



**SINGLE AUDIT ACT COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2011**

JACKSON COMMUNITY COLLEGE

SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
EXPENDITURES ON FEDERAL AWARDS**

November 3, 2011

Board of Trustees
Jackson Community College
Jackson, Michigan

We have audited the basic financial statements (not presented herein) of *Jackson Community College* as of and for the year ended June 30, 2011, and have issued our report thereon dated November 3, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



JACKSON COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grant Program	84.007		\$ 109,000
Federal Work-Study Program	84.033		200,000
Pell Grant Program	84.063		19,489,310
Direct Loan Program	84.268		17,713,576
Academic Competitiveness Grant Program	84.375		7,300
Total Student Financial Assistance Cluster			37,519,186
TRIO Student Support Services Project	84.042A		136,647
Title III Transforming Instruction and Student Services	84.031A		195,995
Pass-Through Program From Michigan Department of Education			
Vocational Education Basic Grant	84.048A		
Regional Allocation		112110	401,339
CAP Leadership Grant		112410	13,780
CAP Leadership Grant		1124102	9,110
CAP Leadership Grant		102410	17,500
Local Leadership		112510	18,324
Total Vocational Education Basic Grant			460,053
Pass-Through Program From South Central Michigan Works! Tech Prep	84.048A	09JCC-02	36,477
Pass-Through Program From Michigan Community College Association Fund for the Improvement of Postsecondary Education	84.116		82,644
Total U.S. Department of Education			38,431,002
<u>U.S. Department of Labor</u>			
Workforce Investment Act Cluster			
Pass-Through Programs From South Central Michigan Works!			
ARRA WIA Adult Program	17.258	09JCC-02	219,825
ARRA WIA Youth Activities Program	17.259	09JCC-02	189,028
ARRA WIA Dislocated Workers Program	17.260	09JCC-02	236,697
Total Workforce Investment Act Cluster			645,550
Pass-Through Programs From South Central Michigan Works!			
ARRA Employment Services/Wagner-Peyser Funded Activities	17.207	09JCC-02	392,681
Trade Adjustment Assistance	17.245	09JCC-02	249,691
Total U.S. Department of Labor			1,287,922

JACKSON COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards (Concluded)

For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Program From University of Michigan Nursing Workforce Diversity Grant	93.178	3000436157	\$ 1,168
Pass-Through Program From South Central Michigan Works! Temporary Assistance For Needy Families	93.558	09JCC-02	<u>218,541</u>
Total U.S. Department of Health and Human Services			<u>219,709</u>
<u>U.S. Department of Energy</u>			
Pass-Through Program From Focus HOPE ARRA Weatherization Assistance Program Training Centers and Prgs	81.042		<u>94,836</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 40,033,469</u>

The accompanying note is an integral part of this Schedule.

JACKSON COMMUNITY COLLEGE

Note to the Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Jackson Community College (the “College”) under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Colleges*. Because the Schedule presents only a selected portion of the operations of Jackson Community College, it is not intended to and does not present the financial position, changes in net assets or cash flows of Jackson Community College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITORS' 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***

November 3, 2011

Board of Trustees
Jackson Community College
Jackson, Michigan

We have audited the basic financial statements (not presented herein) of *Jackson Community College* as of and for the year ended June 30, 2011, and have issued our report thereon dated November 3, 2011. We conducted our audit 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 Jackson Community College Foundation, a blended component unit of the College, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson Community College's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 3, 2011

Board of Trustees
Jackson Community College
Jackson, Michigan

Compliance

We have audited the compliance of Jackson Community College with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Jackson Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson Community College's management. Our responsibility is to express an opinion on Jackson Community College's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Jackson Community 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. Our audit does not provide a legal determination of Jackson Community College's compliance with those requirements.

In our opinion, Jackson Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

The management of Jackson Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jackson Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. 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.

Jackson Community College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Jackson Community College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JACKSON COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

X yes _____ no

JACKSON COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268 and 84.375 84.048A	Student Financial Assistance Cluster Vocational Education Basic Grant

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

JACKSON COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2011-1: Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance – Procurement, Suspension and Debarment
CFDA # 84.048A - U.S. Department of Education, Passed Through Michigan Department of Education, Vocational Education Basic Grant, Regional Allocation**

Criteria:	When awarding contracts in excess of \$25,000 to vendors or contractors, all procurement transactions must be conducted in a manner providing full and open competition. When a non-federal entity enters into a covered transaction, OMB Circular A-133 requires the non-federal entity must verify that the vendor or contractor is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the vendor or contractor, or adding a clause or condition to the covered transaction with that vendor or contractor. Once such a contract is awarded, the contract is required to be approved by the State of Michigan.
Condition:	The College did not complete verifications for suspension or debarment for two vendors with whom the College had purchases of equipment greater than \$25,000.
Cause:	Although the root cause cannot be readily determined, this appears to be the result of the College grant personnel not being aware of or fully understanding the requirements for verification of suspension and debarment.
Effect:	Verifications of suspension and debarment were not performed for these equipment purchases of the College. Upon subsequent review, College grant personnel did verify that the two vendors in question were not suspended or debarred.
Recommendation:	We recommend that the College put into place policies and procedures to ensure proper compliance with suspension and debarment requirements.
View of Responsible Officials:	Management concurs with the finding and appropriate measures have been developed to comply.

JACKSON COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2011

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2010-2: Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance – Special Tests and Provisions CFDA # 84.007, 84.032, 84.033, 84.063, 84.375 - U.S. Department of Education

Criteria: As a result of our testing we noted that the College had been processing student refunds during the fall 2009 semester with incorrect withdrawal dates for students who initiated the withdrawal.

Condition: When a student withdraws from a course or the instructor drops a student from a course, the College must determine the number of days attended and calculate the amount of Title IV funds to refund to the Federal Government.

Cause: Incorrect dates were used in processing student initiated withdrawals.

Effect: Incorrect calculations were made for the amount of Title IV funds to be refunded.

Recommendation: The College needs to develop policies and procedures for processing student withdrawals and the calculations need to be reviewed and approved prior to submission.

View of Responsible Officials: Management agrees with the finding and the process that caused the error has already been corrected.

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