



Year Ended
June 30, 2016

Single Audit Act
Compliance

JACKSON COLLEGE

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
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 <i>Government Auditing Standards</i>	4
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	6
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	12
Corrective Action Plan	13



INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

November 3, 2016

Board of Trustees
Jackson College
Jackson, Michigan

We have audited the financial statements (not presented herein) of the business-type activities and the discretely presented component units of *Jackson College* (the "College") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 3, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



JACKSON COLLEGE

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	Direct	P007A102021	\$ 130,000
Federal Work-Study Program	84.033	Direct	P033A102021	200,000
Federal Pell Grant Program	84.063	Direct	P063P101638	10,450,066
Federal Direct Student Loans	84.268	Direct	P268K111638	13,073,436
				<u>23,853,502</u>
TRIO - Student Support Services	84.042A	Direct	P042A100484	<u>246,755</u>
Title III Transforming Instruction and Student Services	84.031A	Direct	P031A100120	<u>129,976</u>
Vocational Education Basic Grant:				
Regional Allocation	84.048A	MDE	112110	312,012
Perkins Local Leadership	84.048A	MDE	112510	18,400
				<u>330,412</u>
College Access Challenge Grant Program	84.378	MCAN	09JCC-02	<u>3,125</u>
Center for Analysis on Postsecondary Education & Employment	84.305C	TC	511135	<u>18,000</u>
Total U.S. Department of Education				<u>24,581,770</u>
U.S. Department of Justice				
Second Chance Technology Grant	16.812	MDOC	472B6600112	<u>145,406</u>
Total Expenditures of Federal Awards				<u>\$ 24,727,176</u>

See notes to schedule of expenditures of federal awards.

JACKSON COLLEGE

Notes to 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 College (the "College") under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 net position, changes in net position, or cash flows of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in 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.

For purposes of charging indirect costs to federal awards, the College has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH ENTITIES

The College receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Entity Abbreviation	Pass-through Entity Name
MCAN	Michigan College Access Network
MDE	Michigan Department of Education
MDOC	Michigan Department of Corrections
TC	Teachers College



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, 2016

Board of Trustees
Jackson College
Jackson, Michigan

We have audited, in accordance with the 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 units of *Jackson College* (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 3, 2016.

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 entity'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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Johnson LLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

November 3, 2016

Board of Trustees
Jackson College
Jackson, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Jackson College* (the "College") with the types of compliance requirements described 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, 2016. The College's major federal program is identified in the summary of auditors' 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program 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 requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on the major federal program is not modified with respect to these matters.

The College's responses to the noncompliance 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.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

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 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 items 2016-001 and 2016-002 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.

Purpose of this Report

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.

Rehmann Lobson LLC

JACKSON COLLEGE

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

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:

Unmodified

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

X yes _____ no

Identification of major programs:

CFDA Number

84.007, 84.033, 84.063, 84.268

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____ no

JACKSON COLLEGE

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 - Eligible Programs

Finding Type. Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance

Program. Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.007, 84.033, 84.063, and 84.268; Award Numbers P007A102021, P033A102021, P063P101638, and P268K111638.

Criteria. The Uniform Guidance Compliance Supplement states that a student must be enrolled in an eligible program to receive federal student financial aid.

Condition. We were notified by College management that certain students who were not enrolled in eligible certificate programs at the College received federal student financial aid awards during fiscal 2016. As a result of our testing of 40 students for eligibility, we noted one student who was enrolled in an ineligible certificate program.

Cause. When an academic program is identified as ineligible for students to receive Title IV financial aid, the program is coded NDOE in the College's ERP system to prevent Title IV financial aid from being awarded to students enrolled in that program. Due to personnel turnover in the College's financial aid office and human error, two certificate programs were not coded as ineligible programs in the College's system, which permitted Title IV financial aid to be erroneously awarded to students enrolled in these certificate programs.

Effect. As a result of this condition, 109 students who were enrolled in two ineligible certificate programs at the College received federal student financial aid in fiscal 2016.

Questioned Costs. The one student identified in our testing received a total of \$2,166 in Federal Pell. The College estimated total questioned costs in the amount of \$283,000 for this finding.

Recommendation. We recommend that the College implement procedures regarding proper training of financial aid personnel and monitoring of students' enrollment in programs and any changes in program enrollment to ensure financial aid is only awarded to students in eligible programs.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2016

2016-002 - Return to Title IV

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions).

Program. Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.007, 84.033, 84.063, and 84.268; Award Numbers P007A102021, P033A102021, P063P101638, and P268K111638.

Criteria. The Uniform Guidance Compliance Supplement states that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Condition. We noted one Return to Title IV calculation that was calculated incorrectly.

Cause. The cause was due to College personnel using the incorrect disbursement amount in the calculation.

Effect. As a result of this condition, the College returned less aid than required. The College subsequently returned the shortage in the amount of \$256 to the U. S. Department of Education per this finding.

Questioned Costs. None.

Recommendation. We recommend that the College implement procedures regarding additional review of Title IV refund calculations to ensure that system generated calculations are accurate.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.



JACKSON COLLEGE

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2016

No matters were reported.



CORRECTIVE ACTION PLAN

The compliance audit identified two findings, which are described in the Schedule of Findings and Questioned Costs. We evaluated each of these matters as described below, and have described our corrective actions as a result.

2016-001 - Eligible Programs

Management Assessment and Planned Corrective Action. Management discovered this issue and reported it to the auditor, who determined that this finding was not material to our financial statements. In response to this issue, the College has retrained relevant financial aid personnel to make sure they all understand that Title IV funds cannot be awarded and disbursed to any student who is not enrolled in an academic program that has been determined to be eligible for Title IV funding. We have also implemented process changes relating to student eligibility, which include coding each program of study in our ERP system as being eligible for Title IV funding (DOE) or not eligible for Title IV funding (NDOE), and an additional review of program eligibility each time a student changes his or her academic program. A student can update their program of study online but the change will not be accepted by the College unless the student meets with their student success navigator in person or via phone and receives consultation about the requested changes and the effects this change may have on their financial aid eligibility and academic progress. In addition, the College has identified all students who received Title IV funding during fiscal year 2016 due to their being enrolled in an ineligible certificate program, and estimates total questioned costs of approximately \$283,000.

Responsible Party. Financial Aid Director/VP of Finance

Date of Planned Corrective Action. The above process changes and retraining have been completed.

2016-002 - Return to Title IV

Management Assessment and Planned Corrective Action. The College concurs with the finding regarding this one student and believes this was an isolated error. The College has reviewed its policies and procedures regarding the Return of Title IV refund calculations to assure they are compliant with Title IV requirements. In addition, as a result of this finding, the College has updated its Return of Title IV policy to include a reminder of the requirement to review each student's disbursement amounts, enrollment status and adjustments for all Title IV return calculations.

Responsible Party. Financial Aid Director

Date of Planned Corrective Action. The College's review and updating of its policy and procedures to address this finding have been completed.

BOARD OF TRUSTEES