

North Central
Michigan College



Year Ended
June 30, 2019

Single Audit Act
Compliance

NORTH CENTRAL MICHIGAN COLLEGE

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

December 20, 2019

Board of Trustees
North Central Michigan College
Petoskey, Michigan

We have audited the financial statements of the business-type activities and the blended component unit of **North Central Michigan College** (the "College") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We did not audit the financial statements of the North Central Michigan College Foundation, the blended component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the North Central Michigan College Foundation, is based solely on the report of the other auditors. 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.



NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant Program	84.007	Direct	P007A182054	\$ 70,280
Federal Work Study	84.033	Direct	P033A182054	52,599
Federal Pell Grant Program	84.063	Direct	P063P181646	2,344,047
Federal Direct Student Loans:				
Stafford Subsidized	84.268	Direct	P268K191646	526,632
Stafford Unsubsidized	84.268	Direct	P268K191646	593,795
PLUS Loans	84.268	Direct	P268K191646	85,227
Total Student Financial Assistance Cluster				<u>3,672,580</u>
Career and Technical Education - Basic Grants to States				
Local Annual	84.048A	MDE	V048A180022 193510	97,455
Local Leadership	84.048A	MDE	V048A180022 193250	9,200
				<u>106,655</u>
Total Expenditures of Federal Awards				<u><u>\$ 3,779,235</u></u>

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, 2019. The information in this Schedule is presented in accordance with the requirements of the 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, 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 AGENCIES

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:

Pass-through Agency Abbreviation	Pass-through Agency Name
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MDE	Michigan Department of Education
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 15, 2019

Board of Trustees
North Central Michigan College
Petoskey, Michigan

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 the business-type activities and the blended component unit of **North Central Michigan College** (the "College"), as of and for the year ended June 30, 2019, 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 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the North Central Michigan College Foundation, the blended component unit, as described in our report on the College's financial statements. The financial statements of the North Central Michigan College Foundation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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*.

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 cursive script that reads "Rehmann Lobson LLC".

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

December 20, 2019

Board of Trustees
North Central Michigan College
Petoskey, Michigan**Report on Compliance for the Major Federal Program**

We have audited the compliance of *North Central Michigan College* (the "College") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. 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 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). Those standards and the Uniform Guidance 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 College'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Major Federal Program

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 its major federal program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed two 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 2019-001 and 2019-002. Our opinion on the major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 Lobson LLC

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Type of auditors' report issued on compliance for the major program: Unmodified

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

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.007 / 84.033 / 84.063 / 84.268

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____ no

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001 - Eligibility - Missing Award Letter

Finding Type. Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance.

Program. Student Financial Assistance Cluster; U.S. Department of Education; Federal Supplemental Educational Opportunity Grants ("FSEOG"), CFDA Number 84.007, Award Number P007A182054; Federal Work Study ("FWS"), CFDA Number 84.033, Award Number P033A182054; Federal Pell Grant Program, CFDA Number 84.063, Award Number P063P181646; and Federal Direct Student Loans, CFDA Number 84.268, Award Number P268K191646.

Criteria. The Uniform Guidance Compliance Supplement states that a College must send an award letter to all students receiving financial aid.

Condition. No award letter was sent to one student selected for testing.

Cause. The College sends award letters electronically and the student did not receive an award letter due to an oversight in the process.

Effect. As a result of this condition, the College did not provide a student with an award letter for the award year.

Recommendation. We recommend that the College implement procedures to ensure all students receiving federal aid receive an award letter.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

2019-002 - Special Tests and Provisions - Calculation of Return of Title IV Funding

Finding Type. Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance.

Program. Student Financial Assistance Cluster; U.S. Department of Education; Federal Supplemental Educational Opportunity Grants ("FSEOG"), CFDA Number 84.007, Award Number P007A182054; Federal Work Study ("FWS"), CFDA Number 84.033, Award Number P033A182054; Federal Pell Grant Program, CFDA Number 84.063, Award Number P063P181646; and Federal Direct Student Loans, CFDA Number 84.268, Award Number P268K191646.

Criteria. The Uniform Guidance Compliance Supplement states that a College must complete a Return of Title IV calculation for any student that withdraws from all of their classes during a semester, and return funds, if necessary.

Condition. A return calculation was not completed for one student tested that withdrew from all of their

Cause. The College runs a weekly report that summarizes any students that withdrew during that week. The withdrawal date for one student was backdated to a week that had already been summarized for withdrawals. Therefore, that student did not show up on the current weekly report.

Effect. As a result of this condition, the College did not fully comply with the requirements of the grant and was exposed to an increase risk of not completing all required Return of Title IV calculations as required. A refund of \$2,980 was required due to the withdrawal and the funds were returned on June 12, 2019. The students withdrawal date was January 30, 2019 and the funds should have been returned within 45 days of the withdrawal.

Recommendation. We recommend that the College implement procedures to ensure all students who withdraw have a return calculation completed.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

NORTH CENTRAL MICHIGAN COLLEGE

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2019

None reported.





CORRECTIVE ACTION PLANS

The compliance audit identified two findings, which are described in the Schedule of Findings and Questioned Costs. We evaluated these matters as described below and have described our corrective actions as a result.

2019-001 - Eligibility - Missing Award Letter

Planned Corrective Action. Awarding financial aid is done by a batch packaging process through software called PowerFAIDS. It is a step by step process for which there are written procedures. One of the steps is to email students who have just been awarded financial aid. Due to this finding, we have added a step to ensure all students receive an award email. We have instituted a report titled "Award Letter Missing" that will identify any student who has a financial aid award but does not show that an award email was sent. This report will be run each time we award students.

Responsible Party. Director of Financial Aid.

Date of Planned Corrective Action. No further action is planned at this time.

Management Assessment. We concur with the audit assessment regarding this matter.

2019-002 - Special Tests and Provisions - Calculation of Return of Title IV Funding

Planned Corrective Action. The current procedure of using an existing weekly report to identify students who have totally withdrawn is very accurate. Finding 2019-002 was a true exception to the norm because of a student situation confidentially handled by a VP of the College where backdating a withdrawal date was needed. To be sure any like situation in the future will be detected, the Registrar will copy the Director of Financial Aid on any requests for backdating. The Director of Financial Aid will then verify if that student received any Title IV aid and a R2T4 is required.

Responsible Party. Director of Financial Aid.

Date of Planned Corrective Action. No further action is planned at this time.

Management Assessment. We concur with the audit assessment regarding this matter.