

Schedule of Expenditures
of Federal Award Programs
in Accordance with the Uniform Guidance

Lake Superior State University

Year Ended June 30, 2018



Lake Superior State University

Schedule of Expenditures
of Federal Award Programs
in Accordance with the Uniform Guidance

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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*

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

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 Lake Superior State University (University) and its discretely presented component unit, Lake Superior State Foundation, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 Lake Superior State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University'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 University'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 our testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Andrews Hooper Pavlik PLC

Midland, Michigan
November 8, 2018

Independent Auditors' Report on Compliance For Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Lake Superior State University's (University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2018. The University's major federal programs are identified in the summary of independent auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance 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, 2018.

Report on Internal Control Over Compliance

Management of the University 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 University'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 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 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. *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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Lake Superior State University and its discretely presented component unit, Lake Superior State Foundation, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 8, 2018, 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 the 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 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Andrews Hooper Pavlik PLC

Midland, Michigan
November 8, 2018

Lake Superior State University

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Passed Through	Award # or Pass - through Grant #	Award Amount	Passed through to Subrecipient	Total Federal Expenditures
Student Financial Assistance Cluster:						
U.S. Department of Education						
21516 210 Federal Work Study 16-17	84.033	Direct	P033A162029	\$ 271,954	\$ -	\$ 843
21517 210 Federal Work Study 17-18	84.033	Direct	P033A172029	271,954		244,759
21537 210 Federal SEOG 17-18	84.007	Direct	P007A172029	78,765		70,889
21556 210 Federal PELL Grant 2016-17	84.063	Direct	P063P160235	3,311,521		6,448
21557 48 Federal PELL Grant 2017-18	84.063	Direct	P063P170235	3,329,438		3,328,123
4817 48 William D. Ford Federal Direct Loan Program 17-18	84.268	Direct	P268K180235	9,886,555		8,835,448
450 45 Federal Perkins Loan Program	84.038	Direct	P038A172029	-		2,738,760
U.S. Department of Health and Human Services						
470 47 Nursing Student Loans	93.364	Direct	6339831N03	-		712,294
Student Financial Assistance Cluster Total						15,937,564
Other Direct Programs:						
U.S. Department of Education						
21596 211 Upward Bound 2016-17 (Year 5 of 5)	84.047a	Direct	P047A160842	388,856		498
21566 10480 Title III SIP-TALK 2016-17 (Year 4 of 5)	84.031a	Direct	P031A150060	352,525		127,131
21567 10480 Title III SIP-TALK 2017-18 (Year 5 of 5)	84.031a	Direct	P031A150060	1,858,998		270,647
21376 10550 GEAR UP/KCP College Day 2016-17	84.334S	MWDA	15-00-05	34,018		9,078
21377 10550 GEAR UP/KCP College Day 2017-18	84.334S	MWDA	15-00-05	-		16,675
21140 10171 Occupational Educational Services 2017-18	84.048a	MDE	183510/1821-33	114,907		114,907
U.S. Department of Education Subtotal						538,936
Research and Development Federal Awards:						
U.S. Department of Health and Human Services						
20136 10131 Synthesis and Antimicrobial Evaluation of Dihydroquinazolines	93.855	NIH	RAI126233A	70,133		38,198
U.S. Department of Agriculture						
20714 10121 Disparities in Food Access & Food Security of Populations in Michigan	10.310	UM	2012-68004-20028	46,790		1,861
U.S. Department of Commerce						
20804 10300 Little Rapids Habitat Restoration Monitoring Program 2014-16	11.463	NOAA/GLC	NA13NMF4630217/ GLC-3230-3	99,370		47,392
U.S. Department of the Interior						
21717 10300 Sea Lamprey Study 17-18	15.662	Direct	F15AC00220	6,500		4,047
21718 10300 Sea Lamprey Study 18-19	15.662	Direct	F18AC00240-FWS/R3/CGS	7,509		3,444
21737 10121 Great Lakes Piping Plover Nest Monitoring 17-18	15.662	USFWS	F17AP00476	65,707		27,320
21738 10121 Great Lakes Piping Plover Nest Monitoring 18-19	15.662	USFWS	F18AC00683	84,525		32,934
21745 10121 Fish Migration and Health in Tributaries to Whitefish Bay	15.024	BMIC/BIA	None issued	80,033		-
U.S. Environmental Protection Agency						
20007 10131 EPA-MDEQ-CCHD Clean Beaches 2017-18	66.419	MDEQ/EPA	2017-7204	6,000		953
20075 10300 Great Lakes Coastal Wetland Monitoring: Continued Implementation	66.469	CMU/EPA	GL-00E01567-0	230,995		44,260
Research and Development Federal Awards Total						200,409

See Notes to Schedule of Expenditures of Federal Awards.

Lake Superior State University
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Passed Through	Award # or Pass - through Grant #	Award Amount	Passed through to Subrecipient	Total Federal Expenditures
U.S. Department of Agriculture						
20756 10121 NIFA Youth Education in Aquaculture 16-17	10.200	IAS	4164115M	\$ 22,471	-	\$ 1,442
20757 10121 NIFA-IA Workforce Aquaculture 17-19	10.200	USDA	416-41-15V	36,047		28,499
20766 10151 NIFA Youth Education in Aquaculture- Web Support 16-17	10.200	IAS	4164115G	12,479		448
U.S. Department of Agriculture Total						<u>30,389</u>
National Endowment for the Humanities						
20327 10211 AMTF Outreach-Shh We've a Plan 18S	45.025	NEFA	17-6100-2027	1,100		1,100
National Endowment for the Humanities Total						<u>1,100</u>
U.S. Department of Defense						
20506 210 SMART Scholarship Program 17-18	12.361	DoD	217-18815/HQ0034-16-C0008	11,362		11,362
U.S. Department of Defense Total						<u>11,362</u>
Total Expenditures of Federal Awards					<u>\$ -</u>	<u>\$ 16,719,760</u>

See Notes to Schedule of Expenditures of Federal Awards.

Lake Superior State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the University under programs of the federal government for the fiscal year ended June 30, 2018. Expenditures reported on the SEFA are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Uniform Guidance. In addition, expenditures reported on the SEFA are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the SEFA 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 position, or cash flows, if applicable, of the University.

The University reporting entity is defined in Note 1 to the University's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the SEFA.

2. Major Programs and Clusters

As defined in the Uniform Guidance, Student Financial Assistance programs and Research and Development programs are considered to be clusters of programs and, accordingly, have been classified as one program for testing purposes. The Student Financial Assistance Cluster has been defined as a major program. In determining major programs, the entire Student Financial Assistance cluster was removed due to the large loan and loan guarantee funds within the cluster.

3. Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's financial statements. Loans outstanding at the beginning of the year plus loans made during the year are included in the federal expenditures presented in the SEFA.

There were \$2,391,154 of Federal Perkins Loans and \$604,841 of Nursing Student Loans outstanding as of June 30, 2018.

Lake Superior State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

3. Federal Student Loan Programs (continued)

Total program disbursements under the loan programs for the year ended June 30, 2018 were as follows:

Student Loans Awarded:	
Federal Perkins Loans	\$474,354
Nursing Student Loans	89,500

4. Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

5. Pass-Through Entities

The University receives certain federal grants as sub-awards from nonfederal entities. Pass-through entities, where applicable, have been identified in the SEFA with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
BIA	Bureau of Indian Affairs
BMIC	Bay Mills Indian Community
CMU	Central Michigan University
EPA	Environmental Protection Agency
DoD	United States Department of Defense
GLC	Great Lakes Commission
IAS	Iowa State University
MDE	Michigan Department of Education
MDEQ	Michigan Department of Labor and Economic Growth
MWDA	Michigan Workforce Development Agency
NEFA	National Endowment for the Arts
NIH	National Institutes of Health
NOAA	National Oceanic and Atmospheric Administration
UM	University of Michigan
USDA	United States Department of Agriculture
USFWS	United States Fish and Wildlife Service

Pass-through entity identifying numbers are presented where available.

Lake Superior State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditors’ report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weakness?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major program:			
Material weakness identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weakness?	_____ Yes	<u> X </u> None Reported	
Type of auditors’ report issued on compliance for major program:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ Yes	<u> X </u> No	

Identification of major programs:

<u>Federal Grantor/Program Name</u>	<u>Federal Catalog or Grantor Number</u>
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Student Financial Assistance Cluster

U.S. Department of Education	84.007; 84.033; 84.038; 84.063; 84.268; 93.364
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Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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Lake Superior State University

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2018

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questions Costs

None.

Lake Superior State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

None.