



THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

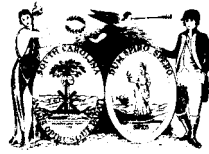
OMB Circular A-133 Reports

Year ended June 30, 2002

(With Independent Auditor's Reports Thereon)

EIN# 57-6000722

State of South Carolina



Office of the State Auditor

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THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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March 27, 2003

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
The Medical University of South Carolina
Charleston, South Carolina

The report on compliance and internal control over financial reporting, and the report on compliance and internal control over compliance applicable to each major program of The Medical University of South Carolina for the fiscal year ended June 30, 2002, were issued by KPMG, LLP, Certified Public Accountants, under contract with the South Carolina Office of State Auditor. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with the basic financial statements of The Medical University of South Carolina for the fiscal year ended June 30, 2002, issued by KPMG, LLP, Certified Public Accountants, dated September 6, 2002.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
FEDERAL AWARD EXPENDITURES		
<i>Research and Development - Cluster:</i>		
Department of Health and Human Services	93.RD	\$ 58,441,870
Pass-through programs from:		
SUNY Research Foundation	93.RD	6,912
John Hopkins University	93.RD	419
Duke University	93.RD	25,249
South Carolina Department of Health and Environmental Control	93.RD	148,061
University of South Carolina	93.RD	74,855
Portland State University	93.RD	59,916
American Health Foundation	93.RD	138,831
Beaufort Jasper Hampton Comprehensive Health Services, Inc.	93.RD	(4,292)
Advanced Techonlogy Institute	93.RD	274,081
American College of Obstetricians and Gynecologists	93.RD	66
University of Alabama at Birmingham	93.RD	59,736
South Carolina Department of Mental Health	93.RD	12,773
Dartmouth College	93.RD	(5,207)
University of South Florida	93.RD	94,930
Children's Hospital Research Foundation	93.RD	4,832
University of Maryland	93.RD	23
Research Triangle Institute	93.RD	15
Wake Forest University School of Medicine	93.RD	28,060
American Academy of Child & Adolescent Psychiatry	93.RD	2,165
University of Pennsylvania	93.RD	40,345
Yale University	93.RD	166,476
University of Texas Southwestern Medical Center at Dallas	93.RD	11,837
University of Florida	93.RD	19,465
Greenwood Genetic Center	93.RD	77,441
Association of American Medical Colleges	93.RD	29,273
University of Arkansas	93.RD	8,595
University of Pittsburgh	93.RD	26,660
University of Arizona	93.RD	56,597
Fred Hutchinson Cancer Research Center	93.RD	16,980
Dana-Farber Cancer Institute	93.RD	28,679
Bioreliance Corporation	93.RD	14,554
University of Cincinnati	93.RD	133,284
Wake Forest University - Bowman Gray Campus	93.RD	1,543
University of California - San Diego	93.RD	76,655
University of Chicago	93.RD	(6,119)
Northwestern University	93.RD	(3,403)
Saint Jude Medical, Incorporated	93.RD	114,866
Virginia Tech University	93.RD	20,518
South Carolina EPSCOR	93.RD	3,602
National Surgixal Adjuvant Breast and Bowel Project Foundation, Inc.	93.RD	49
Administration for Children, Youth, and Families	93.RD	76,209
Thromgen, Incorporated	93.RD	5,939
Organ Recovery Systems	93.RD	79,073
St. Luke's - Roosevelt's Hospital Center	93.RD	2,800
Cardiovascular Tissue Technologies	93.RD	1,058
Henry Ford Health System	93.RD	240,564
University of Colorado	93.RD	62,291
Medical College of Georgia	93.RD	63,314
Vanderbilt University	93.RD	66,061
University of North Carolina at Chapel Hill	93.RD	350,564
Mcphahnemann University	93.RD	8,192
University of Miami	93.RD	31,766
Arizona Institute for Biomedical Research, Inc.	93.RD	10,209
Boston Medical Center	93.RD	46,214
Boston University	93.RD	2,420
Saint Elizabeth's Medical Center	93.RD	5,628
Columbia University	93.RD	18,550
University of Texas	93.RD	23,633
The Geneva Foundation	93.RD	17,965

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
Massachusetts Institute of Technology	93.RD	\$ 24,293
Statistics and Epidemiology Research Corporation	93.RD	1,785
Case Western Reserve University	93.RD	133,446
University of Tennessee	93.RD	20,015
CODA, Incorporated	93.RD	8,293
University of California at San Francisco Stanford Health Care	93.RD	2,986
University of Virginia	93.RD	8,629
Mathematical Policy Research, Inc.	93.RD	(3,607)
Washington University in St. Louis	93.RD	14,601
Savannah State College	93.RD	22,845
Surmodics, Inc.	93.RD	1,190
American Academy of Child and Adolescent Psychiatry	93.RD	243,556
Gynecologic Oncology Group	93.RD	36,250
WESTAT	93.RD	54,398
Department of Veteran Affairs - Maryland Health Care System	93.RD	153,819
<i>Total Department of Health and Human Services</i>		<i>62,036,141</i>
National Science Foundation	47.RD	831,004
Pass-through programs from:		
South Carolina EPSCOR	47.RD	383,115
South Carolina Department of Education	47.RD	4,000
Clemson University	47.RD	6,013
<i>Total National Science Foundation</i>		<i>1,224,132</i>
Department of Defense	12.RD	8,885,651
Pass-through programs from:		
University of Arizona	12.RD	33,795
General Electric	12.RD	32,175
University of New Hampshire	12.RD	52,440
Wellesley College	12.RD	160,227
<i>Total Department of Defense</i>		<i>9,164,288</i>
Department of Energy	81.RD	3,060,052
Pass-through programs from:		
South Carolina Universities Research and Education Foundation	81.RD	1,351,872
UT Batelle, LLC	81.RD	10,397
Batelle Memorial Institute, Pacific NW Division	81.RD	16,874
<i>Total Department of Energy</i>		<i>4,439,195</i>
Environmental Protection Agency	66.RD	90,602
Pass-through programs from:		
University of Georgia	66.RD	25,248
<i>Total Environmental Protection Agency</i>		<i>115,850</i>
National Aeronautics and Space Administration	43.RD	201,766
Pass-through programs from:		
National Opinion Research Center	43.RD	12,419
South Carolina Sea Grant Consortium	43.RD	7,887
EPSCOR	43.RD	65,364
College of Charleston	43.RD	9,450
Tulane University	43.RD	(798)
<i>Total National Aeronautics and Space Administration</i>		<i>296,088</i>

See accompanying notes to schedule of expenditures
of federal awards.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Veteran Affairs	64.RD	\$ 135,817
<i>Total US Department of Veteran Affairs</i>		135,817
US Department of Commerce	11.RD	(2,608)
Pass-through programs from:		
South Carolina Sea Grant Consortium	11.RD	143,105
University of Alaska - Fairbanks	11.RD	7,470
Louisiana University Marine Consortium (LUMCON)	11.RD	8,493
University of South Carolina	11.RD	(331)
South Carolina Department of Natural Resources	11.RD	121,426
Monterey Bay Aquarium Research Foundation	11.RD	(1,806)
<i>Total US Department of Commerce</i>		275,750
US Department of Agriculture	10.RD	132,353
Pass-through programs from:		
South Carolina Department of Natural Resources	10.RD	(2,501)
<i>Total US Department of Agriculture</i>		129,852
US Department of Justice	16.RD	(960)
<i>Total US Department of Justice</i>		(960)
US Department of Labor	17.RD	352
<i>Total US Department of Labor</i>		352
<i>Total Research and Development</i>		77,816,504
<i>Student Financial Aid - Cluster:</i>		
US Department of Education:		
Federal Pell Grant Program	84.063	108,214
Federal Supplemental Educational Opportunity Grant	84.007	29,341
Federal Work Study Program	84.033	189,144
Federal Perkins Loan Program	84.038	71,652
Federal Family Education Loans	84.032	25,861,639
<i>Total US Department of Education</i>		26,259,989
US Department of Health and Human Services:		
Health Professions Student Loan	93.342	57,619
Scholarships for Health Professions Students	93.925	10,514
<i>Total US Department of Health and Human Services</i>		68,133
<i>Total Student Financial Aid</i>		26,328,122

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
<i>Other Programs:</i>		
US Department of Health and Human Services:		
Model State-Supported Area Health Education Centers	93.107	\$ 425,447
Maternal and Child Health Federal Consolidated Programs	93.110	70,338
Oral Diseases and Disorders Research	93.121	21,781
Health Profession Pregraduate Scholarship Program for Indians	93.123	9,078
Nurse Anesthetist Traineeships	93.124	16,248
Grants for State Loan Repayment	93.165	75,000
Research Related to Deafness and Communications Disorders	93.173	37,380
Health Education and Training Centers	93.189	340,041
Grants for Dental Public Health Residency Training	93.236	62
Mental Health Research Grants	93.242	887,070
Advanced Education Nursing Grant Program	93.247	475,314
Drug Abuse National Research Service Awards for Research Training	93.278	75,333
Mental Health National Research Service Awards for Research Training	93.282	155,587
Advanced Education Nursing Traineeships	93.358	79,002
Basic Nurse Education and Practice Grants	93.359	209,208
Health Profession - Advanced Financial Distress	93.381	10,514
Heart and Vascular Diseases Research	93.837	196,732
Aging Research	93.866	52,405
Medical Library Assistance	93.879	1,921
Physician Assistant Training in Primary Care	93.886	(704)
Grants for Faculty Development in Family Medicine	93.895	540,669
Predoctoral Training in Primary Care (Family Medicine, Genera, Internal Medicine/General Internal Medicine/General Pediatrics)	93.896	158,053
Health Administration Traineeships and Special Projects Program	93.962	37,083
Geriatric Education Centers	93.969	142,961
Academic Administrative Units in Primary Care	93.984	150,252
Senior International Fellowships	93.989	8,295
Evaluation of Medlineplus by Medical University of South Carolina Rural Clerkship Students and Preceptors	93.XXX	22,582
Network Members Exhibit	93.XXX	1,596
IPA to Establish Dr. Fiero as Scientific Advisor - Tobacco Use Treatment	93.XXX	25,306
Pass-through programs from:		
South Carolina Area Health Education Centers	93.107	12,525
South Carolina Department of Health and Environmental Control	93.153	309
Ambulatory Pediatric Association	93.185	91,951
Children's National Medical Center	93.226	20
Sumter School District #17	93.600	214
South Carolina Developmental Disabilities Council - Office of the Governor	93.630	49,247
South Carolina Developmental Disabilities Council - Office of the Governor	93.012-21-0013	52,220
Wayne State University	93.847	23,411
South Carolina Department of Health and Environmental Control	93.917	843,038
South Carolina Department of Health and Environmental Control	93.945	24,273
South Carolina Department of Health and Human Services	93.951	(1,948)
South Carolina Department of Health and Environmental Control	93.988	(6,119)
American Medical Student Association	93.1APHPA002040-01C	6,300
Charleston Dorchester Community Mental Health Center	93.CDCMHC	(3,032)
South Carolina Health and Human Services (SC DHHS)	93.A 1 0535 A	18,970
South Carolina Health and Human Services (SC DHHS)	93.A 2 1241 A	39,065
University of Maryland - Baltimore	93.N01-LM-6-3522	14,982
Advocacy Coalition: People with Disabilities	93.612-21-0004	(354)
University of Alabama at Birmingham	93.135	318
Total US Department of Health and Human Services		5,389,946

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Defense: Basic and Applied Scientific Research	12.300	\$ 77,790
<i>Total US Department of Defense</i>		<i>77,790</i>
US Department of Energy: Office of Science Financial Assistance Program	81.049	4,523,221
Pass-through programs from: South Carolina Universities Research and Education Foundation	81.114	120,257
<i>Total US Department of Energy</i>		<i>4,643,478</i>
National Science Foundation: Biological Sciences	47.074	81,021
Pass-through programs from: South Carolina Research Authority	47.070	(11,998)
University of South Dakota	47.076	2,303
South Carolina Department of Education	47.076	59,569
<i>Total National Science Foundation</i>		<i>130,896</i>
US Department of Commerce: Pass-through programs from: South Carolina Department of Natural Resources	11.420	14,000
<i>Total US Department of Commerce</i>		<i>14,000</i>
US Department of Justice: Crime Victim/Assistance Discretionary Grants	16.582	228,524
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	132,069
Pass-through programs from: South Carolina Department of Public Safety	16.575	130,545
<i>Total Department of Justice</i>		<i>491,138</i>
Environmental Protection Agency: Environmental Justice Grants to Small Community Groups	66.604	1,256
Surveys, Studies, Investigations and Special Purpose Grants	66.606	226
Pass-through programs from: Concurrent Technologies Corporation	66.811	12,419
City of Charleston	66.City of Charleston	19,180
<i>Total Environmental Protection Agency</i>		<i>33,081</i>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantors/Pass-through Grantors/Agencies or Cluster Title	Federal CFDA Number	Expenditures
US Department of Education:		
Pass-through programs from:		
South Carolina Department of Health and Environmental Control	84.181	\$ 45,192
Advocacy Coalition for People with Disabilities	84.328	75,614
<i>Total US Department of Education</i>		<u>120,806</u>
Corporation for National and Community Service:		
AmeriCorps	94.006	(1,759)
<i>Total Corporation for National and Community Service</i>		<u>(1,759)</u>
US Department of Transportation		
Pass-through programs from:		
South Carolina State University	20.920	8,917
<i>Total US Department of Transportation</i>		<u>8,917</u>
US Department of Housing and Urban Development:		
Pass-through programs from:		
City of Charleston	14.244	3,000
<i>Total US Department of Housing and Urban Development</i>		<u>3,000</u>
US Department of Veteran Affairs:		
VA-IPA - Lidia Maianu - Muscle Metabolism, Low Birth Weight and the		
Insulin Resistance Syndrome	64.VAMC	54,005
VA-IPA - Sara Shaughnessy - Muscle Metabolism, Low Birth Weight and the	64.VAMC	38,068
Insulin Resistance Syndrome		
VA-IPA (Penny Wallace)	64.VAMC IPA - Penny Wallace	62,744
IPA for Wayne Fitzgibbon	64.VAMC IPA - Wayne Fitzgerald	33,304
IPA - Libby Farrelly	64.VAMC IPA - Libby Farrelly	2,916
IPA - Ivan Molano	64.VAMC IPA - Ivan Molano	23,733
VA-IPA - Xian-Kui (John) Zhang	64.VAMC	12,542
IPA Agreement John Henderson	64.VAMC IPA - Henderson	33,576
IPA for Jonathan D. Elhai	64.IIPA - Jonathan D. Elhai	39,138
<i>US Department of Veteran Affairs</i>		<u>300,026</u>
 <i>Total Federal Award Expenditures</i>		 \$ <u><u>115,355,944</u></u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

(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.

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) Federal Perkins Loan Program (CFDA Number 84.038)

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the loan fund of the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$5,388,994 as of June 30, 2002.

(4) Matching

Under the FWS program, the University matched \$63,425 in total compensation for the year ended June 30, 2002 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the FSEOG program, the University matched \$7,335 in funds awarded to students for the year ended June 30, 2002 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, 2002

(5) Subrecipients

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

Federal Granting Agency	Federal CFDA Number	Amount Provided to Subrecipients
US Department of Commerce		
Pass-through programs from:		
South Carolina Sea Grant Consortium	11.RD	\$ 20,623
Total US Department of Commerce		<u>20,623</u>
US Department of Defense	12.RD	228,876
US Department of Justice	16.582	14,085
National Aeronautics and Space Administration		
Pass-through programs from:		
EPSCOR	43.RD	8,454
Total National Aeronautics and Space Administration		<u>8,454</u>
National Science Foundation	47.RD	23,999
Environmental Protection Agency	66.RD	27,202
US Department of Energy	81.RD	250,691
US Department of Health and Human Services	93.RD	2,158,496
US Department of Health and Human Services	93.107	367,294
US Department of Health and Human Services	93.189	317,441
US Department of Health and Human Services	93.969	10,720
Pass-through programs from:		
Administration for Children, Youth, and Families	93.RD	8,295
Total US Department of Health and Human Services		<u>2,862,246</u>
		<u>\$ 3,436,176</u>



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**Independent Auditors' Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Basic Financial Statements Performed
in Accordance With *Government Auditing Standards***

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the basic financial statements of the Medical University of South Carolina (the University) as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. As discussed in the notes to the basic financial statements, effective July 1, 2001, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*. 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.

Compliance

As part of obtaining reasonable assurance about whether the University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.





This report is intended solely for the information and use of the State Auditor, management and federal and state 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

September 6, 2002



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**Independent Auditors' Report on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards**

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, 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, 2002, except those requirements discussed in the third following paragraph. The University's major federal programs are identified in the summary of auditors' 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 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 consider 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, 2002, other than those requirements discussed in the following paragraph.

We did not audit the University's compliance with requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Federal Perkins Loan program. Those requirements govern functions that are performed by AMS Servicing Group (AMS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.





AMS' compliance with the requirements governing the functions that it performs for the University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the major program in which the University participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major program.

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 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.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments for the Federal Perkins Loan Program are performed by AMS. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at AMS.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Medical University of South Carolina as of and for the year ended June 30, 2002, and have issued our report thereon dated September 6, 2002. As discussed in the notes to the basic financial statements, effective July 1, 2001, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 the State Auditor, management and federal and state 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

September 6, 2002

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

(1) Summary of Auditors' Results

- (a)** The type of report issued on the basic financial statements: **unqualified opinion**
- (b)** Reportable conditions in internal control were disclosed by the audit of the basic financial statements: **none reported** Material weaknesses: **none**
- (c)** Noncompliance which is material to the basic financial statements: **none**
- (d)** Reportable conditions in internal control over major programs: **none reported**
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 .510(a) of OMB Circular A-133: **no**
- (g)** Major Federal program: **research and development cluster (various CFDA numbers), student financial aid 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 .530 of OMB Circular A-133: **no**

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*: none

(3) Findings and Questioned Costs Relating to Federal Awards: none

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Prior Year Audit Findings

Year ended June 30, 2002

There were no findings or questioned costs for the year ended June 30, 2001.