

West Shore
Community
College



Year Ended
June 30, 2013

Single Audit Act
Compliance

West Shore Community College

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

October 31, 2013

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

We have audited the financial statements of West Shore Community College (the "College") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

West Shore Community College

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant Program	84.007	Direct	P007A122103	\$ 32,378
Federal Work Study Program	84.033	Direct	P033A122103	75,692
Pell Grant Program	84.063	Direct	P063P125088	3,041,524
Federal Direct Student Loan Program	84.268	Direct	P268K125088	1,832,092
Total Student Financial Assistance Cluster				<u>4,981,686</u>
Career and Technical Education - Basic Grants to States:				
CAP Leadership	84.048	MDE	123250/122529	17,775
Regional Allocation	84.048	MDE	123510/122129	68,331
Total Career and Technical Education - Basic Grants to States				<u>86,106</u>
Total Expenditures of Federal Awards				<u>\$ 5,067,792</u>

See notes to schedule of expenditures of federal awards.

West Shore Community College

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of West Shore Community College (the "College") under programs of the federal government for the year ended June 30, 2013. 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 net position, changes in net position or cash flows of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. PASS-THROUGH AGENCIES

The College receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
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MDE	Michigan Department of Education
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Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

October 31, 2013

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *West Shore Community College* (the "College"), and its discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph in 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the College in a separate letter dated October 31, 2013.

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133

October 31, 2013

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of West Shore Community College (the "College") 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 the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-SA-1 and 2013-SA-2. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *significant deficiencies* or *material weaknesses* 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-SA-1 and 2013-SA-2 that we consider to be significant deficiencies.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Johnson LLC

West Shore Community College

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

X yes _____ no

Identification of major programs:

CFDA Number

84.007, 84.033, 84.063, and 84.268

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ yes X no

West Shore Community College

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

West Shore Community College

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-SA-1 - Enrollment Reporting (loan programs)

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions)

Program. Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.007, 84.033, 84.063, and 84.268.

Criteria. The OMB Circular A-133 Compliance Supplement states that unless the school expects to complete its next roster within 60 days, the school must notify the lender or guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

Condition. We observed that the College had two instances where the lender or guaranty agency was not notified within the required timeframe.

Cause. This condition appears to be the result of the College implementing a new general ledger software package in early fiscal 2012. Management was not able to integrate the financial aid data to the general ledger software and the College continues to discover areas for improvement.

Effect: As a result of this condition, the College did not fully comply with certain compliance requirements of these grants. Further, the College is exposed to an increased risk that similar errors could occur in the future and not be detected and corrected by management.

Questioned Costs: No costs have been questioned as a result of this finding inasmuch as no disallowed costs were identified.

Recommendation. We recommend that the College review the internal controls related to enrollment reporting in relation to the monitoring of status change notifications.

View of Responsible Officials. Financial aid staff discovered system electronic reporting inaccuracies in the fall of 2012 and since that time has manually input data into the Student Clearinghouse. Management is working to establish accurate electronic reporting.

2013-SA-2 - Student Eligibility

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Student Eligibility)

Program. Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.007, 84.033, 84.063, and 84.268.

Criteria. The OMB Circular A-133 Compliance Supplement states that a student must have financial need and that total awards should not exceed that need.

West Shore Community College

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

Condition. We observed that the College had one instance where the student had financial need and was awarded financial aid in excess of that need.

Cause. This condition appears to be the result of the College providing school aid to the student and they did not properly update the financial aid on the student's account to adjust for this change.

Effect: As a result of this condition, the College did not fully comply with certain compliance requirements of these grants. Further, the College is exposed to an increased risk that similar errors could occur in the future and not be detected and corrected by management.

Questioned Costs: No costs have been questioned as a result of this finding inasmuch as no disallowed costs were identified.

Recommendation. We recommend that the College review the internal controls related to student eligibility reporting in relation to monitoring that students are not awarded aid in excess of their financial need.

View of Responsible Officials. The internal process that caused this condition has been discontinued. All other controls regarding student eligibility are satisfactory.

West Shore Community College

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2013

2012-SA-1 - Direct Loan Reconciliations

All colleges receiving direct loans must reconcile the School Account Statement (SAS) received from the Common Origination and Disbursement (COD) to the college's financial records on a monthly basis. This finding has been corrected.

2012-SA-2 - Awards in Excess of Calculated Financial Need

Awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need. This finding has been corrected.

2012-SA-3 - Student Eligibility

Awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need. This finding has been corrected; however, a separate instance related to institution-based aid was identified in 2013.

2012-SA-4 - Insufficient Matching of Federal Awards

Federal share of awards may not exceed 75 percent of the total Federal Supplemental Educational Opportunity Grants (FSEOG) awards made by the College. The Secretary of Education may authorize 100 percent Federal funding if certain conditions are met. This finding has been corrected.

