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# Schoolcraft 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  
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, 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 unmodified opinions on the financial statements of the College and its discretely presented component units. 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  
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, 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 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 & 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  
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 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 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 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  
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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2018-001 and 2018-002, 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.

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

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
Clusters:					
Student Financial Assistance Cluster - U.S. Department of Education:					
Federal Pell Grant Program	84.063	P063P171652	45-5658	\$ -	\$ 12,655,518
Federal Supplemental Educational Opportunity Grants	84.007	P007A172073	45-5653	-	230,474
Federal Work-Study	84.033	P033A172073	45-5655	-	156,849
Federal Direct Student Loans	84.268	P268K171652	45-5662	-	8,403,776
Total Student Financial Assistance Cluster				-	21,446,617
Highway Safety Cluster - U.S. Department of Transportation: Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU):					
Motorcycle Safety Training 2018 - Passed through the State of Michigan Department of State	20.616	NA	40-3220	-	9,185
Motorcycle Safety Training 2017 - Passed through the State of Michigan Department of State	20.616	NA	40-3221	-	23,588
Incentive Grant Program to Increase Motorcyclist Safety 2018 - Passed through the State of Michigan Department of State	20.612	NA	40-3216	-	7,775
Incentive Grant Program to Increase Motorcyclist Safety 2017 - Passed through the State of Michigan Department of State	20.612	NA	40-3218	-	46,650
Total Highway Safety Cluster				-	87,198
Other Federal Awards:					
U.S. Department of Education - Passed through the State of Michigan Department of Education - Vocational Education - Basic Grants to States	84.048	Various	Various	-	552,642
U.S. Department of Defense (Defense Logistics Agency) - Procurement Technical Assistance for Business Firms - Cost Sharing Cooperative Agreement - 2018	12.002	SP4800-17-2-1718	40-3349	68,167	264,575
U.S. Small Business Administration - Passed through the Michigan Small Business Development Center:					
Satellite Office 2018 - Passed through Eastern Michigan University	59.037	NA	40-3345	-	22,962
Satellite Office 2017 - Passed through Eastern Michigan University	59.037	NA	40-3347	-	15,963
Total Michigan Small Business Development Center				-	38,925
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	-	72,462
Total federal awards				<b>\$ 68,167</b>	<b>\$ 22,462,419</b>

## 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 Schoolcraft 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 "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.

### 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, 2017, the College carried forward \$27,045 of the 2016-2017 Federal Work Study Program (84.033) award and \$46,818 of the 2016-2017 Federal Supplemental Educational Program (84.007) award, which it spent in the 2017-2018 award year. In addition, in the year ended June 30, 2018, the College carried forward \$22,822 of the 2017-2018 Federal Work Study Program (84.033) award and \$43,707 of the 2017-2018 Federal Supplemental Educational Program (84.007) award, which it intends to spend in the 2018-2019 award year.

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  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  None reported

**Federal Awards**

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  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

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

Auditee qualified as low-risk auditee?  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, 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, Department of Education - CFDA 84.268, Federal Direct Student Loans and CFDA 84.063, Federal Pell Grant Program</p> <p><b>Federal Award Identification Number and Year</b> - P268K171652 2018, P063P171652, 2018</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> - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) or the guaranty agency within 30 days of the College's determination of a change or included in a student status confirmation report sent to NSLDS within 60 days of the College's determination of the status change (Pell, 34 CFR Section 690.83(b)(2); Direct Loan, 34 CFR Section 685.309). Per the NSLDS Enrollment Reporting Guide, any errors identified in the submission must be corrected and submitted within 10 days.</p> <p><b>Condition</b> - The College did not report student status change to the NSLDS in a timely manner for a student who received student financial aid who was identified in an error report from the National Student Clearinghouse (NSC) as having a duplicate social security number (SSN) with another student.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Of the 40 students selected for status change testing, the status change was not reported timely for one student.</p> <p><b>Cause and Effect</b> - The College submits system-generated reports on a monthly basis to report enrollment status changes to the NSC. The NSC uses these reports to complete the NSLDS roster in order to report the changes to NSLDS on a monthly basis for students who receive student financial aid. If a student has been flagged by the NSC for having a duplicate SSN, the student's updated status is not submitted to the NSLDS, and the College must manually update the student's NSLDS enrollment file if they received financial aid. During the award year, the College was not consistently performing the required manual update to the NSLDS enrollment file for students flagged by the NSC for duplicate SSNs. As a result, status changes for certain students who received financial aid included in the NSC error report were not reported to the NSLDS in a timely manner.</p> <p><b>Recommendation</b> - The College should implement controls to ensure any errors identified and returned by the NSC are updated accurately and timely within the NSLDS system for students receiving student financial aid.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2018

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2018-001 (Cont'd)	<b>Views of Responsible Officials and Corrective Action Plan</b> - The College has put a process into place to address these types of errors in the future. An email will be sent to any student flagged by the NSC as having a duplicate SSN requesting that they provide verification of their SSN via fax, email or walk-in to the records office. If the student fails to comply, the records office will reach out to financial aid to obtain a copy of the student's FAFSA. The document will be uploaded to NSC as part of the student's regular enrollment file. Next, an email will be sent to enrollment update, verifying the student's enrollment dates and proof of SSN on the FAFSA report provided the financial aid office, and a separate email will be sent to financial aid, requesting that the student's enrollment file be submitted to NSLDS. Once financial aid builds the enrollment file on NSLDS, a confirmation email will be sent to the records office from financial aid.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2018-002	<p><b>CFDA Number, Federal Agency, and Program Name</b> - Student Financial Assistance Cluster, Department of Education - CFDA 84.007, Federal Supplemental Educational Opportunity Grants (FSEOG)</p> <p><b>Federal Award Identification Number and Year</b> - P007A172073, 2018</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> - FSEOG selection practices must be applied in a manner that would assure a reasonable consistency over the entire award year. If an institution is awarding FSEOG to a student for a full academic year, a portion of the grant must be paid during each payment period (34 CFR Section 676.16(a)).</p> <p><b>Condition</b> - The College did not pay a portion of FSEOG awards during each semester for certain students.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - The College did not have adequate procedures in place to ensure FSEOG was being disbursed to eligible students during each payment period. The College identified the issue and disbursed \$210,860 after June 30, 2018 to eligible students who did not receive payments during the academic year.</p> <p><b>Cause and Effect</b> - The College has the ability to freeze individual awards in the Student Financial Assistance award packaging system to prevent over-awarding. The freeze for SEOG was applied during a portion of the fall and winter semesters. Eligible students that submitted an ISIR during that portion of the award year were not awarded or disbursed FSEOG until after June 30, 2018.</p> <p><b>Recommendation</b> - The College should implement controls to ensure FSEOG is being awarded consistently throughout the award year and that eligible students are receiving the grant funds in each payment period that costs were incurred by the student.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2018

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2018-002 (Cont'd)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College has developed and is currently utilizing the process of auto-packaging the FSEOG award during the ISIR import process. When a student submits their ISIR to the College, it is obtained by the financial aid office through an ISIR import process. During that process, the ISIR is evaluated and aid will be awarded if there are no requests made by the Department of Education (DOE), i.e., verification selection or other document requests. If the student meets the eligibility criteria to be awarded FSEOG and if funding permits, the student will be awarded the FSEOG award. We will continue this consistent awarding process until all budget allocation funds have been awarded for the academic year.</p> <p>The freeze flag that is used to stop the awarding of certain awards during the year will be monitored closely as well. The purpose of the freeze flag is to prevent over-spending of an award during the course of an academic year through the ISIR import and auto-packaging process. We have developed a process for remaining consistent when the freeze flag is applied and additional FSEOG funding becomes available. We will monitor all ISIR imports that occur while the freeze flag is applied. If additional FSEOG funds become available later in the year we will evaluate the ISIR imports in date order from when the freeze flag was applied. This will ensure that the FSEOG award follows a consistent awarding pattern throughout the year for all eligible students. All students awarded will be awarded the FSEOG fund to cover any costs that were incurred by the student for each payment period.</p>