

**LAKE SUPERIOR STATE UNIVERSITY
FEDERAL AWARDS**

SINGLE AUDIT REPORT

JUNE 30, 2006

LAKE SUPERIOR STATE UNIVERSITY

SINGLE AUDIT REPORT

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REHMANN ROBSON

Certified Public Accountants

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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, 2006

Board of Trustees
Lake Superior State University

We have audited the financial statements of Lake Superior State University as of and for the year ended June 30, 2006 and have issued our report thereon dated September 26, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 Board of Trustees, management, 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.



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

September 29, 2006

Board of Trustees
Lake Superior State University

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, 2006. 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 statements 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 each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an immaterial instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2005-02.

Internal Control over Compliance

The management of *Lake Superior State University* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Lake Superior State University's* internal control over 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of *Lake Superior State University* as of and for the year ended June 30, 2006 and have issued our report thereon dated September 26, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, 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 EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Fund	Federal Grantor/Pass through grantor/ Program title	Federal CFDA Number	Award # or Pass - through Grant #	Award Amount	Carryover	Accrued (Deferred) at 7/1/2005	Receipts	Other Revenue Recognized	Transfers & Adjustments	Prior Year Expenditures	Current Year Expenditures	Accrued (Deferred) at 6/30/2006
U.S. Department of Education:												
Direct Programs:												
21525	Supplemental Educational Opportunity Grant	84.007	P007A052029	\$ 144,330		\$ -	\$ 114,330	\$ -	\$ -	\$ 11,045	\$ 114,330	\$ -
21506	Federal Work Study 05-06	84.033	P033A052029	271,954		-	246,032	-	-	271,954	246,032	-
21544	Federal Pell Grant Program 04-05	84.063	P063P040235	2,318,836		58,745	58,722	-	-	2,318,836	(23)	-
21545	Federal Pell Grant Program 05-06	84.063	P063P050235	2,045,060		-	2,020,350	-	-	-	2,045,060	24,710
484	William D. Ford Federal Direct Loan Program 04-05	84.268	P268K041388	-		50,617	62,066	-	-	8,800,617	11,449	-
485	William D. Ford Federal Direct Loan Program 05-06	84.268	P268K051388	-		-	8,967,217	-	-	388,532	9,001,455	34,236
450	Federal Perkins Loan Program	84.038	P038A052029	4,780,180		(2,515,974)	11,468,717	93,813	209,376	11,890,984	11,698,538	(2,648,288)
	SUBTOTAL											2 (2,589,342)
21584	Upward Bound 04-05	84.047a	P047A030828-04	377,530		57,111	57,111	-	-	315,094	-	0
21585	Upward Bound 05-06	84.047a	P047A030828-05	377,530		(23,354)	270,318	-	-	26,646	293,672	-
21586	Upward Bound 06-07	84.047a	P047A030828-06	377,530		-	34,603	-	-	-	42,937	8,334
	SUBTOTAL			1,132,590		33,757	362,032	-	-	341,740	336,609	8,334
21562	Strengthening Institutions-Project Mgr	84.031a	P031A010202	290,000		52,428	93,921	-	-	96,941	41,493	-
21561	Strengthening Institutions-Acad Progs/Stu Success	84.031a	P031A010202	1,499,438		11,612	251,544	-	-	281,599	239,932	-
	SUBTOTAL			1,789,438		64,040	345,466	-	-	378,540	281,426	-
Programs passed through Michigan Department of Education:												
21010	Occupational Educational Equipment Grant 04-05	84.048	053510/502133	158,089		54,340	54,340	-	-	158,089	-	-
2102n	Occupational Educational Equipment Grant 05-06	84.048	063510/602133	118,208		106	90,552	-	-	161	118,208	27,656
21244	Local Leadership 04-05	84.048	053250/502532	1,400		1,400	106	-	-	-	-	-
21245	Local Leadership 05-06	84.048	063250/602533	1,400		-	387	-	-	-	387	-
21300	Professional Development - Fast Track 05-06	84.048	063290/602933	1,000		-	930	-	-	-	930	-
21275	Improving Teacher Quality 05-06	84.367	060290/904	188,964		-	32,041	-	-	-	71,412	39,371
Programs passed through EUP Intermediate School District:												
21264	Tech Prep 04-05	84.048a	5012-03	939		6,563	6,563	-	-	14,014	-	-
		84.243a	5014-03	12,541		-	-	-	-	-	-	-
21265	Tech Prep 05-06	84.243a	6014-03	12,500		-	11,624	-	-	-	12,124	500
	SUBTOTAL			495,041		6,563	18,187	-	-	14,014	12,124	500
Programs passed through Dickinson-Iron Intermediate School District:												
21285	Mult. Science Partnership - Building Bridges 05-06	84.366b		20,000		-	7,842	-	-	-	7,842	-
	Total U.S. Department of Education			12,380,600		(2,357,167)	12,380,600	93,813	209,376	12,783,529	12,527,475	(2,513,481)
U.S. Department of Health and Human Services												
Direct Programs:												
470	Nursing Student Loans 05-06	93.364	6339831N05	-		(568,509)	-	9,369	273,562	185,600	230,520	2 (620,920)
	Total U.S. Department of Health and Human Services			-		(568,509)	-	9,369	273,562	185,600	230,520	(620,920)
U.S. Department of the Interior												
Direct Programs:												
21705	Sea Lamprey Study 05-06	15.fta	3018153069	5,900		1,389	5,900	-	-	1,389	4,511	-
21706	Sea Lamprey Study 06-07	15.fta	3214561030	6,100		-	-	-	-	-	-	-
	Total U.S. Department of the Interior			11,999		1,389	5,900	-	-	1,389	4,511	-
U.S. Department of Labor												
Program passed through State of Michigan Department of Labor and Economic Growth												
21655	U.P. Entrepreneurship: Curriculum Development	17.267	650 W02-01	6,790		2,707	6,790	-	-	2,707	4,083	-
	Total U.S. Department of Labor			6,790		2,707	6,790	-	-	2,707	4,083	-
National Science Foundation												
Direct Programs												
20601	NSF DNA Sequencer	47.074	DBI-0116086	113,200		4,687	8,217	-	-	9,796	3,531	-
20610	NSF Geoscience Curriculum Model	47.076	DUE-9952319	113,678		1,799	8,532	-	-	21,521	8,107	1,374
20620	NSF First	47.076	DUE-9980685	124,745		-	-	-	-	1,463	-	-
20632	NSF ICPMS	47.049	CHE-0116036	192,922		-	-	-	-	4,793	-	-
	Total NSF			\$ 544,545		\$ 7,175	\$ 22,486	\$ -	\$ -	\$ 37,579	\$ 11,648	\$ 1,374

**LAKE SUPERIOR STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Fund	Federal Grantor/Pass through grantor/ Program title	Federal CFDA Number	Award # or Pass - through Grant #	Award Amount	Carryover	Acquired (Deferred) at 7/1/2005	Receipts	Other Revenue Recognized	Transfers & Adjustments	Prior Year Expenditures	Current Year Expenditures	Accrued (Deferred) at 6/30/2006
20642	NSF Energy Lab	47.076	DUE-0126684	98,814	-	-	2,921	-	-	19,568	2,921	-
20661	NSF HPLC 04-07	47.076	CHE-0342928	69,975	-	-	-	-	-	383	-	-
	NSF CSEM Scholars Program	47.076	DUE-0094775	101,250	-	-	-	-	-	8,773	-	-
	Total National Science Foundation					6,486	19,670	-	-	66,297	14,558	1,374
	U.S. Department of Agriculture											
	Indirect Program:											
20705	Brooktrout 05/06	10 UKN	04-CS-11090700-013	3,000	-	938	3,000	-	-	938	7,062	5,000
	Total U.S. Department of Agriculture					938	3,000	-	-	938	7,062	5,000
	U.S. Environmental Protection Agency											
	Direct Programs:											
20024	Sediment Quality in St. Mary's River	66-469	GL-96513301-0	46,000	-	(1,795)	214	-	-	11,514	16,358	14,349
20034	EPA-GLNPO 04/07	66-469	GL-96538301-0	715,200	-	34,943	121,241	-	-	410,379	136,724	50,426
20044	EPA 5 SITE ALGAL 04/05	66 UKN	4C-WD11-NAEX	45,275	-	9,910	-	-	-	9,910	6,302	16,212
	Total U.S. Environmental Protection Agency					43,058	121,455	-	-	431,803	159,384	80,988
	U.S. Department of Justice:											
	Program passed through Michigan State Police, Emergency Management Division											
21604	Homeland Security	97.004		4,500	-	4,500	-	-	-	2,295	(1,145)	3,355
	Total U.S. Department of Justice					4,500	-	-	-	2,295	(1,145)	3,355
	TOTAL FEDERAL AWARDS					\$ (2,866,598)	\$ 12,537,415	\$ 103,182	\$ 482,938	\$ 13,474,557	\$ 12,946,449	\$ (3,043,684)

Notes to Schedule of Federal Award Expenditures:

- 1) Includes interest collected and institution match
- 2) Total loans disbursed from available funds
- 3) Amount included in net assets on financial statements
- 4) Consists of the student financial aid cluster
- 5) Basis of presentation -

The Schedule of expenditures of federal awards includes the federal grant activity of the University and is presented on the modified 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 amounts presented or used in the preparation of the financial statements.

- 6) During the year ended June 30, 2006 the University passed through to subrecipient agencies \$32,041 in federal award funding.

**Lake Superior State University
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2006**

SECTION 1 - SUMMARY OF AUDITORS RESULTS:

Financial Statements

Type of Auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's 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

Identification of major programs:

<i>CFDA #</i>	<i>Name of Program</i>
84.007,84.033,84.038,84.063,84.268,93.364 84.047a	Student financial aid cluster Upward bound

Lake Superior State University
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2006

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

Auditee qualified as a low risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2005-02 Suspension and debarment

Condition: There was no evidence the University determined whether or not a vendor was a suspended or debarred party through verification on the following federal government website which lists all suspended and debarred vendors <http://epls.arnet.gov> or obtaining a suspension and debarment certificate from the vendor stating they are not suspended or debarred from receiving federal funds.

Criteria: Code of Federal Regulations for the Environmental Protection Agency awards, 40CFR31.35 states that grantees and subgrantees may not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549 "Debarment and Suspension." This executive order was subsequently updated by executive order 12689 to include procurement activities.

Effect: This causes the University to be in noncompliance with 40CFR31.35.

Cause: The University was not aware of this requirement.

Recommendation: The University should implement a policy where all procurement activities exceeding the small dollar threshold (\$25,000) should either require a suspension or debarment certificate to be obtained or verify the vendor is not included on the suspended or debarred listing on the Federal government's website <http://epls.arnet.gov>.

Lake Superior State University
Schedule of Findings and Questioned Costs (Concluded)
For the Year Ended June 30, 2006

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2005-01 Physical inventory of equipment

Condition: A physical inventory of equipment was not performed for the past two years.

Criteria: OMB Circular A-110 states a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Effect: This causes the University not to be in compliance with OMB Circular A-110.

Cause: The University postponed its physical inventory one year so any adjustments made to the physical inventory listing could be done in conjunction with going live with their new financial software system, Banner.

Recommendation: The University should adhere to its policy to perform a physical inventory of equipment on a biannual basis.

Status: This finding was implemented during the year ended June 30, 2006.

SECTION V – CORRECTIVE ACTION PLANS

2005-02 Suspension and debarment

The University is currently working out a policy and procedure to provide reasonable assurance that vendors providing goods and services for projects funded with Federal monies are not listed as debarred or suspended.