

West Shore  
Community  
College



Year Ended  
June 30, 2016

Single Audit Act  
Compliance

# WEST SHORE COMMUNITY COLLEGE

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

November 7, 2016

To the Board of Trustees  
West Shore Community College  
Scottville, Michigan

We have audited the financial statements of the business-type activities and the discretely presented component unit of **West Shore Community College** (the "College") 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 November 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*

# WEST SHORE COMMUNITY COLLEGE

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA 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	P007A122103	\$ 32,221
Federal Work Study Program	84.033	Direct	P033A122103	65,493
Pell Grant Program	84.063	Direct	P063P125088	1,927,954
Federal Direct Student Loan Program	84.268	Direct	P268K125088	<u>802,183</u>
Total Student Financial Assistance Cluster				<u>2,827,851</u>
Career and Technical Education - Basic Grants to States:				
Perkins Local Leadership	84.048	MDE	143250 - 142529	18,400
Regional Allocation	84.048	MDE	143510 - 142129	<u>76,028</u>
Total Career and Technical Education - Basic Grants to States				<u>94,428</u>
<b>Total Expenditures of Federal Awards</b>				<b><u><u>\$2,922,279</u></u></b>

See notes to Schedule of Expenditures of Federal Awards.

# WEST SHORE 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 *West Shore Community College* (the “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 the 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.

### 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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 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
MDE	Michigan Department of Education



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 7, 2016

To the Board of Trustees  
of West Shore Community College  
Scottville, 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 discretely presented component unit of ***West Shore Community College*** (the "College"), 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 November 7, 2016.

**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 an 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs as item 2016-001, we identified a certain deficiency, in internal control over financial reporting that we consider to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

## West Shore Community College's Response to Findings

The College's response to the 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 the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

This report is intended 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 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

November 7, 2016

To the Board of Trustees  
of West Shore Community College  
Scottville, Michigan

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

We have audited the compliance of the ***West Shore Community College*** (the "College") with the types of compliance requirements described 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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). 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 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.

### ***Unmodified 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, 2016.

### ***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 item 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

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

### **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 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 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 deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

**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 Johnson LLC*

# WEST SHORE COMMUNITY COLLEGE

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

### 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?  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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  X  yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

# WEST SHORE COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2016-001 - Pension Liability Review

**Finding Type.** Significant Deficiency in Internal Control

**Condition.** During the preparation of the 2016 pension liability calculation, it was noted that there was an error in the prior year contributions calculation which management prepares manually, resulting in an immaterial adjustment which would have decreased fiscal year 2015 pension expense by approximately \$119,000.

**Cause.** We noted no indication of review of calculation or payroll inputs used in calculating the liability at year end.

**Effect:** As a result of this condition, there was an immaterial adjustment to 2016 pension expense in the amount of approximately \$119,000 related to the error in the fiscal year 2015 payroll inputs.

**Recommendation.** To reduce the risk of fraud, misappropriation of assets or material misstatement, we recommend that preparation and independent review of such items occur timely and that the review is evidenced by the individual's signature and date prepared and reviewed.

**View of Responsible Officials.** College management agrees with, and will implement, the recommendation of the independent auditors.

# WEST SHORE COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

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

#### 2016-002 - Eligibility Verification

**Finding Type.** Significant Deficiency in Internal Control over Compliance (Eligibility).

**Program.** Student Financial Assistance Cluster; U.S. Department of Education; CFDA Number 84.063 Federal Pell Grant Program; Award Number P063P125088.

**Criteria.** The Uniform Guidance Compliance Supplement provides guidance on how a College should determine Pell awards based on enrollment status, expected family contribution ("EFC"), and cost of attendance.

**Condition.** We observed one student who was over awarded Pell based on the amount the student should have been awarded for their level of expected family contribution, cost of attendance and enrollment status. Additionally, based on management's review of all Pell students awarded, there were nine additional students who were misawarded due to this same issue.

**Cause.** The institution was not re-verifying after the census date enrollment status utilized by the system to award the Pell grant amounts. In certain instances the Jenzabar Ex System was not uploading the proper program information into PowerFAIDS, which is used to determine Pell award amounts.

**Effect:** As a result of this condition, the College awarded approximately \$700 more Pell award to a student than the student was eligible for based on their current enrollment status, EFC and cost of attendance. Additionally, as a result of management's review of all Pell awards, the 9 additional students who were identified to have been misawarded were over awarded a net amount of approximately \$3,300.

**Questioned Costs:** None over required reporting threshold.

**Recommendation.** We recommend that the College implement steps to verify the accuracy of the enrollment information uploaded into PowerFAIDS to prevent improper Pell awarding.

**View of Responsible Officials.** Management instituted a full review of Pell awards when auditors discovered the over award. As a result of that review, a software issue was discovered in the automated award adjustment for part-time students who changed course loads if that change modified their enrollment status. Management is working to correct the software issue and has taken steps to manually review all awards until the software issue is corrected.

# WEST SHORE COMMUNITY COLLEGE

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

### Finding 2015-001 - Status Change Certification

The audit identified that a status change was not certified by the College until 32 days after the status effective date. This impacted the compliance of the College with regards to Status Change reporting. This matter was not repeated as a finding.



WEST SHORE COMMUNITY COLLEGE

3000 N. Stiles Road | PO Box 277 | Scottville, Michigan 49454-0277

231-845-6211 | 800-848-9722 | www.westshore.edu

November 7, 2016



**SINGLE AUDIT ACT COMPLIANCE  
FOR THE YEAR ENDED 30, 2016**

**CORRECTIVE ACTION PLAN**

Certain matters were brought to our attention as a result of the audit process. These are described at length in the Schedule of Findings and Questioned Costs. We evaluated each of these matters as described below, and have described our planned actions as a result.

**2016-001 – Pension Liability Review**

During the preparation of the 2016 pension liability calculation, it was noted that there was an error in recording the prior year contributions calculation which management prepares manually, resulting in an immaterial adjustment which would have decreased fiscal year 2015 pension expense of approximately \$119,000.

**Planned Corrective Action.** We will implement an annual review of the pension liability calculation prior to recording our year end journal entries to record pension liability.

**Responsible Party.** Director of Accounting and Vice President of Administrative Services

**Date of Planned Corrective Action.** July 2017, and annually thereafter.

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

**2016-001 – Eligibility Verification**

During the audit, the auditors observed one student who was over awarded PELL based on the amount the student should have been awarded for their level of expected family contribution, cost of attendance and enrollment status. Additionally, based on management's review of all PELL students awarded, there were nine additional students who were awarded in error due to this same issue.

**Planned Corrective Action.** We have implemented a change to no longer automatically update enrollment statuses in our financial aid system through the Match Records Process. Instead, we are updating enrollment statuses in our financial aid system via the Credit Hour Update Process.

We will implement a review of all Title IV aid awarded and disbursed based on students' enrollment status as of the semester Census Date (or date awarded if after Census Date). This review will occur at the end of each semester as well as the end of each academic year prior to recording our year-end Title IV journal entries.

**Responsible Party.** Director of Financial Aid and Vice President of Administrative Services

**Date of Planned Corrective Action.** September 2016, and each semester and annually thereafter.

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

  
\_\_\_\_\_  
Scott Ward, Vice President of  
Administrative Services