

North Central  
Michigan College



Year Ended  
June 30, 2025

Single Audit Act  
Compliance

**Rehmann**

# **NORTH CENTRAL MICHIGAN COLLEGE**

## **Table of Contents**

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	6
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	15





INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

January 21, 2026

Board of Trustees  
North Central Michigan College  
Petoskey, Michigan

We have audited the financial statements of ***North Central Michigan College*** (the "College"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 23, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rehmann Lohman LLC*



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## NORTH CENTRAL MICHIGAN COLLEGE

### Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Education</b>				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity				
Grant Program	84.007	Direct	P007A242054	\$ 52,544
Federal Work Study	84.033	Direct	P033A242054	46,445
Federal Pell Grant Program	84.063	Direct	P063P241646	2,780,195
Federal Direct Student Loans:				
Stafford Subsidized	84.268	Direct	P268K251646	390,474
Stafford Unsubsidized	84.268	Direct	P268K251646	377,493
PLUS Loans	84.268	Direct	P268K251646	28,736
Total Federal Direct Student Loans				<u>796,703</u>
Total Student Financial Assistance Cluster				<u>3,675,887</u>
Childcare Access Means Parents in School (CCAMPIS)	84.335A	Direct	P335A230060	844,252
Career and Technical Education - Basic Grants to States:				
Local Annual	84.048A	MDE	243510	<u>107,855</u>
<b>Total U.S. Department of Education</b>				<u>4,627,994</u>
<b>U.S. Department of the Treasury</b>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds:				
ADN - BSN Completion Grant Program	21.027	MiLEAP	SLFRP0127	947,914
Michigan Reconnect Expansion	21.027	MiLEAP	SLFRP0127	133,952
ARPA Funds for Child Care Initiative Phase 2 Project	21.027	EC	SLFRP0127	10,349
Academic Catch-Up Grant Program	21.027	MDT & MCCA	SLFRP0127	87,613
				<u>1,179,828</u>
<b>Total U.S. Department of the Treasury</b>				<u>1,179,828</u>
<b>Total Expenditures of Federal Awards</b>				<b><u>\$ 5,807,822</u></b>

See notes to schedule of expenditures of federal awards.

# **NORTH CENTRAL MICHIGAN COLLEGE**

## **Notes to Schedule of Expenditures of Federal Awards**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of **North Central Michigan College** (the "College") under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the net position, changes in net position or cash flows of the College.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### **2. 10% DE MINIMIS COST RATE**

For purposes of charging indirect costs to federal awards, the College has not elected to use the de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### **3. PASS-THROUGH ENTITIES**

The College receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

<b>Pass-through Entity Abbreviation</b>	<b>Pass-through Entity Name</b>
EC	Emmet County
MCCA	Michigan Community College Association
MDE	Michigan Department of Education
MDT	Michigan Department of Treasury
MiLEAP	Michigan Department of Lifelong Education, Advancement, and Potential



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*

October 23, 2025

Board of Trustees  
North Central Michigan College  
Petoskey, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **North Central Michigan College** (the "College"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as item 2025-001, that we consider to be a significant deficiency.



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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **College's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the College's response to the finding identified in our audit which is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is fluid and cursive, with "Rehmann" on the top line and "Johnson LLC" on the bottom line.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 21, 2026

Board of Trustees  
North Central Michigan College  
Petoskey, MI

### Report on Compliance for Each Major Federal Program

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

We have audited the compliance of **North Central Michigan College** (the "College") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2025. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Independent Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.



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### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

### ***Independent Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-002 and 2025-004. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the College's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

### ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the *Independent Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-002, 2025-003, and 2025-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the College's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

***Purpose of this Report***

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

*Rehmann Lohman LLC*

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  no

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  no

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
84.335A	Childcare Access Means Parents in School (CCAMPIS)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2025-001 - Internal Controls over Financial Applications

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting.

**Criteria.** The College should have controls in place over financial applications to identify the IT risks arising from the use of third-party service providers, and to ensure changes to reports for financial applications are accurately performed.

**Condition.** The College does not have a defined process in place to identify the IT risks arising from the use of third-party service providers and to ensure appropriate processes and controls are in place to mitigate IT risk. Additionally, the College does not have controls in place to review and approve changes to reports for financial applications.

**Cause.** The in-scope third-party application's Systems and Organization Controls (SOC) Reports (SOC1 Type 2) have not been obtained and reviewed to assess the controls in place within the vendor's IT environments to mitigate risks and ensure that Information Technology General Controls (ITGCs) are adequately designed, tested, and operating effectively at the service organization. Additionally, management has not reviewed the SOC report to understand its responsibilities within the report's Complementary User Entity Controls (CUECs) section to ensure processes/controls have been appropriately instituted, to ensure there are no carve outs or limitations on the usage of the SOC report. In addition, there is a lack of detailed review and approval to assess the appropriateness and accuracy of changes of financial reports after changes have been made within the system.

**Effect.** As a result of this condition, the College could have heightened risks based on exceptions noted in third-party application SOC reports that may have a direct impact on management's data or use of the application. Additionally, the College is at a greater risk of improper changes to the financial reporting system which could result in inaccurate financial reporting.

**Recommendation.** We recommend the College review third-party application's SOC Reports annually and also implement an independent review and approval process for when changes are made within the financial reporting application software.

**View of Responsible Officials.** Management agrees with finding and has prepared a corrective action plan.

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2025-002 - Tracking of Fixed Assets Purchased with Federal Awards

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Equipment and Real Property Management).

**Program.** Childcare Access Means Parents in School (CCAMPIS); U.S. Department of Education; Assistance Listing Number 84.335A; Award Number P335A230060.

**Criteria.** Per 2 CFR §200.313 (Uniform Guidance), non-federal entities must maintain property records that include a description, serial number, source of funding, title, acquisition date, cost, location, use, condition, and disposition data for property and equipment purchased with federal funds. Entities must also conduct regular inventories and reconcile them with property records.

**Condition.** The College does not have a formal process or system in place to track fixed assets acquired with federal award funds. As a result, there is no centralized or consistent documentation of asset details, location, or usage for assets purchased with federal funds.

**Cause.** The absence of a fixed asset tracking process appears to be due to a lack of awareness of federal requirements and insufficient internal controls over asset management related to federal awards.

**Effect.** Without proper tracking, the College is at risk of noncompliance with federal regulations, potential loss or misuse of federally funded assets, and challenges in conducting accurate inventories or audits. This could lead to questioned costs or disallowed expenditures during federal reviews.

**Questioned Costs.** No costs were questioned related to this finding.

**Recommendation.** The College should implement a formal fixed asset tracking system that complies with 2 CFR §200.313. This system should include procedures for recording asset details, conducting periodic inventories, and reconciling records. Staff responsible for asset management should be trained on federal requirements to ensure ongoing compliance.

**View of Responsible Officials.** Management agrees with finding and has prepared a corrective action plan.

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

### 2025-003 - Lack of Documentation for Sole-Sourcing Agreement

**Finding Type.** Significant Deficiency in Internal Control over Compliance (Procurement, Suspension and Debarment).

**Program.** Coronavirus State and Local Fiscal Recovery Funds; U.S. Department of Treasury; Passed through MiLEAP; ADN - BSN Completion Grant Program; Assistance Listing Number 21.027; Award Number SLFRP0127.

**Criteria.** Per 2 C.F.R. §200.318–§200.320 (Uniform Guidance) and the College's established procurement policies, noncompetitive (sole-source) procurements must be appropriately justified and documented. Required documentation includes the rationale for using a sole-source method and evidence that the procurement meets allowable circumstances under federal regulations and internal policy.

**Condition.** During our review of procurement transactions, we identified one instance of sole-source procurement for which the College did not properly document a procurement decision in accordance with 2 CFR 200.320 related to justifying the use of a noncompetitive procurement method. Specifically, the procurement files lacked written justification demonstrating why competition was not feasible and did not include evidence of required approvals in accordance with the College's procurement policies even though the arrangement was allowable under the circumstances.

**Cause.** The lack of documentation resulted from inconsistent adherence to procurement documentation requirements for sole-source arrangements. Personnel responsible for initiating and approving procurements did not consistently complete or retain the required justification forms or supporting documentation when noncompetitive methods were utilized.

**Effect.** As a result of this condition, the College could not document a procurement decision for one vendor in accordance with federal regulations.

**Questioned Costs.** No costs were questioned related to this finding.

**Recommendation.** We recommend the College strengthen controls over sole-source procurements by requiring documented justification and formal approval prior to executing noncompetitive procurement arrangements. Management should also provide additional training to procurement and program staff to ensure consistent compliance with federal procurement requirements and internal policies.

**View of Responsible Officials.** Management agrees with finding and has prepared a corrective action plan.

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

### 2025-004 - Lack of Verification Procedures Around Suspension and Debarment

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Procurement, Suspension and Debarment).

#### Federal Programs

*U.S Department of Education -*

- Childcare Access Means Parents in School (CCAMPIS) (ALN 84.335A); Direct Award.

*U.S Department of Treasury -*

- Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027); Passed through MiLEAP; ADN - BSN Completion Grant Program; Award Number SLFRP0127.

**Criteria.** Under the requirements of 2 CFR Part 180 covered transactions for procurement and nonprocurement contracts that are expected to equal or exceed \$25,000, the grantee must verify that the party being awarded a procurement and nonprocurement contract is not suspended, debarred, or otherwise excluded by checking the list of excluded parties, obtaining certification from the vendor or subrecipient, or including a clause or condition to the covered transaction with that entity.

**Condition.** During our review of procurement transactions, we noted that the College did not verify or document that vendors were not suspended or debarred at the time of contract execution or payment. Specifically, the procurement files reviewed lacked evidence demonstrating that vendor eligibility was confirmed through SAM.gov or an equivalent verification process in accordance with federal requirements at the time the College entered into the covered transaction.

**Cause.** The condition resulted from inadequate internal controls in place to ensure that the appropriate procedures are being followed for covered transactions in accordance with the requirements of the Uniform Guidance.

**Effect.** The failure to monitor suspension and debarment could cause the College to enter into covered transactions with vendors who are not eligible to have goods or services purchased with federal monies. Upon review of the excluded parties listing subsequent to year end, it was determined that none of the parties that were awarded either procurement or nonprocurement contracts were excluded parties.

**Questioned Costs.** No costs were questioned related to this finding.

**Recommendation.** We recommend the College review its procedures for issuing contracts to ensure that the appropriate suspension and debarment evidence of verifications are retained for all vendors providing goods or services in excess of \$25,000. The recommended best practice is to include a certification verifying suspension and debarment in every contract funded by federal dollars with every vendor to ensure compliance.

**View of Responsible Officials.** Management agrees with finding and has prepared a corrective action plan.



# NORTH CENTRAL MICHIGAN COLLEGE

## ■ **Summary Schedule of Prior Audit Findings**

For the Year Ended June 30, 2025

### **2024-001 - Internal Controls over Financial Applications**

**Description.** The College does not have defined processes in place to review user accounts and entitlements or to make changes to reports for financial applications. As a result, the College is at a greater risk of allowing improper access to its applications by users that should no longer have access and improper changes to reports. This matter has been corrected during the current year.

### **2024-002 – Incorrect Calculation of Indirect Costs**

**Description.** Any non-Federal entity that does not have a current negotiated rate may elect to charge a de minimis rate of 10% of modified total direct costs ("MTDC"). The College did not have a negotiated rate, however, they used a rate other than the de minimis rate of 10% in their calculation of indirect costs. The College also did not use the MTDC for purposes of this calculation, but instead used the budgeted indirect cost total for the program. As a result, the College over-charged the grant by \$21,765 during 2024. This matter has been corrected during the current year.





## CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the ***North Central Michigan College*** Single Audit report for the year ended June 30, 2025, and corrective actions to be completed.

### **2025-001 - Internal Controls over Financial Applications**

**Auditor Description of Condition and Effect.** The College does not have a defined process in place to identify the IT risks arising from the use of third-party service providers and to ensure appropriate processes and controls are in place to mitigate IT risk. Additionally, the College does not have controls in place to review and approve changes to reports for financial applications.

As a result of this condition, the College could have heightened risks based on exceptions noted in third-party application SOC reports that may have a direct impact on management's data or use of the application. Additionally, the College is at a greater risk of improper changes to the financial reporting system which could result in inaccurate financial reporting.

**Auditor Recommendation.** That the College review third-party application's SOC Reports annually and also implement an independent review and approval process for when changes are made within the financial reporting application software.

**Corrective Action.** The College will establish at least an annual process to review SOC reports from its third-party applications. The plan will include reviewing SOC reports quarterly if available, and reminders have been set for dates of 11/14/25, 2/13/26, 5/15/26 and 8/14/26. If SOC reports are only available on an annual basis, they will be reviewed by at least 8/14/26. This date pattern for review will be planned to continue in future years (Responsible Persons per below: Director of Business Services for obtaining and reviewing the SOC reports, with assistance from Director of Information Technology as needed).

The College will also establish an annual process to recertify access and entitlements. This process is planned to occur at least every March, starting in March 2026 (Responsible Person per below: Vice President of Finance and Facilities).

**Responsible Persons.** Vice President of Finance and Facilities, Director of Business Services and Director of Information Technology.

**Anticipated Completion Date.** March 31, 2026.



## **2025-002 – Tracking of Fixed Assets Purchased with Federal Awards**

**Auditor Description of Condition and Effect.** The College does not have a formal process or system in place to track fixed assets acquired with federal award funds. As a result, there is no centralized or consistent documentation of asset details, location, or usage for assets purchased with federal funds. Without proper tracking, the entity is at risk of noncompliance with federal regulations, potential loss or misuse of federally funded assets, and challenges in conducting accurate inventories or audits. This could lead to questioned costs or disallowed expenditures during federal reviews.

**Auditor Recommendation.** That the College implement a formal fixed asset tracking system that complies with 2 CFR §200.313. This system should include procedures for recording asset details, conducting periodic inventories, and reconciling records. Staff responsible for asset management should be trained on federal requirements to ensure ongoing compliance.

**Corrective Action.** In its Jenzabar accounting system software, the College will code fixed assets that were, and will be, acquired with federal award funds. The College will also set reminders in May 2026, and at least once every two years thereafter, to conduct an inventory and reconcile this with the accounting records.

**Responsible Persons.** Tom Zeidel, Vice President of Finance and Facilities and Troy Slater, Director of Business Office.

**Anticipated Completion Date.** October 31, 2025.



## 2025-003 - Lack of Documentation for Sole-Sourcing Agreement

**Auditor Description of Condition and Effect.** During our review of procurement transactions, we identified one instance of sole-source procurement for which the College did not properly document a procurement decision in accordance with 2 CFR 200.320 related to justifying the use of a noncompetitive procurement method. Specifically, the procurement files lacked written justification demonstrating why competition was not feasible and did not include evidence of required approvals in accordance with the College's procurement policies even though the arrangement was allowable under the circumstances. As a result of this condition, the College could not document a procurement decision for one vendor in accordance with federal regulations.

**Auditor Recommendation.** We recommend the College strengthen controls over sole-source procurements by requiring documented justification and formal approval prior to executing noncompetitive procurement arrangements. Management should also provide additional training to procurement and program staff to ensure consistent compliance with federal procurement requirements and internal policies.

**Corrective Action.** The entity will strengthen procurement controls by requiring written justification and documented approval for all sole-source procurements in accordance with Uniform Guidance and the entity's procurement policies. A standardized sole-source justification form will be implemented and required prior to execution of any noncompetitive procurement funded with federal awards.

**Responsible Persons.** Tom Zeidel, Vice President of Finance and Facilities and Troy Slater, Director of Business Office.

**Anticipated Completion Date.** June 30, 2026



## 2025-004 - Lack of Verification Procedures Around Suspension and Debarment

**Auditor Description of Condition and Effect.** During our review of procurement transactions, we noted that the College did not verify or document that vendors were not suspended or debarred at the time of contract execution or payment. Specifically, the procurement files reviewed lacked evidence demonstrating that vendor eligibility was confirmed through SAM.gov or an equivalent verification process in accordance with federal requirements at the time the College entered into the covered transactions. The failure to monitor suspension and debarment could cause the College to enter covered transactions with vendors who are not eligible to have goods or services purchased with federal monies. Upon review of the excluded parties listing subsequent to year end, it was determined that none of the parties that were awarded either procurement or nonprocurement contracts were excluded parties.

**Auditor Recommendation.** We recommend the College review its procedures for issuing contracts to ensure that the appropriate suspension and debarment evidence of verifications are retained for all vendors providing goods or services in excess of \$25,000. The recommended best practice is to include a certification verifying suspension and debarment in every contract funded by federal dollars with every vendor to ensure compliance.

**Corrective Action.** The entity will implement procedures to ensure vendor eligibility is verified through SAM.gov prior to contract execution or payment for federally funded procurements. Documentation of the verification will be retained in the procurement file.

**Responsible Persons.** Tom Zeidel, Vice President of Finance and Facilities and Troy Slater, Director of Business Office.

**Anticipated Completion Date.** June 30, 2026