

Bay de Noc
Community
College



Year Ended
June 30, 2016

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 THE UNIFORM GUIDANCE**

November 4, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 4, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's 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 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 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, 2016

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 (2015-2016)	84.007	Direct	P007A151980	\$ 60,574
Federal Supplemental Educational Opportunity Grant (2014-2015)	84.007	Direct	P007A141980	2,681
Federal Work Study Program (2015-2016)	84.033	Direct	P033A151980	176,474
Federal Pell Grant Program (2015-2016)	84.063	Direct	P063P151624	2,955,263
Federal Pell Grant Program (2014-2015)	84.063	Direct	P063P141624	25,831
Federal Direct Student Loan Program (2015-2016)	84.268	Direct	P268K161624	2,381,299
Federal Direct Student Loan Program (2014-2015)	84.268	Direct	P268K151624	21,277
Total Student Financial Assistance Cluster				<u>5,623,399</u>
TRIO Cluster:				
Student Support Services	84.042A	Direct	P042A100412	36,015
Student Support Services	84.042A	Direct	P042A150056	239,933
Total TRIO Cluster				<u>275,948</u>
Vocational Education - Basic Grants to States				
Regional Allocation	84.048A	MDE	16212	141,750
Local Leadership	84.048A	MDE	16252	18,400
Total Vocational Education - Basic Grants to States				<u>160,150</u>
Advanced Technological Education	47.076	MTU	1410014Z1	167,842
Race to the Top - Early Learning Challenge	84.412	MiAEYC	412A130044	2,297
Total U.S. Department of Education				6,229,636
U.S. Department of Labor				
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	Direct	TC-25058-13-60-A-26	438,794
Total Expenditures of Federal Awards				<u><u>\$ 6,668,430</u></u>

See accompanying notes to schedule of expenditures of federal awards.

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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, 2016. 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.

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 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.

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
MTU	Michigan Technological University
MiAEYC	Michigan Association for the Education of Young Children



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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 4, 2016

Board of Trustees
of the 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, 2016, 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 4, 2016. 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*. This report does not include the results of the other auditors' testing of internal controls 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 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.

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*.

Bay de Noc Community College's Response to Findings

The College's response to the finding identified in our audit 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

However, as described in the accompanying schedule of findings and questioned costs as item 2016-001, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A handwritten signature in cursive script that reads "Rehmann Lobson LLC".

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

November 4, 2016

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

Report on Compliance for the Major Federal Program

We have audited the compliance of the *Bay de Noc Community 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, 2016. 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 each 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 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). 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.

Unmodified 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on the major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit 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 compliance and, accordingly, we express no opinion on it.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit 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 compliance and, accordingly, we express no opinion on it.

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 Lobarr LLC

BAY DE NOC COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

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 no

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 major programs: 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 and type of auditors' report issued on compliance for the major program:

CFDA Number

84.007 / 84.033 / 84.063 / 84.268

Name of Federal Program or Cluster

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

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Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Capital Assets

Finding Type. Significant Deficiency in Internal Control

Condition. During our audit of capital assets purchased through certain state grants, we noted that the College did not follow the capitalization policy.

Cause. This condition was caused by the lack of application of the capitalization policy by management for capital assets purchased by funds received through certain state grants.

Effect. As a result of this condition, the College recorded an audit adjustment for approximately \$1.6 million to correct capital asset balances in accordance with the approved capitalization policy.

Recommendation. We recommend the College ensures all capital asset purchases are accounted for consistently and accurately in accordance with the capitalization policy.

View of Responsible Officials. We have evaluated the benefit of establishing internal controls to capitalize the assets purchased through grant funds when purchased and not when the grant is finished. In the future the organization will treat all capital assets the same no matter the funding source and will consistently and accurately record capital assets in accordance with the approved capitalization policy.

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-002 - Student Financial Assistance Cluster - Pell Verification

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

Program. Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.063; Award Numbers - P063P151624.

Criteria. In each year, Department of Education (ED) provides the institution a Payment and Disbursement Schedule for determining Pell awards which provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, Expected Family Contribution (EFC), and Cost of Attendance (COA). The Uniform Guidance Compliance Supplement provides guidance on how a College should determine Pell awards based on these three criteria. We use the Payment and Disbursement Schedule to verify students were awarded the proper Pell amount based on the student's enrollment status, EFC, and COA.

Condition. Of the 40 students selected for testing, we noted 24 of those students received Pell. Of those 24 students, one student was over awarded Pell.

Cause. This condition was caused by the lack of procedures for reporting to the Financial Aid office those instances where students drop classes within the drop period which impacts the amount of Pell awarded.

Effect. As a result of this condition, the College did not comply fully with awarding Pell to students based on their enrollment status, EFC, and COA.

Questioned Costs. None.

Recommendation. We recommend the College implement proper controls to ensure that students who have changes to enrollment status, EFC and COA are awarded the proper Pell awards.

View of Responsible Officials. The Director of Financial Aid will receive an e-mail from the Records and Registration Assistant who processes withdrawals and drops when a late drop or a drop of a late starting class is processed for a student. The Financial Aid Director will then recalculate the Pell Grant, if needed.

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Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2016

2015-001 - Student Financial Assistance Cluster - Enrollment Reporting

The audit identified a student who unofficially withdrew during the Fall semester and did not return in the Spring, was not reported as 'withdrawn' by the College at the end of the Fall semester.

This matter was not repeated as a finding in 2016.

2015-002 - TRiO Student Support Services - Participant Earmarking Requirement

The audit identified during the review of the College's roster for the reporting period 9/1/13 to 8/31/14, only 6 out of 30 (20%) of the students with disabilities served met the low-income criteria.

This matter was not repeated as a finding in 2016.





CORRECTIVE ACTION PLAN

Certain matters were brought to our attention as a result of the audit process. These are described at length in the Schedule of Findings and Questioned Costs. We evaluated each of these matters as described below, and have described our plans actions as a result.

2016-001 – Capital Assets

Planned Corrective Action. We have evaluated the benefit of establishing internal controls to capitalize the assets purchased through grant funds when purchased and not when the grant is finished. In the future the organization will treat all capital assets the same no matter the funding source and will consistently and accurately record capital assets in accordance with the approved capitalization policy.

Responsible Party. Vice President of Finance & Bay West Campus

Date of Planned Corrective Action. 2016-17 Fiscal Year

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

2016-002 – Student Financial Assistance Cluster – Pell Verification

Planned Corrective Action. The Director of Financial Aid will receive an e-mail from the Records and Registration Assistant who processes withdrawals and drops when a late drop or a drop of a late starting class is processed for a student. The Financial Aid Director will then recalculate the Pell Grant, if needed.

Responsible Party. Director of Financial Aid

Date of Planned Corrective Action. 2016-17 Fiscal Year

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