

North Central
Michigan College



Year Ended
June 30, 2023

Single Audit Act
Compliance

NORTH CENTRAL MICHIGAN COLLEGE

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

Board of Trustees
North

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass through / Grantor Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant Program	84.007	Direct	P007A222054	\$ 35,000
Federal WorkStudy	84.033	Direct	P033A222054	55,000
Federal Pell Grant Program	84.063	Direct	P063P221646	1,816,508
Federal Direct Student Loans:				
Stafford Subsidized	84.268	Direct	P268K231646	376,001
Stafford Unsubsidized	84.268	Direct	P268K231646	417,983
PLUS Loans	84.268	Direct	P268K231646	49,187
Total Student Financial Assistance Cluster				<u>2,749,679</u>
Higher Education Emergency Relief Fund:				
COVID-19 Higher Education Emergency Relief Fund Institutions of Higher Education Institutional	84.425F	Direct	P425F204485	<u>820,885</u>
Career and Technical Education Basic Grants to States:				
Local Annual	84.048A	MDE	223510	109,142
Local Leadership	84.048A	MDE	223250	9,200
				<u>118,342</u>
Building a More Perfect Union:				
COVID-19 Pandemic Recovery Grants for Humanities Organizations	45.164	NWP	ZOR r283604	<u>53,490</u>
Total Expenditures of Federal Awards				<u>\$ 3,742,396</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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the net position changes in net position or cash flows of the College.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

3.

4. PASS THROUGH AGENCIES

Pass through Agency	Pass through Agency Name
MDE	Michigan Department of Education
NWP	National Writing Project



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 19, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *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. *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.

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



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

January 15, 2023
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L2E 63 TdNorthry Program P9.5220Td00

Petoskey, MI

Opinion on Each Major Federal Program

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 programs as a whole.

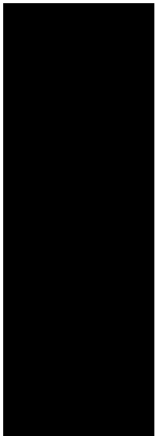
In performing an audit in accordance with GAAS *Government Auditing Standards*, and the Uniform Guidance, we:

|

| 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.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023001, 2023002, and 2023003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Independent Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023001, 2023002, and 2023003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2023

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, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023 001 Return of Title IV Calculation Error

Recommendation. Management has already taken appropriate corrective action by updating the returns for

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

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

Program. Student Financial Assistance Cluster; U.S. Department of Education; Assistance Listing Numbers 84.007, 84.033, 84.063, and 84.268; Award Numbers P007A222054, P033A222054, P063P221646, and P268K231646.

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

Condition. The most recent Gramm Leach Bliley Policy fails to address the implementation of **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 **developed**

Cause. The College does not have a review process in place for ensuring all safeguard policies are met in accordance with the Gramm Leach Bliley Act.

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

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted and the reports did not serve as a mechanism for reimbursement.

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

2023 003 Return of Title IV Input Error

Effect. As a result of this condition, input errors for the Return of Title IV calculations can make it through the process without being discovered. It is our understanding that on July 26, 2023, the College corrected the transposition/rounding error that impacted the student's Return of Title IV calculation.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted and the reports did not serve as a mechanism for reimbursement.

Recommendation. Management has already taken appropriate corrective action by updating the returns for the student impacted by the input error. However, we recommend that the College implement a review process to ensure that the R2T4 calculations are being reviewed by a second individual.

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

NORTH CENTRAL MICHIGAN COLLEGE

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2023

2022 001 Grant Funds Used for Executive Salaries and Benefits

This matter was corrected by management and not repeated as a finding 2023.

North Carolina

MANUFACTURING

Collective Bargaining

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Instructional Plan

2023-2024

Auditor: The auditor reviewed the financial statements and found that the financial statements were prepared in accordance with the generally accepted accounting principles. The auditor also reviewed the internal control system and found that it was adequate to prevent and detect errors. The auditor's report is attached to the financial statements.

Corrective Action: The college will implement the following corrective actions to address the findings of the audit: 1. Update the financial reporting system to ensure that all transactions are recorded accurately. 2. Implement a new internal control system to prevent and detect errors. 3. Provide training to the staff on the new internal control system.

Responsible Party: The college administrator is responsible for implementing the corrective actions.

Anticipated Results: The college anticipates that the corrective actions will result in more accurate financial reporting and a stronger internal control system.