National Institutes of Health	93.RD	6,943,850
National Institutes of Health	93.RD	9,253,969

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
National Institutes of Health	93.RD	\$ 1,788,686
National Institutes of Health	93.RD	346,724
National Institutes of Health	93.RD	3,419,874
National Institutes of Health	93.RD	2,124,978
National Institutes of Health	93.RD	1,182,293
National Institutes of Health	93.RD	2,182,166
		<u>94,488,075</u>
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	<u>6,661,945</u>
Total National Institutes of Health		<u>101,150,020</u>
Health Resources and Services Administration	93.RD	705,270
Health Resources and Services Administration:		
American Recovery and Reinvestment Act (ARRA)	93.RD	<u>142,409</u>
Total Health Resources and Services Administration		<u>847,679</u>
Agency for Healthcare Research and Quality	93.RD	858,435
Agency for Healthcare Research and Quality:		
American Recovery and Reinvestment Act (ARRA)	93.RD	<u>487,961</u>
Total Agency for Healthcare Research and Quality		<u>1,346,396</u>
Centers for Disease Control and Prevention	93.RD	<u>1,441,598</u>
U.S. Department of Health and Human Services-Other Federal	93.RD	<u>2,794,995</u>
Passed-through programs:		
Academic Pediatric Association	93.RD	13,462
Actuated Medical, Inc	93.RD	44,066
American College of Radiology	93.RD	5,364
American College of Radiology Imaging Network	93.RD	186,439
Apogee Biotechnology Corporation	93.RD	597,583
Argolyn Bioscience, Inc	93.RD	291
Aretech, LLC	93.RD	34,472
Arizona State University	93.RD	108,378
Association of American Medical Colleges	93.RD	22,701
Baylor University	93.RD	452,116
Beth Israel Deaconess Medical Center	93.RD	22,350
Bio Chem Genetics, LLC	93.RD	9,257
Brigham and Young Women's Hospital	93.RD	117,396
Case Western Reserve University	93.RD	195,257
Cell & Tissue Systems, Inc	93.RD	58,291
Children's Hospital Medical Center at the University of Cincinnati	93.RD	432
Children's Hospital of Philadelphia	93.RD	(32)
Children's Hospital Research Foundation	93.RD	59,878
City College of New York	93.RD	38,908
Clemson University	93.RD	544,237
Cornell University Medical Center	93.RD	6,736
Clinical Trials and Surveys Corporation	93.RD	7,507
Communication Disorders Technology, Inc	93.RD	64,724
Dartmouth College	93.RD	34,483
Denver Health & Hospital Authority	93.RD	8,368
Duke University	93.RD	408,581
Emory University	93.RD	315,282
Feinstein Institute for Medical Research	93.RD	(1,558)
Firststring Research, LLC	93.RD	(46,850)
Fred Hutchinson Cancer Research Center	93.RD	2,167

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Georgetown University	93.RD	\$ 3,602
Gynecologic Oncology Group	93.RD	18,466
Harvard University	93.RD	43,837
Jackson Laboratory	93.RD	23,441
Jaeb Center for Health Research, Inc	93.RD	4,722
Johns Hopkins University	93.RD	334,678
Lam Foundation	93.RD	(3,351)
Lentigen Corporation	93.RD	(260)
Loyola University Chicago	93.RD	704,257
Massachusetts General Hospital	93.RD	18,289
Mayo Clinic	93.RD	20,931
Medical College of Georgia	93.RD	57,328
Medical College of Wisconsin	93.RD	24,711
Miriam Hospital	93.RD	6,087
Moffitt Cancer Center	93.RD	7,322
Montefiore Medical Center	93.RD	12,190
Morehouse School of Medicine, Inc	93.RD	50,473
National Childhood Cancer Foundation	93.RD	7,142
National Environmental Education Foundation	93.RD	4,714
National Marrow Donor Program	93.RD	6,143
New England Research Institutes	93.RD	79,982
Northwestern University	93.RD	5,414
Novelos Therapeutics	93.RD	(171)
Optima Neuroscience, Inc	93.RD	64,808
Oregon Health Sciences University	93.RD	69,379
Princeton University	93.RD	12,040
Q.R. Pharma	93.RD	25,433
Radiation Therapy Oncology Group	93.RD	71,431
Rady Children's Hospital San Diego	93.RD	69,830
Research Foundation for Mental Hygiene, Inc	93.RD	(18,872)
SAIC-Frederick	93.RD	14,811
South Carolina Department of Health and Environmental Control	93.RD	447,262
South West Oncology Group	93.RD	48,236
SphingoGene, Inc	93.RD	(52)
SRA International, Inc	93.RD	1,729
St. Jude Medical, Inc	93.RD	(4,871)
Tulane University	93.RD	55,661
University of Alabama	93.RD	8,842
University of Alabama at Birmingham	93.RD	292,004
University of Arkansas	93.RD	(451)
University of California at Los Angeles	93.RD	143,868
University of California at San Diego	93.RD	232,435
University of California, San Francisco	93.RD	78,761
University of Central Florida	93.RD	(54,833)
University of Chicago	93.RD	719
University of Cincinnati	93.RD	79,641
University of Colorado	93.RD	221,736
University of Florida	93.RD	(300)
University of Georgia	93.RD	13,312
University of Illinois at Chicago	93.RD	160,781
University of Iowa	93.RD	33,054
University of Kansas Medical Center	93.RD	9,416
University of Maryland	93.RD	30,612
University of Massachusetts	93.RD	(790)
University of Miami	93.RD	1,374
University of Michigan	93.RD	124,983
University of New Mexico Health Sciences Center	93.RD	107,164

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
University of North Carolina	93.RD	\$ 137,185
University of Oklahoma	93.RD	125,688
University of Pennsylvania	93.RD	75,199
University of Pittsburgh	93.RD	2,118
University of Rochester	93.RD	16,023
University of South Carolina	93.RD	837,460
University of South Carolina Research Foundation	93.RD	(476)
University of South Florida	93.RD	183,046
University of Southern California	93.RD	10,077
University of Sydney	93.RD	928
University of Texas	93.RD	72,906
University of Texas Health Science Center at Houston	93.RD	211,337
University of Texas Southwestern Medical Center	93.RD	1,859
University of Texas Southwestern Medical Center at Dallas	93.RD	458,565
University of Toledo	93.RD	4,792
University of Vermont	93.RD	223,378
University of Virginia	93.RD	194,864
University of Washington at Seattle	93.RD	94,623
University of Waterloo	93.RD	794
Washington University	93.RD	990
Wayne State University	93.RD	49,752
Yale University	93.RD	5,314
		9,785,808
ARRA Passed-through programs:		
Audiology, Inc	93.701 RD	115,907
Clemson University	93.701 RD	(181)
Duke University	93.701 RD	25,629
Johns Hopkins University	93.701 RD	9,211
Medical College of Wisconsin	93.701 RD	14,461
Oklahoma Medical Research Foundation	93.701 RD	15,296
Oklahoma University Health Science Center	93.701 RD	19,534
University of Arkansas	93.701 RD	38,419
University of California at San Diego	93.701 RD	50,589
University of California at San Francisco	93.701 RD	195,912
University of Colorado	93.701 RD	2,681
University of Massachusetts	93.701 RD	7,666
University of Miami	93.701 RD	150,962
University of South Carolina	93.701 RD	519,200
University of Toledo	93.701 RD	8,448
University of Texas Southwestern Medical Center	93.701 RD	36,251
University of the Virgin Islands	93.701 RD	36,618
University of Virginia	93.701 RD	21,848
		1,268,451
Total U.S. Department of Health and Human Services		118,651,056

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Homeland Security:		
Passed-through programs:		
South Carolina Emergency Preparedness Division	97.RD	\$ 61,745
South Carolina Universities Research and Education Foundation	97.RD	38,896
Total U.S. Department of Homeland Security		<u>100,641</u>
Agency for International Development:		
Passed-through programs:		
Johns Hopkins University	98.999	155,166
Total Research and Development Cluster	*	<u>136,904,454</u>
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	(10,069)
Federal Direct Student Loans	84.268	81,307,870
Federal Work-Study Program	84.033	169,029
Federal Perkins Loan Program	84.038	747,936
Federal Pell Grant Program	84.063	87,516
Total U.S. Department of Education		<u>82,302,282</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Nurse Faculty Loan Program	93.264	41,896
Health Professions Student Loans	93.342	802,374
Total U.S. Department of Health and Human Services		<u>844,270</u>
Total Student Financial Aid		<u>83,146,552</u>
Other Programs:		
U.S. Department of Commerce:		
Direct programs:		
U.S. Department of Commerce	11.617	1,652,178
Total U.S. Department of Commerce		<u>1,652,178</u>
U.S. Department of Defense:		
Direct programs:		
US Army Material Command	12.420	845,713
Total U.S. Department of Defense		<u>845,713</u>
U.S. Department of Justice:		
Direct programs:		
Office of Victims of Crime	16.582	391,326
		<u>391,326</u>

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Justice:		
Passed-through programs:		
South Carolina Department of Public Safety	16.575	\$ 75,040
National Children's Alliance	16.582	83,779
South Carolina State Office of Victims Assistance	16.582	(89)
South Carolina Department of Public Safety	16.588	167,816
South Carolina Department of Public Safety-ARRA	16.801	57,005
		<u>383,551</u>
Total U.S. Department of Justice		<u>774,877</u>
U.S. Department of State:		
Direct programs:		
Bureau of Near Eastern Affairs	19.021	19,726
Total U.S. Department of State		<u>19,726</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.050	23,153
		<u>23,153</u>
Passed-through programs:		
South Carolina Research Authority	47.081	10,090
South Carolina Research Authority	47.999	5,700
		<u>15,790</u>
Total National Science Foundation		<u>38,943</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
Veteran's Administration Medical Center	64.999	1,665,914
Total U.S. Department of Veteran Affairs		<u>1,665,914</u>
Environmental Protection Agency:		
Direct programs:		
Office of Pollution Prevention and Toxics Substances	66.716	2,383
		<u>2,383</u>
Passed-through programs:		
NASDA Research Foundation	66.716	3,730
National Environmental Education and Training	66.999	3,209
		<u>6,939</u>
Total Environmental Protection Agency		<u>9,322</u>
U.S. Department of Energy:		
Direct programs:		
U.S. Department of Energy	81.041	17,183
U.S. Department of Energy	81.136	341,947
		<u>359,130</u>

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.136	\$ 91,469
South Carolina State University	81.999	337,613
		<hr/>
		429,082
		<hr/>
Total U.S. Department of Energy		788,212
U.S. Department of Education:		
Passed-through programs:		
ARRA – State of South Carolina American Recovery and Reinvestment Act	84.394	2,594,355
		<hr/>
Total U.S. Department of Education		2,594,355
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.107	431,981
Health Resources and Services Administration	93.110	180
Health Resources and Services Administration	93.124	5,385
Health Resources and Services Administration	93.165	3,750
National Institutes of Health	93.242	1,031
Substance Abuse and Mental Health Services Administration	93.243	349,244
Advanced Nursing Education Grants	93.247	228,119
National Institutes of Health	93.279	302,449
Centers for Disease Control and Prevention	93.283	479,426
Health Resources and Services Administration	93.358	80,829
Health Resources and Services Administration – ARRA	93.403	282,412
Health Resources and Services Administration	93.510	141,360
Health Resources and Services Administration	93.513	290,402
National Institutes of Health-ARRA	93.701	(11,121)
ARRA	* 93.702	2,787,040
National Institutes of Health	93.847	203,710
National Institutes of Health	93.855	14,922
National Institutes of Health	93.879	3,279
Health Resources and Services Administration	93.884	365,370
U.S. Department of Health and Human Services-Other Federal	93.999	22,892
		<hr/>
		5,982,660
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	128,730
Allegheny General Hospital	93.242	49,840
Hermes, LLC	93.242	43,109
University of Georgia	93.243	18,714
University of Virgin Islands	93.307	111,522
South Carolina Developmental Disabilities Council	93.360	1,251
Childrens Trust of South Carolina	93.505	2,071
Academic Pediatric Association	93.712	43,073
South Carolina Department of Health and Human Services	93.767	19,806
Wayne State University	93.847	11,179
University of North Carolina	93.865	11,411
South Carolina Department of Health and Environmental Control	93.917	1,538,157

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Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
South Carolina Department of Health and Environmental Control	93.943	\$ 108,439
University of South Carolina	93.969	59,802
South Carolina Department of Health and Environmental Control	93.994	30,686
Advocates for Youth	93.999	2,392
American College of Radiology	93.999	5,834
Center for Public Service Communications	93.999	58,008
Hispanic Association of Colleges and Universities	93.999	45,000
National Environmental Education and Training Foundation	93.999	(2,264)
National Hispanic Medical Association	93.999	7,025
South Carolina Cancer Alliance	93.999	9,002
South Carolina Primary Health Care Association	93.999	42,650
University of Maryland	93.999	15,120
University of South Carolina	93.999	5,305
		<u>2,365,862</u>
Total U.S. Department of Health and Human Services		<u>8,348,522</u>
U.S. Department of Homeland Security:		
Direct programs:		
PDM Competitive Grant Program	97.017	90,084
Assistance to Firefighters	97.044	384,129
		<u>474,213</u>
Total U.S. Department of Homeland Security		<u>474,213</u>
Total federal expenditures		<u>\$ 237,262,981</u>

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(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	\$ 747,936
Cancellation of loans		<u>181,772</u>
Total Federal Perkins Loan Program		<u>\$ 929,708</u>
Federal Direct Student Loan Program –		
Student loans advanced:	84.268	
Direct Stafford Loan Program		\$ 16,085,815
Direct Unsubsidized Stafford Loan Program		41,796,264
Federal Direct PLUS Loan Program		291,397
Federal Direct Graduate PLUS Loan Program		<u>24,261,845</u>
Total Federal Direct Student Loan Program		<u>\$ 82,435,321</u>

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>CFDA number</u>	<u>Amount</u>
Health Professions Student Loans, including Primary Care Loans/Loans for disadvantaged students:		
Loans advanced	93.342	\$ 760,478
Cancellation of loans		<u>41,896</u>
Total Health Professions Student Loans		<u>\$ 802,374</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 \$4,800,421, \$8,813,726 and \$800,564, respectively, as of June 30, 2012.

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, 2012.

(4) Matching

Under the FWS program, the University matched \$86,395 in total compensation for the year ended June 30, 2012 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, 2012 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(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	\$ 67,828
Pass-through programs from:		
Advanced Technology Institute		50,475
Total U.S. Department of Defense		<u>118,303</u>
U.S. Department of Justice:		
U.S. Department of Justice	16.RD	58,541
Total U.S. Department of Justice		<u>58,541</u>
National Science Foundation:		
National Science Foundation	47.RD	13,231
Total National Science Foundation		<u>13,231</u>
U.S. Department of Energy:		
U.S. Department of Energy – ARRA	81.RD	438,393
Pass-through programs from:		
SC Research and Education Foundation	81.RD	652,264
Total U.S. Department of Energy		<u>1,090,657</u>
U.S. Department of Education:		
U.S. Department of Education	84.RD	339,257
Total U.S. Department of Education		<u>339,257</u>
U.S. Department of Health and Human Services:		
U.S. Department of Health and Human Services	93.RD	8,541,711
U.S. Department of Health and Human Services – ARRA	93.RD	979,689
Pass-through programs from:		
Duke University	93.RD	53,864
University of California at San Diego	93.RD	8,975
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	205,391
Pass-through programs from:		
University of Miami	93.701 RD	129,322
Total U.S. Department of Health and Human Services		<u>9,918,952</u>
Total Research and Development		<u>11,538,941</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

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	\$ 364,073
Substance Abuse and Mental Health Services Administration	93.243	19,297
Centers for Disease Control and Prevention	93.403	19,736
Health Resources and Services Administration	93.879	2,040
Pass-through programs from:		
University of South Carolina (ARRA)	93.969	41,702
Center for Public Service Communications	93.999	21,303
SC Primary Health Care Association (ARRA)	93.999	32,671
Total U.S. Department of Health and Human Services		<u>500,822</u>
Total federal expenditures		\$ <u><u>12,039,763</u></u>



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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, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 10, 2012. 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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in the accompanying schedule of findings and questioned costs as Finding 2012-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 10, 2012.

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 10, 2012



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**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, 2012. 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, 2012 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, 2012. 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 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-02.

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 Finding 2012-02. 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.

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, 2012, and have issued our report thereon dated October 10, 2012 which contained unqualified opinions on those financial statements. 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. We have not performed any procedures with respect to the audited financial statements subsequent to October 10, 2012. 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 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.

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, 2012, except as to the paragraph
relating to the schedule of expenditures of federal
awards, which is as of October 10, 2012

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **Yes, see finding 2012-01** 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 finding 2012-02** 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 finding 2012-02**
- (g) Major Federal programs: **Research and Development cluster (various CFDA numbers), and ARRA – National Center for Research Resources (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 2012-01

Contracts and Grants Receivable

Criteria

Contracts and grants receivable represents a significant component of the University's funding sources and strategic focus.

Condition, Cause and Effect

We noted the University accrued for two items totaling \$88,638 as of June 30, 2012, however, when the documentation was reviewed, it was determined that the funds had been received by the University prior to June 30, 2012 and were inappropriately recorded in accounts receivable at year end. We further noted the University recorded receivables related to patient clinical trials totaling \$593,956. Due to the complex nature of calculating receivables related to clinical trials, we noted the University records the receivables as of June 30, but the supporting calculations continue on an accrual basis into subsequent months, therefore, we were not able to receive supporting documentation for the June 30, 2012 amounts at the time of the audit. We performed additional procedures for which supporting documentation was not available to determine the amounts would not have a material impact to the financial statements.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend the University strengthen its review of items coded to accounts receivable at year end to ensure items being recorded are valid receivables which have not been received prior to year end. We also recommend the University obtain detailed documentation from the departments to support amounts being accrued as of June 30 to ensure information recorded in the general ledger is complete and accurate. Further, a thorough reconciliation of grants and accounts receivable should be performed at year end to ensure that the general ledger balances are appropriately reflected.

Management Response

We concur with KPMG's cited deficiency related to the two items accrued at year end where the funds had already been received. As a result, we have added an additional review step to our year end receivables process to ensure that we do not have these occurrences in the future.

As noted by KPMG, the process of calculating receivables related to per patient billings for clinical trials is complex. Accordingly, taking into consideration that we have to ensure the confidentiality of the participants, we will work with the departments to obtain additional supporting data while maintaining the level of confidentiality required by the awards.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2012-02

Reporting – Financial Status Reports

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
Federal Award Year:	September 26, 2002- June 30, 2012 September 30, 2009 - August 31, 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 2 of the reports had not been submitted within the required time frame as stipulated in the grant agreement.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

The University takes no exception to the cited findings. It should be noted that these two late reports occurred prior to the issuance of the audit report for the fiscal year ending June 30, 2011. Consequently, the corrective actions identified in our response to the audit report had not yet been implemented. Since implementation in January 2012 there have been no further identified compliance issues of this nature.