

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

Lake Superior State University

*Year Ended June 30, 2020*



Lake Superior State University

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

Year Ended June 30, 2020

**Contents**

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 <i>Government Auditing Standards</i> .....	1
Independent Auditors' Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	3
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs.....	9
Summary Schedule of Prior Audit Findings.....	11

Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lake Superior State University (University) and its discretely presented component unit, Lake Superior State Foundation, as of and for the year ended June 30, 2020, 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 9, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Superior State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of our testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Andrews Hooper Paulik PLC*

Midland, Michigan  
December 9, 2020

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

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

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

We have audited Lake Superior State University's (University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompany schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of Lake Superior State University and its discretely presented component unit, Lake Superior State Foundation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 9, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Andrews Hooper Pavlik PLC*

Midland, Michigan  
June 1, 2021

Lake Superior State University  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title				Federal CFDA Number	Passed Through	Award # or Pass - through Grant #	Award Amount	Passed through to Subrecipient	Total Federal Expenditures
<b>Student Financial Assistance Cluster:</b>									
<b>U.S. Department of Education</b>									
21519	210	Federal Work Study 19-20		84.033	Direct	P033A192029	\$ 271,954	\$ -	\$ 241,704
21539	210	Federal SEOG 19-20		84.007	Direct	P007A192029	85,695		78,921
21558	210	Federal PELL Grant 2018-19		84.063	Direct	P063P180235	3,231,379		(2,043)
21559	210	Federal PELL Grant 2019-20		84.063	Direct	P063P190235	2,735,921		2,774,083
4818	48	William D. Ford Federal Direct Loan Program 18-19		84.268	Direct	P268K190235	8,745,098		(5,939)
4819	48	William D. Ford Federal Direct Loan Program 19-20		84.268	Direct	P268K200235	8,745,098		8,435,958
450	45	Federal Perkins Loan Program plus loans issued during the fiscal year, See note 3		84.038	Direct	P038A172029	-		2,051,676
<b>U.S. Department of Health and Human Services</b>									
470	47	Nursing Student Loans plus loans issued during the fiscal year, See note 3		93.364	Direct	6339831N03	-		728,635
<b>Student Financial Assistance Cluster Total</b>									<u>14,302,995</u>
<b>COVID-19 Higher Education Emergency Relief Funds Cluster:</b>									
21380	215	Federal CARES Student Relief 2020		84.425	Direct	P425F201519	801,132		527,500
21381	215	Federal CARES Univ Relief 2020		84.425F	Direct	P425F201519	801,132		282,471
<b>COVID-19 Higher Education Emergency Relief Fund Cluster Total</b>									<u>809,971</u>
<b>Other Direct Programs:</b>									
<b>U.S. Department of Education</b>									
21378	10460	GEAR UP/KCP College Day 2018-19 (Year 7 extension)		84.334S	MDLEO	18-00-05	17,500		6,689
21382	212	Federal CARES Univ Relief Supl20-21		84.425M	Direct	P425M200242	78,587		78,587
21383	215	SOM/CARES (CRF) PA 146 2020-21		21.019	MDT	UKN	1,502,600		-
21160	212	Occupational Educational Services 2017-18		84.048a	MDLEO	203510-2021	90,865		90,865
<b>U.S. Department of Education Subtotal</b>									<u>176,141</u>
<b>Research and Development Federal Awards:</b>									
<b>U.S. Geological Service</b>									
20808	10310	Assessment of Larval Fish Production in the Saint Mary's River Rapids		15.808	Direct	G18AC00332	61,918		56,083
20809	10310	Fisheries Ecology of St. Mary's River		15.808	Direct	G19AC00387	75,768		27,829
<b>U.S. Department of the Interior</b>									
21720	10310	Sea Lamprey Study 19-20		15.662	Direct	F19AC00224	7,509		4,480
21721	10310	Sea Lamprey Study 20-21		15.662	Direct	F20AC00326	7,510		30
21739	10121	Great Lakes Piping Plover Nest Monitoring 19-20		15.662	USFWS	F19AC00374	83,000		37,876
21740	10121	Great Lakes Piping Plover Nest Monitoring 20-21		15.662	USFWS	F20AC00277	83,000		49,408
<b>U.S. Environmental Protection Agency</b>									
20039	10310	European Frog-bit: Enhancing Control, Assessing Impact, Management		66.469	SOM-EAGLE	2019-EFB2	196,216		37,382
20075	10300	Great Lakes Coastal Wetland Monitoring: Continued Implementation		66.469	CMU/EPA	GL-00E01567-0	230,995		45,177
<b>Total Research &amp; Development Federal Awards</b>									<u>258,265</u>
<b>U.S. Department of Commerce</b>									
20820	10310	Developing Great Lakes Stewards through Place-making In Classrooms		11.429	NOAA	NA20NOS4290005	76,575		-
<b>Total U.S. Department of Commerce</b>									<u>-</u>
<b>National Historical Publication and Records</b>									
20419	10410	Upper Peninsula Digital Preservation and Access Network		89.003	NMU	0000-414-879	7,646		7,646
<b>Total Institute of Museum and Library Services</b>									<u>7,646</u>
<b>National Endowment for the Humanities</b>									
20329	10691	Mystical Arts of Tibet Cultural Residency		45.025	AMTF	19	800		800
<b>Total National Endowment for the Humanities</b>									<u>800</u>
<b>U.S. Department of Defense</b>									
20506	210	SMART Scholarship Program 19-20		12.361	NDEP	217-18815/HQ0034-16-C0008	14,515		14,515
<b>Total U.S. Department of Defense</b>									<u>14,515</u>
<b>Total Federal Awards</b>								<u>\$ -</u>	<u>\$ 15,570,333</u>



# Lake Superior State University

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

### **1. Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the University under programs of the federal government for the fiscal year ended June 30, 2020. Expenditures reported on the SEFA are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Uniform Guidance. In addition, expenditures reported on the SEFA are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the SEFA presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the University.

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

### **2. Major Programs and Clusters**

As defined in the Uniform Guidance, Student Financial Assistance programs and Research and Development programs are considered to be clusters of programs and, accordingly, have been classified as one program for testing purposes. The Student Financial Assistance Cluster and COVID-19 Higher Education Emergency Relief Funds have been defined as major programs. In determining the threshold for major programs, the entire Student Financial Assistance cluster was removed due to the large loan and loan guarantee funds within the cluster.

### **3. Federal Student Loan Programs**

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

There were \$1,699,056 of Federal Perkins Loans and \$614,268 of Nursing Student Loans outstanding as of June 30, 2020.

Lake Superior State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

**3. Federal Student Loan Programs (continued)**

Total program disbursements under the loan programs for the year ended June 30, 2020 were as follows:

	Federal Perkins	Nursing Student Loans
Loans receivable as of June 30, 2019	\$ 2,051,676	\$ 593,969
Loans granted	-	134,666
Schedule of awards – amount to report	<u>\$ 2,051,676</u>	<u>\$ 728,635</u>

**4. Indirect Cost Rate**

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

**5. Pass-Through Entities**

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

<b>Pass-through Agency Abbreviation</b>	<b>Pass-through Agency Name</b>
AMTF	Arts Midwest TouLring Fund
CMU	Central Michigan University
EGLE	Environment, Great Lakes & Energy
EPA	Environmental Protection Agency
MDLEO	Michigan Department of Labor and Economic Opportunity
MDT	Michigan Department of Treasury
NDEP	National Defense Education Program
NMU	Northern Michigan University
NOAA	National Oceanic and Atmospheric Administration
SOM	State of Michigan
USFWS	United States Fish and Wildlife Service

Pass-through entity identifying numbers are presented where available.

Lake Superior State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section I – Summary of Independent Auditors’ Results

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

<b><u>Federal Grantor/Program Name</u></b>	<b><u>Federal Catalog or Grantor Number</u></b>
<b>Student Financial Assistance Cluster</b>	
U.S. Department of Education	84.007; 84.033; 84.038; 84.063; 84.268; 93.364
<b>COVID-19 Higher Education Emergency Relief Funds</b>	84.425E; 84.425F; 84.425M

Dollar threshold used to distinguish between Type A and Type B programs:	<u>  \$750,000  </u>		
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	<u>        </u> No	

Lake Superior State University

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2020

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

2020-001 Information Security Program and Risk Assessment – Repeat Finding

*Criteria:* The University is required to designate an individual to coordinate the information security program and perform a risk assessment that addresses those areas noted in 16 CFR 314.4(b) and document safeguards for identified risks.

*Condition:* The University has not completed a risk assessment that addresses those areas noted in 16 CFR 314.4(b). This was due to conditions and shifting priorities caused by the COVID-19 Pandemic.

*Cause:* The University is still in the process of formalizing the risk assessment.

*Effect:* Because of the failure to formalize a documented risk assessment, the University may not be aware of risks to student information and therefore may not have implemented proper information security controls.

*Recommendation:* We recommend that the University formalize a risk assessment, which at minimum addresses the required areas.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the above finding. The University has a plan in place to develop an IT Security Audit team to address the above concerns related to risk assessment. The plan will occur during the 2020-2021 fiscal year.

Lake Superior State University

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Summary Schedule of Prior Audit Findings

2019-001 Information Security Program and Risk Assessment

*Criteria:* The University is required to designate an individual to coordinate the information security program and perform a risk assessment that addresses those areas noted in 16 CFR 314.4(b) and document safeguards for identified risks.

*Condition:* The University has not completed a risk assessment that addresses those areas noted in 16 CFR 314.4(b).

*Cause:* The University is still in the process of formalizing the risk assessment.

*Effect:* Because of the failure to formalize a documented risk assessment, the University may not be aware of risks to student information and therefore may not have implemented proper information security controls.

*Recommendation:* We recommend that the University formalize a risk assessment, which at minimum addresses the required areas.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the above finding. The University has a plan in place to develop an IT Security Audit team to address the above concerns related to risk assessment. Due to the COVID-19 Pandemic, the plan did not occur during the 2019-2020 fiscal year.