

Bay de Noc  
Community  
College



Year Ended  
June 30, 2023

Single Audit Act  
Compliance

**Rehmann**

# 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

February 22, 2024

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, 2023 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 9, 2023, 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 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 for 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 Lobson LLC*



## BAY DE NOC COMMUNITY COLLEGE

### Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Higher Education - Institution Challenge Grants Program	10.217	MSU	2020-70003-32298	\$ 34,437
<b>U.S. Department of Education</b>				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant (2022-2023)	84.007	Direct	P007A221980	76,756
Federal Supplemental Educational Opportunity Grant (2021-2022)	84.007	Direct	P007A211980	19,310
Federal Work Study Program (2022-2023)	84.033	Direct	P033A221980	153,274
Federal Pell Grant Program (2022-2023)	84.063	Direct	P063P221624	2,273,675
Federal Pell Grant Program (2021-2022)	84.063	Direct	P063P211624	72,948
Federal Direct Student Loan Program (2022-2023)	84.268	Direct	P268K231624	2,593,410
Federal Direct Student Loan Program (2021-2022)	84.268	Direct	P268K221624	7,681
Total Student Financial Assistance Cluster				<u>5,197,054</u>
TRIO Cluster:				
Student Support Services	84.042A	Direct	P042A200604	<u>335,953</u>
COVID-19 - Higher Education Emergency Relief Fund - Institutions of Higher Education - Institutional				
	84.425F	Direct	P425F201297	<u>1,323,736</u>
Vocational Education - Basic Grants to States:				
Regional Allocation	84.048A	MDE	233510	152,930
Local Leadership	84.048A	MDE	233250	9,200
				<u>162,130</u>
<b>Total U.S. Department of Education</b>				<u>7,018,873</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 7,053,310</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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2023. 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 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. ADJUSTMENTS AND TRANSFERS

The College funded \$18,000 of the 2021-2022 Emergency FSEOG that is a part of the Federal Supplemental Educational Opportunity Grant (84.007) by transferring it out of the 2021-2022 Federal Work-Study Program (84.033). In addition, the College also funded \$23,200 of the 2022-2023 Emergency FSEOG that is a part of the Federal Supplemental Educational Opportunity Grant (84.007) by transferring it out of the 2022-2023 Federal Work-Study Program (84.033).

### 4. 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:

Pass-through Entity Abbreviation	Pass-through Entity Name
MDE	Michigan Department of Education
MSU	Michigan State University



**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 9, 2023

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, 2023, 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 9, 2023. The financial statements of Bay de Noc Community College Foundation (the "Foundation"), the College's discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Our report includes a reference to other auditors who audited the financial statements of Bay de Noc Community College Foundation, as described in our report on the College's financial statements. 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.

### **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 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. 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 or significant deficiencies may exist that have not been identified.

### **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*.

### **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 Lohman LLC". The signature is written in a cursive, flowing style.

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

February 22, 2024

Board of Trustees  
Bay de Noc Community College  
Escanaba, Michigan

### Report on Compliance for Each Major Federal Program

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

We have audited the compliance of **Bay de Noc Community 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, 2023. 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, 2023.

#### *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.





### ***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 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires 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 2023-001 and 2023-002 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* requires the auditor to perform limited procedures on the College's response 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.

A handwritten signature in black ink that reads "Lehmann Lobson 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, 2023

### 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   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

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 each major program:

#### Assistance

##### Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.425	COVID-19 - Higher Education Emergency Relief Fund	Unmodified
84.007/84.033/ 84.063/84.268	Student Financial Assistance Cluster	Unmodified

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

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, 2023

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

# BAY DE NOC COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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

#### 2023-001 - Return of Title IV Calculation Error

**Finding Type.** Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions).

**Program.** Student Financial Assistance Cluster; U.S. Department of Education; Assistance Listing Numbers 84.007, 84.033, 84.063, and 84.268; Award Numbers P007A221980, P007A211980, P033A221980, P063P221624, P063P211624, P268K231624, and P268K221624.

**Criteria.** The total number of calendar days in an enrollment period includes all days within the period, excluding scheduled breaks of at least five consecutive days, as specified by 34 CFR 668.22(f) of the OMB *Compliance Supplement*.

**Condition.** A break of at least five consecutive days was not excluded from the reported enrollment period for the Fall 2022 semester, which resulted in the calculation being incorrect for all students who had returns in the Fall 2022 semester.

**Cause.** The College does not have a review process in place for reporting the number of days used in the enrollment period.

**Effect.** As a result of this condition, Return of Title IV ("R2T4") calculations were incorrect for 60 students for the Fall 2022 semester, resulting in \$10,459 in excess funds returned to the U.S. Department of Education. It is our understanding that on July 24, 2023, the College repaid the 60 students affected by this calculation error.

**Questioned Costs.** No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

**Recommendation.** We recommend that the College implement a review process to ensure the number of enrollment days used in the Return of Title IV calculations is accurate and that the R2T4 calculation is being reviewed by a second individual.

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

# BAY DE NOC COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

### 2023-002 - Gramm Leach Bliley Missing Compliance Requirements

**Finding Type.** Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions).

**Program.** Student Financial Assistance Cluster; U.S. Department of Education; Assistance Listing Numbers 84.007, 84.033, 84.063, and 84.268; Award Numbers P007A221980, P007A211980, P033A221980, P063P221624, P063P211624, P268K231624, and P268K221624.

**Criteria.** The Federal Trade Commission (FTC) states that the Gramm Leach Bliley Act "requires financial institutions to explain their information-sharing practices to their customers and safeguard sensitive data."

**Condition.** The most recent Gramm Leach Bliley Policy fails to address the implementation of safeguards to control the risks the institution identifies through its risk assessment, the testing or monitoring the effectiveness of the safeguards implemented, and the evaluation and adjustment of its information security program in light of the results of the required testing and monitoring.

**Cause.** The College does not have a review process in place for ensuring all safeguard policies set forth in the Gramm Leach Bliley Act are included in its written security policy.

**Effect.** As a result of this condition, the College isn't meeting the safeguard requirements necessary to comply with the FTC. In addition, the lack of safeguard controls creates an increased risk to highly sensitive data that is possessed by the College.

**Questioned Costs.** No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

**Recommendation.** We recommend that the College implement procedures to ensure that all Gramm Leach Bliley Policies are met and verified by a second individual.

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



# BAY DE NOC COMMUNITY COLLEGE

## ■ Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2023

No matters were reported.







## CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the *Bay de Noc Community College* Single Audit report for the year ended June 30, 2023, and corrective actions to be completed.

### 2023-001 – Return of Title IV Calculation Error

**Auditor Description of Condition and Effect.** A break of at least five consecutive days was not excluded from the reported enrollment period for the Fall 2022 semester, which resulted in the calculation being incorrect for all students who had returns in the Fall 2022 semester. As a result of this condition, Return of Title IV calculations were incorrect for 60 students for the Fall 2022 semester, resulting in \$10,459 in excess funds returned to the U.S. Department of Education. It is our understanding that on July 24, 2023, the College repaid the 60 students affected by this calculation error.

**Auditor Recommendation.** We recommend that the College implement a review process to ensure the number of enrollment days used in the Return of Title IV calculations is accurate and that the R2T4 calculation is reviewed by a second individual.

**Corrective Action.** Upon discovery of the Return of Title IV Calculation error, the College went through and made corrections to all student accounts affected. To prevent a similar problem arising in the future, the College has developed a review process that will require an additional sign-off for the total days to be used in the calculation.

**Responsible Person.** Ruth Carlson, Director of Financial Aid

**Anticipated Completion Date.** July 24, 2023

### 2023-002 - Gramm Leach Bliley Missing Compliance Requirements

**Auditor Description of Condition and Effect.** The most recent Gramm Leach Bliley Policy fails to address the implementation of safeguards to control the risks the institution identifies through its risk assessment, the testing or monitoring the effectiveness of the safeguards implemented, and the evaluation and adjustment of its information security program in light of the results of the required testing and monitoring. As a result of this condition, the College is not meeting the safeguard requirements necessary to comply with the FTC. In addition, the lack of safeguard controls creates an increased risk to highly sensitive data that is possessed by the College.

**Auditor Recommendation.** We recommend that the College implement procedures to ensure that all Gramm Leach Bliley Policies are met and verified by a second individual.

**Corrective Action.** Currently, the College is reviewing the compliance requirements for the Gramm Leach Bliley Act and will amend the current policy to ensure that each safeguard is being addressed within the policy.

**Responsible Person.** Jonathan Lane, Director of IT

**Anticipated Completion Date.** June 30, 2024