

Kalamazoo Valley Community College

**Federal Awards
Supplemental Information
June 30, 2013**

Kalamazoo Valley Community College

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133
Independent Auditor's Report

To the Board of Trustees
Kalamazoo Valley Community College

We have audited the basic financial statements of Kalamazoo Valley Community College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We have issued our report thereon dated November 4, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 November 4, 2013.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

November 4, 2013

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
Kalamazoo Valley Community 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 Kalamazoo Valley Community College (the "College") and its discretely presented component unit, which comprise the basic statement of financial position as of June 30, 2013 and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated November 4, 2013. The basic financial statements of Kalamazoo Valley Community College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Kalamazoo Valley Community 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 opinion on the basic 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.

To the Board of Trustees
Kalamazoo Valley Community College

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kalamazoo Valley Community College's basic 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 basic 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 4, 2013

Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Board of Trustees
Kalamazoo Valley Community College

Report on Compliance for the Major Federal Program

We have audited Kalamazoo Valley Community College's (the "College") compliance 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 its major federal program as of and for the year ended June 30, 2013. Kalamazoo Valley Community 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Kalamazoo Valley Community 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 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 Kalamazoo Valley 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Kalamazoo Valley Community College's compliance.

To the Board of Trustees
Kalamazoo Valley Community College

Opinion on the Major Federal Program

In our opinion, Kalamazoo Valley Community 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, 2013.

Report on Internal Control Over Compliance

Management of Kalamazoo Valley Community 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 Kalamazoo Valley Community 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 OMB Circular A-133, 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 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, as described in the accompanying schedule of findings and questioned costs as Finding 2013-001, that we consider to be a significant deficiency.

Kalamazoo Valley Community 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 and/or corrective action plan. Kalamazoo Valley Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Board of Trustees
Kalamazoo Valley Community College

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

November 4, 2013

Kalamazoo Valley Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Project/Grant Number | Award Amount | Federal Expenditures |
|--|----------------|---|-----------------|-------------------------|
| Student Financial Aid Cluster - U.S. Department of Education: | | | | |
| Federal Work Study Program (Note 2) | 84.033 | P033A112024 | \$ 240,000 | \$ 147,254 |
| Federal Supplemental Education Opportunity Grant Program (Note 2) | 84.007 | P007A112024 | 259,031 | 342,896 |
| Federal Pell Grant Program | 84.063 | P063P112876 | 19,089,372 | 19,529,731 |
| Guaranteed Student Loan Programs: | | | | |
| Federal Stafford, subsidized | 84.268 | N/A | N/A | 14,607,069 |
| Federal Stafford, unsubsidized | 84.268 | N/A | N/A | 13,170,892 |
| Federal PLUS Loan Program | 84.268 | N/A | N/A | 104,138 |
| Total Guaranteed Student Loan Programs | | | | 27,882,099 |
| Total Student Financial Aid Cluster | | | | 47,901,980 |
| Other federal awards: | | | | |
| U.S. Department of Education - Passed through the Michigan Department of Education - Carl D. Perkins Vocational Educational Act: | | | | |
| Program Improvement Menu | 84.048A | 1121-11 | 629,840 | 623,301 |
| Local Leadership | 84.048A | 1325-11 | 18,400 | 18,400 |
| Professional Development | 84.048A | 1324-11 | 3,000 | 3,000 |
| Total Vocational Education | | | | 644,701 |
| U.S. Department of Justice - | | | | |
| Bulletproof Vest Partnership | 16.607 | 1121-0235 | 292 | 288 |
| Federal Clean Water Act - Passed through the Michigan Department of Environmental Quality - | | | | |
| Reducing Stormwater Impacts to West Fork Portage Creek | 66.460 | 2011-0023 | 264,135 | 264,135 |
| U.S. Department of Energy - Passed through W.E. Upjohn Institute for Employment Research - ARRA - AY10 Electricity, Delivery and Energy Reliability Research, Development, and Analysis | | | | |
| | 81.122 | 12-46 | 265,802 | 69,867 |
| Total federal awards | | | | \$ 48,880,971 |

Kalamazoo Valley Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kalamazoo Valley Community College (the "College") under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Kalamazoo Valley Community College, it is not intended to, and does not, present the financial position, revenue, expenses, and changes in net assets, or cash flows, if applicable, of Kalamazoo Valley Community College. Pass-through entity identifying numbers are presented where available.

Note 2 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, Kalamazoo Valley Community College expended \$22,500 of Federal Work Study (84.033) funds and \$6,105 of Federal Supplemental Education Opportunity Grant (84.007) funds carried forward from the year ended June 30, 2012. The College carried forward \$24,000 of Federal Work Study (84.033) funds and \$3,671 of Federal Supplemental Education Opportunity Grant (84.007) funds from the year ended June 30, 2013 to the year ending June 30, 2014. In addition, the College transferred \$60,000 of Federal Work Study funds to the Federal Supplemental Education Opportunity Grant funds during the year ended June 30, 2013.

Kalamazoo Valley Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

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 No

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------------------|---|
| 84.007, 84.033, 84.063, and 84.268 | Student Financial Aid Cluster |

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

Auditee qualified as low-risk auditee? Yes No

Kalamazoo Valley Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

| Reference Number | Finding |
|------------------|--|
| 2013-001 | <p>Program Name - Student Financial Aid Cluster - Direct Loan Program - CFDA #84.268</p> <p>Pass-through Entity - U.S. Department of Education</p> <p>Finding Type - Significant Deficiency</p> <p>Criteria - 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 change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 685.309).</p> <p>Condition - Student enrollment status change information was not sent to NSLDS with the correct status within the specified timeline of 60 days. This is the second consecutive year with this finding.</p> <p>Questioned Costs - None</p> <p>Context - Of the 40 students selected for status change testing, three of those students did not have a status change reported within 60 days.</p> <p>Cause and Effect - The College updates the student status change report every two months; however, students that were unofficially withdrawn or graduated during the fall semester were not identified timely because they were not initially considered to be withdrawn, therefore causing their status to be updated after 60 days.</p> <p>Recommendation - It is recommended that the College review students that were unofficial withdrawals and graduates during the semester to ensure that their status is updated timely.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendation. After the 2011-2012 federal awards audit, additional steps were taken to identify Federal Title IV Financial Aid recipients where unofficial withdrawals had dropped them below half-time so they could be reported within the 60-day window. In early 2013, we enrolled in and are now reporting those changes through the National Clearinghouse. These changes, completed by March 2013, have brought us into compliance. It should be noted that the three students that were found out of compliance were from the fall 2012 semester.</p> |

Kalamazoo Valley Community College

Summary Schedule of Prior Audit Findings Year Ended June 30, 2013

| <u>Prior Year Finding Number</u> | <u>Federal Program</u> | <u>Original Finding Description</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|----------------------------------|--|--|-----------------------------|------------------------------------|
| 2012-01 | Student Financial Aid Cluster - Direct Loan Program - CFDA #84.268 | Changes in a student's status are required to be reported to the National Student Loan Data System or the guaranty agency within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change. Updated student statuses for the fall 2012 semester were not sent to NSLDS within the specified timeline of 60 days. | Corrected as of Spring 2013 | See current year finding 2013-001. |