

SPARTANBURG COMMUNITY COLLEGE

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Independent Auditors' Report On Compliance
For Each Major Program And On Internal Control Over
Compliance Required by OMB Circular A-133

Spartanburg Community College
Spartanburg, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Spartanburg Community College's compliance 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 Spartanburg Community College's major federal programs for the year ended June 30, 2014. Spartanburg Community College's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College'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 Spartanburg Community College'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 Spartanburg Community College's compliance.

Opinion on Each Major Federal Program

In our opinion Spartanburg Community College, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item **2014-01**. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of Spartanburg Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit, we considered Spartanburg Community College'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 an 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 Spartanburg Community College's internal control over compliance.

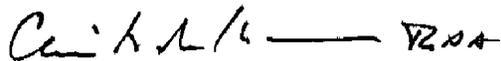
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. 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 OMB Circular A-133

We have audited the financial statements of the business-type activities and the discretely presented component unit of Spartanburg Community College, a discretely presented component of the State of South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Gaffney, SC
September 15, 2014

Independent Auditors' 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

Spartanburg Community College
Spartanburg, South Carolina

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 business-type activities and the discretely presented component unit of Spartanburg Community College, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Spartanburg Community College's basic financial statements, and have issued our report thereon dated September 15, 2014. The Spartanburg Community College Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Spartanburg Community College Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Spartanburg Community College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spartanburg Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Spartanburg Community 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 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 by those charged with governance.

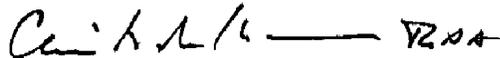
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Spartanburg Community College's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

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.



Gaffney, SC
September 15, 2014

SPARTANBURG COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Program Title/Grant Title	CFDA Number	Grant Period	Expenditures As of 6/30/2014
U.S. DEPARTMENT OF EDUCATION			
<u>Student Financial Aid Cluster</u>			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	2013-14 2012-13	154,130 (10,723)
Federal Direct Loans	84.268	2013-14 2012-13	2,432,040 3,499
Federal Work-Study Program (FWS)	84.033	2013-14 2012-13	154,965 27,824
Federal Pell Grant Program (PELL)	84.063	2013-14 2012-13	12,341,139 37,898
Total Student Financial Aid Cluster			<u>15,140,772</u>
<u>TRIO Cluster</u>			
TRIO- Student Support Services	84.042A	2013-14 2012-13	228,846 40,067
Total TRIO Cluster			<u>268,913</u>
<u>Pass-through from S.C. Department of Education</u>			
Perkins IV Postsecondary Funding -	84.048A	2013-14	<u>279,064</u>
Total S.C. Department of Education			<u>279,064</u>
<u>Pass-through from S.C. Commission on Higher Education</u>			
ARRA Grants for Statewide, Longitudinal Data Systems	84.384	2013-14	2,432
College Access Challenge Grant	84.378A	2013-14	<u>76,573</u>
Total S.C. Commission on Higher Education			<u>79,005</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u><u>15,767,754</u></u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Pass-through from S.C. Department of Health and Human Services</u>			
T.E.A.C.H.	93.575	2013-14	<u>557</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>557</u></u>
U.S. NUCLEAR REGULATORY COMMISSION (NRC)			
Nuclear Education Curricula Enhancement	77.006	2013-14	30,957
U.S. NRC Scholarship and Fellowship Program	77.008	2013-14	<u>40,229</u>
TOTAL U.S. NUCLEAR REGULATORY COMMISSION			<u><u>71,186</u></u>
U.S. DEPARTMENT OF LABOR			
<u>Pass-through from Henry Ford Community College</u>			
Multi-state Advanced Manufacturing Consortium	17.282	2013-14	211,080
Trade Adjustment Assistance Community College and Career Training (TAACCCT)			
<u>Pass-through from Greenville Technical College</u>			
SC Accelerate Grant	17.282	2013-14	192,550
Trade Adjustment Assistance Community College and Career Training (TAACCCT)			
TOTAL U.S. DEPARTMENT OF LABOR			<u><u>403,630</u></u>
APPALACHIAN REGIONAL COMMISSION (ARC)			
Appalachian Regional Commission (ARC) Downtown			
Development Center Equipment	23.001	2013-14	<u>10,884</u>
TOTAL APPALACHIAN REGIONAL COMMISSION			<u><u>10,884</u></u>
U.S. DEPARTMENT OF COMMERCE			
Public Works Program/Building Renovation	11.3	2013-14	-
TOTAL U. S. DEPARTMENT OF COMMERCE			<u><u>-</u></u>
NATIONAL SCIENCE FOUNDATION			
<u>Pass-through from Kentucky Community and Technical College System</u>			
Advanced Technological Education Program	47.076	2013-14	<u>68,025</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u><u>68,025</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 16,322,036</u></u>

SPARTANBURG COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Spartanburg Community College. The reporting entity is defined in Note 1 of the College's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the College's financial statements.

3. FEDERAL LOAN PROGRAMS

The College has students who have approved loans which were received by those students during the current year. The College began initiating loans through the Federal Direct Lending program in summer 2010. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	Subsidized	\$ 2,146,323
	Unsubsidized	<u>289,216</u>
Total		<u>\$ 2,435,539</u>

SPARTANBURG COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
June 30, 2014

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.

SPARTANBURG COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
June 30, 2014

Summary of Auditors' Results:

- An unmodified opinion was issued on Spartanburg Community College's basic financial statements.
- There were no material weaknesses or significant deficiencies relating to the financial statements reported in the Independent Auditors' 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*.
- There were no instances of noncompliance material to the financial statements of Spartanburg Community College were disclosed during the audit.
- The auditors' report on compliance for the major federal award programs for Spartanburg Community College expresses an unmodified opinion.
- There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
- An audit finding was reported relative to the major federal award programs for Spartanburg Community College as depicted below in this schedule.
- Major federal programs:

Student Financial Aid Cluster from the U.S. Department of Education	
Federal Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study Programs	CFDA #84.033
Federal PELL Grant Program	CFDA #84.063
Federal Direct Loan Program	CFDA #84.268

Trade Adjustment Assistance Community College and Career Training (TAACCCT) from the U.S. Department of Labor Pass-through from Henry Ford Community College and Greenville Technical College	CFDA #17.282
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- The threshold for distinguishing between Type A and Type B Programs was \$300,000.
- Spartanburg Community College is not a low risk auditee according to the criteria in OMB Circular A-133.

Findings Relating to Financial Statements:

There were no findings relating to the financial statements.

SPARTANBURG COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs, Continued
June 30, 2014

Findings and Questioned Costs Relating to Federal Awards:

Student Financial Aid Cluster

2014-01 Enrollment Status

Criteria: If a student is enrolled in courses that do not count toward his or her degree, they cannot be used to determine enrollment status unless they are eligible remedial courses. This means you cannot award the student aid for classes that do not count toward his or her degree or certificate. *34 CFR 668.2(b)*

Condition: In our sample of 40 students we found four students who are taking a course or courses that are not included in the student's program of study.

Cause: It appears that the system (Datatel) does not identify courses that students are taking which are not included in the student's program of study.

Recommendation: We recommend that management upgrade the College system or purchase a program that will track the courses students are taking to ensure that financial aid are not applied to ineligible courses.

September 15, 2014

Response to 2014-01 Finding Relating to Financial Aid Cluster Enrollment Status

The Criteria: If a student is enrolled in courses that do not count toward his or her degree, they cannot be used to determine enrollment status unless they are eligible remedial courses. This means you cannot award the student aid for classes that do not count toward his or her degree or certificate.

Corrective Action Plan

SCC has assessed its control over the awarding of financial aid for courses contained within a program of study and found it insufficient. Consequently, SCC has implemented the following actions to come into compliance with this requirement.

First, SCC purchased the Datatel Colleague Student Planning module to better control student course selection to only courses contained in their program of study. This has required considerable curriculum updates and re-editing of program models to include prerequisites and co-requisites.

Second, faculty and staff advisors are being trained regarding the steps necessary to comply with the federal financial aid regulations and that appropriate information is provided to students. All training will be completed by December 1, 2014.

Third, the college has procured the updated financial aid module from Colleague to exclude non-program of study coursework from financial aid calculations, limiting financial aid awards to only coursework in the program of study. The module is in test application September 2014 and to be live by October 14, 2014, for Spring 2015 registration.

While the above steps are in process of implementation, SCC has implemented a manual process to identify students enrolled in courses outside their program of study. Courses found not eligible will be manually removed from aid calculations.

Sincerely,



L. Ray Switzer

Vice President for Business Affairs

Spartanburg Community College