



Year Ended  
June 30, 2017

Single Audit Act  
Compliance



# JACKSON COLLEGE

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

October 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 30, 2017, 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 basic 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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# Jackson College

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Education</b>				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	Direct	P007A162021	\$ 134,600
Federal Work-Study Program	84.033	Direct	P033A162021	222,979
Federal Pell Grant Program	84.063	Direct	P063P161638	10,958,985
Federal Direct Student Loans	84.268	Direct	P268K171638	12,541,496
				<u>23,858,060</u>
TRIO Cluster:				
TRIO - Student Support Services	84.042A	Direct	P042A150788	<u>226,181</u>
Career and Technical Education-Basic Grants to States:				
Regional Allocation	84.048A	MDE	172110	329,582
Perkins Local Leadership	84.048A	MDE	172510	9,200
				<u>338,782</u>
<b>Total U.S. Department of Education</b>				<u>24,423,023</u>
<b>U.S. Department of Justice</b>				
Second Chance Technology Grant	16.812	MDOC	472B6600112	<u>29,929</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 24,452,952</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, 2017. The information in this 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* (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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 2 to the College's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 AGENCIES

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 Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MDOC	Michigan Department of Corrections





**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***

October 30, 2017

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, 2017, 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 30, 2017. The financial statements of Jackson College Foundation and Jackson College Dormitories, the College's 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 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 Lohman LLC*

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

October 30, 2017

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, 2017. 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, 2017.

### *Other Matter*

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

The College's response to the noncompliance 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.

### **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.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

*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. 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.

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

#### *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 Johnson LLC*

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# JACKSON COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

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

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 and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster	Unmodified

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

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes \_\_\_\_\_ no

# JACKSON COLLEGE

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

### SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.



# JACKSON COLLEGE

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2017-001 - Satisfactory Academic Progress

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Eligibility).

**Programs.** Student Financial Assistance Cluster; U.S. Department of Education; CFDA Numbers 84.007, 84.033, 84.063, and 84.268; Award Numbers P007A162021, P033A162021, P063P161638, and P268K171638.

**Criteria.** The OMB Compliance Supplement states that a student must be making satisfactory academic progress to receive federal aid.

**Condition.** One student out of the 40 tested received federal aid but did not meet the criteria for satisfactory academic progress.

**Cause.** Manual awarding of aid outside of the award packaging system.

**Effect.** As a result of this condition, one student received federal aid when they were not eligible.

**Questioned Costs.** None.

**Recommendation.** We recommend the College implement stronger procedures around awarding federal aid to ensure that only eligible students are awarded this aid.

**View of Responsible Officials.** Management concurs with the finding regarding this one student and believes this was an isolated error. Management of the College has reviewed its policies and procedures regarding Satisfactory Academic Progress (SAP). In addition, as a result of this finding, management has updated its SEOG awarding policy and reports used in awarding the Federal funds to include a reminder and information about each student's SAP status prior to awarding these funds. The funds relating to this finding were returned and awarded to another eligible student.



# JACKSON COLLEGE

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

### 2016-001 - Eligible Programs

The auditors 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 audit testing of 40 students for eligibility, the auditors noted one student who was enrolled in an ineligible certificate program. 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. The College has also implemented process changes relating to student eligibility, which include coding each program of study in the College's 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.

### 2016-002 - Return to Title IV

The auditors noted one Return to Title IV calculation that was calculated incorrectly. 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. 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.

