

**LAKE SUPERIOR STATE UNIVERSITY**

**SINGLE AUDIT ACT COMPLIANCE**

**FOR THE YEAR ENDED JUNE 30, 2011**

# LAKE SUPERIOR STATE UNIVERSITY

## SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

January 17, 2012

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* (the "University"), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 26, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, 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**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal grantor/Pass through grantor/ Program title</b>	<b>CFDA Number</b>	<b>Award or Pass - through Grantor Number</b>
<b>U.S. Department of Education</b>		
Direct Programs:		
Student Financial Assistance Cluster:		
Supplemental Education Opportunity Grant 10-11	84.007	P007A102029
Federal Work Study 10-11	84.033	P033A102029
Federal Perkins Loan Program	84.038	P038A102029
Federal Pell Grant Program 09-10	84.063	P063P090235
Federal Pell Grant Program 10-11	84.063	P063P100235
Federal Pell Grant Program 11-12	84.063	P063P110235
William D. Ford Federal Direct Loan Program 09-10	84.268	P268K100235
William D. Ford Federal Direct Loan Program 10-11	84.268	P268K110235
Academic Competitive Grants (ACG) 10-11	84.375	P375A100235
National Science And Mathematics Access To Retain Talent (SMART) 10-11	84.376	P376S100235
Teacher Education Assistance for College and Higher Education 10-11	84.379	P379T110235
TRIO Cluster:		
Upward Bound 07-08	84.047a	P047A070988-07
Upward Bound 08-09	84.047a	P047A070988-08
Upward Bound 09-10	84.047a	P047A070988-09
Upward Bound 10-11	84.047a	P047A070988-10
Upward Bound 11-12	84.047a	P047A070988-11
Passed-through Michigan Department of Education:		
Career and Technical Education - Basic Grants to States:		
Occupational Educational Services 10-11	84.048	113510/112132
CAP Leadership Grant 10-11	84.048	103670/112432
Passed-through EUP Intermediate School District:		
Tech Prep Education:		
Technical Preparation-High School to College 09-10	84.243	93540
Technical Preparation-High School to College 10-11	84.243A	113540
Passed-through Dickinson-Iron Intermediate School District:		
Mathematics and Science Partnerships:		
Michigan Mathematics & Science Teacher Leadership Collaborative 09-10	84.366B	08410-MSPF2006:08-0000-014
Michigan Mathematics & Science Teacher Leadership Collaborative 10-11	84.366B	08410-MSPF2006:08-0000-014
Passed-through Michigan Department of Labor and Economic Growth:		
Gaining Early Awareness and Readiness for Undergraduate Programs:		
Michigan GEAR UP/College Day Program 09-10	84.334S	07-00-05/83568
Michigan GEAR UP/College Day Program 10-11	84.334S	07-00-05/83568
Passed-through Michigan Campus Compact:		
College Access Challenge Grant Program:		
GEAR UP College Access Showcase Experience Grant 2009-10	84.334S	SFACDGU 09-02
CCRA College Access Showcase Experience Grant 2009-10	84.378A	SFACDGU 09-02
CCRA College Access Showcase Experience Grant 2010-11	84.378A	SFACDGU 10-02
CCRA College Access Showcase Experience Grant 2010-11	84.378A	SFACCA 10-02
College Positive Communities Grant - Mind Trekkers EUP 10-11	84.378A	CPC 07-10

**Total U.S. Department of Education**

<b>Award Amount</b>	<b>Accrued (Deferred) at July 1, 2010</b>	<b>Current Year Receipts</b>	<b>Other Revenue Recognized</b>	<b>Transfers &amp; Adjustments</b>	<b>Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Accrued (Deferred) at June 30, 2011</b>
\$ 110,367	\$ -	\$ 110,367	\$ -	\$ -	\$ -	\$ 110,367	\$ -
295,954	-	280,000	-	-	-	295,954	15,954
-	(2,584,353)	-	44,307	268,833	-	361,096	(2,536,397)
4,215,803	1,852	9,283	-	-	4,208,372	7,431	-
4,859,148	-	4,854,000	-	-	-	4,859,148	5,148
1,500	-	-	-	-	-	1,500	1,500
13,552,863	9,306	17,863	-	-	13,544,306	8,557	-
14,794,682	-	14,735,000	-	-	-	14,791,960	56,960
111,800	-	111,800	-	-	-	111,800	-
153,960	-	153,960	-	-	-	153,960	-
28,000	-	28,000	-	-	-	28,000	-
	(2,573,195)	20,300,273	44,307	268,833	17,752,678	20,729,773	(2,456,835)
388,856	-	-	-	-	379,772	9,084	9,084
388,856	652	-	-	-	379,536	9,320	9,972
388,856	1,292	11,000	-	-	375,292	13,564	3,856
388,856	19,270	334,000	-	-	53,270	317,850	3,120
376,801	-	20,000	-	-	-	50,134	30,134
	21,214	365,000	-	-	1,187,870	399,952	56,166
75,836	-	57,144	-	-	-	75,836	18,692
1,900	-	-	-	-	-	1,835	1,835
	-	57,144	-	-	-	77,671	20,527
10,550	5,175	5,175	-	-	10,550	-	-
10,050	-	7,342	-	-	-	10,050	2,708
	5,175	12,517	-	-	10,550	10,050	2,708
15,000	(1,689)	-	-	-	13,311	1,689	-
10,000	-	10,000	-	-	-	10,000	-
	(1,689)	10,000	-	-	13,311	11,689	-
11,960	317	2,513	-	-	9,764	2,196	-
13,006	-	-	-	-	-	12,960	12,960
	317	2,513	-	-	9,764	15,156	12,960
20,000	12,631	12,631	-	-	20,000	-	-
20,000	2,848	2,848	-	-	20,000	-	-
10,000	-	8,165	-	-	-	10,000	1,835
20,000	1,311	13,634	-	-	1,311	18,689	6,366
12,000	-	972	-	-	-	10,641	9,669
	16,790	38,250	-	-	41,311	39,330	17,870
	<b>(2,531,388)</b>	<b>20,785,697</b>	<b>44,307</b>	<b>268,833</b>	<b>19,015,484</b>	<b>21,283,621</b>	<b>(2,346,604)</b>

Continued...

**LAKE SUPERIOR STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal grantor/Pass through grantor/ Program title</b>	<b>CFDA Number</b>	<b>Award # or Pass - through Grant #</b>
<b>U.S. Department of Health and Human Services</b>		
Direct Program:		
Student Financial Assistance Cluster:		
Nursing Student Loans	93.364	E4CHP14944-02-01
<b>Research and Development Programs</b>		
<b>U.S. Department of the Interior</b>		
Fish and Wildlife Management Assistance:		
Direct Program:		
Sea Lamprey Study 10-11	15.608	30181AJ100
Passed-through National Fish and Wildlife Foundation:		
Conservation of Great Lakes Piping Plover	15.608	210-0074-017
<b>Total U.S. Department of the Interior</b>		
<b>National Science Foundation</b>		
Direct Programs:		
Polar Programs:		
Continued Study of the Physical Properties of the WAIS Divide Deep Core	47.078	ANT-1043313
Combined Physical Property Measurements at Siple Dome 2009-10	47.078	ANT-0917509
Geoscience & Native American Culture: A field experience-NA HS Students 2009-12	47.078	GEO-0914688
Thermal Cycler and QPCR Instrument for UG Research in Molecular Biochemistry	47.078	DBI-0959425
<b>Total National Science Foundation</b>		
<b>U.S. Environmental Protection Agency</b>		
Passed-through Central Michigan University:		
Great Lakes Program:		
Great Lakes Coastal Wetland Monitoring Project	66.469	GLOOEOO612-0/4C-W011-NAEX
<b>U.S. Department of Health and Human Services</b>		
Passed-through Pacific Institute for Research and Evaluation:		
Alcohol Research Center Grants:		
Alcohol Education Research	93.891	0352.01.01
<b>Total Research and Development Programs</b>		
<b>Total Expenditures of Federal Awards</b>		

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Award Amount	Accrued (Deferred) at July 1, 2010	Receipts	Other Revenue Recognized	Transfers & Adjustments	Prior Year Expenditures	Current Year Expenditures	Accrued (Deferred) at June 30, 2011
\$ 6,361	\$ (680,807)	\$ 6,361	\$ 17,106	\$ 111,697	\$ -	\$ 111,234	\$ (704,737)
6,300	6,070	6,300	-	-	6,070	230	-
150,000	15,450	67,000	-	-	15,450	70,368	18,818
	<b>21,520</b>	<b>73,300</b>	-	-	<b>21,520</b>	<b>70,598</b>	<b>18,818</b>
48,028	-	-	-	-	-	6,755	6,755
35,491	234	1,084	-	-	22,633	850	-
198,761	23,858	49,871	-	-	29,470	33,748	7,735
45,000	45,000	45,000	-	-	45,000	-	-
	<b>69,092</b>	<b>95,955</b>	-	-	<b>97,103</b>	<b>41,353</b>	<b>14,490</b>
52,813	-	684	-	-	-	16,559	15,875
3,000	(965)	1,000	-	-	1,035	1,965	-
	<b>89,647</b>	<b>170,939</b>	-	-	<b>119,658</b>	<b>130,475</b>	<b>49,183</b>
	<b>\$ (3,122,548)</b>	<b>\$ 20,962,997</b>	<b>\$ 61,413</b>	<b>\$ 380,530</b>	<b>\$ 19,135,142</b>	<b>\$ 21,525,330</b>	<b>\$ (3,002,158)</b>

# LAKE SUPERIOR STATE UNIVERSITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake Superior State University (the "University") under programs of the federal government for the year ended June 30, 2011. 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 the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

### 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 University's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, 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.

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**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***

September 26, 2011

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* (the "University"), as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 26, 2011. 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 the 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 the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

*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 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We 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 the 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*.

In addition, we noted certain matters that we reported to management of the University in a separate letter dated September 26, 2011.

This report is intended solely for the information and use of the Audit Committee, management, the Board of Trustees, others within the University, 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, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

January 17, 2012

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

**Compliance**

We have audited the compliance of *Lake Superior State University* (the "University") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2011. The 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 the University's management. Our responsibility is to express an opinion on the 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 Nonprofit 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 the 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 the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

Management of the 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 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 University'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, management, the Board of Trustees, others within the University, 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, flowing style.

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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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 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? \_\_\_\_\_ yes  X  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 (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS (CONCLUDED)**

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, 84.379, 93.364	Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee?  X  yes   no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

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

None

**SECTION IV – PRIOR YEAR FINDINGS**

None

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