
Northwestern Michigan College

Federal Awards Supplemental Information
June 30, 2024

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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 financial statements of the business-type activities and the discretely presented component unit of Northwestern Michigan College (the "College") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 21, 2024, 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 21, 2024.

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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

January 10, 2025

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 the business-type activities and the discretely presented component unit of Northwestern Michigan College (the "College") as of and for the year ended June 30, 2024 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 21, 2024. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 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*.

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 21, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees
Northwestern Michigan College

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Northwestern Michigan College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2024. 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.

Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, 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 Coronavirus State and Local Fiscal Recovery Funds for the year ended June 30, 2024.

Unmodified Opinion on Student Financial Assistance Cluster

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding ALN 21.027, Coronavirus State and Local Fiscal Recovery Funds, as described in Finding 2024-002, Allowable Costs/Cost Principles.

To the Board of Trustees
Northwestern Michigan College

Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the OMB Uniform Guidance, and is described in the accompanying schedule of findings and questioned costs as Finding 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on it.

To the Board of Trustees
Northwestern Michigan College

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2024-001 and 2024-002 to be material weaknesses.

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 of those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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.



January 10, 2025

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Agency/Pass-through Agency/Program Title	Assistance Listing 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 (2023-2024)	84.007	P007A232057	\$ -	\$ 129,836
Federal Work-Study Program (2023-2024)	84.033	P033A232057	-	112,451
Federal Pell Grant Program (2023-2024)	84.063	P063P231647	-	4,109,210
Federal Direct Student Loan Program (2022-2023)	84.268	P268K231647	-	324,782
Federal Direct Student Loan Program (2023-2024)	84.268	P268K241647	-	<u>5,030,174</u>
Total Student Financial Assistance Cluster			-	9,706,453
Other federal awards:				
U.S. Department of Education - Passed through the Michigan Department of Career Development - Career and technical education - Basic grants to states passed through the Michigan Department of Career Development - Career and technical education - Basic grants to states:				
Regional allocation - (2023-2024)	84.048A	V048A200023	-	338,998
Local administration - (2023-2024)	84.048A	V048A200023	-	<u>9,200</u>
Total U.S. Department of Education			-	348,198
U.S. Department of Transportation:				
State Maritime Schools	20.806	N/A	-	1,583,109
Aircraft Pilots Workforce Development Program	20.111	20-FAA-AWD-AP-1	-	<u>32,455</u>
Total U.S. Department of Transportation			-	1,615,564
U.S. Department of the Interior:				
National Maritime Heritage Grants Program	15.925	N/A	-	479,131
Natural Resource Stewardship - Benthic Habitat Mapping - Hydrographic Surveys and Coastal Studies in GLNP	15.944	P20AC00383	-	<u>3,042</u>
Total U.S. Department of the Interior			-	482,173
U.S. Department of the Treasury - Passed through the Michigan Department of Labor and Economic Opportunity - Coronavirus State and Local Fiscal Recovery Funds:				
ADN to BSN Completion Grant Program	21.027	SLFRP0127	-	238,953
Academic Catch Up	21.027		-	68,581
Reconnect Expansion Program	21.027		-	<u>252,659</u>
Total U.S. Department of the Treasury			-	560,193
National Endowment for the Humanities Promotion of the Humanities Division of Preservation and Access	45.149	PG-292381-23	-	<u>10,000</u>
Total other federal awards			-	<u>3,016,128</u>
Total federal awards			<u>\$ -</u>	<u>\$ 12,722,581</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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, 2024. The information in the 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 accrual basis of accounting. Such expenditures are recognized following 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. The 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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

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? X Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X 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:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, 84.268 21.027	Student Financial Assistance Cluster Coronavirus State and Local Fiscal Recovery Funds	Unmodified Qualified

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

Reference Number	Finding
Current Year None	

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2024

Section III - Federal Program Audit Findings

Reference Number	Finding
2024-001	<p>Assistance Listing Number, Federal Agency, and Program Name - 84.268, U.S. Department of Education, Student Financial Assistance Program - Federal Direct Student Loan Program</p> <p>Federal Award Identification Number and Year - P268K241647, 2023-2024</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - For direct loan disbursement, the institution must provide timely notification to the student of the (1) date and amount of the disbursement, (2) student/parent's right to cancel, and (3) procedure and time by which the student or parent must notify the institution that he or she wishes to cancel (34 CFR 668.165).</p> <p>Condition - The College did not provide notifications to certain students related to direct loan disbursements.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - There were 16 students receiving direct loans in a sample of 25 students for disbursements did not receive the notification.</p> <p>Cause and Effect - A control was lacking to ensure the notifications were sent to all students receiving direct loans.</p> <p>Recommendation - We recommend a control be implemented to ensure notifications are sent to all students receiving direct loans.</p> <p>Views of Responsible Officials and Corrective Action Plan - While the College has documented procedures in place for the disbursement of federal funds and required post-disbursement notifications to students, the College did not properly send a post-disbursement notification to 591 out of 659 students who received federal financial aid loans in fall 2023. The College will adjust its internal processes to ensure all students who receive federal loans are sent post-disbursement email notifications by performing a weekly review of the report that generates a names list of students that are receiving federal loans. If names exist on the report, a verification in the student record will be conducted to be sure the email was sent. After further investigation, all 608 students that received federal loans in spring semester of 2024 and all 56 students in summer of 2024 received a post-disbursement notification.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2024

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2024-002	<p>Assistance Listing Number, Federal Agency, and Program Name - 21.027, Coronavirus State and Local Fiscal Recovery Funds, U.S. Department of the Treasury, ADN to BSN Completion Grant Program</p> <p>Federal Award Identification Number and Year - SLFRP0127, 2023-2026</p> <p>Pass-through Entity - Michigan Department of Labor and Economic Opportunity</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Per 2 CFR 200.303(a), the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States, or the Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p> <p>Costs must be necessary and reasonable for the performance of the federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.</p> <p>Condition - The College's internal control in place for manual journal entries did not identify unallowable costs reported in the SEFA.</p> <p>Questioned Costs - \$326,781</p> <p>Identification of How Questioned Costs Were Computed - Questioned costs are made up of unallowable direct costs of \$233,415 and the related indirect cost at 40 percent of \$93,366, totaling \$326,781.</p> <p>Context - A manual journal entry reviewed and approved included unallowable costs, which also impacted the determination of indirect costs charged to the grant in a separate manual journal entry. Therefore, the error is made up of two manual journal entries selected for testing out of 40 total expenditures. The error represented 36 percent of the original amount reported on the SEFA, or \$880,303. As a result, \$326,781 was removed from the SEFA.</p> <p>Cause and Effect - Due to an ineffective review of manual journal entries, the grant expenditures reported to the grantor and the amount reported on the original SEFA provided by management for the grant were overstated.</p> <p>Recommendation - We recommend an effective review of manual journal entries be put in place.</p> <p>Views of Responsible Officials and Planned Corrective Actions - While the College currently has controls in place to review all manual journal entries, we will adjust our review process going forward to incorporate additional oversight for any manual journal entries impacting federal grants. Going forward, the controller will review all manual journal entries impacting federal grants, and the vice president of finance will provide a second level review of any such entries that equal or exceed \$50,000.</p>