

Nebraska State College System
A Component Unit of the State of Nebraska
Single Audit Reports
June 30, 2018



Nebraska State College System
A Component Unit of the State of Nebraska
June 30, 2018

Contents

Independent Auditor’s Report	1
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	7
Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report	8
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	13

Independent Auditor's Report

The Board of Trustees
Nebraska State College System
Lincoln, Nebraska

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of the Nebraska State College System (System), a component unit of the State of Nebraska, for the year ended June 30, 2018 and the related notes to the schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a schedule of expenditures of federal awards that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule of expenditures of federal awards based on our audit. We conducted our audit 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures of federal awards is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of expenditures of federal awards. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of expenditures of federal awards, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of expenditures of federal awards in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of expenditures of federal awards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the Nebraska State College System for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Lincoln, Nebraska
December 17, 2018

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Cluster/Program	Federal Agency Subdivision	Pass-Through Entity	CFDA #	Grant Number/Pass- Through Entity Identifying Number	Wayne	Peru	Chadron	FY 2018 Expenditures	Passed Through to Subrecipients
<i>Student Financial Aid Cluster:</i>									
<i>U.S. Department of Education:</i>									
Federal Supplemental Educational Opportunity Grants	Office of Federal Student Aid		84.007	P007A1724810 P007A1624690 P007A1724690 P007A1724400 P033A1624810 P033A1724810 P033A1624690 P033A1724690 P033A1624400	\$ 60,329	\$ 21,165	\$ 54,276	\$ 135,770	\$ -
Federal Work-Study Program	Office of Federal Student Aid		84.033	P033A1724400	115,274	99,805	244,147	459,226	-
Federal Perkins Loan Program	Office of Federal Student Aid		84.038		1,303,404	-	-	1,303,404	-
Federal Pell Grant Program	Office of Federal Student Aid		84.063	P063P1617870 P063P1717870 P063Q1617870 P063Q1717870 P063P1617840 P063P1717840 P063Q1617840 P063Q1717840 P063P1602640 P063P1702640 P063Q1602640	4,327,290	3,103,118	3,117,935	10,548,343	-

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2018

Federal Grantor Cluster/Program	Federal Agency Subdivision	Pass-Through Entity	CFDA #	Grant Number/Pass- Through Entity Identifying Number	Wayne	Peru	Chadron	FY 2018 Expenditures	Passed Through to Subrecipients
				P268K1717870					
				P268K1817870					
				P268K1717840					
				P268K1817840					
				P268K1702640					
Federal Direct Student Loans	Office of Federal Student Aid		84.268	P268K1802640	\$ 12,060,376	\$ 8,887,304	\$ 9,968,067	\$ 30,915,747	\$ -
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	Office of Federal Student Aid		84.379	P379T1817840					
				P379T1817870	28,882	3,736	-	32,618	-
Total Student Financial Aid Cluster					17,895,555	12,115,128	13,384,425	43,395,108	-
TRIO Cluster:									
<i>U.S. Department of Education:</i>									
				P042A1511580					
				P042A1003470					
				P042A1504830					
Trio - Student Support Services	Office of Postsecondary Education		84.042	P042A1504220	325,065	290,121	262,635	877,821	-
Trio - Upward Bound	Office of Postsecondary Education		84.047	P047A1201560					
				P047A1703580	-	-	263,476	263,476	-
Total Trio Cluster					325,065	290,121	526,111	1,141,297	-
				S367B140024					
Improving Teacher Quality State Grants	Office of Elementary & Secondary Education	Coordinating Commission for Postsecondary Education (CCPE)	84.367	S367B160024	17,629	-	-	17,629	-
Total U.S. Department of Education					18,238,249	12,405,249	13,910,536	44,554,034	-

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2018

Federal Grantor Cluster/Program	Federal Agency Subdivision	Pass-Through Entity	CFDA #	Grant Number/Pass- Through Entity Identifying Number	Wayne	Peru	Chadron	FY 2018 Expenditures	Passed Through to Subrecipients
<i>Research and Development Cluster:</i>									
<i>National Science Foundation:</i>									
				DEB-1019419 1442507					
Biological Sciences			47.074	1555727	\$ 7,878	\$ 15	\$ 3,263	\$ 11,156	\$ -
Mathematical and Physical Sciences			47.049	DMR-1709912	-	17,343	-	17,343	-
<i>U.S. Department of Health & Human Services:</i>									
		University of Nebraska Medical Center (UNMC) & NE Health & Human Services		5P20GM103427-16 5P20GM103427-17 5P20MG103427-17					
Biomedical Research & Research Training	National Institutes of Health		93.859		40,143	-	21,811	61,954	-
Total Research and Development Cluster					48,021	17,358	25,074	90,453	-

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2018

Federal Grantor Cluster/Program	Federal Agency Subdivision	Pass-Through Entity	CFDA #	Grant Number/Pass- Through Entity Identifying Number	Wayne	Peru	Chadron	FY 2018 Expenditures	Passed Through to Subrecipients
<i>Other Programs:</i>									
<i>National Aeronautics & Space Administration:</i>									
Education		NASA NE Space Grant Consortium	43.008	44-0307-1019-388 44-0307-1019-410	\$ -	\$ -	\$ 11,467	\$ 11,467	\$ -
<i>National Endowment for the Arts:</i>									
Promotion of the Arts Partnership Agreement		Nebraska Arts Council	45.025	8905MG-FY2017	-	-	1,650	1,650	-
<i>U.S. Small Business Administration:</i>									
Small Business Development Centers		University of Nebraska - Omaha (UNO)	59.037	45-0606-1092-202 45-0606-1095-202 45-0606-1092-201	65,832	-	23,137	88,969	-
<i>Environmental Protection Agency:</i>									
Environmental Education Grants			66.951	EPA-WTW-02	-	-	2,526	2,526	-
Total Other Programs					<u>65,832</u>	<u>-</u>	<u>38,780</u>	<u>104,612</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ 18,352,102</u>	<u>\$ 12,422,607</u>	<u>\$ 13,974,390</u>	<u>\$ 44,749,099</u>	<u>\$ -</u>

Nebraska State College System
A Component Unit of the State of Nebraska
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Notes to Schedule

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Nebraska State College System (System) under programs of the federal government for the fiscal year ended June 30, 2018. The accompanying notes are an integral part of this Schedule. The information in this 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net position or cash flows of the System.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed 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 System has elected not to use the ten percent de minimis cost rate allowed under the Uniform Guidance.

Loans Outstanding

The federal loan program listed subsequently is administered directly by the System, and balances and transactions relating to this program are included in the System's basic financial statements, which are issued separately. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consists of:

Program Title

Federal Perkins Loan Program	CFDA #84.038
Wayne	\$1,110,631

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

The Board of Trustees
Nebraska State College System
Lincoln, Nebraska

Report on Compliance for the Major Federal Program

We have audited the compliance of the Nebraska State College System (the System), a component unit of the State of Nebraska, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2018. The System's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the System's major federal program 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 the 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 System'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 the major federal program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on the Major Federal Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the System 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 System's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 System'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 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 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.

BKD, LLP

Lincoln, Nebraska
December 17, 2018

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditor's Results

The financial statements of the Nebraska State College System were audited by the Nebraska Auditor of Public Accounts and were provided under separate cover. Certain items are summarized below.

Financial Statements

1. The type of report the Nebraska Auditor of Public Accounts issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The Nebraska Auditor of Public Accounts independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit by the Nebraska Auditor of Public Accounts? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:

Unmodified Qualified Adverse Disclaimer

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2018

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The System's major program was:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The System qualified as a low-risk auditee? Yes No

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	The Nebraska Auditor of Public Accounts issued under separate cover the report in accordance with <i>Government Auditing Standards</i> related to the financial statements of the System. See that report for the significant deficiency identified.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Nebraska State College System
A Component Unit of the State of Nebraska
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
	<p>The Nebraska Auditor of Public Accounts (APA) issued under separate cover the report in accordance with <i>Government Auditing Standards</i> related to the financial statements for the System for the year ended June 30, 2017, that identified the following.</p>	
2017-001 and 2016-001	<p>Finding – The System should have adequate internal controls to help ensure the amounts reported in the draft financial statements and related footnotes are accurate and properly classified in accordance with generally accepted accounting principles.</p> <p>Reasons for Recurrence and Planned Corrective Action - Management reviewed the current finding that was noted as similar and partially resolved to the finding noted in the prior two years. The NSCS has taken steps to improve the financial statement preparation through reorganization of accounting departments and hiring new comptrollers with significant financial statement experience during fiscal year 2018. Many of the items noted in the current year were due to reclassifications of particular line items to improve consistency in reporting at all three colleges. All material adjustments were subsequently corrected by the NSCS. The NSCS remains committed to finding ways to continue to improve on existing procedures for financial statement preparation in order to reduce financial statement errors.</p>	Partially resolved - See Finding 2018-001 reported by the APA under separate cover.
2017-002	<p>Finding – The System should have an adequate internal control structure at the Wayne State College Athletics Department to prevent someone from perpetuating or concealing fraud or irregularities relating to the cash transactions that flowed through the Department, with little or no review by any other individuals.</p>	Corrected