

C.S. Mott Community College

Year Ended
June 30, 2013

Single Audit Act
Compliance

C.S. MOTT COMMUNITY COLLEGE

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	5
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 <i>Government Auditing Standards</i>	6
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	8
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	13



**Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

October 28, 2013

To the Board of Trustees
C.S. Mott Community College
Flint, Michigan

We have audited the financial statements of the business-type activities and the discretely presented component unit of *C.S. Mott Community College* (the "College"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 28, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Lohman LLC

C.S. MOTT COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant	84.007	Direct	\$ 411,911
Federal Work Study	84.033	Direct	305,885
Pell Grant	84.063	Direct	24,112,196
Federal Direct Loan Program	84.268	Direct	30,614,586
			<u>55,444,578</u>
TRiO Cluster:			
Student Support Services 11/12	84.042A	Direct	95,921
Student Support Services 12/13	84.042A	Direct	281,908
Upward Bound - Flint 12/13	84.047	Direct	345,262
Upward Bound - Flint 13/14	84.047	Direct	15,841
Upward Bound - Beecher 11/12	84.047	Direct	32,350
Upward Bound - Beecher 12/13	84.047	Direct	210,079
			<u>981,361</u>
Career and Technical Education - Basic Grants to State:			
POS - Auto Tech (year 2)	84.048A	MDELEG	1,963
POS - Graphic Design (year 2)	84.048A	MDELEG	2,465
POS - Auto Tech Artic 12/13	84.048A	MDELEG	8,844
Perkins - Local Leadership	84.048	MDE	18,400
Perkins - CAP - Automotive	84.048	MDE	1,807
Perkins - CAP - DH Training	84.048	MDE	1,003
Perkins - CAP - Professional Development Faculty	84.048	MDE	2,205
Perkins - Regional Allocation	84.048	MDE	862,537
			<u>899,224</u>
Fund for the Improvement of Postsecondary Education:			
Center for Advanced Manufacturing FIPSE #3	84.116Z	Direct	96,023
			<u>96,023</u>
Total U.S. Department of Education			<u>57,421,186</u>
U.S. Department of Agriculture			
Supplemental Nutrition Assistance Program (SNAP) Cluster:			
FAET	10.561	CA	17,032
FAET	10.561	CA	39,510
FAET - Supportive Services	10.561	CA	1,893
FAET - Supportive Services	10.561	CA	2,632
			<u>61,067</u>
Child and Adult Care Food Program			
Food Program 12/13	10.558	Direct	40,562
			<u>40,562</u>
Total U.S. Department of Agriculture			<u>101,629</u>

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C.S. MOTT COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Federal Expenditures
U.S. Department of Defense			
IOFIS #2	12.420	USAMRAA	\$ 129,634
TACOM - RPDDP	12.431	ARMY	<u>770,561</u>
Total U.S. Department of Defense			<u>900,195</u>
U.S. Department of Justice			
ARRA - COPS Hiring recovery	16.710	Direct	<u>45,507</u>
U.S. Department of Labor			
Employment Services Cluster:			
Employment Services - Shiawassee	17.207	CA	124,757
Employment Services - Genesee	17.207	CA	323,534
EUC - Genesee	17.207	CA	<u>240,042</u>
			<u>688,333</u>
Trade Adjustment Assistance:			
TAA - Case Management Funds	17.245	CA	3,916
TAA - Emergency Claimants	17.245	CA	47,022
TAA - Genesee	17.245	CA	200,685
TAA - Case Management Genesee	17.245	CA	54,213
TAA - Case Management Shiawassee	17.245	CA	26,252
TAA - Genesee	17.245	CA	<u>45,445</u>
			<u>377,533</u>
Workforce Investment Act (WIA) Cluster:			
Adult ES - Genesee	17.258	CA	42,275
Adult ES - Shiawassee	17.258	CA	24,475
Skill Enhancement - Adult	17.258	CA	55,856
Skill Enhancement - Dislocated	17.278	CA	51,605
Dislocated ES - Genesee	17.278	CA	52,725
Dislocated ES - Shiawassee	17.278	CA	30,525
WIA Adult	17.278	CA	389,658
WIA Disclosed	17.278	CA	174,783
Earn and Learn - Mott Foundation	17.278	CA	51,788
Youth in School	17.278	CA	24,701
SESP	17.260	CA	249,202
Youth - Out of School	17.259	CA	127,530
Youth - In School	17.259	CA	111,486
Earn & Learn - SWA	17.258/17.259/17.278	CA	<u>165,728</u>
			<u>1,552,337</u>

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C.S. MOTT COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Federal Expenditures
U.S. Department of Labor (continued)			
Youth Build:			
Youth Build 2	17.274	METRO	\$ 173,220
Youth Build 3	17.274	METRO	64,497
			<u>237,717</u>
Program of Competitive Grants for Worker Training and Placement:			
ARRA - Pathways Out of Poverty	17.275	Direct	<u>422,476</u>
Trade Adjustment Assistance Community College and Career Training - Credentials to Careers	17.282	NVCC	<u>12,221</u>
Total U.S. Department of Labor			<u><u>3,290,617</u></u>
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF) Cluster:			
Jet - Subsidized	93.558	CA	37,740
Jet - Subsidized	93.558	CA	68,600
Jet - VET	93.558	CA	15,247
Jet - VET	93.558	CA	56,584
			<u>178,171</u>
Total Expenditures of Federal Awards			<u><u>\$ 61,937,305</u></u>

See notes for schedule of expenditures of federal awards.

C.S. MOTT COMMUNITY COLLEGE

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of C.S. Mott Community College (the "College") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. ADJUSTMENTS AND TRANSFERS

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2013, the College transferred \$65,684 of the 2012-2013 federal Supplemental Education Opportunity Grant (84.007) to the 2012-2013 Federal work Study Program (84.003) award, which it spent in the 2012-2013 award year.

4. GRANT AUDITOR REPORT

Management has utilized Form R-710 and the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule. Unreconciled differences, if any, have been disclosed to the auditor.

5. PASS-THROUGH AGENCIES

The College receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
CA	Career Alliance
NVCC	North Virginia Community College
ARMY	United States Army
MDE	Michigan Department of Education
MDELEG	Michigan Department of Energy, Labor and Economic Growth
METRO	Metro Housing Partnership
USAMRAA	United States Army Medical Research Acquisition Activity



**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 28, 2013

To the Board of Trustees
C.S. Mott Community College
Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of **C.S. Mott Community College** (the "College"), as of and for the year ended June 30, 2013, 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 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 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 may exist that have not been identified.

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 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*.

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.

Rehmann Lobson LLC

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133**

October 28, 2013

To the Board of Trustees
C.S. Mott Community College
Flint, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *C.S. Mott Community College* (the "College") with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-SA-01. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-SA-01 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Loborn LLC

C.S. MOTT COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

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 major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes no

Identification of major programs:

CFDA Number

12.431
17.245
17.258/17.259/17.260/17.278
17.275

84.007/84.033/84.063/84.268
84.048/84.048A

Name of Federal Program or Cluster

Basic Scientific Research
Trade Adjustment Assistance
WIA Cluster
ARRA - Program of Competitive Grants for Workers Training and Placement
Student Financial Aid Cluster
Career and Technical Education

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

C.S. MOTT COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-SA-01 - Pell Funding Disbursements

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

Program. Student Financial Aid Cluster; U.S. Department of Education; CFDA Numbers 84.007, 84.033, 84.063, and 84.268.

Criteria. The institution has discretion in disbursing funds within a payment period, but must disburse the full amount before the end of the payment period. A payment period is defined as academic terms (semesters, trimesters or quarters).

Condition. In our sample of 60 student files, there were three students for which the students' Pell funds were not disbursed at the correct amount and the correction of the student's funding was not made timely, within the academic period.

Cause. This condition appears to be the result of the lack of the College's review of the Pell disbursements and the appropriate tracking of the student's registration during the academic period in order to determine the appropriate amount of funds were disbursed to the student.

Effect: As a result of this condition, the College awarded the students with the incorrect amount of Pell funds (1 instance of over-funded and 2 instances of under-funded) during the academic term. The correction to the student's account was not performed in a timely manner, and which was unnoticed until the files were selected for review during the audit.

Questioned Costs: \$787, net of all three instances.

Recommendation. We recommend that the College ensure that procedures are in place to verify that all students are receiving the appropriate amount of financial aid as established in the Federal Pell Grant Program Payment Schedules.

View of Responsible Officials. The College acknowledges and accepts responsibility for this finding. Due to the complexity of calculations and the necessity for manual transactions which are not supported by our ERP, the College initiated verification reports allowing us to monitor and verify that all students are receiving the appropriate amount of financial aid as established in the Federal Pell Grant Program Payment Schedules and that any adjustments are completed in a timely manner. Unfortunately, due to a leadership change in the Financial Aid Office in the summer of 2012, the creation of these reports was delayed and not completed until July 2013. We have implemented this monitoring and verifying process and will conduct "mini audit" samples periodically throughout the year to ensure compliance.

C.S. MOTT COMMUNITY COLLEGE

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2012

Finding 2012-SA-01 - Pell Funding Disbursements - CFDA # 84.007/84.033/84.063/84.268/84.375 -
Student Financial Aid Cluster

This finding is being repeated for the 2013 fiscal year.

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