

Lake Superior  
State  
University



Year Ended  
June 30, 2012

Single Audit Act  
Compliance

# LAKE SUPERIOR STATE UNIVERSITY

## SINGLE AUDIT ACT COMPLIANCE

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

November 5, 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, 2012, and have issued our report thereon dated October 3, 2012. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, 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 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



LAKE SUPERIOR STATE UNIVERSITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Cluster/ Program Title	CFDA Number	Passed Through	Award or Pass - through Grantor Number
<b>Student Financial Assistance Cluster</b>			
<b>U.S. Department of Education</b>			
Supplemental Education Opportunity Grant 11-12	84.007	Direct	P007A112029
Federal Work Study 10-11	84.033	Direct	P033A102029
Federal Work Study 11-12	84.033	Direct	P033A112029
Federal Perkins Loan Program	84.038	Direct	P038A102029
Federal Pell Grant Program 10-11	84.063	Direct	P063P100235
Federal Pell Grant Program 11-12	84.063	Direct	P063P110235
William D. Ford Federal Direct Loan Program 10-11	84.268	Direct	P268K110235
William D. Ford Federal Direct Loan Program 11-12	84.268	Direct	P268K120235
Teacher Education Assistance for College and Higher Education 10-11	84.379	Direct	P379T120235
<b>U.S. Department of Health and Human Services</b>			
Nursing Student Loans	93.364	Direct	E4CHP14944-02-01
<b>Other Federal Programs</b>			
<b>U.S. Department of Education</b>			
TRIO Cluster:			
Upward Bound 07-08	84.047a	Direct	P047A070988-07
Upward Bound 08-09	84.047a	Direct	P047A070988-08
Upward Bound 09-10	84.047a	Direct	P047A070988-09
Upward Bound 10-11	84.047a	Direct	P047A070988-10
Upward Bound 11-12	84.047a	Direct	P047A070988-11
Upward Bound 12-13	84.047a	Direct	P047A120842
Occupational Educational Services 10-11	84.048	MDE	113510/112132
Occupational Educational Services 10-11	84.048	MDE	123510/122132
CAP Leadership Grant 2010-11	84.048	MDE	103670/112432
Technical Preparation-High School to College 10-11	84.243A	EUP ISD	113540
Rural Education Data Initiative 2009-2012	84.386	EUP ISD	2009-2012
EUPISD Computer Science ipad App Devlp Proj 11-12	84.386	EUP ISD	2011-2012
Michigan GEAR UP/College Day Program 10-11	84.334S	MDLEG	07-00-05/83568
GEAR UP/KCP College Day 2011-12	84.334S	MDLEG	11-00-05
Statewide Longitudinal Data Systems	84.372A	MCEPI	PA110of2010,sec94a(10)
Statewide Longitudinal Data Systems	84.384A	MCEPI	PA110of2010,sec94a(10)
GEAR UP and College Positive Volunteerism Grant 2011-12	84.334S	MCC	SFACDGU 11-02
CCRA College Access Showcase Experience Grant 2010-11	84.378A	MCC	SFACDGU 10-02
CCRA College Access Showcase Experience Grant 2010-11	84.378A	MCC	SFACCA 10-02
College Positive Communities Grant - Mind Trekkers EUP 10-11	84.378A	MCC	CPC 07-10

Award Amount	Accrued (Deferred) at 07/01/11	Cash Receipts	Other Revenue Recognized	Transfers & Adjustments	Current Year Expenditures	Accrued (Deferred) at 06/30/12
\$ 82,247	\$ -	\$ 82,247	\$ -	\$ -	\$ 82,247	\$ -
271,954	15,954	15,954	-	-	-	-
271,954	-	256,016	-	-	256,016	-
-	(2,536,397)	-	(37,825)	(150,772)	227,081	(2,497,913)
4,858,766	6,648	4,766	-	-	(1,882)	-
4,653,916	-	4,649,083	-	-	4,653,222	4,139
14,794,682	56,960	59,682	-	-	2,722	-
14,738,168	-	14,685,000	-	-	14,738,168	53,168
17,000	-	17,000	-	-	17,000	-
6,361	(704,737)	7,028	(20,520)	(98,756)	98,075	(732,966)
388,856	9,084	9,084	-	-	-	-
388,856	9,972	9,972	-	-	-	-
388,856	3,856	3,856	-	-	-	-
388,856	3,120	20,856	-	-	17,736	-
376,801	30,134	356,801	-	-	326,667	-
388,856	-	45,938	-	-	57,027	11,089
75,836	18,692	18,692	-	-	-	-
59,988	-	59,988	-	-	59,988	-
1,900	1,835	1,835	-	-	-	-
10,050	2,708	2,708	-	-	-	-
5,713	-	4,072	-	-	4,072	-
4,000	-	4,000	-	-	4,000	-
13,006	12,960	13,006	-	-	46	-
20,616	-	-	-	-	17,088	17,088
2,326	-	2,326	-	-	2,326	-
23,674	-	23,674	-	-	23,674	-
15,000	-	-	-	-	3,885	3,885
10,000	1,835	1,835	-	-	-	-
20,000	6,366	6,366	-	-	-	-
12,000	9,669	11,028	-	-	1,359	-

continued...

LAKE SUPERIOR STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Cluster/ Program Title	CFDA Number	Passed Through	Award or Pass - through Grantor Number
U.S. Department of Agriculture			
U.S. Fish and Wildlife Contracts:			
Summer Food Program 2011	10.559	MDE	17SFP02000
CSREES Tribal College Research Grant Switchgrass Pelletization Study	10.227	BMCC	2010-38424-21215
CSREES Tribal College Research Grant Switchgrass Pelletization Study	10.227	BMCC	2010-38424-21215-2
U.S. Department of the Interior			
Sea Lamprey Study 11-12	15.608	Direct	30181AJ100
Conservation of Great Lakes Piping Plover	15.608	Direct	210-0074-017
Multifaceted Conservation of Great Lakes Piping Plover	15.663	Direct	0501-11-027124
National Science Foundation			
Continued Study of the Physical Properties of the WAIS Divide Deep Core	47.078	Direct	ANT-1043313
Geoscience & Native American Culture: A field experience-NA HS Students 2009-12	47.078	Direct	GEO-0914688
U.S. Environmental Protection Agency			
Integrated Beach Sanitary Surveys 11-12	66.469	MDNR	2010-7205
Great Lakes Coastal Wetland Monitoring Project	66.469	CMU	GLOOEO0612-0/4C-W011-NAEX
Total Expenditures of Federal Awards			

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

Award Amount	Accrued (Deferred) at 07/01/11	Cash Receipts	Other Revenue Recognized	Transfers & Adjustments	Current Year Expenditures	Accrued (Deferred) at 06/30/12
\$ 12,000	\$ -	\$ 6,424	\$ -	\$ -	\$ 8,890	\$ 2,466
8,558	-	8,496	-	-	8,496	-
16,577	-	-	-	-	936	936
6,300	-	6,300	-	-	6,300	-
150,000	18,818	66,773	-	-	61,886	13,931
152,227	-	-	-	-	16,916	16,916
48,028	6,755	27,333	-	-	39,073	18,495
198,761	7,735	31,157	-	-	36,137	12,715
8,000	-	-	-	-	7,418	7,418
52,813	15,875	44,596	-	-	43,929	15,208
<u>\$ 42,959,822</u>	<u>\$ (3,002,158)</u>	<u>\$ 20,537,892</u>	<u>\$ (58,345)</u>	<u>\$ (249,528)</u>	<u>\$ 20,820,498</u>	<u>\$ (3,053,425)</u>

concluded

LAKE SUPERIOR STATE UNIVERSITY  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

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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, 2012. 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. 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.

Cash received is recorded on the cash basis; expenditures are recorded on the accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, deferred revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

3. PASS-THROUGH AGENCIES

The University receives certain federal grant 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 Agency	Pass-through Agency Name
MDE	Michigan Department of Education
EUP ISD	Eastern Upper Peninsula Intermediate School District
MDLEG	Michigan Department of Labor and Economic Growth
MCEPI	Michigan Center for Educational Performance and Information
MCC	Michigan Campus Compact
BMCC	Bay Mills Community College
MDNR	Michigan Department of Natural Resources and Environment
CMU	Central Michigan University



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 3, 2012

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

We have audited the financial statements of the business type-activities and discretely presented component unit of *Lake Superior State University* (the "University"), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements, and have issued our report thereon dated October 3, 2012. 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

Management of Lake Superior State University is responsible for establishing and maintaining effective 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 opinion 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 a 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.

Our consideration of 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*.

We noted certain other matters that we reported to management of the University in a separate letter dated October 3, 2012.

This report is intended solely for the information and use of 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. However, it is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Lehmann Johnson".

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

November 5, 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 U. S. Office of Management and Budget (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, 2012. The University's major federal programs are identified in the summary of auditors' 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 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 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 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 of Lake Superior State 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, 2012.

## Internal Control Over Compliance

Management of Lake Superior State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the University's 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 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. However, it is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364 84.047a	Student Financial Assistance Cluster TRIO Cluster - Upward Bound

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

Auditee qualified as low-risk auditee?   X   yes        no

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

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

None

LAKE SUPERIOR STATE UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

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None

