
Southwestern Michigan College

**Federal Awards
Supplemental Information
June 30, 2018**

Independent Auditor's Reports

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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
Southwestern Michigan College

We have audited the financial statements of Southwestern 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 15, 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 15, 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 15, 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
Southwestern 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 Southwestern 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 15, 2018. The financial statements of Southwestern 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 Southwestern Michigan 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 Southwestern Michigan 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
Southwestern 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 & Moreau, PLLC

October 15, 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
Southwestern Michigan College

Report on Compliance for Each Major Federal Program

We have audited Southwestern 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 Southwestern Michigan 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 Southwestern Michigan 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
Southwestern 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 15, 2018

Southwestern 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 Project/Grant Number	Award Amount	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:					
Student Financial Assistance Cluster -					
U.S. Department of Education - Direct Program:					
Federal Supplemental Education Opportunity Grant	84.007	P007A172077	\$ 89,690	\$ -	\$ 89,690
Federal Work-Study Program	84.033	P033A172077	149,856	-	149,856
Federal Pell Grant Program	84.063	P063P161654	-	-	145,108
Federal Pell Grant Program	84.063	P063P171654	4,058,612	-	4,058,612
William D. Ford Direct Loan Program	84.268	P268K181654	3,334,335	-	<u>3,334,335</u>
Total Student Financial Assistance Cluster				-	<u>7,777,601</u>
TRIO Cluster - U.S. Department of Education -					
Direct Program:					
TRIO - Educational Talent Search Program:					
2016-2017	84.044	P044A160359	326,880	-	109,559
2017-2018		P044A160359	335,052	-	284,877
TRIO - Student Support Services:					
2016-2017	84.042A	P042A150120	300,736	-	40,201
2017-2018		P042A150120	308,254	-	<u>241,409</u>
Total TRIO Cluster				-	<u>676,046</u>
Total clusters				-	8,453,647
Other U.S. Department of Education Awards -					
Passed through the Michigan Department of					
Energy, Labor, and Economic Growth:					
Carl D. Perkins Career and Technical Education					
Act: Local Annual	84.048	183510-182126	136,224	-	136,224
Carl D. Perkins Career and Technical Education					
Act: Local Leadership	84.048	183250-182526	9,200	-	<u>9,200</u>
Total U.S. Department of Education				-	<u>145,424</u>
Total expenditures of federal awards				<u>\$ -</u>	<u>\$ 8,599,071</u>

See notes to schedule of expenditures
of federal awards.

Notes to Schedule of Expenditures of Federal Awards

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 Southwestern Michigan College (the "College") under programs of the federal government for the year ended June 30, 2018. 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 "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 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.

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

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, during the year ended June 30, 2018, Southwestern Michigan College carried forward \$268 of Federal Supplemental Educational Opportunity Grant Program (84.007) funds from 2016-2017 funds that were spent in 2017-2018. In addition, the College carried forward \$294 of Federal Supplemental Educational Opportunity Grant Program funds from 2017-2018 funds that will be spent in 2018-2019.

Note 4 - 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.

Southwestern Michigan College

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

Southwestern Michigan College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
2018-001	<p>CFDA Number, Federal Agency, and Program Name - 84.007, 84.033, 84.063, and 84.268 - Department of Education - Student Financial Assistance Cluster</p> <p>Federal Award Identification Number and Year - P007A132077 (Federal Supplemental Education Opportunity Grant) FY 2018, P033A132077 (Federal Work-Study Program) FY 2018, P063P131654 (Pell Grant Program) FY 2018, and P268K141654 (William D. Ford Direct Loan Program) FY 2018</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency</p> <p>Repeat Finding - No</p> <p>Criteria - A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to Federal Family Education Loan (FFEL) Program loan holders by the U.S. Department of Education. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves of absence. As explained in the National Student Loan Data System (NSLDS) Enrollment Reporting Guide, the enrollment reporting roster file is due within 30 days from the creation of the file that is placed in the institution's SAIG (Pell, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).</p> <p>Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).</p> <p>Condition - The enrollment status of a student is reported to the NSLDS and Returns of Title IV funds initiated when a student is fully withdrawn from the College's systems. The withdrawal process is performed by the College's Registrar's Office. Audit testing identified one student whose withdrawal was processed late; therefore, this student's status change was not reported timely to the NSLDS, and the return of Title IV funds was not calculated and returned timely. There was another student whose withdrawal was never fully processed and, therefore, a Return of Title IV funds calculation was never completed.</p>	\$2,778
	Questioned Costs - \$2,778	

Southwestern Michigan College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Reference Number	Finding	Questioned Costs
2018-001	<p>Identification of How Questioned Costs Were Computed - The business office of the College reviewed all withdrawals during the year to determine withdrawals where a return of Title IV funds was required but not performed.</p> <p>Context - Out of a sample of 14 students, testing identified two errors. One of these students was not reported timely to the clearinghouse due to a delay in the withdrawal process in the system. As a result, the return of Title IV funds calculation was performed and remitted untimely. For the other student, the withdrawal process never completed in the system, therefore, a return of Title IV funds was never completed.</p> <p>Cause and Effect - The College did not have the proper procedures in place to timely update the enrollment status for these official withdrawals due to the untimely and incomplete withdrawal for these students in the Registrar's Office. As a result, the return of Title IV funds was not completed for these students in the required time frame.</p> <p>Recommendation - The Registrar's Office, along with the financial aid department, should frequently monitor official withdrawals to ensure compliance with federal regulations.</p> <p>Views of Responsible Officials and Corrective Action Plan - New personnel in charge of enrollment reporting and Return of Title IV fund calculations will receive on-boarding training on the compliance requirements related to administering student financial aid as it relates specifically to Southwestern Michigan College and the controls in place to maintain compliance. In addition, at the end of each semester, the business office and financial aid office will obtain a report of all withdrawals and verify return of Title IV funds calculations were performed for all withdrawn students.</p>	