

Bay de Noc
Community
College



Year Ended
June 30, 2015

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 11, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 11, 2015, 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 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 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.



BAY DE NOC COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

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 (2014-2015)	84.007	Direct	P007A141980	\$ 64,100
Federal Supplemental Educational Opportunity Grant (2013-2014)	84.007	Direct	P007A131980	421
Federal Supplemental Educational Opportunity Grant (2012-2013)	84.007	Direct	P007A121980	800
Federal Work Study Program (2014-2015)	84.033	Direct	P033A141980	176,474
Federal Pell Grant Program (2014-2015)	84.063	Direct	P063P141624	3,966,854
Federal Pell Grant Program (2013-2014)	84.063	Direct	P063P131624	39,544
Federal Direct Student Loan Program (2014-2015)	84.268	Direct	P268K151624	3,699,094
Federal Direct Student Loan Program (2013-2014)	84.268	Direct	P268K141624	62,355
Total Student Financial Assistance Cluster				<u>8,009,642</u>
Title III - Strengthening Student Services	84.031A	Direct	P031A080054	<u>22,623</u>
TRIO Cluster:				
Student Support Services	84.042A	Direct	P042A100412	<u>345,001</u>
Vocational Education - Basic Grants to States				
Regional Allocation	84.048A	MDE	15212	156,452
Local Leadership	84.048A	MDE	15252	18,163
CAP Leadership	84.048A	MDE	152402	3,125
Total Vocational Education - Basic Grants to States				<u>177,740</u>
Total U.S. Department of Education				<u>8,555,006</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>539,394</u>
Total Expenditures of Federal Awards				<u><u>\$ 9,094,400</u></u>

See accompanying 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, 2015. 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. 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 11, 2015

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, 2015, 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 11, 2015. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be a significant

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. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 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 "Rehmann Lohman 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 11, 2015

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 *2 CFR Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2015. The College's major federal programs are 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 for each of the College's major federal programs 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 Each 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 each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 002. Our opinion on each 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 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 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 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 002 that we consider to be significant deficiencies.

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.

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

BAY DE NOC COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

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 major programs: Unmodified

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

Identification of major programs:

CFDA Number

17.282
84.007 / 84.033 / 84.063 / 84.268
84.042A

Name of Federal Program or Cluster

Trade Adjustment Assistance Community College and Career Training
Student Financial Assistance Cluster
TRiO Student Support Services

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? x yes no

BAY DE NOC COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-001 - Student Financial Assistance Cluster - Enrollment Reporting

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

Program. Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.007 / 84.033 / 84.063 / 84.268; Award Numbers - Various.

Criteria. Institutions offering Pell, FFEL, or Direct Loans are required to report changes in a student's attendance to the National Student Loan Data System ("NSLDS") within 30 days of the change, unless a roster is scheduled to be submitted within 60 days. This enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holder by the Department of Education ("Ed"). Enrollment reporting in a timely and accurate manner is critical for effective management of the programs.

Condition. During our testing of status change reporting, we noted one (out of nineteen students tested) who unofficially withdrew during the Winter semester and did not return the following semester. This student, however, was not reported as 'withdrawn' by the College at the end of the Winter semester and within the time frame as established by Ed.

Cause. This condition was caused by the lack of procedures for reporting such instances where students withdraw and do not return the following semester.

Effect. As a result of this condition, the College did not comply fully with the enrollment reporting requirements under this federal award.

Questioned Costs. No costs are required to be questioned as a result of this finding.

Recommendation. We recommend the College implement proper controls to ensure that such students are reported timely and accurately to the NSLDS.

View of Responsible Officials. Because Bay de Noc Community College is not required to take attendance, students that stop attending during the semester are not considered an unofficial withdrawal until final grades are reported each semester. The College's final required enrollment reporting date is before the end of the semester. Therefore, some changes in enrollment due to unofficial withdrawals have not been reported within the required timeframe.

In order to meet this compliance requirement, the Bay de Noc Community College Financial Aid Office will implement a process to determine all unofficial withdrawals reported after the end of the semester. Student enrollment updates of all unofficially withdrawn students that have not enrolled for the following semester will be generated and sent to the National Student Clearinghouse, which in turn reports to the NSLDS. This addition to the process and procedures will be done in conjunction with the Return to Title IV calculations for financial aid students that have unofficially withdrawn during the semester.

BAY DE NOC COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

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

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

Program. TRiO Student Support Services; U.S. Department of Education; CFDA Number 84.042A; Award Number P042A100412.

Criteria. In accordance with 34 CFR 646.11, institutions offering TRiO Student Support Services grant programs are required to meet specific earmarking criteria. Among these criteria is a requirement that “not less than one-third of the individuals with disabilities served also will be low-income individuals.”

Condition. In our review of the College’s roster for the reporting period 9/1/13 to 8/31/14, we noted that only 6 out of 30 (20%) of the students with disabilities served met the low-income criteria. As a result, the College is not in compliance with this earmarking requirement.

Cause. This condition was caused by circumstances for which management was unable to recruit a sufficient number of students meeting the criteria identified above.

Effect. As a result of this condition, the College did not comply fully with the earmarking requirements under this federal award.

Questioned Costs. No costs are required to be questioned as a result of this finding.

Recommendation. We recommend the College continue in its efforts to meet all earmarking requirements in order to maximize future funding.

View of Responsible Officials. Management is aware of this criteria and the fact it was not met. Management recruits students in multiple ways to get students into the program, but first the student must be willing to disclose their disability and have it verified through the SSO. This is often a very large hurdle for many students who wish to remain anonymous. While Bay could limit or not accept students with disabilities and who are not low-income to meet this criteria, management feels that service to the students meeting only the disability criteria is worthwhile and important for the benefit of the students and within the spirit of the program. Management also determined it was in the best interest of the students and the program to continue to serve as many eligible participants as possible to meet its funded numbers. Management is actively attempting to meet this earmarking criteria through recruitment efforts such as classroom visits, center tours, promotional e-mails, and by working with Student Services and the disability services office.

BAY DE NOC COMMUNITY COLLEGE

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

None reported

