

# **Schoolcraft College**

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**Federal Awards  
Supplemental Information  
June 30, 2016**

# Schoolcraft College

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

Independent Auditor's Report

To the Board of Trustees  
Schoolcraft College

We have audited the financial statements of Schoolcraft College (the "College") and its discretely presented component units as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 21, 2016, which contained an unmodified opinion on the financial statements of the College and its discretely presented component units. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to September 21, 2016.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

September 21, 2016

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees  
Schoolcraft College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Schoolcraft College (the "College") and its discretely presented component units as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 21, 2016. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2016-001 to be a material weakness.

To Management and the Board of Trustees  
Schoolcraft College

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Schoolcraft College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Schoolcraft College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Schoolcraft College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

September 21, 2016

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

Independent Auditor's Report

To the Board of Trustees  
Schoolcraft College

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

We have audited Schoolcraft College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2016. Schoolcraft College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Schoolcraft College's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schoolcraft College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees  
Schoolcraft College

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

In our opinion, Schoolcraft College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-002, that we consider to be a significant deficiency.

Schoolcraft College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. Schoolcraft College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Board of Trustees  
Schoolcraft College

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

*Plante & Moran, PLLC*

September 21, 2016

# Schoolcraft College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through or Entity Identifying Number	College Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Student Financial Aid Cluster - U.S. Department of Education:					
Federal Pell Grant Program	84.063	P063P141652	45-5658	\$ -	\$ 14,009,142
Federal Supplemental Educational Opportunity Grants	84.007	P007A142073	45-5653	-	392,023
Federal Work-Study	84.033	P033A142073	45-5655	-	175,852
Federal Direct Student Loans (Note 3)	84.268	P268K141652	45-5662	-	10,404,968
Total Student Financial Aid Cluster				-	24,981,985
Highway Safety Cluster - U.S. Department of Transportation: Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU):					
Motorcycle Safety Training 2016 - Passed through the State of Michigan Department of State	20.616	NA	40-3220	-	21,781
Motorcycle Safety Training 2015 - Passed through the State of Michigan Department of State	20.616	NA	40-3221	-	20,232
Incentive Grant Program to Increase Motorcyclist Safety - Passed through the State of Michigan Department of State	20.612	NA	40-3216	-	29,994
Total Highway Safety Cluster				-	72,007
Other Federal Awards:					
U.S. Department of Education - Carl D. Perkins Program Cluster - Passed through the State of Michigan Department of Education - Vocational Education - Basic Grants to States	84.048	Various	Various	-	553,424
U.S. Department of Defense (Defense Logistics Agency) - Procurement Technical Assistance for Business Firms - Cost Sharing Cooperative Agreement - 2016	12.002	SP4800-15-2-1518	40-3349	44,956	180,556
U.S. Small Business Administration - Passed through the Michigan Small Business Development Center:					
Satellite Office 2016 - Passed through Eastern Michigan University	59.037	NA	40-3345	-	23,278
Satellite Office 2015 - Passed through Eastern Michigan University	59.037	NA	40-3347	-	18,559
Total Michigan Small Business Development Center				-	41,837
U.S. Department of Labor - American Apprenticeship Initiative - Passed through the Southeast Michigan Community Alliance - Advance Michigan Center for Apprenticeship Innovation (AMCAI)	17.268	AP-28028-15-60-A-26	40-3352	-	2,268
U.S. Department of Labor - Employment and Training Administration - Trade Adjustment Assistance Community College and Career Training Grants Program (TAACCCT-MCAM)	17.282	TC-25072-13-60-A-26	40-3346	-	284,130
Total federal awards				<b>\$ 44,956</b>	<b>\$ 26,116,207</b>

# Schoolcraft College

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Schoolcraft College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Schoolcraft College, it is not intended to and does not present the financial position, changes in net position or cash flows of Schoolcraft College.

### Note 2 - Summary of Significant Accounting Policies

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

Schoolcraft College has elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

### Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2015, the College carried forward \$31,038 of the 2014-2015 Federal Work Study Program (84.033) award and \$38,092 of the 2014-2015 Federal Supplemental Educational Program (84.007) award, which it spent in the 2015-2016 award year. In addition, in the year ended June 30, 2016, the College carried forward \$30,153 of the 2015-2016 Federal Work Study Program (84.033) award and \$42,194 of the 2015-2016 Federal Supplemental Educational Program (84.007) award, which it intends to spend in the 2016-2017 award year.

# Schoolcraft College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

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

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$783,486

Auditee qualified as low-risk auditee?  Yes  No

# Schoolcraft College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section II - Financial Statement Audit Findings

Reference

Number

Finding

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2016-001 **Finding Type** - Material weakness

**Criteria** - The College and its component units are required to prepare the basic financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition** - Instances of non-GAAP accounting methods were identified in the records of the discretely presented component units during the course of the financial statement audit, including improper timing of expenditure and liability recognition, improper capitalization of debt issuance costs, and unreconciled cash balances.

**Context** - Material journal entries were identified and recorded as a result of audit procedures.

**Cause** - The College did not have a process in place to ensure an effective review of component unit year-end balances was performed, especially for component units whose books and records are maintained by entities outside of the College.

**Effect** - At year end, component unit cash, retainage payable, accounts payable, construction in progress, and accrued interest were understated. Component unit expense was also understated due to improper capitalization of certain debt issuance costs.

**Recommendation** - We recommend the College review its procedures for ensuring that year-end balances are appropriately stated, including review of component unit transactions and records.

**Views of Responsible Officials and Planned Corrective Actions** - All of the items identified were new to the College in 2016 due to the introduction of two new entities formed in 2016 and those entities' partnerships with for-profits entities, which all were consolidated as discretely presented component units. The consolidation involved converting the trial balance provided by one of the partners from a FASB-governed trial balance to a GASB-governed trial balance. Now that a framework has been established with our auditors to accomplish these tasks, including a detailed template to calculate the nonexpendable minority interest portion of net position, the errors identified in 2016 will not be repeated going forward.

# Schoolcraft College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section III - Federal Program Audit Findings

Reference Number	Finding
2016-002	<p><b>CFDA Number, Federal Agency and Program Name</b> - Student Financial Aid Cluster - CFDA 84.268, Federal Direct Student Loans, Department of Education</p> <p><b>Federal Award Identification Number and Year</b> - P268K141652</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Repeat finding</b> - No</p> <p><b>Criteria</b> - The return of Title IV funds as required by 34 CFR 668.173(b) must be refunded within 45 days from the date of the student's withdrawal. Withdrawal dates are defined as the time when the student officially withdraws or expresses notification to withdraw, or, if the student does not officially withdraw, the date that the College determines the student is no longer in attendance.</p> <p><b>Condition</b> - One refund of Title IV funds was not calculated and returned within 45 days of withdrawal.</p> <p><b>Questioned Costs</b> - \$954</p> <p><b>Identification of How Questioned Costs Were Computed</b> - The questioned costs were determined by performing the return of the Title IV funds calculation for the applicable student in accordance with 34 CFR 668.22.</p> <p><b>Context</b> - Of the 25 students selected for Return of Title IV Funds testing, the College did not calculate the return of funds for one student within 45 days of becoming aware that the student no longer attended classes.</p> <p><b>Cause and Effect</b> - The College has a process for identifying students that have stopped attending class throughout the semester for purposes of Return to Title IV calculations. One student in the sample was identified as not attending class, but the student had incorrectly received a passing grade in one class at the time the report was run. As a result, a Return of Title IV funds calculation was not deemed necessary. Subsequent to the report being run, the student's grade was changed to a failing grade, but the student was not evaluated again for Return of Title IV funds after the grade was changed.</p> <p><b>Recommendation</b> - The College should implement review procedures to verify that all students needing calculations have been identified, including students who may have been evaluated earlier in the semester.</p>

# Schoolcraft College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

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

Reference Number	Finding
2016-002 (Con't)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The College agrees with the finding along with the recommendation provided. To mitigate the risk of this error occurring again, management has spoken with our records office and they will advise the financial aid office if there is a grade removal during the current academic term. This will ensure that if an instructor incorrectly issues grades at any point during a term and needs those grades to be removed, the financial aid office will be notified. The financial aid office will then review the student(s) in more detail to ascertain whether or not the student requires a Return to Title IV calculation.