

Bay de Noc
Community
College



Year Ended
June 30, 2014

Single Audit Act
Compliance

BAY DE NOC COMMUNITY COLLEGE

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

November 6, 2014

To the Board of Trustees
Bay de Noc Community College
Escanaba, Michigan

We have audited the financial statements of the business-type activities and the discretely presented component unit of **Bay de Noc Community College** (the "College") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 6, 2014, which contained unmodified opinions 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 Bay de Noc Community College Foundation, the discretely presented 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 in the Bay de Noc Community 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 U.S. Office of Management and Budget Circular A-133, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

BAY DE NOC COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

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 (2013-2014)	84.007	Direct	P007A131980	\$ 65,987
Federal Supplemental Educational Opportunity Grant (2012-2013)	84.007	Direct	P007A121980	900
Federal Work Study Program (2013-2014)	84.033	Direct	P033A131980	176,474
Federal Work Study Program (2012-2013)	84.033	Direct	P033A121980	4,731
Pell Grant Program (2013-2014)	84.063	Direct	P063P131624	4,920,984
Pell Grant Program (2012-2013)	84.063	Direct	P063P121624	68,848
Federal Direct Student Loan Program (2013-2014)	84.268	Direct	P268K141624	5,205,632
Federal Direct Student Loan Program (2012-2013)	84.268	Direct	P268K131624	78,816
Total Student Financial Assistance Cluster				<u>10,522,372</u>
Title III - Strengthening Student Services	84.031A	Direct	P031A080054	<u>168,036</u>
TRIO Cluster:				
Student Support Services	84.042A	Direct	P042A100412	<u>279,900</u>
Vocational Education - Basic Grants to States				
Regional Allocation	84.048A	MDE	14212	144,548
Local Leadership	84.048A	MDE	14252	18,359
CAP Leadership	84.048A	MDE	14242	6,084
Total Vocational Education - Basic Grants to States				<u>168,991</u>
Total U.S. Department of Education				<u>11,139,299</u>
U.S. Department of Labor				
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	Direct	TC-25058-13-60-A-26	<u>117,234</u>
Total Expenditures of Federal Awards				<u><u>\$ 11,256,533</u></u>

See notes to schedule of expenditures of federal awards.

BAY DE NOC COMMUNITY COLLEGE

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay de Noc Community College (the "College") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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
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 AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 6, 2014

To the Board of Trustees
Bay de Noc Community College
Escanaba, 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 discretely presented component unit of **Bay de Noc Community College** (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 6, 2014. Our report includes a reference to other auditors who audited the financial statements of the Bay de Noc Community College Foundation, the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Bay de Noc Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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 opinions 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 were not identified. However, as described in accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

November 6, 2014

To the Board of Trustees
Bay de Noc Community College
Escanaba, Michigan

Report on Compliance for Each Major Federal Program

We have audited *Bay de Noc Community College's* (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance of 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 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 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 each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the 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, 2014.

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 OMB Circular A-133, 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, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Loborn LLC

BAY DE NOC COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

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? x yes 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? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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84.007 / 84.033 / 84.063 / 84.268	Student Financial Assistance Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 300,000 </u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
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BAY DE NOC COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

Journal Entry Review

During our journal entry testing, we noted that not all journal entries are being properly reviewed by management. While this risk is partially mitigated by the Board and management's review of the monthly financial statements, opportunity still exists for journal entries to be manipulated, which could potentially go unnoticed under the current process. We recommend the College implement a new process where all journal entries, including supporting documentation, are reviewed independent of the preparer on a timely, routine basis.

Review of Significant Accounting Estimates

During our testing of the College's significant estimates, specifically the accrued employee benefits payable and the allowance for doubtful accounts, we noted errors in the calculation or inputs that resulted in actual and proposed audit adjustments. To strengthen the College's controls over the accuracy of these estimates and to prevent any related future misstatements, we recommend the Vice President of Administrative Services review these estimates in detail as part of the year-end closing process.

Monthly Financial Statements

During our review of the College's monthly close process and monthly financial statements, we noted a lack of top-level review of financial statements by senior financial management prior to production of the monthly board packets. We believe an analytical, annotative review of monthly statements should be performed by the Vice President of Administrative Services on a monthly basis not only to strengthen monitoring controls over the Business Office, but also to be used as a tool to help communicate relevant financial information to the Board of Trustees and other decision-makers for the College. Moreover, this review would assist management in the annual budgeting process. We recommend the College review its monthly close process and implement an analytical review process to strengthen its monitoring controls over financial reporting.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

BAY DE NOC COMMUNITY COLLEGE

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2014

None reported

