

Kalamazoo Valley Community College

**Federal Awards
Supplemental Information
June 30, 2015**

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 financial statements of Kalamazoo Valley Community College (the "College") and its discretely presented component unit of Kalamazoo Valley Community College as of and for the year ended June 30, 2015 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, 2015, which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 3, 2015.

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 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

November 3, 2015

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 as of and for the year ended June 30, 2015 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, 2015. The 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 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 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.

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

Plante & Morse, PLLC

November 3, 2015

Report on Compliance for Each 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 Each 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 programs for the year ended June 30, 2015. Kalamazoo Valley Community College's major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kalamazoo Valley Community 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 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 each 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 Each 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 programs for the year ended June 30, 2015.

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 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 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2015-001 and 2015-002, that we consider to be significant deficiencies.

Kalamazoo Valley Community 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. Kalamazoo Valley Community College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 & Morse, PLLC

November 3, 2015

Kalamazoo Valley Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

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 3)	84.033	P033A142024	\$ 200,000	\$ 145,790
Federal Supplemental Education Opportunity Grant Program (Note 3)	84.007	P007A142024	245,812	294,311
Federal Pell Grant Program	84.063	P063P142876	14,438,418	14,487,110
Guaranteed Student Loan Programs:				
Federal Stafford - Subsidized	84.268	N/A	N/A	7,202,300
Federal Stafford - Unsubsidized	84.268	N/A	N/A	5,003,487
Federal PLUS Loan Program	84.268	N/A	N/A	59,994
Total Guaranteed Student Loan Programs				12,265,781
Total Student Financial Aid Cluster				27,192,992
Other federal awards:				
U.S. Department of Education - Passed through the Michigan Department of Education - Carl D. Perkins Vocational Educational Act:				
Tx Perkins Sp. Needs	84.048A	1521-11	50,210	50,170
Tx Perkins Sp. Needs	84.048A	1521-11	11,659	11,431
Tx Perkins Sp. Needs	84.048A	1521-11	16,503	18,365
Tx Perkins Sp. Needs	84.048A	1521-11	31,061	29,998
Tx Perkins Sp. Needs	84.048A	1521-11	13,217	13,193
Ac Perkins Sp. Needs	84.048A	1521-11	59,389	60,085
C. Perkins Counseling	84.048A	1521-11	112,972	113,999
Voc. Ed. - Equipment	84.048A	1521-11	298,259	289,732
Special Pops/ Perkins III	84.048A	1521-11	14,833	14,833
National Skill Standards Programming	84.048A	1521-11	13,268	8,627
Local Leadership	84.048A	1525-11	8,400	8,372
Professional Development	84.048A	1524-11	18,400	18,400
			3,125	2,524
Total Vocational Education				639,729
U.S. Department of Justice -				
Bulletproof Vest Partnership	16.607	1121-0235	1,404	1,404
Total federal awards				\$ 27,834,125

Kalamazoo Valley Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kalamazoo Valley Community College under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, changes in net assets, or cash flows of Kalamazoo Valley Community College.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on 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. 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.

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, Kalamazoo Valley Community College expended \$14,093 of Federal Work Study (84.033) funds and \$2,199 of Federal Supplemental Education Opportunity Grant (84.007) funds carried forward from the year ended June 30, 2014. The College carried forward \$18,303 of Federal Work Study (84.033) funds and \$3,700 of Federal Supplemental Education Opportunity Grant (84.007) funds from the year ended June 30, 2015 to the year ending June 30, 2016. In addition, the College transferred \$50,000 of Federal Work Study funds to the Federal Supplemental Education Opportunity Grant funds during the year ended June 30, 2015.

Kalamazoo Valley Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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 programs:

<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

Section II - Financial Statement Audit Findings

None

Kalamazoo Valley Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings

Reference Number	Finding
2015-001	<p>Program Name - Student Financial Aid Cluster - Federal Pell Grant Program - CFDA #84.063</p> <p>Pass-through Entity - U.S. Department of Education</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Each year, based on the maximum Pell Grant established by Congress, ED provides to institutions payment and disbursement schedules for determining Pell awards. The payment or disbursement schedule provides the maximum annual amount a student would receive based on a given enrollment status, expected family contribution, and cost of attendance (34 CFR Section 690.62(a)).</p> <p>Condition - The College did not have a process in place to ensure the award amount was properly adjusted for a student's enrollment status change.</p> <p>Questioned Costs - Known total questioned costs amount to \$1,517.</p> <p>Context - Out of 25 students selected for tested, one student was overawarded Pell.</p> <p>Cause and Effect - After the College awarded the student's Pell amount, there was a change in contact hours for one class the student was attending and the student eventually was dropped for nonattendance from a class by the records and registration office. Based on timing of payment, student was locked in at 3/4th time and thus Pell was not properly adjusted. A control was lacking to ensure when a student's enrollment status changes, the amount of the Pell Grant awarded was properly adjusted.</p> <p>Recommendation - It is recommended the College review that Pell amounts awarded do not exceed published maximums when there is any change concerning a student's enrollment status or cost of attendance.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendation. We discontinued using algorithmic budgeting to determine cost of attendance [cost of attendance based on actual tuition (contact hours) and fees, adjusted daily] with the conclusion of the 2014-2015 award year. Effective with the 2015-2016 award year, each semester at the point we freeze Pell, we determine cost of attendance based on enrollment status. Additionally, we no longer lock Pell to address overawards.</p>

Kalamazoo Valley Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-002	<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 - Upon packaging a student's aid, colleges are to ensure the student's total financial aid and other estimated financial assistance (EFA) must not exceed the student's financial need (need = cost minus the EFC). If it is discovered that the student has other EFA that causes the aid package to exceed the student's need, you must attempt to adjust the aid package to eliminate the overaward (34 CFR Section 668.32(g)).</p> <p>Condition - The College did not have a process in place to ensure all financial assistance received is taken into consideration in determining the amount of federal financial assistance a student will receive.</p> <p>Questioned Costs - Known total questioned costs amount to \$400.</p> <p>Context - Out of 25 students selected for tested, one student received funding that exceeded cost of attendance by \$400.</p> <p>Cause and Effect - The student requested an increase in her loan as a result of the College packaging her aid as if she was a dependent student when she really was an independent student (was not originally designated by the student). On the same day, the student was awarded a \$400 KVCC Foundation Assistance award. Federal direct loans were not adjusted and thus the overaward occurred. A control was lacking to identify whether or not a student's need calculation needed to be updated based on the student receiving other financial assistance after the initial need calculation was performed by the College.</p> <p>Recommendation - It is recommended the College review that federal direct loan overawards do not occur as a result of the student receiving other financial assistance.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendation. Effective with the 2015-2016 award year, each semester at the point we freeze Pell, we determine the cost of attendance based on enrollment status. Each semester after we adjust the cost of attendance to actual semester enrollment status, we run reports to catch all variations of loan overawards. We will continue to run these reports on a weekly basis throughout the semester.</p>