

**LAKE SUPERIOR STATE UNIVERSITY  
FEDERAL AWARDS**

**SINGLE AUDIT REPORT**

**JUNE 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# LAKE SUPERIOR STATE UNIVERSITY

## SINGLE AUDIT REPORT

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**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Federal CFDA Number	Federal Grantor/Pass-through Grantor/ Program Title	Award # or Pass-through Grant #	Award Amount	Carryover	Accrued (Deferred) at 07/01/06	Receipts	Other Revenue Recognized	Transfers & Adjustments	Prior Year Expenditures	Current Year Expenditures	Accrued (Deferred) at 06/30/07
<b>U.S. Department of Education:</b>											
Direct Programs:											
84.007	Supplemental Education Opportunity Grant 06-07	P007A062029	\$ 103,037	-	\$ -	103,037	\$ -	\$ -	-	\$ 103,037	\$ -
84.033	Federal Work Study 06-07	P033A062029	271,954	-	-	271,954	-	-	-	271,954	-
84.033	Federal Work Study 05-06	P033A052029	271,954	25,922	-	25,922	-	246,032	-	25,922	-
84.063	Federal Pell Grant Program 06-07	P063P060235	2,056,126	-	-	2,053,000	-	-	-	2,062,582	9,582
84.063	Federal Pell Grant Program 05-06	P063P050235	2,045,060	-	24,710	24,710	-	2,045,060	-	-	-
84.375	Academic Competitive Grants (ACG) 06-07	P375A060235	45,773	-	-	45,773	-	-	-	45,773	-
84.376	National Science And Mathematics (SMART) 06-07	P376S060235	30,950	-	-	30,950	-	-	-	30,950	-
84.268	William D. Ford Federal Direct Loan Program 06-07	P268K061388	8,214,531	-	-	8,100,300	-	-	-	8,176,091	75,791
84.268	William D. Ford Federal Direct Loan Program 05-06	P268K051388	9,003,933	-	34,236	36,716	-	-	9,001,453	2,480	-
84.038	Federal Perkins Loan Program	P038A062029	-	-	(2,648,288)	-	89,077	545,642	280,237	639,810	(2,643,197)
	SUBTOTAL		22,043,318	-	(2,589,342)	10,692,362	89,077	545,642	11,572,782	11,358,599	(2,557,824)
84.047a	Upward Bound 05-06	P047A030828-05	377,530	-	-	-	-	-	293,672	-	-
84.047a	Upward Bound 06-07	P047A030828-06	377,530	8,334	-	334,000	-	-	42,937	334,693	9,027
84.047a	Upward Bound 07-08	P047A070988-07	388,856	-	-	9,000	-	-	-	37,534	28,534
	SUBTOTAL		1,143,916	8,334	-	343,000	-	-	336,609	372,227	37,561
84.031a	Higher Education Institutional Aid - Project Mgt	P031A010202	290,000	-	-	10,555	-	-	41,493	10,555	-
84.031a	Higher Education Institutional Aid - Academic Success	P031A010202	1,499,438	-	-	143,528	-	-	239,932	143,528	-
	SUBTOTAL		1,789,438	-	-	154,083	-	-	281,425	154,083	-
Programs passed through Michigan Department of Education:											
84.048	Occupational Educational Services 06-07	073510/702133	251,655	-	-	100,964	-	-	-	100,964	-
84.048	Occupational Educational Services 05-06	063510/602133	118,208	-	27,656	27,656	-	-	118,208	-	-
84.048	Local Leadership 06-07	073250/702534	2,800	-	-	383	-	-	-	383	-
84.048	Local Leadership 05-06	063250/602533	1,400	-	-	-	-	-	387	-	-
84.048	Professional Development - Fast Track 06-07	7029-33	1,000	-	-	-	-	-	-	675	675
84.048	Professional Development - Fast Track 05-06	063290/602933	1,000	-	-	-	-	-	930	-	-
84.367	Improving Teacher Quality 05-07	060290/904	188,964	-	39,371	90,846	-	-	71,412	53,947	2,472
	SUBTOTAL		565,027	67,027	219,849	-	-	-	190,937	155,969	3,147
Programs passed through EUP Intermediate School District:											
84.243a	Tech Prep 06-07	7014-03	12,510	-	-	9,191	-	-	-	12,522	3,331
84.243a	Tech Prep 05-06	6014-03	12,500	500	500	500	-	12,124	-	-	-
	SUBTOTAL		25,010	500	9,691	-	-	-	12,124	12,522	3,331
Programs passed through Dickinson-Iron Intermediate School District:											
84.366b	Math Science Partnership-Building Bridges 05-07		20,000	7,842	10,000	-	-	7,842	-	12,158	10,000
Programs passed through Michigan Department of Labor and Economic Growth:											
84.334s	Michigan GEAR UP/College Day Program		10,120	-	-	-	-	-	-	4,986	4,986
	<b>Total U.S. Department of Education</b>		25,596,829	(2,505,639)	11,428,985	89,077	545,642	12,401,719	12,070,544	(2,498,799)	

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Federal CFDA Number	Award # or Pass-through Grant #	Award Amount	Carryover	Accrued (Deferred) at 07/01/06	Receipts	Other Revenue Recognized	Transfers & Adjustments	Prior Year Expenditures	Current Year Expenditures	Accrued (Deferred) at 06/30/07
		\$ -	-	\$ (620,920)	\$ -	\$ 11,365	\$ 8,070	\$ 230,520	\$ 57,235	\$ (583,120)
<b>Federal Grantor/Pass-through Grantor/ Program Title</b>										
<b>U.S. Department of Health and Human Services:</b>										
Direct Programs:										
	Nursing Student Loans									
93.364	6339831N05	\$ -	-	\$ (620,920)	\$ -	\$ 11,365	\$ 8,070	\$ 230,520	\$ 57,235	\$ (583,120)
<b>U.S. Department of the Interior:</b>										
Direct Programs:										
15.608	301815J069	5,900	-	-	-	-	-	4,511	-	-
15.608	321456H030	6,100	-	-	6,100	-	-	-	6,100	-
	<b>Total U.S. Department of the Interior</b>	<b>12,000</b>	<b>-</b>	<b>-</b>	<b>6,100</b>	<b>-</b>	<b>-</b>	<b>4,511</b>	<b>6,100</b>	<b>-</b>
<b>National Science Foundation:</b>										
Direct Programs:										
47.076	DUE-9952319	113,678		1,374	1,374	-	-	8,107	-	-
Programs passed through University of Wisconsin:										
47.050	0440156-L521242	19,755		-	-	-	-	-	692	692
47.074	F042022	20,000		-	-	-	-	-	12,303	12,303
		39,755		-	-	-	-	-	12,995	12,995
	<b>Total National Science Foundation</b>	<b>153,433</b>		<b>1,374</b>	<b>1,374</b>	<b>-</b>	<b>-</b>	<b>8,107</b>	<b>12,995</b>	<b>12,995</b>
<b>U.S. Department of Agriculture:</b>										
Direct Programs:										
10.664	04-CS-11090700-013	8,000		5,000	5,000	-	-	7,062	-	-
10.664	NFWF07-2540	2,400		-	2,400	-	-	-	2,400	-
10.559	17SFP02000	10,000		-	9,544	-	-	-	9,544	-
10.028	752-7226-311	25,000		-	23,630	-	-	-	23,630	-
	<b>Total U.S. Department of Agriculture</b>	<b>45,400</b>		<b>5,000</b>	<b>40,574</b>	<b>-</b>	<b>-</b>	<b>7,062</b>	<b>35,574</b>	<b>-</b>
<b>U.S. Environmental Protection Agency:</b>										
Direct Programs:										
66.469	GL-96513301-0	49,000		14,349	26,236	-	-	16,558	11,887	-
66.469	GL-96538301-0	715,300		50,426	155,111	-	-	136,724	113,598	8,913
66.469	4C-W011-NAEX	45,275		16,212	56,555	-	-	6,502	332	(40,011)
	<b>Total U.S. Environmental Protection Agency</b>	<b>809,575</b>		<b>80,987</b>	<b>237,902</b>	<b>-</b>	<b>-</b>	<b>159,784</b>	<b>125,817</b>	<b>(31,098)</b>
	<b>TOTAL FEDERAL AWARDS</b>	<b>\$2,617,237</b>		<b>\$ (3,039,198)</b>	<b>\$ 11,714,935</b>	<b>\$ 100,442</b>	<b>\$ 553,712</b>	<b>\$ 12,811,303</b>	<b>\$ 12,308,265</b>	<b>\$ (3,100,022)</b>

# **LAKE SUPERIOR STATE UNIVERSITY**

## **Notes to Schedule of Expenditures of Federal Awards**

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The Schedule of Expenditures of Federal Awards includes the federal grant activity of the University and is presented on the accrual basis of accounting. 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 Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented or used in the preparation of the basic financial statements.

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



an independent member of

**BAKER TILLY**  
INTERNATIONAL

**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 22, 2007

Board of Trustees  
Lake Superior State University  
Sault Ste. Marie, Michigan

We have audited the financial statements of the business type-activities and the discretely presented component unit of *Lake Superior State University*, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 22, 2007. 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.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Our report 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 Lake Superior State University'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 audit committee, management, the Board of Trustees, others within the organization, and 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 style with a large, prominent 'L' and 'J'.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

October 22, 2007

Board of Trustees  
Lake Superior State University  
Sault Ste. Marie, Michigan

**Compliance**

We have audited the compliance of *Lake Superior State University* with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Lake Superior State University's major federal programs are identified in the summary of auditor's 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 Lake Superior State University's management. Our responsibility is to express an opinion on Lake Superior State University'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 Lake Superior State University'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 on Lake Superior State University's compliance with those requirements.

In our opinion, Lake Superior State University complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.



## **Internal Control Over Compliance**

The management of Lake Superior State University 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 the University'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, 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 University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, is not considered to be a material weakness.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the business-type activities and the discretely presented component unit of *Lake Superior State University*, as of and for the year ended June 30, 2007 and have issued our report thereon dated October 22, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the *Lake Superior State University's* basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, others within the organization, and 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.



**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**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 deficiencies identified  
not considered to be material weaknesses? \_\_\_\_\_ 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 identified  
not considered to be material weaknesses?  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)? \_\_\_\_\_ yes  X  no

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007 (Continued)**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 93.364	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2007-1: Notification of Funds Deposited into Student Account**

**Criteria:** If an institution credits a student's account at the institution with Direct Loan, FPL, or FFEL funds, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student, or parent, of (1) the date and the amount of the disbursement, and (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. The requirement for FFEL funds applies only if the funds are disbursed by electronic funds transfer payment or master check (34 CFR section 668.165).

**Condition:** We examined 10 student files and noted no notification was provided once funds were deposited into a student's account. The Financial Aid Office informed us that this procedure has not occurred for the 2006-2007 school year.

**Cause:** In prior years the University's internal system automatically generated a letter documenting the deposit of funds into a students' account. The University changed systems and the automatic process of the notification letter was discontinued.

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)**

**Effect:** The lack of notification could potentially cause a delay in funds that may need to be returned to the lender.

**View of  
Responsible**

**Officials:** This finding was a clerical error on the University's part. The University is aware that the notification letters need to be disbursed, but due to increased responsibilities and decreased staffing, the letters have not been processed. The University is researching the option to have the letters automatically processed in the new system and will have a system in place by Spring 2008.

**SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.

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