

Lake Superior  
State University



Year Ended  
June 30, 2013

Single Audit Act  
Compliance

# LAKE SUPERIOR STATE UNIVERSITY

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**Independent Auditors' Report On The  
Schedule Of Expenditures Of Federal Awards  
Required by OMB Circular A-133**

October 4, 2013

To the 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 4, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Rehmann Loborn LLC*

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LAKE SUPERIOR STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>Student Financial Assistance Cluster:</b>				
<b>U.S. Department of Education</b>				
Supplemental Education Opportunity Grant 2012-13	84.007	Direct	P007A122029	\$ 82,714
Federal Work Study 2012-13	84.033	Direct	P033A102029	287,892
Federal Perkins Loan Program	84.038	Direct	P038A102029	289,518
Federal Pell Grant Program 2011-12	84.063	Direct	P063P110235	(2,143)
Federal Pell Grant Program 2012-13	84.063	Direct	P063P120235	4,284,341
William D. Ford Federal Direct Loan Program 2011-12	84.268	Direct	P268K120235	2,591
William D. Ford Federal Direct Loan Program 2012-13	84.268	Direct	P268K130235	13,569,418
Teacher Education Assistance for College and Higher Education 2012-13	84.379	Direct	P379T130235	16,000
<b>U.S. Department of Health and Human Services</b>				
Nursing Student Loan Program	93.364	Direct	E4CHP14944-02-01	113,600
<b>Total Student Financial Assistance Cluster</b>				<u>18,643,931</u>
<b>Other Programs:</b>				
<b>U.S. Department of Education</b>				
Upward Bound 2012-13	84.047a	Direct	P047A120842	324,240
Upward Bound 2013-14	84.047a	Direct	P047A120842	44,229
Occupational Educational Services 2012-13	84.048	MDE	113510/132132	60,830
CAP Leadership Grant 2012-13	84.048	MDE	13367/1324732	1,541
CAP Leadership Grant 2012-13	84.048	MDE	13367/1324722	1,195
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334S	MDLEG	11-00-05	982
Michigan GEAR UP/College Day Program 2011-12	84.334S	MDLEG	11-00-05	5,078
Michigan GEAR UP/College Day Program 2012-13	84.334S	MDLEG	11-00-05	17,518
GEAR UP and College Positive Volunteerism Grant 2011-12	84.334S	MCC	SFACDGU 11-02	11,115
GEAR UP and College Positive Volunteerism Grant 2012-13	84.334S	MCC	SFACDGU 12-02	13,524
<b>Total U.S. Department of Education</b>				<u>480,252</u>
<b>U.S. Department of Agriculture</b>				
CSREES Tribal College Research Grant Switchgrass Pelletization Study	10.227	BMCC	2010-38424-21215-2	9,351
CSREES Tribal College Research Grant Switchgrass Pelletization Study	10.227	BMCC	2010-38424-21215-3	7,562
Disparities in Food Access and Food Security in Populations in Michigan	10.310	UM	2012-68004-20028	14,816
Summer Food Program 2011	10.559	MDE	17SFP02000	6,892
<b>Total U.S. Department of Agriculture</b>				<u>38,621</u>

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LAKE SUPERIOR STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>Other Programs (Concluded):</b>				
<b>U.S. Department of Commerce</b>				
Little Rapids Habitat Restoration and Monitoring Program	11.463	NOAA	-n/a-	\$ 7,845
<b>U.S. Department of the Interior</b>				
Sea Lamprey Study 2012-13	15.608	Direct	30181AJ100	6,500
Sea Lamprey Study 2013-14	15.608	Direct	30181AJ100	6,500
Conservation of Great Lakes Piping Plover	15.608	NFWF	210-0074-017	1,622
Multifaceted Conservation of Great Lakes Piping Plover	15.663	NFWF	0501-11-027124	78,700
<b>Total U.S. Department of the Interior</b>				<u>93,322</u>
<b>National Endowment for the Humanities</b>				
Opening a Literary Dialogue in the Eastern Upper Peninsula	45.129	MHC	2884	2,930
<b>National Science Foundation</b>				
Oxidative Elimination of Cyanotoxins by Ferrates	47.041	Direct	CBET-1235636	3,125
Develop Novel Fresh and Marine Water Toxin Detectors	47.050	Direct	OCE-1313558	16,054
Continued Study of the Physical Properties of the WAIS				
Divide Deep Core	47.078	Direct	ANT-1043313	27,254
Geoscience & Native American Culture: A field experience- NA HS Students 2009-12	47.078	Direct	GEO-0914688	44,571
<b>Total National Science Foundation</b>				<u>91,004</u>
<b>U.S. Environmental Protection Agency</b>				
GRO Undergraduate Fellowship	66.513	MDNR	MA-91753501-0	2,238
Great Lakes Restoration Initiative: Sport Fish Beneficial Use Impairment	66.469	MDCH	20123528	24,000
Great Lakes Coastal Wetland Monitoring Project	66.469	CMU	GLOOEO0612-0/4C-W011-NAEX	43,600
<b>Total U.S. Environmental Protection Agency</b>				<u>69,838</u>
<b>U.S. Department of Health and Human Services</b>				
Develop Novel Fresh and Marine Water Toxin Detectors	93.113	NIH	R01ES021968.01	16,356
<b>Total Other Programs</b>				<u>800,168</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 19,444,099</u>

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

# LAKE SUPERIOR STATE UNIVERSITY

## Notes to Schedule of Expenditures of Federal Awards

### 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, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the University's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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.

### 3. PASS-THROUGH AGENCIES

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 Agency Abbreviation	Pass-through Agency Name
BMCC	Bay Mills Community College
CMU	Central Michigan University
MCC	Michigan Campus Compact
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDLEG	Michigan Department of Labor and Economic Growth
MDNR	Michigan Department of Natural Resources and Environment
MHC	Michigan Humanities Council
NIH	National Institutes of Health
NFWF	National Fish and Wildlife Foundation
NOAA	National Oceanic and Atmospheric Administration
UM	University of Michigan





**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 4, 2013

To the 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 4, 2013.

**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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified.

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 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.

## 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 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.

*Rehmann Loborn LLC*

**Independent Auditors' Report On Compliance For  
Each Major Federal Program And On Internal Control  
Over Compliance Required by OMB Circular A-133**

October 4, 2013

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

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of *Lake Superior State University* (the "University") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of 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 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 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, 2013.

## 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

### ***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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson 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, 2013

### 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:

#### CFDA Number

84.007/84.033/84.038/84.063/84.268/  
84.379/93.364

#### Name of Federal Program or Cluster

Student Financial Assistance Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee?

  X   yes        no

# LAKE SUPERIOR STATE UNIVERSITY

## **Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2013

### **SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported

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

None reported

# LAKE SUPERIOR STATE UNIVERSITY

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2013

None reported

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