

# **Schoolcraft College**

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**Federal Awards  
Supplemental Information  
June 30, 2017**

### Independent Auditor's Reports:

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Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees  
Schoolcraft College

We have audited the financial statements of Schoolcraft College (the "College") and its discretely presented component units as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 20, 2017, which contained unmodified opinions on the financial statements of the College and its discretely presented component units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to September 20, 2017.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

September 20, 2017

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*

Independent Auditor's Report

To Management and the Board of Trustees  
Schoolcraft College

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 Schoolcraft College (the "College") and its discretely presented component units as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 20, 2017. The financial statements of the discretely presented component units 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 Schoolcraft 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 College'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.

To Management and the Board of Trustees  
Schoolcraft College

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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Schoolcraft 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 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*.

### **Schoolcraft College's Response to Finding**

Schoolcraft College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Schoolcraft 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.

*Plante & Morse, PLLC*

September 20, 2017

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees  
Schoolcraft College

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

We have audited Schoolcraft College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Schoolcraft College's major federal program is identified in the summary of auditor's 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 program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Schoolcraft 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 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* (the "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 Schoolcraft 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 Schoolcraft College's compliance.

To the Board of Trustees  
Schoolcraft College

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

In our opinion, Schoolcraft 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, 2017.

### **Report on Internal Control Over Compliance**

Management of Schoolcraft 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 Schoolcraft 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 a 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 Finding 2017-002, that we consider to be a significant deficiency.

Schoolcraft 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. Schoolcraft College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Board of Trustees  
Schoolcraft College

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.

*Plante & Morse, PLLC*

September 20, 2017

# Schoolcraft College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-through or Entity Identifying Number	College Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Student Financial Aid Cluster - U.S. Department of Education:					
Federal Pell Grant Program	84.063	P063P141652	45-5658	\$ -	\$ 13,102,528
Federal Supplemental Educational Opportunity Grants	84.007	P007A142073	45-5653	-	423,917
Federal Work-Study	84.033	P033A142073	45-5655	-	122,666
Federal Direct Student Loans	84.268	P268K141652	45-5662	-	10,062,466
Total Student Financial Aid Cluster				-	23,711,577
Highway Safety Cluster - U.S. Department of Transportation:					
Safe, Accountable, Flexible, Efficient, Transportation Equity Act - A Legacy for Users (SAFETEA-LU):					
Motorcycle Safety Training 2017 - Passed through the State of Michigan Department of State	20.616	NA	40-3221	-	14,742
Motorcycle Safety Training 2016 - Passed through the State of Michigan Department of State	20.616	NA	40-3220	-	32,145
Incentive Grant Program to Increase Motorcyclist Safety - Passed through the State of Michigan Department of State	20.612	NA	40-3216	-	24,936
Total Highway Safety Cluster				-	71,823
Other Federal Awards:					
U.S. Department of Education - Carl D. Perkins Program Cluster - Passed through the State of Michigan Department of Education - Vocational Education - Basic Grants to States	84.048	Various	Various	-	562,269
U.S. Department of Defense (Defense Logistics Agency) - Procurement Technical Assistance for Business Firms - Cost Sharing Cooperative Agreement - 2017	12.002	SP4800-16-2-1618	40-3348	69,989	243,026
U.S. Small Business Administration - Passed through the Michigan Small Business Development Center:					
Satellite Office 2017 - Passed through Eastern Michigan University	59.037	NA	40-3347	-	24,037
Satellite Office 2016 - Passed through Eastern Michigan University	59.037	NA	40-3345	-	16,722
Total Michigan Small Business Development Center				-	40,759
U.S. Department of Labor - American Apprenticeship Initiative - Passed through the Southeast Michigan Community Alliance - Advance Michigan Center for Apprenticeship Innovation (AMCAI)	17.268	AP-28028-15-60-A-26	40-3352	-	69,129
U.S. Department of Labor - Employment and Training Administration - Trade Adjustment Assistance Community College and Career Training Grants Program (TAACCCT-MCAM)	17.282	TC-25072-13-60-A-26	40-3346	-	492,701
Total federal awards				\$ 69,989	\$ 25,191,284

# Schoolcraft College

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Schoolcraft College under programs of the federal government for the year ended June 30, 2017. 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Schoolcraft College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Schoolcraft College.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Schoolcraft College has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

### Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education for the year ended June 30, 2016, the College carried forward \$30,153 of the 2015-2016 Federal Work Study Program (84.033) award, and \$42,194 of the 2015-2016 Federal Supplemental Educational Program (84.007) award, which it spent in the 2016-2017 award year. In addition, in the year ended June 30, 2017, the College carried forward \$27,045 of the 2016-2017 Federal Work Study Program (84.033) award, and \$46,818 of the 2016-2017 Federal Supplemental Educational Program (84.007) award, which it intends to spend in the 2017-2018 award year.

# Schoolcraft College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?  Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, and 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$755,739

Auditee qualified as low-risk auditee?  Yes  No

# Schoolcraft College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

### Section II - Financial Statement Audit Findings

Reference

Number

Finding

2017-001 **Finding Type** - Significant deficiency

**Criteria** - Expenses are required to be recorded as they are incurred in accordance with generally accepted accounting principles.

**Condition** - Medical benefit expenses incurred through the College's self-insurance plan were improperly recorded based on budgeted claims instead of actual claims incurred.

**Context** - An audit adjustment of approximately \$1.3 million was recorded to reduce the accrued claims liability for the cumulative difference between budgeted and actual claims.

**Cause** - The College did not have a reconciliation process in place at year end for the accrued claims liability.

**Effect** - Expenses and accrued liabilities were overstated at June 30, 2017.

**Recommendation** - We recommend the College review its reconciliation and cutoff-related procedures to ensure year-end balances are appropriately stated, including review of liability account balances.

**Views of Responsible Officials and Planned Corrective Actions** - A spreadsheet is maintained by the controller which includes several tabs for all year-end journal entries to be posted each fiscal year. One additional tab was added to include the journal entry to true-up the group insurance payable budgeted figures, on which expense is based to actual claims incurred, which corresponds to actual payments made to Blue Cross/Blue Shield of Michigan.

# Schoolcraft College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

### Section III - Federal Program Audit Findings

Reference

Number

Finding

2017-002 **CFDA Number, Federal Agency and Program Name** - Student Financial Aid Cluster, Department of Education - CFDA 84.268, Federal Direct Student Loans and CFDA 84.063, Federal Pell Grant Program

**Federal Award Identification Number and Year** - P268K141652

**Pass-through Entity** - N/A

**Finding Type** - Significant deficiency

**Repeat Finding** - No

**Criteria** - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) or the guaranty agency within 30 days of the college's determination of a change or included in a student status confirmation report sent to NSLDS within 60 days of the college's determination of the status change (Pell, 34 CFR section 690.83(b)(2); Direct Loan, 34 CFR Section 685.309). For students who cease attendance at an institution that is required to take attendance, the withdrawal date is the last date of academic attendance as determined by the institution from its attendance records (34 CFR Section 685.305, 34 CFR Section 668.22b).

**Condition** - The College did not report student status changes accurately or in a timely manner for students who ceased attendance without formally withdrawing.

**Questioned Costs** - None

**Identification of How Questioned Costs were Computed** - N/A

**Context** - Of the 25 students selected for status change testing, the reported effective date of withdrawal for 11 students who unofficially withdrew was not the last date of attendance. Of these 11 students, withdrawals were not reported in a timely manner for three students. In addition, two students who unofficially withdrew were not reported as withdrawn as of the testing date. For all students selected for status change testing who officially withdrew or formally added or dropped classes resulting in a change in status, status changes were reported accurately and timely.

**Cause and Effect** - The College submits system-generated reports on a monthly basis to report enrollment status changes. The last date of attendance is not currently recorded consistently in the system in order to be included in this report for students who cease attendance without formally notifying the College. As a result, status changes for students who ceased attendance without formally withdrawing were not reported accurately and timely.

# Schoolcraft College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
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2017-002 (cont.)	<b>Recommendation</b> - The College should implement controls to ensure student status changes are updated accurately and timely.
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**Views of Responsible Officials and Planned Corrective Actions** - As a temporary resolution, the financial aid office will send out an email to instructors who grant 0.0 and NS grades. This email will request the instructor to provide the student's last day of attendance and/or the last day class work was submitted. In addition, the financial aid office will send to the records office, via email, a list of students for which they have done a return of Title IV Funds calculation (R2T4). The R2T4 would have fallen outside of the regular absence reporting deadlines. The records office will do a separate enrollment submission to the National Student Clearinghouse in order for the student's updated withdrawal date to be sent to NSLDS.

As a permanent resolution, the records office, in collaboration with the IT Department, will implement mandating faculty to submit the last day of attendance when submitting final grades. This will be applicable to students who receive 0.0 and NS grades. The project is scheduled to go live for the winter 2018 semester. In addition, the IT department is looking to use a standardized Federal Absent Report that captures attendance by days, not instructional weeks. This will assist in capturing students that register but do not attend in a timely fashion. There is no set date as to when this will be implemented at this time.