

October 19, 2023

To the Audit Committee  
Henry Ford College

We have audited the financial statements of Henry Ford College (the "College") as of and for the year ended June 30, 2023 and have issued our report thereon dated October 19, 2023. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Related Information

Section I includes information that we are required to communicate to those individuals charged with governance of the College, including significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. We will report this information annually to the audit committee of the College.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the College in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank the College's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the audit committee and management of the College and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Dana M. Coomes  
Partner

## **Section I - Required Communications with Those Charged with Governance**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 20, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the College's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the College, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 19, 2023 regarding our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2023.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the College are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, during 2023. This statement requires recognition of certain subscription-based information technology arrangements (SBITAs) as right-to-use subscription assets and corresponding subscription liabilities. Our opinion is not modified with respect to this matter.

We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

## **Section I - Required Communications with Those Charged with Governance (Continued)**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the following:

- The College records an allowance for uncollectible student and other receivables. This represents management's estimate of uncollectible receivable accounts and is based on past collection experience.
- The College is self-insured or partially self-insured for various risks, including property, general liability, dental, and workers' compensation claims. As a result, management has made estimates of incurred but not reported (IBNR) claims and recorded a liability.
- Management estimates the College's proportionate share of the net pension and other postemployment benefits (OPEB) liabilities in the Michigan Public School Employees' Retirement System (MPERS) with a plan measurement date of September 30, 2022. Management also estimates pension and OPEB expense and deferred inflows and outflows related to the plan.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in performing and completing our audit.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

### ***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the College, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 19, 2023.

**Section I - Required Communications with Those Charged with Governance  
(Continued)**

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Section II - Other Recommendations and Related Information

During our audit, we noted areas where we believe there are opportunities for the College to further strengthen internal control or to increase operating efficiencies. Our observations on those areas are presented below for your consideration:

**Information Technology** - In support of our audit of the financial statements, we reviewed certain general controls over the College's information systems. Based on our procedures and discussion with your information technology (IT) staff, we offer the following observations and comments for your consideration:

- **User Access Review** - While tools exist to allow supervisors to review access levels assigned to their staff, a formal process does not exist to require such a review on a periodic basis. A formal quarterly review should be conducted to assess user access levels by supervisors. The review and any noted exceptions should be documented, and IT should make and document the necessary changes.
- **Change Management Controls** - While tools exist to allow supervisors to review and approve source code change management, an overall approval or review of changes made to source code does not exist. In order to prevent an improper change to the IT system's source code, we recommend implementation of a formal approval process and review of all source code changes made.

In addition to the matters discussed above, there are a number of financial reporting changes that may impact the College in future years. Please find a summary of these matters below:

**Compensated Absences** - GASB Statement No. 101 is effective for the year ending June 30, 2025. The standard allows for all compensated absences to be reported under a unified model. Under the standard, all compensated absences that meet three criteria are to be recorded based on the employee's pay rate at the reporting date. The three criteria are when the absence accumulates, the absence is attributed to services already performed, and the absence is more likely than not to be either paid or settled through other means. The controversial change is related to treatment of nonvesting leave, in which the government will now have to record an obligation for the portion of nonvesting leave that is more likely than not to be used for time off in the future or will eventually be paid out once the employee meets the vesting criteria. More likely than not means a likelihood of more than 50 percent.

**New Auditing Standards** - Effective for fiscal year 2024, auditors are implementing AICPA's Statement on Auditing Standards (SAS) No. 143 and 145. SAS 143 addresses auditor's responsibilities relating to accounting estimates. SAS 145 revises guidance on significant risks, evaluation of internal control design (including IT controls), and audit documentation. Both standards will require expanded documentation specific to significant estimates and controls in place. For higher education, the focus will be on estimates involving receivables collectibility, certain investment valuations, and pension/OPEB liabilities. In addition, updated control environment documentation related to areas such as tuition and other significant revenue streams, employee compensation, and investments. Overall, additional implementation time will be required as part of the fiscal year 2024 audit.

**Department of Education - Continue Changes for Student Financial Assistance Cluster** - Each year, the Department of Education (ED) continues to modify and expand the compliance requirements to be audited as part of the single audit subject to Uniform Guidance. These additional tests range from expanded enrollment reporting on NSLDS and GLBA policy requirements in prior years to most recently testing incentive compensation and certain banking arrangements with financial institutions. We continue to monitor ED's activities and expect to see additional testing requirements in the future. We will work together with you to keep you informed of upcoming changes, which will require additional testing as part of the fiscal year 2024 audit and future.

**Disclosure and Classification of Certain Capital Assets (Exposure Draft)** - In September 2023, the GASB issued an exposure draft titled "Disclosure and Classification of Certain Capital Assets," which proposes requiring capital assets held for sale, intangible assets, lease assets, and SBITA assets to be disclosed separately by major class. The proposed standard defines when capital assets should be classified as held for sale when (1) the government has decided to sell the capital assets and (2) it is probable the sale will be finalized within one year of the financial statement date. The standard would be effective beginning with fiscal years ending June 30, 2026.