

North Central  
Michigan College



Year Ended  
June 30, 2024

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

February 28, 2025

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, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 17, 2024, 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.

*Rehmann Lobson LLC*



# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Agency / Cluster / Program Title	Assistance Listing 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	P007A232054	\$ 58,888
Federal Work Study	84.033	Direct	P033A232054	52,008
Federal Pell Grant Program	84.063	Direct	P063P231646	2,266,463
Federal Direct Student Loans:				
Stafford Subsidized	84.268	Direct	P268K241646	387,448
Stafford Unsubsidized	84.268	Direct	P268K241646	336,391
PLUS Loans	84.268	Direct	P268K241646	36,498
Total Student Financial Assistance Cluster				<u>3,137,696</u>
Childcare Access Means Parents in School (CCAMPIS)	83.335A	Direct	P335A230060	<u>113,460</u>
Career and Technical Education - Basic Grants to States:				
Local Annual	84.048A	MDE	243510	103,615
Local Leadership	84.048A	MDE	243250	9,200
				<u>112,815</u>
<b>Total U.S. Department of Education</b>				<u>3,363,971</u>
<b>U.S. Department of the Treasury</b>				
Coronavirus State and Local Fiscal Recovery Funds:				
ADN - BSN Completion Grant Program	21.027	MILEAP	SLFRP0127	545,534
Michigan Reconnect Expansion	21.027	MILEAP	SLFRP0127	53,758
ARPA Funds for Child Care Initiative Phase 2 Project	21.027	EC	SLFRP0127	17,003
Academic Catch-Up Grant Program	21.027	MDT & MCCA	SLFRP0127	45,262
				<u>661,557</u>
<b>Total U.S. Department of the Treasury</b>				<u>661,557</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 4,025,528</u>

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, 2024. 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
EC	Emmet County
MCCA	Michigan Community College Association
MDE	Michigan Department of Education
MDT	Michigan Department of Treasury
MiLEAP	Michigan Department of Lifelong Education, Advancement, and Potential



**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 17, 2024

Board of Trustees  
North Central Michigan College  
Petoskey, MI

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, 2024, 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 17, 2024.

### **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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2024-001, that we consider to be a significant deficiency.



## **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*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the College's response to the finding identified in our audit which is described in the accompanying schedule of findings and responses. The 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 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 Lobson 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 28, 2025

Board of Trustees  
North Central Michigan College  
Petoskey, MI

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each 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 each of the College's major federal programs for the year ended June 30, 2024. 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, 2024.

#### *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 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 2024-002. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* require 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 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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

*Government Auditing Standards* require 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.

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.

***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 Lobson LLC*

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

### 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?       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

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 auditor's report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds	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

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2024-001 - Internal Controls over Financial Applications

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

**Criteria.** The College should have controls in place over financial applications to recertify or evaluate user access for ongoing authorization over time, as well as when changes to reports for financial applications are made.

**Condition.** The College does not have defined processes in place to review user accounts and entitlements or to make changes to reports for financial applications.

**Cause.** The condition above appears to be caused by a lack of detailed review and approval of application users and access on an annual basis as well on reports after changes have taken place to assess the appropriateness and accuracy of changes.

**Effect.** As a result of this condition, the College is at a greater risk of allowing improper access to its applications by users that should no longer have access and improper changes to reports.

**Recommendation.** We recommend the College implement an independent review and recertification process over application users and access on an annual basis, as well as an independent review and approval process when changes on application reports take place.

**View of Responsible Officials.** Management will assign an independent reviewer while also establishing a recertification process for application access users to ensure the risk of improper user access is reduced to an acceptable level.

# NORTH CENTRAL MICHIGAN COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

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

#### 2024-002 – Incorrect Calculation of Indirect Costs

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

**Program.** Coronavirus State and Local Fiscal Recovery Funds; U.S. Department of Treasury; Assistance Listing Number 21.027; Award Number SLFRP0127.

**Criteria.** Any non-Federal entity that does not have a current negotiated rate may elect to charge a de minimis rate of 10% of modified total direct costs ("MTDC").

**Condition.** The College does not have a negotiated rate, however, they used a rate other than the de minimis rate of 10% in their calculation of indirect costs. The College also did not use the MTDC for purposes of this calculation, but instead used the budgeted indirect cost total for the program.

**Cause.** The College does not have a review process in place to ensure indirect costs charged to the grant are in accordance with the grant award letter.

**Effect.** As a result of this condition, the College over-charged the grant by \$21,765 during 2024.

**Questioned Costs.** Questioned costs totaled \$21,765 as a result of this finding.

**Recommendation.** We recommend that the College implement a review process to ensure that the indirect costs charged to the grant are in accordance with the grant award letter.

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



# NORTH CENTRAL MICHIGAN COLLEGE

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2024

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

**Description.** For the Winter 2023 semester, a break of 5 days (excluding weekends) was being subtracted instead of 9 days (including weekends) from the total days in the term, which resulted in the calculation being incorrect for all students who had returns in the Winter 2023 semester. This matter has been corrected during the current year.

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

**Description.** The most recent Gramm Leach Bliley Policy fails to address the implementation of multi-factor authentication for anyone accessing customer information on the institution's system, conducting a periodic inventory of data that notes where it is collected, store, or transmitted, encrypting customer information on the institution's system and when it's in transit, and the assessment of apps developed by the institution. This matter has been corrected during the current year.

### 2023-003 - Return of Title IV Input Error

**Description.** Instead of earning additional aid due to the Return of Title IV calculation error, one of the twenty one students who were affected saw a reduction due to a transposition/rounding error that was missed in the original calculation. This matter has been corrected during the current year.





## CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the *North Central Michigan College* Single Audit report for the year ended June 30, 2024, and corrective actions to be completed.

### 2024-001 - Internal Controls over Financial Applications

**Auditor Description of Condition and Effect.** The College should have controls in place over financial applications to recertify or evaluate user access for ongoing authorization over time, as well as when changes to reports for financial applications are made. The College does not have defined processes in place to review user accounts and entitlements or to make changes to reports for financial applications. As a result of this condition, the College is at a greater risk of allowing improper access to its applications by users that should no longer have access and improper changes to reports.

**Auditor Recommendation.** We recommend the College implement an independent review and recertification process over application users and access on an annual basis, as well as an independent review and approval process when changes on application reports take place.

**Corrective Action.** The College will establish a two-step annual process to (1) identify user access and entitlements (Responsible Person per below: Alex Freds); and (2) recertify access and entitlements (Responsible Person per below: Tom Zeidel).

**Responsible Persons.** Tom Zeidel, Vice President of Finance and Facilities and Alex Freds, Director of Information Technology.

**Anticipated Completion Date.** June 30, 2025.





## 2024-002 – Incorrect Calculation of Indirect Costs

**Auditor Description of Condition and Effect.** The College does not have a negotiated rate, however, they used a rate other than the de minimis rate of 10% in their calculation of indirect costs. The College also did not use the modified total direct costs “MTDC” for purposes of this calculation, but instead used the budgeted indirect cost total for the program. As a result of this condition, the College over-charged the grant by \$21,765 during the fiscal year ended June 30, 2024.

**Auditor Recommendation.** We recommend that the College implement a review process to ensure that the indirect costs charged to the grant are in accordance with the grant award letter.

**Corrective Action.** The College will implement a review process to ensure that the indirect costs charged to the grant are in accordance with the grant award letter.

**Responsible Persons.** Tom Zeidel, Vice President of Finance and Facilities and Troy Slater, Director of Business Office.

**Anticipated Completion Date.** March 31, 2025.