



**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

OMB Circular A-133 Reports

Year ended June 30, 2007

(With Independent Auditors' Reports Thereon)

**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, 2007

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Research and Development – Cluster:		
U.S. Department of Agriculture:		
Direct programs:		
Coop State Research, Education & Ext Services	10.RD	\$ 362,778
Total U.S. Department of Agriculture		<u>362,778</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	37,891
Department of Commerce – Other Federal	11.RD	156,399
		<u>194,290</u>
Passed-through programs:		
University of Maryland	11.RD	83,588
South Carolina Department of Natural Resources	11.RD	121,691
		<u>205,279</u>
Total U.S. Department of Commerce		<u>399,569</u>
U.S. Department of Defense:		
Direct programs:		
Office of Naval Research	12.RD	328,720
Dept of Army, Army Research & Material Command	12.RD	1,879,145
Army Research Office	12.RD	454,858
Office of the Secretary of Defense	12.RD	234,445
Department of Defense-Other Federal	12.RD	3,962
		<u>2,901,130</u>
Passed-through programs:		
GEO Centers	12.RD	741,945
Science Applications International Corporation	12.RD	822,798
General Electric	12.RD	(42,991)
University of Virginia	12.RD	146,954
Guild Associates	12.RD	9,159
Advanced Technology Institute	12.RD	188,405
		<u>1,866,270</u>
Total U.S. Department of Defense		<u>4,767,400</u>
U.S. Department of the Interior:		
Direct program:		
U.S. Department of the Interior-Other Federal	15.RD	8,676
Total U.S. Department of the Interior		<u>8,676</u>
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	161,059
Bureau of Justice Assistance	16.RD	138,946
		<u>300,005</u>

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<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Passed-through programs:		
Dee Norton Lowcountry Children's Center	16.RD	\$ 10,414
		<u>10,414</u>
Total U.S. Department of Justice		<u>310,419</u>
National Aeronautics and Space Administration		
Direct program:		
National Aeronautics and Space Administration	43.RD	<u>251,398</u>
Passed-through programs:		
College of Charleston	43.RD	<u>124,319</u>
		<u>124,319</u>
Total National Aeronautics and Space Administration		<u>375,717</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.RD	<u>442,517</u>
		<u>442,517</u>
Passed-through programs:		
Massachusetts Eye and Ear Infirmary	47.RD	103,300
University of Missouri-Columbia	47.RD	346,766
South Carolina Research Authority	47.RD	<u>695,452</u>
		<u>1,145,518</u>
Total National Science Foundation		<u>1,588,035</u>
U.S. Department of Veteran Affairs:		
Direct program:		
U.S. Department of Veteran Affairs-Other Federal	64.RD	<u>251,699</u>
Total U.S. Department of Veteran Affairs		<u>251,699</u>
Environmental Protection Agency:		
Direct programs:		
Office of Research and Development	66.RD	23,603
Office of Prevention	66.RD	47,232
Environmental Protection Agency-Other Federal	66.RD	<u>85,320</u>
		<u>156,155</u>
Passed-through programs:		
University of South Carolina	66.RD	<u>8,077</u>
		<u>8,077</u>
Total Environmental Protection Agency		<u>164,232</u>
U.S. Department of Energy:		
Direct programs:		
Office of Science	81.RD	1,478,801
Office of the Environment	81.RD	242,159
Office of Nuclear Energy	81.RD	116,256
U.S. Department of Energy-Other Federal	81.RD	<u>217,104</u>
		<u>2,054,320</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.RD	\$ 1,984,251
		<u>1,984,251</u>
Total U.S. Department of Energy		<u>4,038,571</u>
U.S. Department of Education:		
Direct programs:		
Office of Assistant Secretary for Special Education and Rehabilitative Services	84.RD	346,419
		<u>346,419</u>
Passed-through program:		
South Carolina Department of Education	84.RD	55,260
		<u>55,260</u>
Total U.S. Department of Education		<u>401,679</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	136,729
Total Food and Drug Administration		<u>136,729</u>
National Institutes of Health	93.RD	821,415
National Institutes of Health	93.RD	2,208,688
National Institutes of Health	93.RD	332,225
National Institutes of Health	93.RD	47,675
National Institutes of Health	93.RD	38,948
National Institutes of Health	93.RD	1,847,061
National Institutes of Health	93.RD	783,525
National Institutes of Health	93.RD	282,442
National Institutes of Health	93.RD	4,115,682
National Institutes of Health	93.RD	(28,858)
National Institutes of Health	93.RD	281,957
National Institutes of Health	93.RD	268,204
National Institutes of Health	93.RD	3,739,504
National Institutes of Health	93.RD	33,440
National Institutes of Health	93.RD	8,962,869
National Institutes of Health	93.RD	914,609
National Institutes of Health	93.RD	11,405
National Institutes of Health	93.RD	355,152
National Institutes of Health	93.RD	246,514
National Institutes of Health	93.RD	718,631
National Institutes of Health	93.RD	50,346
National Institutes of Health	93.RD	162,438
National Institutes of Health	93.RD	6,876,592
National Institutes of Health	93.RD	110,169
National Institutes of Health	93.RD	152,146
National Institutes of Health	93.RD	667,160
National Institutes of Health	93.RD	532,108
National Institutes of Health	93.RD	7,393
National Institutes of Health	93.RD	1,168,174
National Institutes of Health	93.RD	29,629

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Year ended June 30, 2007

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
National Institutes of Health	93.RD	\$ 4,423,328
National Institutes of Health	93.RD	21,403
National Institutes of Health	93.RD	290,360
National Institutes of Health	93.RD	2,581,563
National Institutes of Health	93.RD	639,397
National Institutes of Health	93.RD	59,186
National Institutes of Health	93.RD	1,126,381
National Institutes of Health	93.RD	36,163
National Institutes of Health	93.RD	686
National Institutes of Health	93.RD	1,406
National Institutes of Health	93.RD	8,584,724
National Institutes of Health	93.RD	789,132
National Institutes of Health	93.RD	388,270
National Institutes of Health	93.RD	1,343,918
National Institutes of Health	93.RD	1,264
National Institutes of Health	93.RD	2,608,825
National Institutes of Health	93.RD	734,040
National Institutes of Health	93.RD	1,485,511
National Institutes of Health	93.RD	29,995
National Institutes of Health	93.RD	38,824
National Institutes of Health	93.RD	1,592,993
National Institutes of Health	93.RD	139,503
National Institutes of Health	93.RD	6,900
National Institutes of Health	93.RD	327,396
National Institutes of Health	93.RD	3,837,449
National Institutes of Health	93.RD	1,511,192
National Institutes of Health	93.RD	965,831
National Institutes of Health	93.RD	217,048
National Institutes of Health	93.RD	102,487
National Institutes of Health	93.RD	285,975
National Institutes of Health	93.RD	11,123
National Institutes of Health	93.RD	1,987,418
National Institutes of Health	93.RD	793,451
National Institutes of Health	93.RD	2,316,868
National Institutes of Health	93.RD	394,462
National Institutes of Health	93.RD	3,317,880
National Institutes of Health	93.RD	103,572
National Institutes of Health	93.RD	2,069
National Institutes of Health	93.RD	2,149,677
National Institutes of Health	93.RD	39,133
National Institutes of Health	93.RD	33,247
National Institutes of Health	93.RD	1,768,777
National Institutes of Health	93.RD	61,253
National Institutes of Health	93.RD	126,315
Total National Institutes of Health		<u>83,013,638</u>
Health Resources and Services Administration	93.RD	972,269
Center for Disease Control and Prevention	93.RD	2,398,236
Agency for Healthcare Research and Quality	93.RD	857,328
Administration for Children and Families	93.RD	(6,801)
Office of the Secretary	93.RD	314,932
U.S. Department of Health and Human Services-Other Federal	93.RD	<u>2,656,571</u>
Total U.S. Department of Health and Human Services		<u>90,342,902</u>

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Schedule of Expenditures of Federal Awards

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<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Passed-through programs:		
Children's Hospital of Philadelphia	93.RD	\$ 577
Johns Hopkins University	93.RD	26,150
American Academy of Pediatrics	93.RD	3,897
Cell and Tissue Systems, Inc.	93.RD	50,920
Duke University	93.RD	21,931
South Carolina Department of Health and Environmental Control	93.RD	45,440
Audiology, Inc.	93.RD	93,139
University of Washington at Seattle	93.RD	(11,362)
New Jersey Medical School	93.RD	48,205
University of Texas	93.RD	11,287
Mayo Clinic of Rochester	93.RD	41,315
University of Illinois at Chicago	93.RD	24,127
Albert Einstein College of Medicine Yeshiva University	93.RD	31,352
Argolyn Bioscience, Inc.	93.RD	92,244
University of British Columbia	93.RD	41,430
University of Tennessee	93.RD	95,473
Emory University	93.RD	284,747
University of Southern California	93.RD	6,086
Research Triangle Institute	93.RD	20,679
Yale University	93.RD	351,752
University of Kentucky	93.RD	98,712
American Academy of Child and Adolescent Psychiatry	93.RD	143,734
American Psychiatric Institute for Research & Education	93.RD	52,754
Greenwood Genetic Center	93.RD	(33,205)
Association of American Medical Colleges	93.RD	629,967
South Carolina Sea Grant Consortium	93.RD	12,255
University of South Carolina	93.RD	320,007
University of Georgia	93.RD	57,033
Texas Southern University	93.RD	58,317
Fred Hutchinson Cancer Research Center	93.RD	85,922
University of Arkansas for Medical Services	93.RD	(6,970)
Children's Hospital Medical Center	93.RD	30,948
South Carolina Experimental Program to Stimulate Competitive Research	93.RD	37,728
South Carolina Research Authority	93.RD	261,723
American College of Radiology Imaging Network	93.RD	97,212
Washington University in St. Louis	93.RD	1,606
University of Pittsburgh	93.RD	113,325
University of Wisconsin at Madison	93.RD	61,367
Mayo Clinic of Jacksonville	93.RD	207,295
National Childhood Cancer Foundation	93.RD	80,983
Virginia Commonwealth University	93.RD	23,179
Gynecologic Oncology Group	93.RD	20,936
Lentigen Corporation	93.RD	64,102
South West Oncology Group	93.RD	82,280
Duquense University	93.RD	103,660
Loyola University	93.RD	46,125

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<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Henry Ford Health System	93.RD	\$ 15,650
University of Oklahoma	93.RD	3,164
Seattle Institute for Cardiac Research	93.RD	3,319
Organ Recovery Systems	93.RD	3,694
University of Florida	93.RD	106,422
University of Indiana	93.RD	32,149
University of Massachusetts	93.RD	49,195
New England Research Institutes	93.RD	62,328
University of Louisville	93.RD	179,101
University of Alabama at Birmingham	93.RD	124,505
University of Colorado	93.RD	78,963
Clemson University	93.RD	39,950
St. Jude Medical, Inc.	93.RD	72,998
Firststring Research, LLC	93.RD	60,717
Children's Hospital of Pennsylvania	93.RD	3,413
Taligen, Inc.	93.RD	15,075
University of North Carolina	93.RD	(8,510)
Texas Southwestern Medical Center	93.RD	16,676
University of Michigan	93.RD	6,343
Medical College of Georgia	93.RD	12,045
University of Chicago	93.RD	14,252
Rhode Island Hospitals	93.RD	40,634
Baylor University	93.RD	21,378
Case Western Reserve University	93.RD	50,225
Mount Sinai Medical Center	93.RD	51,538
University of Central Florida	93.RD	52,941
Brigham and Young Women's Hospital	93.RD	51,695
Texas A&M University	93.RD	94,967
South Carolina State University	93.RD	12,456
Children's Hospital Research Foundation	93.RD	125,202
University of Connecticut	93.RD	13,767
Temple University	93.RD	79,613
University of California at San Diego	93.RD	118,815
Mount Sinai School of Medicine	93.RD	(3,571)
University of South Alabama	93.RD	2
Georgetown University	93.RD	7,156
Research Foundation for Mental Hygiene, Inc.	93.RD	137,415
University of South Florida	93.RD	178,840
Congressional Glaucoma Caucus Foundation	93.RD	4,521
Mathematics Policy Research, Inc.	93.RD	5,038
University of Maryland	93.RD	8,857
Memorial Sloan-Kettering Cancer Center	93.RD	12,864
Washington School of Public Health	93.RD	157,530
Case Western Reserve University	93.RD	169,855
Princeton University	93.RD	301,081
		<hr/> 6,514,652
Total US Department of Health and Human Services		<hr/> 96,857,554
Total Research and Development		<hr/> 109,526,329



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Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 19,558
Federal Family Education Loans	84.032	48,969,381
Federal Work-Study Program	84.033	280,969
Federal Perkins Loan Program	84.038	1,583,828
Federal Pell Grant Program	84.063	67,178
Total U.S. Department of Education		50,920,914
U.S. Department of Health and Human Services:		
Nurse Faculty Loan Program	93.264	100,000
Health Professions Student Loans	93.342	721,818
Nursing Student Loans	93.364	375,709
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	—
Total U.S. Department of Health and Human Services		1,197,527
Total Student Financial Aid		52,118,441
Other Programs:		
U.S. Department of Agriculture:		
Direct program:		
U.S. Department Of Agriculture-Other Federal (USDA)	10.206	7,695
Total U.S. Department of Agriculture		7,695
U.S. Department of Commerce:		
Direct program:		
U.S. Department of Commerce	11.617	3,788,898
Total U.S. Department of Commerce		3,788,898
U.S. Department of Defense:		
Direct program:		
U.S. Department of Defense	12.400	323
Passed-through program:		
American Nuclear Society	12.999	(519)
Total U.S. Department of Defense		(196)
U.S. Department of Justice:		
Passed-through programs:		
South Carolina State Office of Victims Assistance	16.582	10,209
South Carolina Department of Public Safety	16.588	190,890
Total U.S. Department of Justice		201,099
U.S. Department of Transportation:		
Passed-through program:		
Think First Foundation	20.999	(922)
Total U.S. Department of Transportation		(922)

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<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
Office of Personnel Management:		
Direct program:		
Michael E. Debakey VA Medical Center	27.011	\$ 17,635
Total Office of Personnel Management		<u>17,635</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.074	<u>580</u>
Total National Science Foundation		<u>580</u>
U.S. Department of Veteran Affairs:		
Direct program:		
Veteran's Administration Medical Center	64.999	<u>140,539</u>
Total U.S. Department of Veteran Affairs		<u>140,539</u>
Environmental Protection Agency:		
Passed-through program:		
National Environmental Education and Training Foundation, Inc.	66.609	<u>834</u>
Total Environmental Protection Agency		<u>834</u>
U.S. Department of Energy:		
Direct program:		
U.S. Department of Energy	81.049	<u>1,351,156</u>
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.114	152,264
Savannah State University	81.999	20,538
Tennessee State University	81.999	<u>55,984</u>
		<u>228,786</u>
Total U.S. Department of Energy		<u>1,579,942</u>
U.S. Department of Education:		
Direct program:		
Office of the Assistant for Postsecondary Education	84.200	<u>159,984</u>
Passed-through programs:		
South Carolina Department of Education	84.027	1,000
South Carolina Department of Health and Environmental Control	84.181	<u>10,263</u>
		<u>11,263</u>
Total U.S. Department of Education		<u>171,247</u>
National Archives and Records Administration		
Direct program:		
National Historic Publications and Records Grants	89.003	<u>37,792</u>
Total National Archives and Records Administration		<u>37,792</u>

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<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.004	\$ 676,992
Health Resources and Services Administration	93.107	329,277
Health Resources and Services Administration	93.110	17,635
Health Resources and Services Administration	93.124	17,781
Health Resources and Services Administration	93.162	41,250
Health Resources and Services Administration	93.191	91,703
Agency for Healthcare Research and Quality	93.226	214,538
National Institutes of Health	93.242	273,916
Substance Abuse & Mental Health Services Administration	93.243	597,530
Health Resources and Services Administration	93.247	312,110
Health Resources and Services Administration	93.265	1,474
National Institutes of Health	93.279	266,622
Centers for Disease Control and Prevention	93.283	358,576
Health Resources and Services Administration	93.358	(188)
Health Resources and Services Administration	93.359	295,933
National Institutes of Health	93.389	889,266
National Institutes of Health	93.837	67,447
National Institutes of Health	93.849	124,967
National Institutes of Health	93.853	73,618
National Institutes of Health	93.859	65,112
National Institutes of Health	93.879	270,947
Health Resources and Services Administration	93.884	619,658
Health Resources and Services Administration	93.887	3,122,424
Health Resources and Services Administration	93.969	108,779
Health Resources and Services Administration	93.996	1,228,134
		<u>10,065,501</u>
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	120,576
Association of Teachers of Preventive Medicine	93.185	263,999
Physician Micro Systems, Inc.	93.226	88,828
Palmetto Project	93.252	36,291
South Carolina Department of Health and Environmental Control	93.283	4,502
Boston University	93.398	21,823
South Carolina Developmental Disabilities Council	93.630	(2,164)
Wayne State University	93.847	26,792
University of Maryland	93.879	1,332
South Carolina Department of Health and Environmental Control	93.889	6,475
South Carolina Department of Health and Environmental Control	93.917	923,194
Advocates for Youth	93.938	4,850
South Carolina Department of Alcohol and Other Drug Areas	93.959	11,884
South Carolina Department of Health and Environmental Control	93.994	19,169
AME Health Ministry	93.999	6,483
South Carolina State University	93.999	25,928
South Carolina Cancer Alliance	93.999	5,897
Ambulatory Pediatric Association	93.999	48,512
		<u>1,614,371</u>
Total U.S. Department of Health and Human Services		<u>11,679,872</u>

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<b>Federal grantor/pass-through grantor/program title</b>	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
U.S. Department of Homeland Security:		
Pass-through program:		
South Carolina Emergency Preparedness Division	97.039	\$ 72,216
Total U.S. Department of Homeland Security		72,216
Total federal expenditures		\$ 179,342,001

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, 2007

### (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) Federal Student Financial Aid Loan Programs

The Federal Perkins Loan, Health Professions Student Loan (HPSL), Loans for Disadvantaged Students (LDS) and the Nurse Faculty Loan (NFL) 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, LDS and NFL programs were \$5,912,986, \$3,305,457, \$290,955 and \$431,467, respectively, as of June 30, 2007.

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, 2007.

### (4) Matching

Under the Federal Work Study (FWS) program, the University matched \$93,656 in total compensation for the year ended June 30, 2007 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 \$6,519 in funds awarded to students for the year ended June 30, 2007 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

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**(5) Subrecipients**

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

<b>Federal Granting Agency</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
U.S. Department of Commerce		
Department of Commerce	11.RD	\$ 80,644
Total U.S. Department of Commerce		<u>80,644</u>
U.S. Department of Defense		
Department of Defense	12.RD	<u>917,849</u>
Total U.S. Department of Defense		<u>917,849</u>
U.S. Department of Justice		
U.S. Department of Justice	16.RD	<u>26,698</u>
Total U.S. Department of Justice		<u>26,698</u>
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43.RD	26,738
Pass-through programs from:		
College of Charleston	43.RD	<u>12,500</u>
Total National Aeronautics and Space Administration		<u>39,238</u>
National Science Foundation		
National Science Foundation	47.RD	<u>40,091</u>
Total National Science Foundation		<u>40,091</u>
U.S. Department of Energy		
U.S. Department of Energy	81.RD	207,929
U.S. Department of Energy	81.114	<u>442</u>
Total U.S. Department of Energy		<u>208,371</u>
U.S. Department of Education		
U.S. Department of Education	84.RD	<u>9,131</u>
Total U.S. Department of Education		<u>9,131</u>

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<b>Federal Granting Agency</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
U.S. Department of Health and Human Services		
U.S. Department of Health and Human Services	93.RD	\$ 5,083,457
Health Resources and Services Administration	93.107	266,986
National Institute of Health	93.242	138,335
Substance Abuse and Mental Health Services Administration	93.243	82,961
Health Resources and Services Administration	93.969	16,709
Health Resources and Services Administration	93.996	472,653
Pass-through programs from:		
The Association of Teachers of Preventive Medicine	93.185	208,480
The Association of American Medical Colleges	93.283	19,722
South Carolina Department of Health and Environmental Control	93.917	<u>56,211</u>
Total U.S. Department of Health and Human Services		<u>6,345,514</u>
		\$ <u><u>7,667,536</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***

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, 2007, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 12, 2007. 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 University Medical Associates, 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.

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. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.





A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 07-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### **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 12, 2007.

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 the State Auditor, board of trustees, management, and the 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 12, 2007



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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**

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, 2007. 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.

The University's basic financial statements include the operations of the Medical University Hospital Authority (the Authority), which received \$422,167,902 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2007. 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, 2007.

### **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.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the University's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **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, 2007, and have issued our report thereon dated October 12, 2007. 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 the State Auditor, board of trustees, management, and the 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 12, 2007,  
except for report on Compliance  
and Internal Control Over Compliance  
which is dated November 16, 2007

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2007

## (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  
Material weaknesses: None
- (c) Noncompliance which is material to the basic financial statements: None
- (d) Significant deficiencies in internal control over major programs: **None reported**  
Material weaknesses: None
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A133: **No**
- (g) Major Federal programs: **Research and Development cluster (various CFDA numbers) and Health Care and Other Facilities (CFDA 93.887)**
- (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: Yes

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

### Finding No. 07-01: Significant Deficiency Related to Internal Control Over Financial Reporting

## Deferred Revenue Review

The University does not have a process or control in place to reconcile the detailed schedule of corporate receivables to the summary schedule of corporate grants receivables to ensure that the summary schedule of corporate receivables which is used to calculate deferred revenue at year-end is accurate and complete. Management performs a review of the detailed schedule of corporate receivables to ensure that the information in the schedule is accurate and complete; however, the summary schedule of corporate receivables is not reconciled to the detailed schedule of corporate receivables. During our audit testwork, we found that the summary schedule of corporate receivables was improperly accumulating deferred revenue resulting in an audit difference of \$1.1 million.

We recommend that the University implement a control to reconcile the summary schedule of corporate grants receivables to the detailed schedule to ensure that the amounts used to calculate deferred revenue are accurate and complete at fiscal year end.

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**Management's Response**

This finding relates to the summary schedule designed to capture receivables for corporate grant contracts. MUSC agrees with the findings and will implement controls to ensure that the summary is reconciled to MUSC's detailed receivables listing. In addition, an edit check will be added to the summary report to ensure that residual amounts are reported separately.

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