

Nebraska State College System
A Component Unit of the State of Nebraska
Single Audit Reports
June 30, 2014



Nebraska State College System
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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) for the year ended June 30, 2014.

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 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 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 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, 2014, in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Lincoln, Nebraska
December 18, 2014

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency Cluster/Program	Pass-Through Entity	CFDA #	Wayne	Peru	Chadron	FY 2014 Expenditures
Student Financial Aid Cluster:						
<i>U.S. Department of Education:</i>						
Federal Supplemental Educational Opportunity Grants		84.007	\$ 60,329	\$ 44,712	\$ 48,757	\$ 153,798
Federal Work-Study Program		84.033	99,709	75,913	244,152	419,774
Federal Perkins Loans Program		84.038	1,602,515	-	1,102,995	2,705,510
Federal Pell Grant Program		84.063	4,387,600	3,050,562	3,494,973	10,933,135
Federal Direct Student Loans		84.268	12,650,796	8,897,885	10,169,818	31,718,499
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)		84.379	19,740	-	-	19,740
Postsecondary Education Scholarships for Veteran's Dependents		84.408	-	-	5,238	5,238
Total Student Financial Aid Cluster			<u>18,820,689</u>	<u>12,069,072</u>	<u>15,065,933</u>	<u>45,955,694</u>
Trio Cluster:						
<i>U.S. Department of Education:</i>						
Trio - Student Support Services		84.042	285,555	269,104	229,214	783,873
Trio - Upward Bound		84.047	-	-	227,623	227,623
Total Trio Cluster			<u>285,555</u>	<u>269,104</u>	<u>456,837</u>	<u>1,011,496</u>
	Coordinating Commission for Postsecondary Education (CCPE)	84.367	19,980	-	-	19,980
Improving Teacher Quality State Grants		84.378	22,050	9,500	16,100	47,650
College Access Challenge Grant Program			<u>19,148,274</u>	<u>12,347,676</u>	<u>15,538,870</u>	<u>47,034,820</u>
Research & Development Cluster:						
<i>National Aeronautics & Space Administration:</i>						
Science	NASA NE Space Grant Consortium	43.001	-	-	3,043	3,043
<i>National Science Foundation:</i>						
Biological Sciences		47.074	-	177,755	-	177,755
<i>U.S. Department of Health & Human Services:</i>						
Centers for Disease Control & Prevention - Investigations & Technical Assistance	NE Health & Human Services	93.283	-	-	5,216	5,216
The Affordable Care Act: Building Epidemiology, Laboratory, & Health Information Systems Capacity in the Epidemiology & Laboratory Capacity for Infectious Disease (ELC) & Emerging Infections Program (EIP) Cooperative Agreements; PPHF	NE Health & Human Services	93.521	-	-	6,511	6,511
Biomedical Research & Research Training	University of Nebraska Medical Center (UNMC)	93.859	127,428	-	534	127,962
Total U.S. Department of Health & Human Services			<u>127,428</u>	<u>-</u>	<u>12,261</u>	<u>139,689</u>
Total Research & Development Cluster			<u>127,428</u>	<u>177,755</u>	<u>15,304</u>	<u>320,487</u>
Other Programs:						
<i>U.S. Small Business Administration:</i>						
Small Business Development Centers	University of Nebraska - Omaha (UNO)	59.037	54,288	-	31,465	85,753
<i>Department of Homeland Security:</i>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036	-	-	46,224	46,224
Total Other Programs			<u>54,288</u>	<u>-</u>	<u>77,689</u>	<u>131,977</u>
Total Expenditures of Federal Awards			<u>\$ 19,329,990</u>	<u>\$ 12,525,431</u>	<u>\$ 15,631,863</u>	<u>\$ 47,487,284</u>

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Notes to Schedule

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Nebraska State College System (System) and is presented on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions* where in certain types of expenditures are not allowed or are limited as to reimbursements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the System's basic financial statements.

Loans Outstanding

At June 30, 2014, the System had the following net federal loan program receivables from participating students:

Program Title

Federal Perkins Loan Program	
Chadron	\$ 793,672
Wayne	\$1,229,365

Subrecipients

The System provided no funds to subrecipients for the year ended June 30, 2014.

Report on Compliance for Each Major 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 Each 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 *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The System's major federal programs are 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2014.

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 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 our 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

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

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.

BKD, LLP

Lincoln, Nebraska
December 18, 2014

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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.

1. The opinion expressed in the Nebraska Auditor of Public Accounts independent auditor's report 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

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

6. The audit disclosed findings required to be reported by OMB Circular A-133? 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, 2014

7. The System's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Federal Work Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Teacher Education Assistance for College and Higher Education (TEACH) Grant	84.379
Postsecondary Education Scholarships for Veteran's Dependents	84.408
Research and Development Cluster	
Biological Sciences	47.074
Biomedical Research and Research Training	93.859
Center for Disease Control and Prevention – Investigations and Technical Assistance	93.283
Science	43.001
The Affordable Care Act: Building Epidemiology, Laboratory, & Health Information Systems Capacity in the Epidemiology & Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? 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, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	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. No matters were reported.	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2014-001	<p>Significant Deficiency</p> <p>Federal Program – Biological Sciences, CFDA No. 47.074, National Science Foundation, Program Year 2014</p> <p>Criteria or Specific Requirement – Procurement and Suspension and Debarment – Program regulations stipulate that institutions must verify that vendors are not suspended, debarred or otherwise excluded.</p> <p>Condition – The System did not verify that the vendor was not suspended, debarred or otherwise excluded for the one covered transaction tested.</p> <p>Context – The System entered into one covered transaction during the year. For this transaction, we noted that the System did not verify that the vendor was not suspended, debarred or otherwise excluded. We also noted that the purchasing and procurement policies do not include provisions to address this requirement.</p> <p>Effect – While the vendor was not suspended, debarred, or otherwise excluded, the System’s policies and procedures do not prevent the System from entering into covered transactions with suspended, debarred, or otherwise excluded parties.</p> <p>Cause – The System does not have a policy to address the requirement to verify that vendors are not suspended, debarred or otherwise excluded.</p>	None

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Reference Number	Finding	Questioned Costs
	<p>Recommendation – The System should implement a policy to ensure that covered transactions are appropriately handled and potential vendors are verified prior to each disbursement of federal funds to ensure that they are not suspended, debarred or otherwise excluded.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Peru State College is now aware of this procurement regulation. Prior to disbursement of federal funds, the College will verify potential vendors are not suspended, debarred or otherwise excluded. In addition, revisions to Board purchasing policies will be proposed to require the Colleges to verify prior to each disbursement of federal funds that the vendor is not suspended, debarred or otherwise excluded.</p>	

Nebraska State College System
A Component Unit of the State of Nebraska
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Reference Number	Summary of Finding	Status
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No matters are reportable.