

Muskegon Community College
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditor's Reports
June 30, 2021



Muskegon Community College

C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITOR’S REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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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, 2021, 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 10, 2021.

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 financial statements. 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.

Handwritten signature of Brickley DeLong, P.C. in black ink.

Muskegon, Michigan
November 10, 2021

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, 2021. 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, 2021.

Board of Trustees
Muskegon Community College
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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 did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs, as **Finding 2021-001**, 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, 2021, 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 10, 2021, 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 10, 2021

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

Federal grantor/pass-through grantor/ program or cluster title/identifying number	CFDA/ Assistance Listing Number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2020	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2021	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	84.007A								
P007A192052		\$ 127,370	\$ 77,370	\$ -	\$ 77,370	\$ 127,370	\$ -	\$ -	\$ -
P007A202052		196,325	-	-	122,792	-	196,325	73,533	-
		<u>323,695</u>	<u>77,370</u>	<u>-</u>	<u>200,162</u>	<u>127,370</u>	<u>196,325</u>	<u>73,533</u>	<u>-</u>
Federal Work-Study Program	84.033A								
P033A202052		108,996	-	-	24,139	-	44,872	20,733	-
Federal Pell Grant Program	84.063P								
P063P191645		4,964,025	964,025	-	964,025	4,964,025	-	-	-
P063P201645		3,999,631	-	-	3,050,000	-	3,999,631	949,631	-
P063Q181645		8,060	15	-	15	8,060	-	-	-
P063Q191645		7,410	335	-	335	7,405	5	5	-
P063Q201645		6,445	-	-	5,685	-	6,445	760	-
		<u>8,985,571</u>	<u>964,375</u>	<u>-</u>	<u>4,020,060</u>	<u>4,979,490</u>	<u>4,006,081</u>	<u>950,396</u>	<u>-</u>
Total Student Financial Assistance Cluster		9,418,262	1,041,745	-	4,244,361	5,106,860	4,247,278	1,044,662	-
TRIO Cluster									
TRIO—Upward Bound	84.047A								
P047A170564		1,433,722	55,674	-	286,739	721,365	262,630	31,565	-
Education Stabilization Fund									
Higher Education Emergency Relief Fund—Student Aid Portion	84.425E								
P425E201590 COVID-19		6,494,352	70,995	-	725,358	864,006	800,719	146,356	-
Higher Education Emergency Relief Fund—Institutional Portion	84.425F								
P425F202250 COVID-19		8,871,198	-	-	904,036	-	1,372,982	468,946	-
Higher Education Emergency Relief Fund—Strengthening Institutions Program	84.425M								
P425M200332 COVID-19		677,886	-	-	111,937	-	111,937	-	-
Total Education Stabilization Fund		<u>16,043,436</u>	<u>70,995</u>	<u>-</u>	<u>1,741,331</u>	<u>864,006</u>	<u>2,285,638</u>	<u>615,302</u>	<u>-</u>
Total Direct Programs		26,895,420	1,168,414	-	6,272,431	6,692,231	6,795,546	1,691,529	-

Muskegon Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2021

Federal grantor/pass-through grantor/ program or cluster title/identifying number	CFDA/ Assistance Listing Number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2020	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2021	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Education—Continued</i>									
Passed through Michigan Workforce Development Agency:									
Career and Technical Education—Basic Grants to States	84.048A								
Local Leadership									
203250-202520		\$ 9,200	\$ 4,600	\$ -	\$ 4,600	\$ 9,200	\$ -	\$ -	\$ -
213250-212520		9,200	-	-	6,900	-	9,200	2,300	-
		18,400	4,600	-	11,500	9,200	9,200	2,300	-
Local Annual									
203510-2021		221,492	131,492	-	131,492	221,492	-	-	-
213510-2121		236,591	-	-	100,000	-	236,591	136,591	-
		458,083	131,492	-	231,492	221,492	236,591	136,591	-
Total passed through Michigan Workforce Development Agency		476,483	136,092	-	242,992	230,692	245,791	138,891	-
Total U.S. Department of Education		27,371,903	1,304,506	-	6,515,423	6,922,923	7,041,337	1,830,420	-
<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	4,013	-	30,387	68,767	26,374	-	-
<i>U.S. Department of Treasury</i>									
Passed through Michigan Department of Education:									
Coronavirus Relief Fund	21.019								
AUG 2020-Muskegon-CRF COVID-19		1,041,100	-	-	1,041,100	-	1,041,100	-	-
TOTAL FEDERAL ASSISTANCE		\$ 28,721,054	\$ 1,308,519	\$ -	\$ 7,586,910	\$ 6,991,690	\$ 8,108,811	\$ 1,830,420	\$ -

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, 2021

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, 2021. 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, 2021 was \$1,238,608.
5. The value of Federal PLUS Loans for the year ended June 30, 2021 was \$53,343.
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, 2021 financial statements	
Restricted Fund	<u>\$ 8,108,811</u>
Expenditures per single audit report	
Schedule of Expenditures of Federal Awards	<u><u>\$ 8,108,811</u></u>

Muskegon Community College
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2021

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/Assistance Listing Number(s)</u>	<u>Name of Federal Program/Cluster</u>
21.019	U.S. Department of Treasury <ul style="list-style-type: none"> • Coronavirus Relief Fund
84.425E	U.S. Department of Education <ul style="list-style-type: none"> • Education Stabilization Fund
84.425F	Higher Education Emergency Relief Fund – Student Aid Portion
84.425M	Higher Education Emergency Relief Fund – Institutional Portion
	Higher Education Emergency Relief Fund – Strengthening Institutions Program

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
For the year ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Finding 2021-001: Higher Education Emergency Relief Fund—Institutional Portion (HEERF)
Suspension and Debarment Procedures**

U.S. Department of Education

Direct program

CFDA/Assistance Listing Number: 84.425F

Award Numbers: P425F202250

Award Year End: May18, 2022

Specific Requirement: Suspension and Debarment

Criteria: Section 200.214 of the Cost Principles 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) restricts awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. This guidance requires a non-federal entity to establish policies and procedures for verifying the status of contractors and vendors whenever the value of a contract or cumulative transactions is expected to equal or exceed \$25,000 to protect the federal government from fraud, waste and abuse.

Questioned Costs: None.

Condition: During our detailed testing of suspension and debarment for the HEERF program, we noted that the College did not verify that its contractors and vendors receiving payments in excess of \$25,000 were not suspended or debarred prior to doing business with them.

Context: Six vendors charged to the HEERF program received payments in excess of the \$25,000 testing threshold during the fiscal year, but the College did not perform the necessary suspension or debarment testing prior to doing business with them. Subsequent vendor searches on the federal System for Award Management (SAM.gov) website indicated that none of these vendors were ineligible for participation in federal assistance programs or activities.

Effect: Failure to verify the status of contractors and vendors prior to entering into business contracts or transactions that equal or exceed \$25,000 could result in business activities with ineligible vendors and disallowed federal program expenditures.

Cause: The College did not have an established procedure in place for verifying that its contractors and vendors were not suspended or debarred prior to entering into business contracts or transactions that equaled or exceeded \$25,000.

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

Recommendation: The College should establish suspension and debarment procedures for verifying the eligibility of its contractors and vendors prior to entering into business contracts or transactions that equal or exceed \$25,000 in value. In addition, the College should retain supporting documentation of these verifications performed, such as the printing of vendor search results from the SAM.gov website.

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

CLIENT DOCUMENTS



Muskegon Community College

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 10, 2021

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

Muskegon Community College respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2020 dated November 13, 2020.

SECTION II – FINANCIAL STATEMENT FINDINGS

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

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: 84.425E

Award Number: P425E201590

Award Year End: April 23, 2021

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.

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.

Current Status: This recommendation was implemented during the year ended June 30, 2021. No similar finding was reported during the single audit for the year ended June 30, 2021.

Sincerely,

A handwritten signature in black ink that reads "Beth Dick".

Beth Dick
Vice President of Finance and Chief Financial Officer



Muskegon Community College

CORRECTIVE ACTION PLAN

November 10, 2021

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

Muskegon Community College respectfully submits the following Corrective Action Plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2021

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2021 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.

U.S. Department of Education
November 10, 2021
Page 2

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-001: Higher Education Emergency Relief Fund—Institutional Portion (HEERF) Suspension and Debarment Procedures

Recommendation: The College should establish suspension and debarment procedures for verifying the eligibility of its contractors and vendors prior to entering in to business contracts or transactions that equal or exceed \$25,000 in value. In addition, the College should retain supporting documentation of these verifications performed, such as the printing of vendor search results from the SAM.gov website.

Action Taken: The College has implemented a suspension and debarment self-certification form for all potential contractors and vendors to complete on any future quotes, bids, or proposal requests that exceed \$25,000 in value. These forms will be maintained in accordance with federal grant requirements. In addition, Financial Services staff will periodically review SAM.gov for existing vendors from whom purchases have been made totaling greater than \$25,000 to ensure they have not been suspended or debarred. Documentation of these searches will be kept in a log with the name of the vendor, date and time of the search and results, which will be maintained in accordance with federal grant guidelines.

Responsible Person and Anticipated Completion Date: Vice President of Finance and Chief Financial Officer, November 2021

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

Sincerely,



Beth Dick
Vice President of Finance and Chief Financial Officer