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# Schoolcraft College

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**June 30, 2020**

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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  
Schoolcraft College

We have audited the financial statements of Schoolcraft College (the "College") and the aggregate of its discretely presented component units as of and for the year ended June 30, 2020 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 14, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 14, 2020.

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*

February 12, 2021

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  
Schoolcraft 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 Schoolcraft College (the "College") and the aggregate of its discretely presented component units as of and for the year ended June 30, 2020 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 14, 2020. The financial statements of the discretely presented component units 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  
Schoolcraft 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 14, 2020

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  
Schoolcraft College

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

We have audited Schoolcraft 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 the College's major federal programs for the year ended June 30, 2020. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***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 programs for the year ended June 30, 2020.

**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  
Schoolcraft 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, described in the accompanying schedule of findings and questioned costs as Finding 2020-001, that we consider to be a significant deficiency.

The College's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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*

February 12, 2021

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through or Entity Identifying Number	College Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Clusters:</b>					
Student Financial Assistance Cluster - U.S. Department of Education:					
Federal Pell Grant Program	84.063	P063P191652	45-5658	\$ -	\$ 11,574,164
Federal Supplemental Educational Opportunity Grants	84.007	P007A192073	45-5653	-	393,986
Federal Work-Study Program	84.033	P033A192073	45-5655	-	228,661
Federal Direct Student Loans	84.268	P268K201652	45-5662	-	<u>7,605,762</u>
Total Student Financial Assistance Cluster				-	19,802,573
Highway Safety Cluster - U.S. Department of Transportation - Safe, Accountable, Flexible, Efficient, Transportation Equity Act - A Legacy for Users (SAFETEA-LU):					
Motorcycle Safety Training 2019 - Passed through the State of Michigan Department of State	20.616	NA	40-3221	-	3,887
Motorcycle Safety Training 2018 - Passed through the State of Michigan Department of State	20.616	NA	40-3220	-	<u>7,233</u>
Total Highway Safety Cluster				-	11,120
Other federal awards:					
U.S. Department of Education - COVID-19 - Education Stabilization Fund:					
COVID-19 - Higher Education Emergency Relief Fund - Student Aid	84.425E	P425E201734	45-5664	-	2,204,800
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	84.425F	P425F200505	45-5665	-	<u>2,141,774</u>
Total Education Stabilization Fund				-	4,346,574
U.S. Department of Education - Carl D. Perkins Program - Passed through the State of Michigan Department of Education - Vocational Education - Basic Grants to States					
	84.048	Various	Various	-	573,858
U.S. Department of Defense (Defense Logistics Agency) - Procurement Technical Assistance for Business Firms - Cost Sharing Cooperative Agreement - 2019					
	12.002	SP4800-18-2-1819	40-3348	50,229	281,523
U.S. Small Business Administration - Passed through the Michigan Small Business Development Center:					
Satellite Office 2020 - Passed through Eastern Michigan University	59.037	NA	40-3345	-	20,484
Satellite Office 2019 - Passed through Eastern Michigan University	59.037	NA	40-3347	-	<u>19,451</u>
Total Michigan Small Business Development Center				-	39,935
U.S. Department of Labor - American Apprenticeship Initiative - Passed through the Southeast Michigan Community Alliance - Advance Michigan Center for Apprenticeship Innovation (AMCAI)					
	17.268	AP-28028-15-60-A-26	40-3352	-	<u>73,441</u>
Total federal awards				<u>\$ 50,229</u>	<u>\$ 25,129,024</u>

## Notes to Schedule of Expenditures of Federal Awards

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Year Ended June 30, 2020

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Schoolcraft College (the "College") under programs of the federal government for the year ended June 30, 2020. 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 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. 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.

### Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2019, the College carried forward \$50,000 of the 2018-2019 Federal Work-Study Program (84.033) award and \$30,662 of the 2018-2019 Federal Supplemental Educational Program (84.007) award, which it spent in the 2019-2020 award year. In addition, in the year ended June 30, 2020, the College carried forward \$22,441 of the 2019-2020 Federal Work-Study Program (84.033) award and \$52,500 of the 2019-2020 Federal Supplemental Educational Opportunity Grants (84.007) award, which it intends to spend in the 2020-2021 award year.

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2020**

**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
84.063, 84.007, 84.033, and 84.268	Student Financial Assistance Cluster	Unmodified
84.425E, 84.425F	COVID-19 - Higher Education Emergency Relief Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$753,871

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

**Section II - Financial Statement Audit Findings**

Reference Number	Finding
<b>Current Year</b> None	

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings

Reference Number	Finding
2020-001	<p><b>CFDA Number, Federal Agency, and Program Name</b> - Student Financial Assistance Cluster, Department of Education - CFDA 84.063, Federal Pell Grant Program; CFDA 84.268, Federal Direct Student Loans; and CFDA 84.007, Federal Supplemental Educational Opportunity Grants</p> <p><b>Federal Award Identification Number and Year</b> - P063P191652, P268K201652, P007A192073 - 2019</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - If a recipient of a Title IV grant or loan funds withdraws from a school after beginning attendance, but before he or she has attended 60 percent of the scheduled length of the semester, the school must perform a return of Title IV funds calculation. If the amount disbursed to the student is greater than the amount the student earned, the unearned funds must be returned. The amount of Title IV earned by the student is calculated by determining the percentage of Title IV grant or loan assistance earned by the student and applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed to the student for the period of enrollment. The percentage of Title IV grant or loan assistance that has been earned by the student is equal to the percentage of the period of enrollment that the student completed as of the student's withdrawal date (34 CFR 668.22(e)).</p> <p><b>Condition</b> - Of the 40 students selected for return to Title IV testing, the College used the incorrect number of days in the semester for the calculation of one student. The R2T4 calculation for this student was based on the student taking a 15-week course; however, this student was only enrolled in 12-week courses. This resulted in an incorrect amount of earned Title IV assistance being calculated for this student. The College manually updates R2T4 calculations for students who take classes that are less than 15 weeks long. For this student, a clerical error occurred during this manual process, which resulted in the College performing an incorrect calculation.</p> <p><b>Questioned Costs</b> - \$99</p> <p><b>Identification of How Questioned Costs Were Computed</b> - The known questioned costs represent the difference between the calculated Title IV funds to be returned based on the correct course length and the actual Title IV funds returned.</p> <p><b>Context</b> - Of the 40 students selected for R2T4 testing, the College did not properly calculate the return of funds for one student.</p> <p><b>Cause and Effect</b> - A control was lacking to ensure R2T4 calculations were using the correct number of days of the term in which a student was enrolled. As a result, one R2T4 calculation for a certain student was incorrectly calculated.</p> <p><b>Recommendation</b> - The College should implement review procedures to verify that the information used in R2T4 calculations is accurate and that the system is appropriately calculating the required return of funds.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2020

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2020-001 (Continued)	<b>Views of Responsible Officials and Corrective Action Plan</b> - The College agrees with the finding identified in the sample noted above. The College is working on implementing additional review processes and procedures to ensure the inputs used in the R2T4 calculations are correct. The College will also implement a process to periodically sample and verify that the correct inputs are being used for a sample of R2T4 calculations performed throughout the year. A new R2T4 form has been created to assist with preventing future occurrences.