

MICHIGAN GREAT LAKES VIRTUAL ACADEMY

MANISTEE, MICHIGAN

SINGLE AUDIT

JUNE 30, 2018



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
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MANISTEE, MICHIGAN

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YEAR ENDED JUNE 30, 2018

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October 16, 2018

INDEPENDENT AUDITOR'S 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

To the Board of Education
Michigan Great Lakes Virtual Academy
Manistee, Michigan

We have audited, in accordance with the 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 the governmental activities and the major fund of Michigan Great Lakes Virtual Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Michigan Great Lakes Virtual Academy's basic financial statements, and have issued our report thereon dated October 16, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Michigan Great Lakes Virtual Academy'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 Michigan Great Lakes Virtual Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan Great Lakes Virtual Academy'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 entity'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 Michigan Great Lakes Virtual Academy'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

MICHIGAN GREAT LAKES VIRTUAL ACADEMY'S RESPONSE TO FINDINGS

Michigan Great Lakes Virtual Academy's response to the finding identified in our audit is described in the schedule of findings and questioned costs. Michigan Great Lakes Virtual Academy's response was not subjected to the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

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October 16, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Michigan Great Lakes Virtual Academy
Manistee, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Michigan Great Lakes Virtual Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Michigan Great Lakes Virtual Academy's major federal program for the year ended June 30, 2018. Michigan Great Lakes Virtual Academy'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 each of Michigan Great Lakes Virtual Academy'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 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 Michigan Great Lakes Virtual Academy'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 on Michigan Great Lakes Virtual Academy's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Michigan Great Lakes Virtual Academy 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 program for the year ended June 30, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Michigan Great Lakes Virtual Academy 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 Michigan Great Lakes Virtual Academy'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 our 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 Michigan Great Lakes Virtual Academy'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.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Great Lakes Virtual Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Michigan Great Lakes Virtual Academy's basic financial statements. We issued our report thereon dated October 16, 2018, 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 the 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 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 basic financial statements as a whole.

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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MICHIGAN GREAT LAKES VIRTUAL ACADEMY
MANISTEE, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2017	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2018	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT	ADJUSTMENTS
U.S. Department of Education									
Passed Through Michigan Department of Education (M.D.E.)									
Title I A Grants to Local Education Agencies									
Project No. 181530-1718	84.010	\$ 1,214,519	\$ 0	\$ 0	\$ 687,593	\$ 421,064	\$ 266,529	\$ 0	\$ 0
Project No. 171530-1617	84.010	969,422	320,280	441,720	116,992	437,272	0	0	0
Total Title I A	84.010	2,183,941	320,280	441,720	804,585	858,336	266,529	0	0
Title II A - Improving Teacher Quality									
Project No. 180520-1718	84.367	203,113	0	0	111,817	63,382	48,435	0	0
Project No. 170520-1617	84.367	85,886	11,280	13,946	28,666	40,955	(1,009)	0	0
Total Title IIA	84.367	288,999	11,280	13,946	140,483	104,337	47,426	0	0
Title IV Part A SSAE									
Project No. 180750-1718	84.358	10,000	0	0	6,665	0	6,665	0	0
Passed Through Manistee Intermediate School District (I.S.D.)									
Special Education - Flowthrough - IDEA									
Project No. 180450-1718	84.027A	232,730	0	0	232,730	232,730	0	0	0
Total U.S. Department of Education		2,715,670	331,560	455,666	1,184,463	1,195,403	320,620	0	0
Total Federal Financial Assistance		\$ 2,715,670	\$ 331,560	\$ 455,666	\$ 1,184,463	\$ 1,195,403	\$ 320,620	\$ 0	\$ 0
					(C)	(D)			

The accompanying notes are an integral part of this schedule.

MICHIGAN GREAT LAKES VIRTUAL ACADEMY
MANISTEE, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE
FISCAL YEAR ENDED JUNE 30, 2018

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of Michigan Great Lakes Virtual Academy under programs of the federal government for the year ended June 30, 2018. 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* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Michigan Great Lakes Virtual Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of Michigan Great Lakes Virtual Academy.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, Cost Principles for States, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. Michigan Great Lakes Virtual Academy has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Basic Financial Statements (Page 4)	<u>\$ 1,184,463</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,184,463</u>

(D) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the cash management system (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. The Academy does not pass through federal funds to sub recipients.

Current Cash Payments per Cash Management System (CMS)	\$ 962,673
Adjustment:	
IDEA passed through from Manistee Intermediate School	<u>232,730</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards	<u>\$1,195,403</u>

MICHIGAN GREAT LAKES VIRTUAL ACADEMY
MANISTEE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

MICHIGAN GREAT LAKES VIRTUAL ACADEMY
MANISTEE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ 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 Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee under Title 2 CFR Section 200.520? _____ Yes X No

MICHIGAN GREAT LAKES VIRTUAL ACADEMY
MANISTEE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II - Financial Statement Findings

2018-001 U.S. DEPARTMENT OF EDUCATION

Program Title: Title II A

CFDA Number: 84.367

Federal Award Number: 170520

Federal Award Year: July 1, 2016 to September 30, 2017

Pass-Through Entity: Passed-Through Michigan Department of Education

Type of Compliance: Immaterial Noncompliance (Cash Management)

Criteria: In accordance with grant requirements, the Academy can only request funds to meet their immediate cash needs and not more than allowable expenditures.

Condition: The Academy requested Title II federal funds in excess of what expenditures amounted to as of June 30, 2018.

Cause: The Academy was noncompliant when requesting Title II federal funds due to an expenditure that was listed in the Title II detailed expenditure grouping schedule at the time the final cash request was made that was later reclassified as a non-Title II expenditure.

Effect: At June 30, 2018, the Academy had deferred Title II revenue in the amount of \$1,009 as a result of receiving \$29,675 in 2016-2017 federal Title II revenue but only having \$28,666 in eligible expenditures.

Questioned Costs: \$1,009 (84.367; 170520-1617)

Perspective Information: The finding represents a problem which if left uncorrected, has potential to lead to material questioned costs with other federal grant requests. No sampling was necessary to determine this finding as all cash requests during the year were examined.

Identification of Repeat Findings: No

Recommendation: The Academy should begin requesting Federal funds equal to their immediate cash needs for the specified programs and remit payment back to the State of Michigan for the excess request of \$1,009 for Title II Part A.

View of Responsible Officials: The Academy is aware that federal funds must be requested on a reimbursement basis and has put into place additional internal controls, such as reviewing detailed expenditure groupings schedules for properly classified expenditures prior to requesting federal funds, to ensure that another cash management problem does not occur.

MICHIGAN GREAT LAKES VIRTUAL ACADEMY
MANISTEE, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section III - Federal Award Findings and Questioned Costs

None



A K12 Public Charter School

CORRECTIVE ACTION PLAN

JUNE 30, 2018

2018-001

This finding originated in the 2017-2018 fiscal year. The Academy is aware that federal funds must be requested on a reimbursement basis and has put into place additional internal controls, such as reviewing detailed expenditure groupings schedules for properly classified expenditures prior to requesting federal funds, to ensure that another cash management problem does not occur. The Academy will consult with the State of Michigan and will pay back the excess funds by triggering a negative cash request from the cash request that follows the Academy notifying the State. The grant coordinator and business manager are the responsible party for the corrective action plan. The anticipated completion date for the correct action is September 30, 2018. The plan for monitoring adherence is for the Academy to be more cautious before requesting federal funds by comparing the request to expenditure grouping reports and using the auditor for questions as deemed appropriate.

