

October 28, 2024

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, 2024 and have issued our report thereon dated October 28, 2024. 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**

A handwritten signature in black ink, appearing to read "Dana M. Coomes".

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 March 4, 2024, 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 28, 2024 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 10, 2024.

### **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. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2024.

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.

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 estimate affecting the financial statements was the following:

- Management estimates the College's proportionate share of the net pension and other postemployment benefits (OPEB) liabilities/assets in the Michigan Public School Employees' Retirement System (MPERS) with a plan measurement date of September 30, 2023. Management also estimates pension and OPEB expense and deferred inflows and outflows related to the plan.

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

We evaluated the key factors and assumptions used to develop the estimate in determining that it is 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.

Management has corrected all such misstatements. One misstatement was detected as a result of audit procedures performed over Henry Ford College Foundation (the "Foundation"), a component unit of the College. The misstatement detected and corrected by management was material to the Foundation, resulting in an increase of \$1,781,200 to contributions receivable and net assets with donor restrictions on the Foundation balance sheet, and increase of \$1,781,200 to contributions and donations of cash and other financial assets on the Foundation statement of activities and changes in net assets.

### ***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 28, 2024.

### ***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:

**Scholarship Allowance (Tuition Discount)** - The National Association of College and University Business Officers (NACUBO) has issued Advisory Report 2023-1 related to the calculation of the tuition discount due to improvements with information technology (IT) systems and access to better data. The new methodology will reflect the institution's aid awarding policies and related business rules and be more consistent with current and anticipated GASB revenue and expense guidance and will be based on more readily available student detail, if possible. Institutions are expected to implement the new methodology no later than fiscal year 2025. For more information, visit: <https://www.nacubo.org/Publications/Advisories/ar-2023-01-td-for-publics>.

**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 most significant change from prior guidance is related to treatment of nonvesting leave, in which the institution 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. It is recommended that the institution begin to assess available reporting and add reporting capabilities, if necessary, to ensure compliance with this standard.

**Risks and Uncertainties** - GASB Statement No. 102, *Certain Risk Disclosures*, is effective for the year ending June 30, 2025. The standard establishes requirements to provide users of the financial statements with information about risks related to a governmental entity's current vulnerabilities due to certain concentrations and constraints. The standard requires governmental entities to disclose information in the notes of the financial statements if it determines an event associated with a concentration or constraint is more likely than not to begin within 12 months of the financial statements or if the event is at least reasonably possible to cause a substantial effect within three years on the entity's ability to provide services at the level provided in the current period or meet its obligations as they become due.

**Financial Reporting Model Improvements** - GASB Statement No. 103 is effective for the year ending June 30, 2026. This standard increases the effectiveness of the financial reporting model by providing information that is essential for decision making and assessing a government's accountability. The standard establishes or modifies existing accounting and financial reporting requirements related to management's discussion and analysis; unusual or infrequent items; presentation of proprietary fund statement of revenue, expenses, and changes in fund position; major component unit information; and budgetary comparison information. It is recommended that the institution understand the reporting requirements under this upcoming standard and add reporting capabilities, if necessary, to ensure compliance with standard.

**Department of Education's Student Financial Assistance Cluster Changes** - Department of Education (ED) continues to make changes to the required audit procedures within the student financial assistance (SFA) cluster. There continues to be an emphasis on special tests, including recent additions to include institutional eligibility; incentive compensation, using a servicer or financial institution to deliver Title IV credit balances to a card or other access device; and program eligibility. These expanded areas have significantly increased the audit effort when SFA is tested as a major program in the single audit. It is important for institutions to monitor what the Office of Management and Budget (OMB) publishes annually based on ED's requirements. The Compliance Supplement is available at <https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/>, where the SFA Cluster is included in Part 5 - Clusters of Programs.

## **Section II - Other Recommendations and Related Information (Continued)**

**SOC (Systems and Organization Controls) for Cybersecurity** - Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. At stake for all types of organizations is a loss of brand reputation, the ability to operate efficiently, competitive advantage, and proprietary information or assets. What organizations gain are, unfortunately, financial and legal liabilities. The cost of an average data breach has reached approximately \$4.88 million, according to data from the Ponemon Institute sponsored by IBM Security, and it can quickly escalate from there based on the type of breach and volume of data imperiled. In response to this risk is the next evolution of SOC reporting (Systems and Organization Controls), which is a SOC for cybersecurity.

Any institution, public or private, large or small, can benefit from obtaining or issuing a SOC for cybersecurity reports; it is an important tool to help you gain assurance about the strength of your cybersecurity risk management program and effectively communicate these controls to key stakeholders. Here are some examples:

- Board members of a public, private, or not-for-profit entity use a SOC for cybersecurity attestation reports to gain a better understanding of the institution's cybersecurity risk management program and how it influences decision making in ways that minimize risk.
- A procurement officer obtains a SOC for cybersecurity attestation reports as part of a prudent vendor management program to gather information about prospective vendors that will handle sensitive data.

We envision SOC for cybersecurity reports becoming an important tool for institutions to gain assurance about the strength of their cybersecurity risk management program. Cybersecurity risk as a significant business risk will only continue to grow. More than 16.7 billion connected devices are in use, per IOT Analytics, and that number will continue to grow. It is also anticipated that 99 percent of everything we manufacture will connect to the internet, but the internet was not designed around security.

Your best bet is to maximize your own diligence and prepare for the next generation of compliance and reporting to ensure you not only meet your business objectives but also satisfy stakeholder (board members, students, parents, and the community) expectations and allay their all-too-valid cybersecurity concerns.

**Fraud Prevention and Detection** - Over the last decade, issues related to fraud have received increased attention, and institutions are no exception. As each institution visits the issues related to fraud, two key questions are often repeated:

- Could this have happened here?
- How can we prevent it?

These questions are essential in any evaluation of an institution's internal control system. In fact, they are the cornerstone for developing or redesigning any internal control process, including controls over the safeguarding of institution assets and the capturing and reporting of institution information. In short, to design effective controls, both the board of directors/trustees and administration must consider where the potential for fraud might exist and what practical/reasonable means should be put in place to deter it from occurring and detect it if it does occur.

The following three foundational elements exist in most instances of fraud:

- Incentive (the reason to commit a fraud)
- Opportunity (the ability to commit the fraud)
- Rationalization/Attitude (the view of the world that makes the fraud acceptable)

Generally, it is necessary for all three to be present to experience fraud. In any case, the institution can significantly impact one of the three elements - opportunity. This area is where the institution can thwart fraudulent schemes by implementing strong internal controls.

## **Section II - Other Recommendations and Related Information (Continued)**

To the degree that the institution effectively identifies where opportunity may exist for fraud and implements controls to prevent and/or detect it, the likelihood of fraud occurring is greatly reduced.

The public accounting profession also has increased its focus in the fraud area. Auditors apply an auditing standard, *Consideration of Fraud in a Financial Statement Audit*. The focus of this audit standard is on detection of fraud that is material (significant) to the institution's financial statements. In completing this audit requirement, we will be evaluating the institution's process for identifying areas for potential significant fraud (both in the area of misappropriation of institution assets and financial statement misstatement) and the related controls put in place to prevent and/or detect it.

While institutions have often evaluated and revised internal controls within the institution, the expectations related to fraud might pose unique challenges for the Board of Education and administration. We have continued to maintain a top 10 listing of items for the institution to consider, as well as specific items related to certain transaction cycles (cash receipts, disbursements, and payroll). We would be happy to discuss these items with you at your convenience.

Fraud prevention and detection is clearly a joint effort, and it is our hope that these items will aid the institution in responding to the fraud concerns that seem to surround us all.

**GLBA Rule Requirements** - The GLBA Safeguards Rule, a longstanding requirement for financial institutions, now directly regulates higher education institutions. This ruling aims to enhance transparency regarding information-sharing practices and requires robust measures to secure Federal Student Aid (FSA) Data. Failure to become compliant with GLBA could result in the loss of federal financial aid and Title IV Status.

This may be a good time to consider having an external party assist with additional support to ensure your institution is GLBA compliant. Areas of focus include assistance with identifying the people, process and technology that is involved with FSA data, development of a risk assessment, policy reviews, and annual audit procedures. Having an external party assist will provide additional support to the IT team for new initiatives required under GLBA and peace of mind to all stakeholders that requirements are being met with our industry expertise and GLBA experience. If you are interested in discussing this further, we would be happy to continue the conversation.