

Lake Superior
State University



Year Ended
June 30, 2025

Single Audit Act
Compliance

Rehmann

LAKE SUPERIOR STATE UNIVERSITY

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

March 13, 2026

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, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 4, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("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 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 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.

Rehmann Lobson LLC



LAKE SUPERIOR STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grant 24-25	84.007	Direct	P007A242029	\$ 73,564
Federal Work-Study Program	84.033	Direct	P033A242029	271,754
Federal Perkins Loans	84.038	Direct	P038A172029	294,875
Federal Pell Grant 23-24	84.063	Direct	P063A232029	(2,247)
Federal Pell Grant 24-25	84.063	Direct	P063P240235	3,091,179
				<u>3,088,932</u>
Federal Teach Grant 24-25	84.379	Direct	P379T240235	3,772
Federal Direct Student Loans 23-24	84.268	Direct	P268K240235	1,136
Federal Direct Student Loans 24-25	84.268	Direct	P268K250235	4,205,111
				<u>4,206,247</u>
U.S. Department of Health and Human Services				
Nursing Student Loans	93.364	Direct	-n/a-	1,036,000
Total Student Financial Assistance Cluster				<u>8,975,144</u>
Other Awards:				
U.S. Department of Education				
Higher Education Institutional Aid - Title III	84.031	Direct	P031A210217	244,220
Career and Technical Education - Basic Grants to States:				
Occupational Educational Services 24-25	84.048	MDLEO	243510/2421	74,534
Gaining Early Awareness and Readiness for Undergraduate Programs:				
GEAR UP/KCP College Day 22-23	84.334S	MDLEO	P334S200001	2,774
GEAR UP/KCP College Day 23-24	84.334S	MDLEO	P334S200001	117,816
GEAR UP/KCP College Day 24-25	84.334S	MDLEO	P334S200001	9,119
				<u>129,709</u>
Special Education Cluster:				
MiLEAP 60x30 Quick Start 24-25	84.027	MDLEO	E20240107	53,247
MiLEAP 60x30 Barriers 24-26	84.027	MDLEO	E20250006	1,587
Total Special Education Cluster				<u>54,834</u>
Total U.S. Department of Education Other Awards				<u>503,297</u>
Research and Development Cluster:				
U.S. Department of the Interior				
Fish and Wildlife Management Assistance:				
Fish and Aquatic Conservation - Aquatic Invasive Species	15.608	GLFWRA	F21AP04202	37,247
Sea Lamprey Study 24-25	15.608	Direct	F24AC00819	8,777
Sea Lamprey Study 25-26	15.687	Direct	F25AC01430	3,562
				<u>49,586</u>
U.S. Geological Survey Research and Data Collection:				
Zooplankton-Whitefish 22-26	15.808	Direct	G22AC00153	70,769

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LAKE SUPERIOR STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of the Interior (continued)				
Endangered Species Recovery Implementation:				
Great Lakes Piping Plover Nest Monitoring 22-26	15.662	USFWS	F22AC01943	\$ 31,820
Great Lakes Restoration:				
Impact of New Zealand Mudsnaill 23-24	15.662	MEGLE	AISGLR-23-NZMS	37,306
Cooperative Research and Training:				
MRI: Acquisition of Low vacuum scanning electron microscope with EDS detector capability	15.945	NPS	P24AC01126-00	<u>18,432</u>
Total U.S. Department of the Interior				<u>207,913</u>
U.S. Environmental Protection Agency				
Geographic Programs - Great Lakes Restoration Initiative:				
Great Lake Coastal Wetlands Monitoring: Continued Implementation II	66.469	CMU	F64661	<u>56,383</u>
U.S. Department of Agriculture				
Grants for Agricultural Research, Special Research Grants:				
Consumer/Youth Education Aqua 21-23	10.200	ISU	2020-38500-32560/022798F	5,639
Non-Lethal Bird Deterrent Technologies	10.200	ISU	A24-0393-S002	<u>4,866</u>
				<u>10,505</u>
U.S. Office of Commerce				
National Sea Grant Research:				
NOAA/UofM/MTU Winter Limnology 24-27	11.417	NOAA	23-9270-Z2	<u>6,306</u>
U.S. Department of Defense				
Basic, Applied, and Advanced Research in Science and Engineering:				
Water Quality Trigger Points for Didymo Blooms in the Saint Mary's Rapids, Lake Superior	12.630	ERDC	W912HZ-23-2-0033	43,015
Relate Ecological Data (St. Mary's River) To Gate Flow Changes and Develop Performance Indicators	12.630	IJC	W912HQ24P0008/W26HM432131984	37,198
SMART Scholarship Program	12.631	DOD	97-0400-0-1-120	<u>16,396</u>
				<u>96,609</u>
National Science Foundation				
Integrative Activities:				
MRI: Acquisition of Micro X-Ray Spectrometer	47.083	Direct	2320397	<u>6,300</u>
Total Research and Development Cluster				<u>384,016</u>

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LAKE SUPERIOR STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC):				
SARS Wastewater Evaluation and Reporting Network 23-24	93.323	MDHHS	E20242798-00	\$ 173,880
SARS Wastewater Evaluation and Reporting Network 24-25	93.323	MDHHS	E20242798-00	431,757
				<u>605,637</u>
U.S. Department of Agriculture				
Distance Learning and Telemedicine Loan and Grant	10.855	RUS	MI10753-A16	132,203
Great Lakes Restoration Initiative: St. Mary's River Green Stormwater Demonstration Project	10.664	Direct	21-DG-11094200-011	15,318
				<u>147,521</u>
National Endowment for the Arts:				
Promotion of the Arts Grants to Organizations and Individuals:				
Residency Program 24-25	45.024	Direct	1916874-32-24	16,512
U.S. Department of Commerce				
NOAA B-WET Data Centered Learning using MI Water Net 23-25				
	11.429	NOAA	NA21NOS4290007	75,203
NOAA/CIGLR Habitat Response 24-25	11.429	NOAA	SUBK00022886	140,068
NOAA/CIGLR Garage & Wavetank Construction 23-26	11.432	NOAA	SUBK00019862 PO3007771060	306,834
				<u>522,105</u>
National Endowment for the Humanities:				
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development:				
Developing an undergraduate indigenous literatures and cultures certificate program	45.162	Direct	ASB-292328-23	1,159
Total Expenditures of Federal Awards				<u>\$ 11,155,391</u>
				concluded

See notes to schedule of expenditures of federal awards.

LAKE SUPERIOR STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2025. The information in this schedule is presented in accordance with the 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). 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 position or cash flows of the University.

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 the Uniform Guidance or other applicable guidance, 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.

2. DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the University has not elected to use the de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. LOAN PROGRAMS

Perkins Loans and Nursing Student Loans are "measured" by total loans outstanding (\$294,875) and (\$893,408), respectively, at June 30, 2024, plus new loans awarded (\$0) and (\$142,592), respectively, during the year ended June 30, 2025. The outstanding balance of Perkins Loans as of June 30, 2025 was \$185,725 and the outstanding balance of Nursing Student Loans as of June 30, 2025 was \$922,042.

LAKE SUPERIOR STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH ENTITIES

The University receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Entity Abbreviation	Pass-through Entity Name
CMU	Central Michigan University
DOD	Department of Defense
ERDC	Engineer Research and Development Center
GLFWRA	Great Lakes Fish and Wildlife Restoration Act
IJC	International Joint Commission
ISU	Iowa State University
MEGLE	Michigan Department of Environment, Great Lakes, and Energy
MDHHS	Michigan Department of Health and Human Services
MDLEO	Michigan Department of Labor and Economic Opportunity
NOAA	National Oceanic and Atmospheric Administration
NPS	National Park Service
RUS	Rural Utility Service
USFWS	United States Fish and Wildlife Service



**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***

December 4, 2025

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

We have audited, in accordance with the 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 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, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 4, 2025.

Report on 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) as a basis for designing 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as item 2025-001, that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

Lake Superior State University's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the finding identified in our audit which is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 13, 2026

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of **Lake Superior State University** (the "University") with the types of compliance requirements identified as subject to audit in the 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, 2025. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-002, -003, -005, -006, -007, -008, and -010. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-002, -003, -004, -005, -006, -007, -008, -009, and -010 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

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.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". 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, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes 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? X yes none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84,379, 93.364	Student Financial Assistance Cluster	Unmodified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

2025-001 - Internal Controls Over Financial Applications

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. The University should have controls in place over financial applications to identify the IT risks arising from the use of third-party service providers.

Condition. The University does not have a defined process in place to identify the IT risks arising from the use of third-party service providers and to ensure appropriate processes and controls are in place to mitigate IT risk.

Cause. The in-scope third-party application's Systems and Organization Controls ("SOC") Reports ("SOC1 Type 2") have not been obtained and reviewed to assess the controls in place within the vendor's IT environments to mitigate risks and ensure that Information Technology General Controls ("ITGCs") are adequately designed, tested, and operating effectively at the service organization. Additionally, management has not reviewed the SOC report to understand its responsibilities within the report's Complementary User Entity Controls ("CUECs") section to ensure processes/controls have been appropriately instituted, to ensure there are no carve outs or limitations on the usage of the SOC report.

Effect. As a result of this condition, the University could have heightened risks based on exceptions noted in third-party application SOC reports that may have a direct impact on management's data or use of the application.

Recommendation. We recommend the University review third-party application's SOC reports annually.

View of Responsible Officials. Management will establish a review process for third-party application's SOC reports.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-002 – Noncompliance with 10-Day Rule (Repeat finding)

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests & Provisions).

Program. Student Financial Assistance Cluster; U.S. Department of Education and U.S. Department of Health and Human Services; Assistance Listing Numbers 84.007, 84.033, 84.038, 84.063, 84.379, 84.268 and 93.364; Award Numbers P007A242029, P033A242029, P038A172029, P063A232029, P063P240235, P379T240235, P268K240235 and P268K250235.

Criteria. The University may not disburse funds to a student more than 10 days before the start of a semester.

Condition. Of the 40 students tested, we noted 13 students that had funds distributed to them more than 10 days prior to the start of the semester, as a result of University personnel using the incorrect semester start dates.

Cause. The University lacks a review process to ensure the timing of funds distributed to students is in accordance with federal guidelines.

Effect. As a result of this condition, the University is not in compliance with federal guidelines.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend that the University implement a review process to ensure that all funds are distributed to students timely and within prescribed federal guidelines.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-003 – Miscalculation of Student Cost of Attendance

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Eligibility).

Program. Student Financial Assistance Cluster; U.S. Department of Education and U.S. Department of Health and Human Services; Assistance Listing Numbers 84.007, 84.033, 84.038, 84.063, 84.379, 84.268 and 93.364; Award Numbers P007A242029, P033A242029, P038A172029, P063A232029, P063P240235, P379T240235, P268K240235 and P268K250235.

Criteria. The University must accurately estimate the cost to attend the university for the fiscal year.

Condition. Of the 40 students tested, we noted 1 student's Cost of Attendance (COA) was inaccurately updated after initial packaging due to the budget not being locked in the system.

Cause. The University lacks a review process to ensure student budgets are locked upon initial packaging and cannot be modified without appropriate review and approval.

Effect. As a result of this condition, the University is not in compliance with federal guidelines.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend that the University implement a review process to ensure that all student budgets are locked after initial packaging and no changes made without proper review and approval.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-004 – Lack of Review over Financial Status Reports

Finding Type. Significant Deficiency in Internal Control over Compliance (Cash Management and Reporting).

Program. Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); U.S. Department of Health and Human Services; Assistance Listing Number 93.323; Award Number E20242798-00.

Criteria. Per 2 CFR §200.305(b), non-federal entities must minimize the time elapsing between the transfer of funds and disbursement, and also must maintain accurate financial records and submit required Federal Financial Status Reports ("FSR"). Entities must also ensure that drawdowns and FSRs are complete, based on actual, allowable expenditures, supported by underlying accounting records, and prepared in accordance with Federal requirements.

Condition. The University did not have documented review procedures in place for federal grant drawdowns nor review over monthly Financial Status Reports. Drawdowns were processed and Financial Status Reports were submitted without a formal review or approval process to verify that amounts reported and requested were based on allowable expenditures.

Cause. The University lacked formal internal controls and oversight mechanisms to ensure drawdowns and FSRs were reviewed prior to submission. The process relied on informal practices without documented policies or designated reviewers.

Effect. This deficiency increases the risk of drawing and reporting federal funds in excess of actual expenditures or for unallowable costs, potentially resulting in noncompliance with federal regulations.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. The University should implement formal review procedures for all federal grant drawdowns including monthly FSRs, including enhancing policies around reviewing drawdowns, designated reviewers, and system controls to ensure drawdowns are accurate, allowable, and properly supported.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-005 – Untimely Submission of Financial Status Reports (Repeat finding)

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Reporting).

Program. Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); U.S. Department of Health and Human Services; Assistance Listing Number 93.323; Award Number E20242798-00.

Criteria. Financial Status Reports must be submitted to the Department's EGrAMS website on a monthly basis, no later than 30 days after the close of each calendar month.

Condition. During our review of the required reporting for the grant, we noted 1 of the 3 Financial Status Reports tested was submitted to the EGrAMS website outside of the submission period allowed by the grant agreement.

Cause. The University lacks a review process to ensure the Financial Status Reports are submitted within the submission period.

Effect. As a result of this condition, the University is out of compliance with guidelines established by the grantor.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend that the University implement a process to track the submission of all Financial Status Reports to ensure they are submitted before the due date required by the grant to stay in compliance with grant agreements.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-006 – Lack of Documentation for Sole-Sourcing Arrangements (Repeat finding)

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Procurement, Suspension, and Debarment).

Program. Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); U.S. Department of Health and Human Services; Assistance Listing Number 93.323; Award Number E20242798-00.

Criteria. When conducting procurement transactions under a Federal award, the University must follow the same policies and procedures it uses for procurements with non-Federal funds which states that sealed bids must be obtained for items in excess of \$5,000 or clearly document reasons as to why bids could not be obtained.

Condition. During our testing of procurement, suspension and debarment, we noted there were purchases during the grant period that exceeded the threshold for requiring bids. We further noted that there were no bids acquired by the University due to these items only being available for purchase from a sole vendor. However, we found there were no sole-sourcing arrangements documented and an overall lack of documentation by the University as to why there were no bids acquired for these purchases. We were able to subsequently obtain evidence that these were appropriate sole-source situations.

Cause. The University lacks a review process for purchases in excess of \$5,000 to ensure sole-sourcing arrangements are documented.

Effect. As a result of this condition, the University was not initially maintaining documentation for certain sole-source arrangements to support its compliance with its bid policy and federal guidelines.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend that the University maintain documentation for sole-source arrangements and the approval thereof supporting compliance with its bid policy and federal guidelines.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-007 – Non-Compliance with Servicer to Deliver Title IV Credit Balances

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests).

Program. Student Financial Assistance Cluster; U.S. Department of Education and U.S. Department of Health and Human Services; Assistance Listing Numbers 84.007, 84.033, 84.038, 84.063, 84.379, 84.268 and 93.364; Award Numbers P007A242029, P033A242029, P038A172029, P063A232029, P063P240235, P379T240235, P268K240235 and P268K250235.

Criteria. Under 34 CFR §668.164(e), institutions that enter into Tier Two Arrangements must maintain a written agreement with the financial institution, disclose the agreement publicly on the institution's website, conduct and document a free biennial review, report the arrangement to Federal Student Aid, and implement internal controls to ensure compliance.

Condition. The University does not have a formal Banking Services Agreement with its financial institution. In addition, the University has not posted the agreement online, lacks documentation of the required biennial review, has not reported the arrangement to Federal Student Aid, and does not maintain adequate internal controls over the Tier Two Arrangement.

Cause. The University has not developed or implemented formal compliance procedures for Tier Two Arrangement requirements.

Effect. Failure to comply with federal regulations increases the risk of regulatory sanctions, reputational harm, and potential financial penalties.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend the University execute a formal Banking Services Agreement with the financial institution, publish the agreement on its website, document and perform biennial reviews, report the arrangement to Federal Student Aid, and implement appropriate internal controls to ensure ongoing compliance.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-008 – Insufficient Supporting Documentation of Disbursements

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Allowable Costs/Cost Principles).

Program. Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); U.S. Department of Health and Human Services; Assistance Listing Number 93.323; Award Number E20242798-00.

Criteria. Under 2 CFR §200.403(g) and 2 CFR 200.334, federal award expenses must be adequately documented, and records must be retained and available for review for the required retention period.

Condition. During our testing of disbursements, we noted 1 of 26 disbursements tested where the University did not have adequate documentation to support why the disbursement was charged to the grant.

Cause. The lack of required supporting documentation resulted from employee turnover within the grant and accounts payable functions, which led to gaps in knowledge transfer and inconsistent adherence to established documentation procedures.

Effect. As a result of this condition, there is an increased risk of unallowable expenses being charged to the grant, inaccurate financial reporting, and other potential noncompliance with federal regulations.

Questioned Costs. There were questioned costs of \$135.

Recommendation. We recommend the University establish formal procedures to ensure all expenses charged to grants have adequate support and reviewed and approved by management.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-009 – Indirect Cost Rate Review

Finding Type. Significant Deficiency in Internal Control over Compliance (Allowable Costs/Cost Principles).

Program. Epidemiology and Laboratory Capacity for Infectious Diseases (ELC); U.S. Department of Health and Human Services; Assistance Listing Number 93.323; Award Number E20242798-00.

Criteria. Under 2 CFR §200.400(e), when reviewing, negotiating, and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should ensure that the recipient consistently applies these cost principles.

Condition. The University does not have a formal review process related to indirect cost rate automated entries.

Cause. The University has not developed or implemented formal review procedures related to indirect costs.

Effect. As a result of this condition, there is an increased risk of unallowable charges to the grants, inaccurate financial reporting, and other potential noncompliance with federal regulations.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend the University implement procedures to review the indirect cost rate input and automated entries by responsible individual on a monthly or quarterly basis.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.

LAKE SUPERIOR STATE UNIVERSITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-010 – Incorrect Term Dates Used in R2T4 Calculations

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions).

Program. Student Financial Assistance Cluster; U.S. Department of Education and U.S. Department of Health and Human Services; Assistance Listing Numbers 84.007, 84.033, 84.038, 84.063, 84.379, 84.268 and 93.364; Award Numbers P007A242029, P033A242029, P038A172029, P063A232029, P063P240235, P379T240235, P268K240235 and P268K250235.

Criteria. Under 34 CFR §668.22, institutions are required to calculate the percentage of Title IV aid earned based on the number of calendar days completed in the payment period or period of enrollment, beginning with the actual first day of the term as defined by the institution's academic calendar.

Condition. During testing of Return to Title IV ("R2T4") calculations for students who withdrew during the academic year, we noted 1 of 2 student calculations tested had an incorrect term start date when determining the percentage of the payment period completed. We further noted that the University used an incorrect term start date for all R2T4 calculations performed for the Fall 2024 semester. Specifically, the start date used in the calculation did not agree to the official academic calendar approved for the applicable term.

Cause. Controls were not in place to ensure the term start date used in R2T4 calculations was verified against the academic calendar prior to processing.

Effect. As a result of this condition, the University performed R2T4 calculations that included inaccurate percentages of the payment periods completed, which lead to the improper calculation of Title IV funds earned and unearned.

Questioned Costs. There were questioned costs of \$96.

Recommendation. We recommend that the University implement a control requiring reconciliation of term dates used in R2T4 calculations to the officially approved academic calendar prior to processing withdrawals. Additionally, management should review R2T4 calculations completed during the affected period to determine whether recalculations and any necessary adjustments or returns are required.

View of Responsible Officials. Management agrees with this finding and has prepared a Corrective Action Plan.



LAKE SUPERIOR STATE UNIVERSITY

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2025

2024-001 – Grant Payment Disbursed Outside of Authorized Period

It was noted that the University has implemented procedures to ensure timely bank and investment reconciliations and performed them during fiscal year 2025. This matter has been corrected during the current year.

2024-002 – Pay Rate Discrepancies Between Pay Authorization and Timesheet

It was noted that the University has implemented procedures to ensure all authorized payments agree to with the amounts actually paid during fiscal year 2025. This matter has been corrected during the current year.

2024-003 – Noncompliance with 10-day Rule

It was noted that the University has not implemented procedures to ensure timing of funds distributed to students is in accordance with federal guidelines during fiscal year 2025. This matter has not been corrected during the current year and is repeated as finding 2025-002.

2024-004 – Noncompliance with 14-day Rule

It was noted that the University has not implemented procedures to ensure payments to students are made timely and is in accordance with federal guidelines during fiscal year 2025. This matter has been corrected during the current year.

2024-005 – Policy on Gramm Leach Bliley Act

It was noted that the University has implemented procedures to ensure all safeguard requirements meet necessary requirements to comply with the FTC during fiscal year 2025. This matter has been corrected during the current year.

2024-006 – Return of Title IV Error

It was noted that the University has implemented procedures to ensure the correct reporting number of days used in the enrollment period during fiscal year 2025. This matter has been corrected during the current year.

2024-007 – Untimely Submission of Financial Status Report

It was noted that the University has not implemented procedures to ensure the financial status reports are submitted within the submission period during fiscal year 2025. This matter has not been corrected during the current year and is repeated as finding 2025-005.

LAKE SUPERIOR STATE UNIVERSITY

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2025

2024-008 – Lack of Documentation for Sole-Sourcing Arrangements

It was noted that the University has not implemented procedures to ensure purchases in excess of \$5,000 to ensure sole-sourcing arrangements are documented during fiscal year 2025. This matter has not been corrected during the current year and is repeated as finding 2025-006.

