North Central Michigan College

Year Ended
June 30, 2022

Single Audit Act Compliance

Rehmann

NORTH CENTRAL MICHIGAN COLLEGE

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

December 2, 2022

Board of Trustees
North Central Michigan College
Petoskey, Michigan

We have audited the financial statements of ***North Central Michigan College*** (the "College"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 24, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on those financial statements that collectively comprise the basic financial statements. 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 expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant Program	84.007	Direct	P007A212054	$ 64,035
Federal Work Study	84.033	Direct	P033A212054	34,224
Federal Pell Grant Program	84.063	Direct	P063P211646	1,616,901
Federal Direct Student Loans:				
Stafford Subsidized	84.268	Direct	P268K221646	213,978
Stafford Unsubsidized	84.268	Direct	P268K221646	325,030
PLUS Loans	84.268	Direct	P268K221646	25,681
Total Student Financial Assistance Cluster				2,279,849
Higher Education Emergency Relief Fund:				
COVID-19 - Higher Education Emergency Relief Fund - Institutions of Higher Education - Student Aid	84.425E	Direct	P425E201660	1,799,768
COVID-19 - Higher Education Emergency Relief Fund - Institutions of Higher Education - Institutional	84.425F	Direct	P425F204485	2,347,651
COVID-19 - Higher Education Emergency Relief Fund - Strengthening Institutions Programs	84.425M	Direct	P425M200871	85,725
Total Higher Education Emergency Relief Fund				4,233,144
Career and Technical Education - Basic Grants to States:				
Local Annual	84.048A	MDE	223510	114,000
Local Leadership	84.048A	MDE	223250	9,200
				123,200
Building a More Perfect Union:				
COVID-19 - Pandemic Recovery Grants for Humanities Organizations	45.164	NWP	ZOR-283604-21	14,510
Total Expenditures of Federal Awards				$ 6,650,703

See notes to schedule of expenditures of federal awards.

NORTH CENTRAL MICHIGAN 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 ***North Central Michigan College*** (the "College") under programs of the federal government for the year ended June 30, 2022. 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. 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
NWP	National Writing Project

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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*

October 24, 2022

Board of Trustees
North Central Michigan College
Petoskey, 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 ***North Central Michigan College*** (the "College"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 24, 2022.

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 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 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.

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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.

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

December 2, 2022

Board of Trustees
North Central Michigan College
Petoskey, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of ***North Central Michigan 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 the College's major federal program for the year ended June 30, 2022. The College's major federal program is 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 its major federal program for the year ended June 30, 2022.

Basis for Opinion on the 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 the major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

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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 the 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 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 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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 response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

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 each major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes	____ no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425	COVID-19 Higher Education Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	X yes ____ no

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-001 - Grant Funds Used for Executive Salaries and Benefits

Finding Type. Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance (Allowable Costs/Cost Principles).

Program. COVID-19 - Higher Education Emergency Relief Fund - Institutions of Higher Education - Institutional ("HEERF"), Assistance Listing Number 84.425F, Award Number P425F204485. COVID-19 - HEERF - Institutions of Higher Education - Student Aid, Assistance Listing Number 84.425E, Award Number P425E201660**.** COVID-19 - HEERF - Institutions of Higher Education - Strengthening Institutions Programs, Assistance Listing Number 84.425M, Award Number P425M200871.

Criteria. The Compliance Supplement states that a College cannot use HEERF grant funds for executive salaries and benefits.

Condition. HEERF grant funds were used for a portion of five executives' salaries and benefits.

Cause. The College was unaware that grant funds could not be used for executive salaries and benefits.

Effect. As a result of this condition, the College used HEERF grant funds for unallowable costs.

Questioned Costs. Questioned costs totaled $34,007 as a result of this finding.

Recommendation. We recommend that the College implement procedures to ensure grant funds are only used on allowable costs.

View of Responsible Officials. Management was unaware that the grant funds could not be used for executive salaries and benefit, and has prepared a Corrective Action Plan.

NORTH CENTRAL MICHIGAN COLLEGE

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2022

No matters were reported.

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North Central
MICHIGAN COLLEGE

CORRECTIVE ACTION PLAN

The compliance audit identified one finding, which is described in the Schedule of Findings and Questioned Costs. We evaluated this matter as described below and have described our corrective action as a result.

2022-001 – Grant Funds Used for Executive Salaries and Benefits

Planned Corrective Action. Finding 2022-001 was a result of College management not being aware that the HEERF grant funds could not be used for executives' salaries and benefits. As a result, the College will verify all future expenditures meeting applicable guidelines prior to using the grant funds. The College will additionally ensure that the questioned costs are repaid to the federal government or not draw down $34,007 of questioned costs when obtaining future funds.

Responsible Party. Tom Zeidel, Vice President of Finance & Facilities

Date of Planned Corrective Action. Effective immediately – December 2, 2022

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