

Muskegon Community College
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditors' Reports
June 30, 2015



Muskegon Community College

Muskegon Community College

C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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.....1

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-1333

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....6

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....9

SCHEDULE OF FINDINGS AND RESPONSES10

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS13

CORRECTIVE ACTION PLAN14

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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*

December 10, 2015

Board of Trustees
Muskegon Community College
Muskegon, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Muskegon Community College and its discretely presented component unit as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Muskegon Community College's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muskegon Community 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 Muskegon Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Muskegon Community 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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be a material weakness, as **Finding 2015-001**.

Board of Trustees
December 10, 2015
Page 2

Compliance or Other Matters

As part of obtaining reasonable assurance about whether Muskegon Community 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*.

Muskegon Community College’s Response to Findings

Muskegon Community College’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Muskegon Community College’s response was not subjected to 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 entity’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.



Muskegon, Michigan

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 10, 2015

Board of Trustees
Muskegon Community College
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited Muskegon Community College's compliance 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 Muskegon Community College's major federal programs for the year ended June 30, 2015. Muskegon Community College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Muskegon Community 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 Muskegon Community 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 Muskegon Community College's compliance.

Board of Trustees
December 10, 2015
Page 2

Opinion on Each Major Federal Program

In our opinion, Muskegon Community 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, 2015.

Report on Internal Control Over Compliance

Management of Muskegon Community 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 Muskegon Community 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 Muskegon Community 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Trustees
December 10, 2015
Page 3

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Muskegon Community College and its discretely presented component unit as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Muskegon Community College's basic financial statements. We issued our report thereon dated December 10, 2015, 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 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 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Muskegon, Michigan

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2014	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (unearned) revenue June 30, 2015	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Education</i>										
Direct Programs:										
Student Financial Assistance Cluster										
Federal Supplemental Educational Opportunity Grants	84.007									
P007A132052		\$ 186,957	\$ 7,957	\$ 7,957	\$ 186,957	\$ -	\$ 186,957	\$ -	\$ -	
P007A142052		214,264	-	160,000	-	214,264	214,264	54,264	-	
		<u>401,221</u>	<u>7,957</u>	<u>167,957</u>	<u>186,957</u>	<u>214,264</u>	<u>401,221</u>	<u>54,264</u>	<u>-</u>	
Federal Work-Study Program	84.033									
P033A142052		184,601	-	184,601	-	184,601	184,601	-	-	
Federal Pell Grant Program	84.063									
P063P131645		7,482,771	37,771	37,638	7,482,638	-	7,482,638	-	(133)	3
P063P141645		6,457,180	-	6,411,250	-	6,457,180	6,457,180	45,930	-	
		<u>13,939,951</u>	<u>37,771</u>	<u>6,448,888</u>	<u>7,482,638</u>	<u>6,457,180</u>	<u>13,939,818</u>	<u>45,930</u>	<u>(133)</u>	
Postsecondary Education Scholarships for Veteran's Dependents	84.408									
P408A131645		5,081	(78)	(78)	5,081	-	5,081	-	-	
Total Student Financial Assistance Cluster		14,530,854	45,650	6,801,368	7,674,676	6,856,045	14,530,721	100,194	(133)	
TRIO—Upward Bound	84.047									
P047A120578		736,925	28,341	248,665	399,221	259,414	658,635	39,090	-	
Total Direct Programs		<u>15,267,779</u>	<u>73,991</u>	<u>7,050,033</u>	<u>8,073,897</u>	<u>7,115,459</u>	<u>15,189,356</u>	<u>139,284</u>	<u>(133)</u>	

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2015

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2014	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (unearned) revenue June 30, 2015	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Education—Continued</i>										
Passed through Michigan Workforce Development Agency:										
Career and Technical Education—Basic Grants to States										
Local Leadership										
143250-142520	84.048	\$ 18,250	\$ 654	\$ 654	\$ 18,250	\$ -	\$ 18,250	\$ -	\$ -	-
153250-152520		18,250	-	13,019	-	18,250	18,250	5,231	-	-
		<u>36,500</u>	<u>654</u>	<u>13,673</u>	<u>18,250</u>	<u>18,250</u>	<u>36,500</u>	<u>5,231</u>		<u>-</u>
Local Annual										
143510-142120	84.048	213,925	14,284	14,284	213,925	-	213,925	-	-	-
153510-152120		227,735	-	151,893	-	227,735	227,735	75,842	-	-
		<u>441,660</u>	<u>14,284</u>	<u>166,177</u>	<u>213,925</u>	<u>227,735</u>	<u>441,660</u>	<u>75,842</u>		<u>-</u>
CAP Leadership										
153670-152420	84.048	3,125	-	2,807	-	3,125	3,125	318	-	-
153670-152420-2		5,400	-	-	-	5,338	5,338	5,338	-	-
153670-152420-2-2		1,300	-	-	-	1,300	1,300	1,300	-	-
		<u>9,825</u>	<u>-</u>	<u>2,807</u>	<u>-</u>	<u>9,763</u>	<u>9,763</u>	<u>6,956</u>		<u>-</u>
Total passed through Michigan Workforce Development Agency		<u>487,985</u>	<u>14,938</u>	<u>182,657</u>	<u>232,175</u>	<u>255,748</u>	<u>487,923</u>	<u>88,029</u>		<u>-</u>
Total U.S. Department of Education		15,755,764	88,929	7,232,690	8,306,072	7,371,207	15,677,279	227,313	(133)	

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2015

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2014	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (unearned) revenue June 30, 2015	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Labor</i>										
Passed through Northern Virginia Community College: Trade Adjustment Assistance Community College and Career Training Grants TC-23776-12-60-A-51	17.282	\$ 545,333	\$ 45,803	\$ 161,484	\$ 278,801	\$ 220,568	\$ 499,369	\$ 104,887	\$ -	
<i>National Science Foundation</i>										
Passed through Finger Lakes Community College: Education and Human Resources 1118679	47.076	14,970	-	-	2,812	12,158	14,970	12,158	-	
Passed through Western Michigan University: Education and Human Resources DUE-1140348	47.076	4,000	-	-	3,295	704	3,999	704	-	
Total National Science Foundation		18,970	-	-	6,107	12,862	18,969	12,862	-	
TOTAL FEDERAL ASSISTANCE		\$ 16,320,067	\$ 134,732	\$ 7,394,174	\$ 8,590,980	\$ 7,604,637	\$ 16,195,617	\$ 345,062	\$ (133)	

The accompanying notes are an integral part of this schedule.

Muskegon Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2015

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the College under programs of the federal government for the year ended June 30, 2015. 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 or change in net position of the College.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. Accrued revenue as of July 1, 2014 was overstated by \$133 due to returned Pell funds for uncashed student refund checks.
4. The value of Guaranteed Student Loans for the year ended June 30, 2015 was \$3,558,077.
5. The value of Federal PLUS Loans for the year ended June 30, 2015 was \$12,448.
6. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2015 financial statements	
Restricted Fund	<u><u>\$ 7,604,637</u></u>
Expenditures per single audit report	
Schedule of Expenditures of Federal Awards	<u><u>\$ 7,604,637</u></u>

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2015

SECTION I—SUMMARY OF AUDITORS' RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

B. Federal Awards

1. Internal control over major programs:
 - Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
2. Type of auditors' report issued on compliance for major programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

4. Identification of major programs:

CFDA Number(s)

Name of Federal Program/Cluster

U.S. Department of Education

84.007, 84.033, 84.063 and 84.408

Student Financial Assistance Cluster

5. Dollar threshold used to distinguish between type A and type B programs: **\$300,000**
6. Auditee qualified as low-risk auditee? yes X no

Muskegon Community College
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2015-001: MATERIAL WEAKNESS—Account Balance Reconciliations

Criteria: Balance sheet and income statement account balances should be reconciled to detailed supporting documentation on a timely basis.

Condition: There were a significant number of general ledger account balances that were not reconciled to supporting documentation on a timely basis during the fiscal year, resulting in year-end client and audit adjusting journal entries.

Cause: The College experienced staffing shortages and turnover within the accounting function during the year, which caused some reconciliations to not be completed timely.

Effect: Failure to reconcile account balances timely can adversely affect the accuracy of internally-prepared monthly financial statements, and correspondingly, adversely affect the analysis of conclusions as to the College's financial position and results of operations by management and other users of such monthly financial statements. Additionally, this condition significantly increases the amount of year-end general ledger account analysis and adjusting journal entries by College personnel, causing significant delays in closing fiscal year financial records and issuing audited financial statements.

Context: During our year-end substantive testing, we noted that a significant number of financial statement account balances were not timely reconciled to supporting schedules or analyzed for unusual activity during the year, thus causing a number of material adjustments at year end.

Repeat Finding: This is **not** a repeat finding.

Recommendation: The utilization of a monthly closing checklist with signoffs and dating, along with written procedures, would encourage personnel to review the accuracy of month-end balances through analysis of account activity, comparison to supporting documentation, and/or reconciliation with detailed schedules and make necessary journal entries on a timely basis.

Views of Responsible Officials: The College agrees with this finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal awards.

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 10, 2015

U.S. Department of Education
Washington, D.C.

Muskegon Community College respectfully advises you that there were **no** audit findings reported in our single audit report, dated November 10, 2014, for the year ended June 30, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Ken Long".

Ken Long
Director of Financial Services

CORRECTIVE ACTION PLAN

December 10, 2015

U.S. Department of Education
Washington, D.C.

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2015

The findings from the Schedule of Findings and Responses for the year ended June 30, 2015 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2015-001: MATERIAL WEAKNESS—Account Balance Reconciliations

Recommendation: The utilization of a monthly closing checklist with signoffs and dating, along with written procedures, would encourage personnel to review the accuracy of month-end balances through analysis of account activity, comparison to supporting documentation, and/or reconciliation with detailed schedules and make necessary journal entries on a timely basis.

Action Taken: The College will implement processes and procedures to ensure that general ledger account balances are reconciled accurately and timely. This will include the utilization of a monthly checklist with signoffs and dating by personnel. These measures will help ensure the accuracy of the financial statements and reduce year-end adjustments.

Responsible Person and Anticipated Completion Date: Director of Financial Services, June 30, 2016

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal awards.

If the U.S. Department of Education has questions regarding this plan, please call Kenneth Long at (231) 777-0560.

Sincerely,



Ken Long
Director of Financial Services