

Mid Michigan Community College

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

Mid Michigan Community College

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

Independent Auditor's Report

To the Board of Trustees
Mid Michigan Community College

We have audited the basic financial statements of Mid Michigan Community College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 26, 2016 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. We have not performed any procedures with respect to the audited financial statements subsequent to September 26, 2016.

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

Plante & Moran, PLLC

September 26, 2016

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

Independent Auditor's Report

To Management and the Board of Trustees
Mid Michigan Community College

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 Mid Michigan Community College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid Michigan 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 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.

To Management and the Board of Trustees
Mid Michigan Community College

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. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as Findings 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid Michigan 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*.

Mid Michigan Community College's Responses to Findings

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

Purpose of this Report

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

Plante & Moran, PLLC

September 26, 2016

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Board of Trustees
Mid Michigan Community College

Report on Compliance for Each Major Federal Program

We have audited Mid Michigan Community College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Mid Michigan 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 the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mid Michigan 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mid Michigan 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 Mid Michigan Community College's compliance.

To the Board of Trustees
Mid Michigan Community College

Opinion on Each Major Federal Program

In our opinion, Mid Michigan 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, 2016.

Report on Internal Control Over Compliance

Management of Mid Michigan 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 Mid Michigan 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 the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-003 that we consider to be a significant deficiency.

Mid Michigan Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Mid Michigan Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Board of Trustees
Mid Michigan Community College

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

Plante & Moran, PLLC

September 26, 2016

Mid Michigan Community College

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

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Aid Cluster -				
U.S. Department of Education - Direct Program:				
Federal Pell Grant Program	84.063P	P063P132848	\$ -	\$ 6,683,770
Federal Work-Study Program	84.033A	P033A132047	-	103,764
Federal Supplemental Employment Opportunity Grant	84.007A	P007A122047	-	119,952
Federal Direct Loan Program	84.268	N/A	-	9,130,629
Total Student Financial Aid Cluster			-	16,038,115
TRIO Cluster - U.S. Department of Education - Direct Program -				
TRIO - Talent Search:				
9/1/14 to 8/31/15	84.044A	P044A110246	-	35,341
9/1/15 to 8/31/16	84.044A	P044A110246	-	150,238
Student Support Services-Trio (9-1-15 to 8-31-16)	84.042	P042A150098	-	173,716
Total TRIO Cluster			-	359,295
Research and Development Cluster -				
National Science Foundation - Direct Program -				
Creating Plastics Technology Career Pathways in Rural Michigan	47.076	1204908	-	45,529
Total clusters			-	16,442,939
Other federal awards:				
U.S. Department of Education - Direct Program -				
Title III, Part A Strengthening Institutions - 10/1/14 to 9/30/15	84.031A	P031A100014		126,829
U.S. Department of Education - Passed through the Michigan Department of Education - Vocational Education -				
Basic Grants to States:				
Regional Allocation - Post-secondary	84.048A	142,117	-	302,692
Local Administration - Post-secondary	84.048A	143,250	-	17,007
Total Vocational Education - Basic Grants to States			-	319,699
Small Business Administration -				
Small Business and Technology Development Center -				
Passed through Grand Valley State University:				
2015	59.037	SBAHQ-14-B-0024	-	71,606
2016	59.037	SBAHQ-15-B-0051	-	90,831
Total Small Business Administration			-	162,437
Total other federal awards			-	608,965
Total expenditures of federal awards			\$ -	\$ 17,051,904

Mid Michigan Community College

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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.

Mid Michigan Community College has elected to use the 10-percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Mid Michigan Community College

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Mid Michigan Community College

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

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - Key elements of effective internal controls require proper segregation of duties and the appropriate level of preventive and detective controls to safeguard information within the College's information systems, including its general ledger.</p> <p>Condition - IT personnel have full administrative access to the system, which includes the ability to add, modify, and delete general ledger accounts and to post journal entries. A periodic user access review was not performed throughout the fiscal year. Additionally, the president has the ability to edit pay rates within the system. Finally, the purchasing manager has access to cash disbursements, the ability to add and edit vendors, and the ability to approve a vendor withdrawal via the online banking system.</p> <p>Context - Transaction information in the IT system could be inappropriately created, modified, or manipulated. As such, this deficiency could affect all accounts. Additionally, a false vendor could be paid from the electronic banking account.</p> <p>Cause - Review of IT personnel and the president's user access rights was not performed. There was also no overall review of who has access to the system and if they still should/need access. The purchasing manager was the former director of accounting who transitioned to the new position in June 2015. His ability to post journal entries was not removed during the transition period, but was finally removed in November 2015.</p> <p>Effect - Proper segregation of duties and user access to the College's information technology systems is important to mitigate the risk of financial statement misstatement and misappropriation of assets.</p> <p>Recommendation - We recommend restricting IT personnel access to add, modify, or delete general ledger accounts and to post journal entries. Also, the president's ability to edit payroll rates should be changed to read-only access. Finally, the purchasing manager's ability to approve payment to a vendor via the online banking system should be removed.</p>

Mid Michigan Community College

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-001 (Cont.)	Views of Responsible Officials and Planned Corrective Actions - Mid Michigan Community College plans to properly restrict user access rights within the system to establish proper segregation of duties. Use of a non-alterable mnemonics report will allow monitoring inappropriate access by IT personnel. The purchasing manager will be removed from his ability to approve vendor payment.

Reference Number	Finding
2016-002	Finding Type - Significant deficiency Criteria - Key elements of an effective financial reporting system are proper application of generally accepted accounting principles and effective preventive and detective internal controls. Condition - Mid Michigan Community College did not perform documented detective controls such as accounts receivable, fixed asset, and accounts payable reconciliations in a timely manner during the year. Context - The deficiency affected various account balances and the audit identified that depreciation expense and accumulated depreciation was understated by approximately \$243,000, in which an audit adjustment was posted. Cause - A control was lacking to ensure account balances are reconciled in a timely manner. Effect - Accounts receivable, fixed asset, and accounts payable balances could potentially be misstated without timely and properly reviewed reconciliations. The misstatement could result in misappropriated assets not being detected in a timely manner. Recommendation - We recommend that reconciliations be prepared in a timely manner. Additionally, the reconciliations should have a documented review by another individual to achieve proper segregation of duties. Reviewed reconciliations should obtain some form of documentation evidencing that the review was performed.

Mid Michigan Community College

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-002 (Cont.)	Views of Responsible Officials and Planned Corrective Actions - Mid Michigan Community College will implement a process to complete and maintain documented reconciliations of key accounts during the year.

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-003	<p>CFDA Number, Federal Agency and Program Name - Student financial aid cluster - Federal Pell Grant Program (84.063) and Federal Direct Loan Program (84.268)</p> <p>Federal Award Identification Number and Year - Pell - P063P132848</p> <p>Pass-through Entity - N/A - Direct</p> <p>Finding Type - Significant deficiency</p> <p>Repeat Finding - No</p> <p>Criteria - Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (OMB 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. (34 CFR sections 685.102(b), 685.301, and 303).</p> <p>Condition - A monthly reconciliation for Pell disbursements was never reviewed and a monthly reconciliation for Federal Direct Loans disbursements was prepared several months after the activity occurred.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A - No questioned costs</p> <p>Context - Four monthly reconciliations were selected for Pell and four for Direct Loans. For each type, there was one reconciliation that was either not reviewed timely or was prepared several months after the activity occurred.</p>

Mid Michigan Community College

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

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-003	<p>Cause and Effect - A control was lacking to ensure reconciliations were taking place for Pell and Direct Loan activity in a timely fashion with a documented review. This could lead to incorrect amounts being drawn down and not caught until months later or not until year end.</p> <p>Recommendation - We recommend the College implement a control to ensure reconciliations for Pell and Direct Loan monthly activity occurs in a timely fashion.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Mid Michigan Community College will implement a process to complete and maintain documented reconciliations of Pell and Direct Loan disbursements during the year.</p>

Mid Michigan Community College

Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number and Name	Original Finding Description	Status/Partial Corrective Action (as Applicable)	Planned Corrective Action (if Finding Not Corrected)
2015-001	2014	Financial Statement Audit Finding	Lack of timely reconciliations for cash, investments, accounts receivables, and payables	Partially corrected, cash and investment accounts were reconciled during the year.	See 2016-002
2015-002	2015	Financial Statement Audit Finding	Lack of segregation of duties over cash	Corrected	
2015-003	2015	Financial Statement Audit Finding	In-kind donations were not properly recorded	Corrected	
2015-004	2014	Financial Statement Audit Finding	Lack of segregation of duties over information technology controls	Partially corrected	See 2016-001