

Muskegon Community College
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditor's Reports

June 30, 2020



Muskegon Community College

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**INDEPENDENT AUDITOR'S 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***

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, 2020, 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 November 13, 2020.

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.

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.

Board of Trustees
Muskegon Community College
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Compliance and 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*.

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
November 13, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2020. Muskegon Community 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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 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 (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 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.

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, 2020.

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 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 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 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 have not been 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 **Finding 2020-001**, that we consider to be a significant deficiency.

Muskegon Community College’s response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Muskegon Community 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.

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.

Board of Trustees
Muskegon Community College
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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2020, and the related notes to the financial statements, which collectively comprise Muskegon Community College’s basic financial statements. We issued our report thereon dated November 13, 2020, which contained unmodified opinions 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 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 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
November 13, 2020

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2019	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2020	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Education</i>									
Direct Programs:									
Student Financial Assistance Cluster									
Federal Supplemental Educational Opportunity Grants	84.007								
P007A182052		\$ 127,354	\$ 17,354	\$ -	\$ 17,354	\$ 127,354	\$ -	\$ -	\$ -
P007A192052		127,370	-	-	50,000	-	127,370	77,370	-
		254,724	17,354	-	67,354	127,354	127,370	77,370	-
Federal Work-Study Program	84.033								
P033A192052		108,996	-	-	108,996	-	108,996	-	-
Federal Pell Grant Program	84.063								
P063Q171645		8,740	15	-	15	8,740	-	-	-
P063P181645		5,379,243	129,996	-	129,996	5,379,243	-	-	-
P063Q181645		8,060	500	-	500	8,045	15	15	-
P063P191645		4,964,025	-	-	4,000,000	-	4,964,025	964,025	-
P063Q191645		7,405	-	-	7,070	-	7,405	335	-
		10,367,473	130,511	-	4,137,581	5,396,028	4,971,445	964,375	-
Total Student Financial Assistance Cluster		10,731,193	147,865	-	4,313,931	5,523,382	5,207,811	1,041,745	-
TRIO—Upward Bound	84.047								
P047A170564		772,500	27,897	-	224,399	469,189	252,176	55,674	-
Education Stabilization Fund—COVID-19	84.425								
P425E201590		1,123,675	-	-	793,011	-	864,006	70,995	-
Total Direct Programs		12,627,368	175,762	-	5,331,341	5,992,571	6,323,993	1,168,414	-
Passed through Michigan Workforce Development Agency: Career and Technical Education—Basic Grants to States									
Local Leadership	84.048								
193250-192520		9,200	2,300	-	2,300	9,200	-	-	-
203250-202520		9,200	-	-	4,600	-	9,200	4,600	-
		18,400	2,300	-	6,900	9,200	9,200	4,600	-
Local Annual	84.048								
193510-1921		204,199	84,199	-	84,199	204,199	-	-	-
203510-2021		221,492	-	-	90,000	-	221,492	131,492	-
		425,691	84,199	-	174,199	204,199	221,492	131,492	-
Total passed through Michigan Workforce Development Agency		444,091	86,499	-	181,099	213,399	230,692	136,092	-
Total U.S. Department of Education		13,071,459	262,261	-	5,512,440	6,205,970	6,554,685	1,304,506	-

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2020

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2019	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2020	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Agriculture</i>									
Passed through Michigan Department of Education:									
Summer Food Service Program for Children	10.559								
190900		\$ 2,699	\$ -	\$ -	\$ 2,699	\$ -	\$ 2,699	\$ -	\$ -
191900		240	-	-	240	-	240	-	-
Total U.S. Department of Agriculture		2,939	-	-	2,939	-	2,939	-	-
<i>U.S. Department of Labor</i>									
Passed through Grand Rapids Community College's Workforce Training									
H-1B Job Training Grants	17.268								
HG-30130-17-60-A-26		308,051	-	-	34,992	29,762	39,005	4,013	-
<i>National Science Foundation</i>									
Passed through Finger Lakes Community College: Education and Human Resources									
1524353	47.076	18,777	7,283	-	14,273	11,786	6,990	-	-
TOTAL FEDERAL ASSISTANCE		\$ 13,401,226	\$ 269,544	\$ -	\$ 5,564,644	\$ 6,247,518	\$ 6,603,619	\$ 1,308,519	\$ -

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, 2020

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the 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 the Uniform Guidance, 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. The College is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. Management has utilized the Michigan Department of Education Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
4. The value of Guaranteed Student Loans for the year ended June 30, 2020 was \$1,776,296.
5. The value of Federal PLUS Loans for the year ended June 30, 2020 was \$74,168.
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, 2020 financial statements	
Restricted Fund	\$ 6,603,619
Expenditures per single audit report	
Schedule of Expenditures of Federal Awards	\$ 6,603,619

Muskegon Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020

SECTION I—SUMMARY OF AUDITOR’S RESULTS

A. *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. *Federal Awards*

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? X yes _____ none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
	U.S. Department of Education
84.007, 84.033 and 84.063	Student Financial Aid Cluster
84.425	Education Stabilization Fund—COVID-19

5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? X yes _____ no

SECTION II—FINANCIAL STATEMENT FINDINGS

NONE

Muskegon Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS—Continued
For the year ended June 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Education

Finding 2020-001: Education Stabilization Fund—COVID-19 Eligibility Procedures

Direct program

CFDA: 84.425

Award Number: P425E201590

Award Year End: April 23, 2021

Specific Requirement: Eligibility

Criteria: During the Winter 2020 semester, the College automatically issued COVID-19 grant awards to all students that completed Free Application for Federal Student Aid (FAFSA) forms. Authorized award amounts, which ranged from \$150 to \$600 per student, varied based on the number of enrolled student credit hours. During the Summer 2020 semester, awards were issued based on student applications received. Students were automatically awarded up to \$1,000 in total for need-based categories for food, technology, school materials, health care, child care, and other.

Questioned Costs: None.

Condition: During our eligibility testing, we noted that while the COVID-19 grant awards were issued to eligible students, the calculated awards were less than the entitled amounts for certain students.

Context: Of the 40 students selected for eligibility testing, 3 students tested were awarded incorrect amounts. The Purchasing and Financial Services Manager determined that of the total population of 1,547 students that received COVID-19 awards, a total of 8 awards issued were calculated incorrectly. All 8 students affected received less than the amounts that they were entitled for a total shortage of \$3,400. The sample was not a statistically valid sample, and the matter appears to be a systemic condition.

Effect: Failure to properly calculate award allocations caused certain students to receive smaller awards than what they were entitled.

Cause: The spreadsheet developed by the College to calculate awards to eligible students was not properly designed. Formula issues resulted in the issuance of \$0 awards whenever students requested the maximum award amounts that they were eligible to receive in each category.

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

Recommendation: The College should verify that the grant award eligibility spreadsheet is properly designed to calculate the full award amounts that students are eligible to receive. In addition, the College should review the award calculations for accuracy prior to issuance to students.

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

CLIENT DOCUMENTS



Muskegon Community College

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 13, 2020

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 15, 2019, for the year ended June 30, 2019.

Sincerely,

Ken Long
Vice President of Finance and Chief Advancement Officer



Muskegon Community College

CORRECTIVE ACTION PLAN

November 13, 2020

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

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, MI 49440

Audit period: June 30, 2020

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were *no* findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-001: Education Stabilization Fund—COVID-19 Eligibility Procedures

Recommendation: The College should verify that the grant award eligibility spreadsheet is properly designed to calculate the full award amounts that students are eligible to receive. In addition, the College should review the award calculations for accuracy prior to issuance to students.

Action Taken: The College responded by correcting the calculation error and comparing the revised results to the original awards. The result was only eight students were affected by this error, and all of them have since been awarded an additional grant for the difference. The College has awarded all CARES Act student grants funding, and the College has no plans to use this specific methodology in the event more funds are provided for student grants. This process had been set up in an expedited manner to provide relief as fast as possible to students whose lives had been disrupted by COVID-19 and faced financial challenges. The College had this one minor issue in the process, but the College met the charge of the Department of Education to help students as fast as possible.

Responsible Person and Anticipated Completion Date: Vice President of Finance and Chief Advancement Officer, Completed November 2020.

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

Sincerely,



Ken Long
Vice President of Finance and Chief Advancement Officer