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# Northwestern Michigan College

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Supplemental Information  
June 30, 2018**

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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  
Northwestern Michigan College

We have audited the basic financial statements of Northwestern Michigan College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 8, 2018, which contained an unmodified opinion on the 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 October 8, 2018.

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*

October 8, 2018

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  
Northwestern Michigan College

We have audited, in accordance with 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 Northwestern Michigan College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2018 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 8, 2018. The financial statements of Northwestern Michigan College Foundation were not audited in accordance with *Government Auditing Standards*.

**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 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 College'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

To Management and the Board of Trustees  
Northwestern Michigan College

**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*

October 8, 2018

## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

To the Board of Trustees  
Northwestern Michigan College

#### Report on Compliance for Each Major Federal Program

We have audited Northwestern Michigan 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 the College's major federal program for the year ended June 30, 2018. The College's major federal program is 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 program.

#### **Auditor's 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 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 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 its major federal program for the year ended June 30, 2018.

#### 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 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.

To the Board of Trustees  
Northwestern Michigan College

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 2018-001, that we consider to be a significant deficiency.

The 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 corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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*

October 8, 2018

# Northwestern Michigan College

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount	
			Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Assistance Cluster -				
U.S. Department of Education - Direct programs:				
Federal Supplemental Employment Opportunity Grant (2017-2018)	84.007	P007A172057	\$ -	\$ 105,190
Federal Work-Study Program (2017-2018)	84.033	P033A172057	-	96,075
Federal Pell Grant Program (2017-2018)	84.063	P063P171647	-	4,550,325
Federal Direct Student Loan Program (2016-2017)	84.268	P268K171647	-	159,512
Federal Direct Student Loan Program (2017-2018)	84.268	P268K181647	-	8,371,446
Total Student Financial Assistance Cluster			-	13,282,548
Other federal awards:				
U.S. Department of Education -				
Passed through the Michigan Department of Career Development:				
Regional Allocation (2017-2018)	84.048A	V048A170022	-	223,831
Local Administration (2017-2018)	84.048A	V048A170022	-	9,200
Professional Development (2017-2018)	84.048A	V048A170022	-	4,823
Total U.S. Department of Education			-	237,854
U.S. Department of Commerce -				
Passed through the Michigan Manufacturing Technology Center - Manufacturing Extension Partnership				
	11.611	70NANB15H035	-	210,339
U.S. Department of Transportation - Direct programs -				
Maritime Administration				
	20.806	N/A	-	662,582
U.S. Department of Interior - Direct programs -				
Benthic Habitat Mapping - GLRI EPA#91				
	15.944	P15AC00808	-	42,750
National Endowment for the Arts and Humanities -				
Passed through Arts Midwest - Golden Dragon Acrobats				
	45.025	N/A	-	2,000
Total other federal awards			-	1,155,525
Total federal awards			\$ -	\$ 14,438,073

See notes to schedule of expenditures of federal awards.



**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2018**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Northwestern Michigan College (the "College") under programs of the federal government for the year ended June 30, 2018. 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 the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. 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. Pass-through entity identifying numbers are presented where available.

The College has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2018**

**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      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   None reported

**Federal Awards**

Internal control over major programs:

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster	Unmodified

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

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Audit Findings**

None

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Section III - Federal Program Audit Findings

Reference Number	Finding
2018-001	<p><b>CFDA Number, Federal Agency, and Program Name</b> - Student Financial Assistance Cluster, U.S. Department of Education, Federal Direct Loan Program (84.268)</p> <p><b>Federal Award Identification Number and Year</b> - NA</p> <p><b>Pass-through Entity</b> - NA</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) or the guarantee agency within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610).</p> <p><b>Condition</b> - The College did not report a certain student status change in a timely manner.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of the 25 students selected for status change testing, one of these students did not have a status change reported in a timely manner. The College uses the National Student Clearinghouse (NSC) to report status changes to NSLDS.</p> <p><b>Cause and Effect</b> - Due to the timing of the receipt of the changes by the National Student Clearinghouse (NSC), a third-party servicer, the students' changes in enrollment status were not reported to NSLDS within the required time frame.</p> <p><b>Recommendation</b> - The College should establish a review and follow-up procedure to ensure that enrollment status changes are being sent to the NSC in a timely manner in order for NSC to be able to send the information to NSLDS or the guarantee agency timely.</p> <p><b>Views of Responsible Officials and Corrective Action Plan</b> - While the College has documented procedures in place for reporting status changes in a timely manner, one student was not picked up in the College's internal reports used for such reporting. This particular student enrolled in but received incompletes for several courses during the spring 2017 semester and was subsequently reported as "withdrawn." The student did not reregister for classes; instead, the student completed the incomplete courses throughout the following summer and were awarded final grades in October 2017. At that time, the student fulfilled graduation requirements and should have been reported to NSLDS as "graduated."</p> <p>The College will adjust its internal reports to ensure all student status changes, including students who are reported as withdrawn and subsequently complete graduation requirements, are captured on the reporting roster and reported in a timely manner, as required by federal enrollment reporting requirements.</p>