



THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2009

(With Independent Auditors' Reports Thereon)

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Table of Contents

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	11
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 with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	17
Schedule of Findings and Questioned Costs	20
Appendix A – Schedule of Project Periods for Programs Related to Finding 2009–1	22

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<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:		
Direct programs:		
Coop State Research, Education & Ext Services	10.RD	\$ 47,674
		<u>47,674</u>
Passed-through programs:		
Guild Associates, Inc.	10.RD	3,372
		<u>3,372</u>
Total U.S. Department of Agriculture		<u>51,046</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	135,616
Department of Commerce – other federal	11.RD	258,832
		<u>394,448</u>
Passed-through programs:		
University Corporation for Atmospheric Research	11.RD	18,592
South Carolina Sea Grant Consortium	11.RD	116,113
South Carolina Department of Natural Resources	11.RD	32,207
		<u>166,912</u>
Total U.S. Department of Commerce		<u>561,360</u>
U.S. Department of Defense:		
Direct programs:		
Dept of Navy, Office of Chief of Naval Research	12.RD	160,607
US Army Material Command	12.RD	169
US Army Medical Command	12.RD	2,390,506
Office of the Secretary of Defense	12.RD	(1,397)
		<u>2,549,885</u>
Passed-through programs:		
Indiana University	12.RD	44,355
Charleston Research Institute	12.RD	73,873
Henry M. Jackson Foundation	12.RD	44,139
South Carolina Research Authority	12.RD	98,272
Texas Southern University	12.RD	30,704
Guild Associates	12.RD	657
Advanced Technology Institute	12.RD	1,338,272
		<u>1,630,272</u>
Total U.S. Department of Defense		<u>4,180,157</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	\$ 556,073
Bureau of Justice Assistance	16.RD	673
Total U.S. Department of Justice		<u>556,746</u>
National Aeronautics and Space Administration:		
Passed-through programs:		
South Carolina Space Grant Consortium	43.RD	12,893
College of Charleston	43.RD	60,647
Total National Aeronautics and Space Administration		<u>73,540</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.RD	532,529
		<u>532,529</u>
Passed-through programs:		
Massachusetts Eye and Ear Infirmary	47.RD	1,081
SC EPSCOR	47.RD	58,293
Georgia Institute of Technology	47.RD	50,608
University of Missouri-Columbia	47.RD	257,775
South Carolina Research Authority	47.RD	115,422
		<u>483,179</u>
Total National Science Foundation		<u>1,015,708</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
U.S. Department of Veteran Affairs – other federal	64.RD	760,565
Total U.S. Department of Veteran Affairs		<u>760,565</u>
Environmental Protection Agency:		
Direct programs:		
Environmental Protection Agency – other federal	66.RD	2,666
		<u>2,666</u>
Passed-through programs:		
University of South Carolina	66.RD	4,780
		<u>4,780</u>
Total Environmental Protection Agency		<u>7,446</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
U.S. Department of Energy:		
Direct programs:		
Office of Science	81.RD	\$ 528,911
Epidemiology and Other Health Studies	81.RD	212,833
U.S. Department of Energy – other federal	81.RD	<u>80,892</u>
		<u>822,636</u>
Passed-through programs:		
MFC Technologies, LLC	81.RD	65,968
South Carolina Universities Research and Education Foundation	81.RD	<u>2,287,068</u>
		<u>2,353,036</u>
Total U.S. Department of Energy		<u>3,175,672</u>
U.S. Department of Education:		
Direct programs:		
Office of Special Education and Rehabilitative Services	84.RD	353,752
Office of Postsecondary Education	84.RD	<u>125,002</u>
Total U.S. Department of Education		<u>478,754</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	<u>110,390</u>
Total Food and Drug Administration		<u>110,390</u>
National Institutes of Health	93.RD	395,743
National Institutes of Health	93.RD	2,753,312
National Institutes of Health	93.RD	277,912
National Institutes of Health	93.RD	2,571,960
National Institutes of Health	93.RD	174,367
National Institutes of Health	93.RD	5,113,803
National Institutes of Health	93.RD	385,427
National Institutes of Health	93.RD	225,127
National Institutes of Health	93.RD	2,835,871
National Institutes of Health	93.RD	15,131,852
National Institutes of Health	93.RD	330,084
National Institutes of Health	93.RD	291,022
National Institutes of Health	93.RD	3,623
National Institutes of Health	93.RD	75,704
National Institutes of Health	93.RD	314,320
National Institutes of Health	93.RD	9,346,518

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
National Institutes of Health	93.RD	\$ 2,062,821
National Institutes of Health	93.RD	247,894
National Institutes of Health	93.RD	5,127,867
National Institutes of Health	93.RD	2,018,428
National Institutes of Health	93.RD	173,443
National Institutes of Health	93.RD	647,654
National Institutes of Health	93.RD	150,900
National Institutes of Health	93.RD	8,083,581
National Institutes of Health	93.RD	319,846
National Institutes of Health	93.RD	855,556
National Institutes of Health	93.RD	2,143,899
National Institutes of Health	93.RD	5,755,571
National Institutes of Health	93.RD	8,847,386
National Institutes of Health	93.RD	1,168,307
National Institutes of Health	93.RD	104,923
National Institutes of Health	93.RD	3,742,914
National Institutes of Health	93.RD	1,550,311
National Institutes of Health	93.RD	2,442,455
National Institutes of Health	93.RD	1,783,437
National Institutes of Health	93.RD	215,226
National Institutes of Health	93.RD	1,903,233
National Institutes of Health	93.RD	15,000
Subtotal National Institutes of Health		<u>89,587,297</u>
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	<u>79,312</u>
Total ARRA		<u>79,312</u>
Total National Institutes of Health		<u>89,666,609</u>
Health Resources and Services Administration	93.RD	705,450
Center for Disease Control and Prevention	93.RD	1,758,249
Agency for Healthcare Research and Quality	93.RD	522,610
Substance Abuse and Mental Health Srvcs Admin	93.RD	125,930
Office of Population Affairs	93.RD	3,546
U.S. Department of Health and Human Services – other federal	93.RD	<u>2,984,442</u>
Total U.S. Department of Health and Human Services		<u>95,877,226</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Passed-through programs:		
American Academy of Child and Adolescent Psychiatry	93.RD	\$ 157,802
American College of Radiology	93.RD	1,630
American College of Radiology Imaging Network	93.RD	40,288
Argolyn Bioscience, Inc.	93.RD	(1,760)
Association of American Medical Colleges	93.RD	20,257
Baylor University	93.RD	56,258
Beth Israel Deaconess Medical Center	93.RD	120,622
Boston Medical Center	93.RD	135
Case Western Reserve University	93.RD	121,813
Cell & Tissue Systems, Inc.	93.RD	37,253
Center for Public Service Communications	93.RD	30,448
Children's Hospital Medical Center at the University of Cincinnati	93.RD	129,224
Children's Hospital of Philadelphia	93.RD	41,977
Children's Hospital Research Foundation	93.RD	74,346
City College of New York	93.RD	16,057
Clemson University	93.RD	287,452
Clinical Trials and Surveys Corporation	93.RD	209,550
Cornell University Medical Center	93.RD	10,278
Dartmouth College	93.RD	86,955
Duke University	93.RD	52,042
Duquense University	93.RD	33,304
Emory University	93.RD	100,533
Feinstein Institute for Medical Research	93.RD	874
Firststring Research, LLC	93.RD	70,345
Fred Hutchinson Cancer Research Center	93.RD	2
Greenwood Genetic Center	93.RD	77,099
Guild Associates, Inc.	93.RD	146
Gynecologic Oncology Group	93.RD	10,935
Henry M. Jackson Foundation	93.RD	36,601
Jaeb Center	93.RD	(295)
Johns Hopkins University	93.RD	54,427
Johns Hopkins University (MISTIE)	93.RD	43,331
Lam Foundation	93.RD	9,971
Lentigen Corporation	93.RD	(2,493)
Long Island Jewish Health System	93.RD	12,297
Loyola University	93.RD	(7,552)
Mathematica Policy Research, Inc.	93.RD	700
Mayo Clinic	93.RD	4,810
Mayo Clinic of Jacksonville	93.RD	5,941
Medical College of Georgia	93.RD	23,222
Moffitt Cancer Center	93.RD	8,448

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Morehouse School of Medicine, Inc.	93.RD	\$ 73,990
Mount Sinai Medical Center	93.RD	15,303
National Childhood Cancer Foundation	93.RD	107,069
New Jersey Medical School	93.RD	569
Novelos Therapeutics	93.RD	48,968
Optima Neuroscience, Inc.	93.RD	35,183
Princeton University	93.RD	410,653
RTI International	93.RD	9,953
Rady Children's Hospital San Diego	93.RD	34,193
Research Foundation for Mental Hygiene, Inc.	93.RD	112,621
Rhode Island Hospitals	93.RD	47,171
Scripps Research Institute	93.RD	25,976
Seattle Institute for Cardiac Research	93.RD	4,843
South Carolina Department of Health and Environmental Control	93.RD	28,619
South Carolina EPSCOR (Experimental Prgm to Stimulate Competitive Research)	93.RD	(1,887)
South West Oncology Group	93.RD	13,590
Southwest Foundation for Biomedical Research	93.RD	7,140
St. Jude Children's Hospital	93.RD	109,677
St. Jude Medical, Inc.	93.RD	124,012
Taligen, Inc.	93.RD	(988)
Temple University	93.RD	6,111
Texas A&M University	93.RD	74
United States Immunodeficiency Network	93.RD	120,350
University of Alabama at Birmingham	93.RD	207,858
University of California at Los Angeles	93.RD	140,453
University of California at San Diego	93.RD	44,803
University of Central Florida	93.RD	105,266
University of Chicago	93.RD	208
University of Cincinnati	93.RD	156,333
University of Colorado	93.RD	256,294
University of Connecticut	93.RD	12,381
University of Florida	93.RD	8,808
University of Georgia	93.RD	117,387
University of Illinois at Chicago	93.RD	50,452
University of Indiana	93.RD	(2,702)
University of Kansas Medical Center	93.RD	96,281
University of Louisville	93.RD	96,170
University of Maryland	93.RD	111,050
University of Massachusetts	93.RD	103,512
University of Medicine and Dentistry of New Jersey	93.RD	13,227

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
University of Miami	93.RD	\$ (8,449)
University of Michigan	93.RD	6,574
University of Minnesota	93.RD	35,727
University of Mississippi Medical Center	93.RD	59,360
University of North Carolina	93.RD	83,386
University of Pennsylvania	93.RD	130,601
University of Pittsburgh	93.RD	224,825
University of Rochester	93.RD	(7,438)
University of South Carolina	93.RD	761,371
University of South Carolina (SC INBRE)	93.RD	16,657
University of South Florida	93.RD	186,308
University of Sydney	93.RD	5,751
University of Tennessee	93.RD	(30)
University of Texas	93.RD	91,530
University of Texas Southwestern Medical Center	93.RD	22,296
University of Texas Southwestern Medical Center at Dallas	93.RD	17,617
University of Toledo	93.RD	2,005
University of Vermont	93.RD	132,675
University of Washington at Seattle	93.RD	254,438
University of Wisconsin at Madison	93.RD	50,846
Vanderbilt University	93.RD	39,279
Virginia Commonwealth University	93.RD	19,057
Washington University in St. Louis	93.RD	69,415
Wayne State University	93.RD	8,700
Westat, Inc.	93.RD	33,097
Yale University	93.RD	(11,784)
		<hr/>
		7,050,058
		<hr/>
Total U.S. Department of Health and Human Services		102,927,284
		<hr/>
Total Research and Development	*	113,788,278
		<hr/>
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	27,084
Federal Family Education Loans	84.032	63,140,465
Federal Work-Study Program	84.033	357,143
Federal Perkins Loan Program	84.038	773,046
Federal Pell Grant Program	84.063	150,001
		<hr/>
Total U.S. Department of Education		64,447,739
		<hr/>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
U.S. Department of Health and Human Services:		
Health Professions Student Loans Including Primary Care Loans/Loans for Disadvantaged Students	93.342	\$ <u>1,132,740</u>
Total U.S. Department of Health and Human Services		<u>1,132,740</u>
Total Student Financial Aid		<u>65,580,479</u>
Other programs:		
U.S. Department of Agriculture:		
Passed-through programs:		
South Carolina Forestry Commission	10.664	<u>10,000</u>
Total U.S. Department of Agriculture		<u>10,000</u>
U.S. Department of Commerce:		
Direct programs:		
U.S. Department of Commerce	11.617	<u>1,791,767</u>
Total U.S. Department of Commerce		<u>1,791,767</u>
U.S. Department of Defense:		
Direct programs:		
U.S. Department of Defense	12.999	<u>260,653</u>
Total U.S. Department of Defense		<u>260,653</u>
U.S. Department of Justice:		
Passed-through programs:		
South Carolina Department of Public Safety	16.575	50,241
South Carolina Department of Public Safety	16.588	<u>146,464</u>
Total U.S. Department of Justice		<u>196,705</u>
Office of Personnel Management:		
Direct programs:		
Office of Personnel Management	27.011	<u>(3)</u>
Total Office of Personnel Management		<u>(3)</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.076	<u>34,226</u>
Passed-through programs:		
South Carolina EPSCOR	47.076	<u>10,000</u>
		<u>10,000</u>
Total National Science Foundation		<u>44,226</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
U.S. Department of Veteran Affairs:		
Direct programs:		
Veteran's Administration Medical Center	64.999	\$ 772,089
Total U.S. Department of Veteran Affairs		<u>772,089</u>
Environmental Protection Agency:		
Direct programs:		
Environmental Protection Agency:	66.716	<u>90,077</u>
Passed-through programs:		
Tennessee State University	66.611	<u>87,758</u>
		<u>87,758</u>
Total Environmental Protection Agency		<u>177,835</u>
U.S. Department of Energy:		
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.114	150,297
South Carolina State University	81.999	294,282
Savannah State University	81.999	<u>44,271</u>
Total U.S. Department of Energy		<u>488,850</u>
U.S. Department of Education:		
Direct program:		
Office of the Assistant for Postsecondary Education	84.200	<u>176,572</u>
Passed-through programs:		
South Carolina Department of Education	84.027	<u>1,054</u>
		<u>1,054</u>
Total U.S. Department of Education		<u>177,626</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.107	354,094
Health Resources and Services Administration	93.110	24,543
National Institutes of Health	93.121	(1,425)
Health Resources and Services Administration	93.124	18,179
Health Resources and Services Administration	93.162	24,375
Agency for Healthcare Research and Quality	93.225	117,059
National Institutes of Health	93.242	304,714
Substance Abuse & Mental Health Services Administration	93.243	(699)
Health Resources and Services Administration	93.247	176,950
Nurse Faculty Loan Program	93.264	25,553

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
National Institutes of Health	93.279	\$ 274,412
Centers for Disease Control and Prevention	93.283	460,615
Health Resources and Services Administration	93.358	89,456
Health Resources and Services Administration	93.359	287,208
National Institutes of Health	93.389	(13,159)
National Institutes of Health	93.837	(6,218)
National Institutes of Health	93.847	336,740
National Institutes of Health	93.853	39,726
National Institutes of Health	93.859	34,182
National Institutes of Health	93.879	272,141
Health Resources and Services Administration	93.884	438,702
Health Resources and Services Administration	93.887	2,996,870
National Institutes of Health	93.989	24,000
Health Resources and Services Administration	93.996	536,057
U.S. Department of Health and Human Services – other federal	93.999	54,785
		<u>6,868,860</u>
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	124,194
Allegheny-Singer Research Foundation	93.243	5,374
South Carolina Developmental Disabilities Council	93.630	5,000
Wayne State University	93.847	18,372
University of North Carolina	93.865	17,772
South Carolina Department of Health and Environmental Control	93.889	128,653
South Carolina Department of Health and Environmental Control	93.917	1,710,294
South Carolina Department of Health and Environmental Control	93.940	72,777
University of South Carolina	93.969	69,531
South Carolina Department of Health and Environmental Control	93.994	52,623
South Carolina Tobacco Collaborative	93.999	7,144
University of Maryland	93.999	25,740
		<u>2,237,474</u>
Total U.S. Department of Health and Human Services		<u>9,106,334</u>
Total federal expenditures		\$ <u><u>192,394,839</u></u>

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(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) **Noncash Assistance**

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

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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	\$ 530,500
Cancellation of loans		<u>242,546</u>
Total Federal Perkins Loan Program		\$ <u><u>773,046</u></u>
Federal Family Education Loan Program:		
Student loans advanced:		
Stafford Loan Program	84.032	\$ 14,794,360
Unsubsidized Stafford Loan Program		36,691,182
Federal PLUS Loan Program		88,957
Federal Graduate PLUS Loan Program		<u>11,565,966</u>
Total Federal Family Education Loan Program		\$ <u><u>63,140,465</u></u>
Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students:		
Loans advanced	93.342	\$ <u><u>1,113,337</u></u>

The Federal Perkins Loan, Health Professions Student Loan (HPSL), and the Loans for Disadvantaged Students (PCL) programs are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. The balance of loans outstanding under the Federal Perkins, HPSL, and PCL programs were \$5,602,067, \$4,646,999, and \$3,463,254, respectively, as of June 30, 2009.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan Programs and, accordingly, these loans are not included in its financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of June 30, 2009.

(4) Matching

Under the Federal Work Study (FWS) program, the University matched \$104,440 in total compensation for the year ended June 30, 2009 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the Federal Supplemental Education Opportunity Grant (FSEOG) program, the University matched \$6,771 in funds awarded to students for the year ended June 30, 2009 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, 2009

(5) Subrecipients

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

<u>Federal granting agency</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
U.S. Department of Agriculture:		
Department of Agriculture	10.RD	\$ (17,589)
Total U.S. Department of Agriculture		<u>(17,589)</u>
U.S. Department of Commerce:		
Department of Commerce	11.RD	<u>70,000</u>
Total U.S. Department of Commerce		<u>70,000</u>
U.S. Department of Defense:		
Department of Defense	12.RD	<u>30,032</u>
Total U.S. Department of Defense		<u>30,032</u>
U.S. Department of Justice:		
Department of Justice	16.RD	<u>345,087</u>
Total U.S. Department of Justice		<u>345,087</u>
National Science Foundation:		
National Science Foundation	47.RD	<u>44,623</u>
Total National Science Foundation		<u>44,623</u>
U.S. Department of Energy:		
U.S. Department of Energy	81.RD	25,310
U.S. Department of Energy	81.114	<u>557,225</u>
Total U.S. Department of Energy		<u>582,535</u>
U.S. Department of Education:		
U.S. Department of Education	84.RD	<u>8,722</u>
Total U.S. Department of Education		<u>8,722</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Federal granting agency</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
U.S. Department of Health and Human Services:		
U.S. Department of Health and Human Services	93.RD	\$ 5,946,840
National Institute of Health	93.242	2,015,012
Pass-through programs from:		
The Association of American Medical Colleges	93.283	<u>156,015</u>
Total U.S. Department of Health and Human Services		<u>8,117,867</u>
Total		\$ <u><u>9,181,277</u></u>



KPMG LLP
Suite 2000
303 Peachtree Street, NE
Atlanta, GA 30308

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

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 20, 2009. 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.

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 our 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 University'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 20, 2009.

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 20, 2009



KPMG LLP
Suite 2000
303 Peachtree Street, NE
Atlanta, GA 30308

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Medical University of South Carolina (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, 2009 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 approximately \$422,260,000 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2009. Our audit, described below, did not include the operations of the Authority because the Authority's federal awards are separately audited in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on



a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is 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 item 2009-1.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

A control deficiency in the University's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

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

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.



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, 2009, and have issued our report thereon dated October 20, 2009. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 20, 2009, except for Report on Compliance and
Internal Control over Compliance, as to
which the date is February 19, 2010

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **None reported**
Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None reported**
- (d) Significant deficiencies in internal control over major programs: **Yes**
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**
- (g) Major Federal programs: **Research and Development cluster (various CFDA numbers)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes**

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

There were no findings relating to the financial statements for the year ended June 30, 2009.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding No. 2009-1

Allowable Costs

Federal program: Research and Development Cluster
Federal agency: U.S. Department of Commerce
National Aeronautics and Space Administration
U.S. Department of Veteran Affairs
U.S. Department of Energy
U.S. Department of Health and Human Services
CFDA No. 11.RD, 43.RD, 64.RD, 81.RD, and 93.RD
Project period: See Appendix A

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Criteria

OMB Circular A-21 (A-21) establishes principles for determining the costs applicable to research and development performed by educational institutions under grants, contracts and other agreements with the Federal government. These principles shall be used in determining the allowable direct costs under those agreements. A-21 states compensation of employees and the related fringe benefit costs are allowable direct costs.

Condition

During our test work over the Research and Development Cluster, we noted that certain employees were required to take mandatory furlough time off during fiscal year 2009. For those furloughed employees, the incorrect fringe benefit percentage was applied and reported in the respective grant through June 2009.

Cause

The University experienced mandatory furlough days and the fringe benefit percentages were not updated in the information technology systems to reflect this decrease in pay. The exceptions are systemic in nature.

Questioned Cost

\$19,911

Effect

Incorrectly charging fringe benefit percentages could result in an overcharge of salaries to the grant.

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that changes in benefits are communicated timely by implementing additional supervisory review of payroll charges against projects and the information technology systems are updated timely to reflect any changes.

Management Response

The University knew about and disclosed to the auditor that the fringe benefits for some employees who were subject to the mandatory furlough were incorrectly calculated. At the time of audit we were actively working to determine the best method to correct the problem. In the interim, to avoid over-reporting these fringe expenses to our sponsors the Grants Administrators were instructed to manually adjust the expenses on each project prior to submitting the financial reports. It was ultimately determined that for those charges posted in fiscal year 2009, retroactive adjustments could not be done programmatically. Accordingly, we have corrected the fringe benefits expenses through manual journal entries.

The omission in the fringe benefits calculation which resulted in the overcharge of fringe benefits cost has been identified. Therefore, should mandatory furloughs be instituted in the future, the fringe benefits calculation can be tested prior to charges being posted to the grants. This will ensure that all proper pay elements have been included in the calculation.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Project Periods for Programs
Related to Finding 2009-1

Year ended June 30, 2009

CFDA Number	Project beginning date	Project ending date
11.RD	August 22, 2008	June 30, 2009
43.RD	May 1, 2007	April 30, 2009
64.RD	February 1, 2008	December 31, 2009
81.RD	June 1, 2003	July 31, 2009
81.RD	September 15, 2005	September 14, 2010
81.RD	July 1, 2006	June 30, 2010
81.RD	September 15, 2006	September 14, 2010
81.RD	September 15, 2005	September 14, 2010
93.RD	September 9, 1985	January 31, 2010
93.RD	April 22, 1996	April 30, 2010
93.RD	August 1, 2004	August 31, 2009
93.RD	August 1, 2007	May 31, 2011
93.RD	September 30, 2002	May 31, 2012
93.RD	September 1, 2003	June 30, 2010
93.RD	July 1, 2004	June 30, 2009
93.RD	January 1, 2009	December 31, 2013
93.RD	July 1, 2004	August 31, 2009
93.RD	May 1, 2005	April 30, 2010
93.RD	August 5, 2005	July 31, 2009
93.RD	December 1, 2008	November 30, 2013
93.RD	June 1, 2006	April 30, 2010
93.RD	June 1, 2006	March 31, 2009
93.RD	June 1, 2006	March 31, 2010
93.RD	July 1, 2006	July 31, 2011
93.RD	September 30, 2001	June 30, 2011
93.RD	August 15, 2006	July 31, 2009
93.RD	August 1, 2006	June 30, 2009
93.RD	May 2, 2006	April 30, 2010
93.RD	September 1, 2006	August 31, 2011
93.RD	January 1, 2007	December 31, 2009
93.RD	February 1, 2007	January 31, 2011
93.RD	February 1, 2006	January 31, 2010
93.RD	April 1, 2007	January 31, 2012
93.RD	July 10, 1996	June 30, 2013
93.RD	July 1, 2007	June 30, 2010
93.RD	July 1, 2007	May 31, 2011
93.RD	September 30, 2002	May 31, 2012
93.RD	September 1, 2007	February 28, 2010
93.RD	September 1, 2007	November 30, 2009
93.RD	June 22, 2007	May 31, 2010
93.RD	February 1, 2008	January 31, 2012
93.RD	July 1, 1987	January 31, 2013
93.RD	July 1, 2007	June 30, 2010
93.RD	February 7, 2007	January 31, 2012
93.RD	January 1, 2008	May 31, 2012
93.RD	April 1, 2008	June 30, 2009

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Project Periods for Programs
Related to Finding 2009-1

Year ended June 30, 2009

CFDA Number	Project beginning date	Project ending date
93.RD	July 1, 2007	March 31, 2012
93.RD	July 1, 2008	June 30, 2012
93.RD	July 1, 2008	August 31, 2012
93.RD	August 1, 2008	June 30, 2012
93.RD	August 1, 2008	July 31, 2010
93.RD	August 1, 2008	June 30, 2010
93.RD	September 1, 2008	August 31, 2010
93.RD	September 26, 2008	August 31, 2010
93.RD	September 23, 2008	August 31, 2012
93.RD	July 1, 1987	July 31, 2013
93.RD	June 1, 2000	June 30, 2012
93.RD	September 1, 2006	August 31, 2011
93.RD	September 30, 2002	August 31, 2009
93.RD	June 2, 2003	May 31, 2009
93.RD	March 1, 2003	February 28, 2010
93.RD	September 30, 2003	March 31, 2012
93.RD	March 1, 2004	February 28, 2010
93.RD	March 1, 1977	April 30, 2010
93.RD	March 1, 1977	July 31, 2009
93.RD	February 27, 2007	January 31, 2010
93.RD	September 15, 2007	June 30, 2012
93.RD	September 20, 2005	August 31, 2010
93.RD	June 1, 2006	May 31, 2010
93.RD	July 1, 2006	June 30, 2011
93.RD	July 1, 2007	June 30, 2012
93.RD	June 5, 2008	May 31, 2013
93.RD	September 30, 2007	September 29, 2010
93.RD	September 1, 2007	August 31, 2010
93.RD	September 30, 2007	September 29, 2012
93.RD	January 1, 2008	September 30, 2013
93.RD	June 30, 2008	June 30, 2010
93.RD	September 30, 2008	September 29, 2013
93.RD	September 30, 2000	September 29, 2010
93.RD	July 1, 2005	June 30, 2010
93.RD	September 1, 2005	August 31, 2011
93.RD	July 1, 2008	June 30, 2011
93.RD	February 1, 2008	September 29, 2010

MUSC

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Office of Grants and
Contracts Accounting

19 Hagood Avenue, Suite 608
PO Box 250806
Charleston SC 29425

Ph (843) 792-2850
Fax (843) 792-3235

November 18, 2009

KPMG, LLP
ATTN: Ms. Jodi Geary, Manager
303 Peachtree Street
Suite 2000
Atlanta, GA 30308

RE: Status of Prior Year Findings

Dear Ms. Geary:

The Medical University of South Carolina (MUSC) submits the following corrective status update of the FY2008 A-133 audit findings cited by KPMG.

Finding No. 2008-01 - ***Cash Reconciliations and Journal Entry Review Criteria***

Cause:

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

Corrective Status:

The finding related to this area has been corrected. MUSC added an edit check to this process so that erroneous entries are readily identified by management prior to journal entries being prepared.

Finding No. 2008-02 - Procurement - Solicitation of Bids Federal Program: Research and Development Cluster

Cause:

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

Corrective Status:

The finding related to this area has been corrected. MUSC now uses an electronic imaging system for the purpose of filing and locating procurement documents. In addition, a standard checklist detailing all required documents to be saved electronically was developed and is being used by those in the Purchasing department.

Finding No. 2008-03 - Reporting - Financial Status Reports Federal program: Research and Development Cluster

Cause:

The University experienced breakdowns in its process to ensure that all grant reports are submitted on a timely basis.

Corrective Status:

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

Finding No. 2008-04 - Special Tests and Provisions - Student Status Changes

Cause:

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

Corrective Status:

The finding related to this area has been corrected. MUSC's Financial Aid office established a new procedure to ensure that the lenders are notified within the period designated by regulation. Further, the Registrar's office revised its process to ensure enrollment reports are submitted to the National Student Loan Clearinghouse within a maximum of 60 days.

Finding No. 2008-5 - Reporting - Federal Program: Intermodal Parking Facility

Cause:

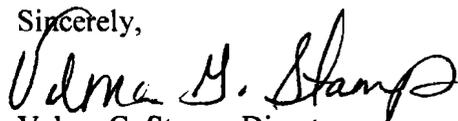
The University did not submit invoices and progress reports in accordance with the grant agreement. Management of the University believes that the reporting timeline is not feasible due to the nature of the project. The grant was a construction project and there were months where little or no activity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

Corrective Status:

This project ended in FY 2008 and final reports have been submitted and accepted by the Sponsor. Accordingly no further corrective action required or taken by MUSC.

If you have any questions or require additional information, you may contact me via email (stampvg@musc.edu) or by telephone (843-792-3657).

Sincerely,



Velma G. Stamp, Director
Grants & Contracts Accounting
Medical University of South Carolina

cc: Patrick J. Wamsley, CFO



Office of Grants and
Contracts Accounting
19 Hagood Avenue Suite 608
MSC 806
Charleston SC 29425-8060
Tel 843 792 2850
Fax 843 792 3235
www.musc.edu

February 18, 2010

KPMG, LLP
ATTN: Ms. Jodi Geary, Manager
303 Peachtree Street
Suite 2000
Atlanta, GA 30308

RE: Corrective Action Plan

Dear Ms. Geary:

The Medical University of South Carolina (MUSC) submits the following corrective actions which address the condition and recommendation cited by KPMG in our fiscal year 2009 A-133 audit.

Finding No. 2009-01 - Allowable Costs

Condition, Cause, and Effect:

During test work over the Research and Development Cluster, it was noted that certain employees were required to take mandatory furlough time off during fiscal year 2009. For those furloughed employees, the incorrect fringe benefit percentage was applied and reported in the respective grant through June 2009. The University experienced mandatory furlough days and the fringe benefit percentages were not updated in the information technology systems to reflect this decrease in pay. The exceptions are systemic in nature. Incorrectly charging fringe benefit percentages could result in an overcharge of salaries to the grant.

Recommendation:

We recommend that the University strengthen its processes and controls in place to help ensure that changes in benefits are communicated timely by implementing additional supervisory review of payroll charges against projects and the information technology systems are updated timely to reflect any changes.

Corrective Action:

The University has corrected, through manual journal entries, the fringe benefits which were overcharged in FY2009 resulting from the mandatory furloughs.

When furloughs were mandated in FY2009, to minimize the burden of the furloughs on employees, the University exercised its option under South Carolina State Code 8-11-192 which allowed allocation of the employee's reduction in pay over a period of the fiscal year for payroll purposes regardless of the pay period within which the furlough occurred. In utilizing this furlough method the pay element code assigned to identify the furlough payroll spread was inadvertently excluded from the fringe benefits calculation. As a result, fringe benefits on sponsored grants were overstated.

MUSC is confident that should furloughs become necessary in the future, the overcharging of fringe benefits cost will not reoccur. We have identified the cause of the overcharges and have incorporated the necessary validations to ensure this omission of pay elements does not occur again. Further, State Code applicable to higher education institutions which now governs how mandatory furloughs are conducted has changed. Higher education is now governed by section 8-11-193 of the State Code which limits the option to allocate pay over a period of the fiscal year to non-exempt employees only. This change minimizes the number of employees who will have to be monitored because exempt employees' pay will not be allowed to be spread over the fiscal year, and the exempt employees are the ones predominantly charged to sponsored grants.

If you have any questions or require additional information, you may contact me via email (stampvg@musc.edu) or by telephone (843-792-3657).

Sincerely,



Velma G. Stamp, Director
Grants & Contracts Accounting
Medical University of South Carolina

cc: Patrick J. Wamsley, CFO