

Nebraska State College System
A Component Unit of the State of Nebraska
Single Audit Reports
June 30, 2013



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A Component Unit of the State of Nebraska
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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, 2013.

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, 2013, in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Lincoln, Nebraska
January 6, 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, 2013

Federal Agency Cluster/Program	Pass-Through Entity	CFDA #	Wayne	Peru	Chadron	FY 2013 Expenditures
Student Financial Aid Cluster:						
<i>U.S. Department of Education:</i>						
Federal Supplemental Educational Opportunity Grant		84.007	\$ 60,329	\$ 58,722	\$ 47,072	\$ 166,123
Federal Work-Study Program		84.033	110,689	71,308	191,751	373,748
Federal Perkins Loans Program		84.038	1,601,974	-	1,341,273	2,943,247
Federal Pell Grant Program		84.063	4,627,126	2,864,851	3,524,167	11,016,144
Federal Direct Student Loans		84.268	13,347,827	8,505,859	10,692,435	32,546,121
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)		84.379	10,500	-	-	10,500
Total Student Financial Aid Cluster			<u>19,758,445</u>	<u>11,500,740</u>	<u>15,796,698</u>	<u>47,055,883</u>
Trio Cluster:						
<i>U.S. Department of Education:</i>						
Trio - Student Support Services		84.042	299,989	294,952	246,029	840,970
Trio - Upward Bound		84.047	-	-	243,641	243,641
Total Trio Cluster			<u>299,989</u>	<u>294,952</u>	<u>489,670</u>	<u>1,084,611</u>
	Coordinating Commission for Postsecondary Education					
Improving Teacher Quality State Grants	(CCPE)	84.367	33,345	-	-	33,345
College Access Challenge Grant Program	CCPE	84.378	22,250	15,450	12,784	50,484
<i>Total U.S. Department of Education</i>			<u>20,114,029</u>	<u>11,811,142</u>	<u>16,299,152</u>	<u>48,224,323</u>
Research and Development Cluster:						
<i>National Science Foundation:</i>						
Biological Sciences		47.074	6,488	119,196	-	125,684
Office of Experimental Program to Stimulate Competitive Research	University of Nebraska - Lincoln (UNL)	47.081	2,701	-	-	2,701
<i>Total National Science Foundation</i>			<u>9,189</u>	<u>119,196</u>	<u>-</u>	<u>128,385</u>
<i>U.S. Department of Health & Human Services:</i>						
Centers for Disease Control and Prevention - Investigations and Technical Assistance	NE Health & Human Services University of Nebraska	93.283	-	-	11,891	11,891
National Center for Research Resources	Medical Center (UNMC)	93.389	136,408	-	8,880	145,288
Biomedical Research and Research Training		93.859	4,403	-	-	4,403
<i>Total U.S. Department of Health & Human Services</i>			<u>140,811</u>	<u>-</u>	<u>20,771</u>	<u>161,582</u>
Total Research and Development Cluster			<u>150,000</u>	<u>119,196</u>	<u>20,771</u>	<u>289,967</u>
Other Programs:						
<i>U.S. Department of Agriculture:</i>						
Soil & Water Conservation	Soil & Water Conservation	10.902	-	-	2,900	2,900
<i>U.S. Small Business Administration:</i>						
Small Business Development Centers	University of Nebraska - Omaha (UNO)	59.037	60,420	-	32,055	92,475
<i>U.S. Department of Energy</i>						
State Energy Program ARRA	Nebraska State Energy Office	81.041	198,678	-	-	198,678
<i>U.S. Department of Health & Human Services:</i>						
Block Grants for Prevention and Treatment of Substance Abuse	Nemaha Against Drug and Alcohol Abuse (NADAA)	93.959	-	1,000	-	1,000
<i>Corporation For National & Community Service:</i>						
Learn & Serve America - Higher Education Program Development and Innovation Grants	Youth Service America	94.005	-	1,000	-	1,000
		94.007	650	-	-	650
<i>Total Corporation For National & Community Service</i>			<u>650</u>	<u>1,000</u>	<u>-</u>	<u>1,650</u>
Total Other Programs			<u>259,748</u>	<u>2,000</u>	<u>34,955</u>	<u>296,703</u>
Total Expenditures of Federal Awards			<u>\$ 20,523,777</u>	<u>\$ 11,932,338</u>	<u>\$ 16,354,878</u>	<u>\$ 48,810,993</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, 2013

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 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*.

Loans Outstanding

At June 30, 2013, the System had the following net federal loan program receivables from participating students:

Program Title

Federal Perkins Loan Program

Chadron \$1,042,395

Wayne \$1,246,079

Subrecipients

The System provided no funds to subrecipients for the year ended June 30, 2013.

**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

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 the System's major federal programs for the year ended June 30, 2013. 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 each of 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.

Unmodified Opinion on the 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, 2013.

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

BKD, LLP

Lincoln, Nebraska
January 6, 2014

Nebraska State College System
A Component Unit of the State of Nebraska
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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 with requirements that could have a direct and material effect on major federal awards programs disclosed:

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on 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, 2013

7. The System's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance 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
TRIO Cluster	
TRIO – Student Support Services	84.042
TRIO – Upward Bound	84.047

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, 2013

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	<p>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.</p>	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	<p>No matters are reportable.</p>	

Nebraska State College System
A Component Unit of the State of Nebraska
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Reference Number	Summary of Finding	Status
2012-1	Out of a sample of 60 student status changes, eight student status changes were not reported to the guaranty agency directly within 30 days or indirectly within 60 days of the change.	Resolved
2012-2	The System's Upward Bound program did not meet the earmarking requirement requiring not less than two-thirds of participants be low-income individuals and potential first-generation college students.	Resolved