

Montcalm  
Community  
College



Year Ended  
June 30, 2016

Single Audit  
Act  
Compliance

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# MONTCALM COMMUNITY COLLEGE

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

November 7, 2016

To the Board of Trustees  
Montcalm Community College  
Sidney, Michigan

We have audited the financial statements of the business-type activities of **Montcalm 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 7, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 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 financial statements or to the 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*

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# MONTCALM 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
<b>U.S. Department of Education</b>				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant Program	84.007	Direct	P007A152049	\$ 56,546
Federal Work Study Program	84.033	Direct	P033A152049	46,868
Pell Grant Program	84.063	Direct	P063P151644	2,699,020
Pell Grant Program - Administrative Fees	84.063	Direct	N/A	4,455
Federal Direct Student Loan Program	84.268	Direct	P268K161644	2,867,178
				<u>5,674,067</u>
Career and Technical Education - Basic Grants to States:				
Local Leadership 15/16	84.048	MDE	162519	18,400
Regional Allocation 15/16	84.048	MDE	162119	123,294
				<u>141,694</u>
<b>Total Schedule of Expenditures of Federal Awards</b>				<u><u>\$ 5,815,761</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# MONTCALM 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 *Montcalm 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 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





**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 7, 2016

To the Board of Trustees  
Montcalm Community College  
Sidney, 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 of **Montcalm 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 basic financial statements of the College, and have issued our report thereon dated November 7, 2016.

**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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in 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 the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002, 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*.

### **Montcalm Community College's Response to Findings**

The College's responses to the 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 the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

This report is intended 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.

*Rehmann Lohman LLC*

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

November 7, 2016

To the Board of Trustees  
Montcalm Community College  
Sidney, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of *Montcalm 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 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 2016-003. 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 deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003 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 Loborn LLC*

# MONTCALM 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        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 Uniform Guidance, Section 510(a)   X   yes        no

Identification of major programs:

#### CFDA Number

84.007, 84.033, 84.063, and 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

# MONTCALM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2016-001 - Review of Significant Estimates

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting

**Condition.** During our review of the net pension liability calculation, we noted a few errors due to incorrect data being entered or inaccurate rates being used in the payroll summary reports that required adjustment during the audit. Additionally, as part of our audit of MPSERS rate stabilization receivable and accrual, we noted only one month of accounts payable and expense was accrued at June 30, 2016.

**Cause.** We noted during our audit of the net pension liability that the year end calculation and related payroll support and the year-end accrual of the rate stabilization receivable and payable were not reviewed for accuracy.

**Effect.** As a result of this condition, the College was required to adjust the inputs of the net pension liability calculation and record certain adjusting audit entries. Additionally, we noted only 1 month of the 2 required rate stabilization payables was recorded as of June 30, 2016 resulting in a passed audit adjustment of approximately \$63,700.

**Recommendation.** We recommend a review of these accounts be performed to ensure the balances are complete and accurate at year end.

**View of Responsible Officials.** In the future, the MPSERS calculation will begin with the Payroll Manager and then be reviewed by the Director of Accounting to ensure all data is included and rates are accurate. Evidence of the review will be provided and available prior to year-end closing to ensure accuracy.

#### 2016-002 - Review of Monthly Reconciliations

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting

**Condition.** During our audit, we noted that supporting schedules or reconciliations for certain accounts, including tuition to credit hours reconciliation, payroll accrual and promises/pledges report were not subject to independent review or lacked evidence of such review to ensure completeness and accuracy.

**Cause.** During the year and subsequent to year-end there were changes in certain management positions that caused a lapse or change in the internal control structure which caused review to not be performed on these items.

**Effect.** As a result of this condition, the College is at risk for fraud or misappropriation for assets as a result of no independent review of these items.

**Recommendation.** We recommend that management complete a review of these schedules and reconciliations to institute monitoring controls at an appropriate level of detail for strong detective controls. Evidence of such review is also a best practice for a strong control environment.

# MONTCALM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

**View of Responsible Officials.** Monthly reconciliations for said accounts, and others, will be reviewed and evidence of the review will be captured. The college understands the importance of internal controls for accuracy as well as a tool for detective controls.

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

#### 2016-003 - Status Changes

**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; CFDA Number 84.007, 84.033, 84.063, and 84.268. Award Numbers P007A142049, P033A142049, P063P125088, and P268K151644.

**Criteria.** The Uniform Guidance Compliance Supplement provides guidance that a College should report status changes to National Student Loan Data System (NSLDS) within 30 days whenever a student's attendance changes, unless a roster will be submitted within 60 days.

**Condition.** We noted that two students out of a testing population of 14 were not reported timely to NSLDS.

**Cause.** A prior employee that reported the status changes retired leaving no documented procedures. When the next employee completed the status change reporting, some students were not being populated in the file that was used to send to the National Student Clearinghouse who in turn uploads the data to NSLDS. A database query was used to find the missing students that were not reported.

**Effect.** As a result of this condition, the College reported one student's status who withdrew from all classes and one student's status that was reduced to half-time to the NSLDS after the 60 day deadline.

**Questioned Costs:** None.

**Recommendation.** We recommend that the College implement procedures to report status changes for all students on a timely basis and to maintain documented procedures for enrollment reporting to prevent untimely reporting in the future.

**View of Responsible Officials.** A new query has been designed to find students missing from the NSC upload. This query will be run prior to each NSC submission to verify that the submission includes all students who should be reported. The query has been added to the procedure manual to guarantee that it will take place in all future submissions.



# MONTCALM COMMUNITY COLLEGE

## ■ Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2015

None reported.

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# Montcalm Community College

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## CORRECTIVE ACTION PLAN

Certain matters were brought to our attention as 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 – Review of Significant Estimates**

**Planned Corrective Action.** As we become more familiar with the required Pension Liability requirements, we have evaluated the current process and will modify it for the coming year. This will entail having the Payroll Manager prepare the initial report instead of the Director of Accounting and in doing so, will pull payroll information directly into the MPSERS calculation from payroll data to ensure correct rates are used as well as additional data as this calculation has many manual components. In addition, the calculation will then be reviewed by the Staff Accountant and/or the Director of Accounting to ensure accuracy and either or both will provide an appropriate level and evidence of said review to ensure accuracy of the calculations.

**Responsible Party.** Director of Accounting.

**Date of Planned Corrective Action.** 2016-17 Fiscal Year end preparation.

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

### **2016-002 – Review of Monthly Reconciliations**

**Planned Corrective Action.** We have evaluated the auditor's recommendation regarding review of monthly reconciliations and recognize in some cases reviews are already in place but not physically noted. In those cases, the College will ensure evidence exists. In other cases, some reviews will require additional review which will include a review of formulas in addition to stated data and will also ensure reviews will take place on a timely basis and include evidence of review. Reviews will take place by the Staff Accountant, Director of Accounting and the Vice President for Administrative Services.

**Responsible Party.** Director of Accounting.

**Date of Planned Corrective Action.** 2016-17 each month end as well as Fiscal Year End.

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

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**2016-003 – Status Changes**

**Planned Corrective Action.** The Financial Aid department developed a new process in which a new query has been designed to find students missing from the NCS upload. This query is now ran prior to each NSC submission to verify the submission includes all students who should be reported. The query has been added to the procedure manual to guarantee that it will take place in all future submissions.

**Responsible Party.** Director of Financial Aid and Dean of Enrollment and Student Services.

**Date of Planned Corrective Action.** August 2016.

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