
Southwestern Michigan College

Federal Awards Supplemental Information
June 30, 2022

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**Independent Auditor's Report**

To the Board of Trustees
Southwestern Michigan College

We have audited the financial statements of the business-type activities and discretely presented component unit of Southwestern Michigan College (the "College") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 9, 2022, which contained an unmodified opinion 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. We have not performed any procedures with respect to the audited financial statements subsequent to November 9, 2022.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 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 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 financial statements as a whole.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

November 9, 2022

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*

Independent Auditor's Report

To Management and the Board of Trustees
Southwestern Michigan College

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 basic financial statements of the business-type activities and discretely presented component unit of Southwestern Michigan College (the "College") as of and for the year ended June 30, 2022 and the related notes to the basic financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 9, 2022. The financial statements of Southwestern Michigan College Foundation were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and questioned costs as Finding 2022-001.

To Management and the Board of Trustees
Southwestern Michigan College

The College's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the College's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other 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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 9, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees
Southwestern Michigan College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwestern Michigan College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the College's major federal program for the year ended June 30, 2022. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

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* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the College 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 College'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 College's federal program.

Auditor's 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 College'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 College's compliance with the requirements of each major federal program as a whole.

To the Board of Trustees
Southwestern Michigan College

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 College'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 College'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 College'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.

Report on 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 a 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 *Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Plante & Moran, PLLC

November 9, 2022

Southwestern Michigan College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Project/Grant Number	Award Amount	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:					
Student Financial Assistance Cluster -					
U.S. Department of Education - Direct Program:					
Federal Supplemental Education Opportunity Grant	84.007	P007A212077	68,124	\$ -	\$ 68,124
Federal Work-Study Program	84.033	P033A212077	112,065	-	112,065
Federal Pell Grant Program	84.063	P063P211654	2,886,806	-	2,886,806
William D. Ford Direct Loan Program	84.268	P268K221654	1,538,123	-	1,538,123
Total Student Financial Assistance Cluster				-	4,605,118
TRIO Cluster -					
U.S. Department of Education - Direct Program -					
TRIO - Educational Talent Search Program:					
2020-2021	84.044	P044A160359	377,785	-	84,097
2021-2022	84.044	P044A210151	365,010	-	313,557
Total TRIO Cluster				-	397,654
Total clusters				-	5,002,772
Other U.S. Department of Education awards:					
Education Stabilization Fund -					
U.S. Department of Education - Direct Program:					
COVID-19 - Higher Education Emergency Relief Fund - Student Aid	84.425E	P425E203756	4,123,199	-	2,548,999
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	84.425F	P425F202858	5,557,173	-	2,458,308
Total Education Stabilization Fund				-	5,007,307
Passed through the Michigan Department of					
Energy, Labor, and Economic Growth:					
Carl D. Perkins Career and Technical Education					
Act: Local Annual	84.048	223510-2221-26	155,719	-	155,719
Carl D. Perkins Career and Technical Education					
Act: Local Leadership	84.048	223250-2225-26	9,200	-	9,200
Total other U.S. Department of Education awards				-	5,172,226
Total expenditures of federal awards				\$ -	\$ 10,174,998

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Southwestern Michigan College (the "College") under programs of the federal government for the year ended June 30, 2022. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. The pass-through entity identifying numbers are presented where available.

The College has elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs**Year Ended June 30, 2022****Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted?

 X Yes None reported**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

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

 Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
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84.425	COVID-19 Education Stabilization Fund
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Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Section II - Financial Statement Audit Findings

Reference Number	Finding
2022-001	<p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Criteria - In accordance with the Community College Act 331 of 1966, Section 389.142, Michigan community colleges (most recently updated and reaffirmed through Public Act 107 of 2017) are only allowed to invest their funds in certain types of investments. One of those restrictions is item (e), which limits investing in commercial paper of corporations rated prime by at least one of the standard rating services. By definition, commercial paper is corporate bonds with maturities of 270 days or less.</p> <p>Condition - The College is investing in corporate bonds with maturities of more than 270 days.</p> <p>Context - The College provided a copy of the current state law and allowable investments to its investment advisor; however, the investment advisor did not understand that the investments were limited to commercial paper (also known as corporate bonds with maturities of 270 days or less). The College did identify the corporate bond classification on the investment statements when preparing the schedule of investment holdings as of June 30, 2022.</p> <p>Cause - In previous years, the College utilized investment statements provided by the investment advisor but none of the reviewing parties distinguished the corporate holdings between corporate bonds and commercial paper; thus, the identification of the disallowed long-term holdings was missed.</p> <p>Effect - As of June 30, 2022, the College has investments in corporate bonds of \$3,044,147 with maturities ranging from 1 year to greater than 10 years, with the majority maturing within the next 2 years.</p> <p>Recommendation - We recommend the College review all investment holdings for compliance with the Community College Public Act of 1966, Section 389.142 and develop a plan of liquidation for those that would be deemed noncompliant under current state law.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Upon more thorough review and discussions of the portfolio with the investment advisor, the College identified and questioned the longer maturities on these corporate holdings. Immediately upon clarification and awareness of the investments, the College took action to address the noncompliance issue. The College began working with its investment advisor to liquidate the noncompliant investments to reinvest in allowable investments and has a plan in place to be completely compliant by June 30, 2023.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	