

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FEDERAL SINGLE AUDIT REPORT

INDIANA STATE UNIVERSITY

TERRE HAUTE, INDIANA

July 1, 2014 to June 30, 2015



**FILED**  
04/29/2016



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## SCHEDULE OF UNIVERSITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Dr. Daniel J. Bradley	07-01-14 to 06-30-16
Vice President for Business Affairs Finance, and University Treasurer	Diann E. McKee	07-01-14 to 06-30-16
Associate Vice President for Finance and Assistant Treasurer	Domenic Nepote	07-01-14 to 06-30-16
Associate Vice President and University Controller	Jeffrey J. Jacso	07-01-14 to 06-30-16
President of the Board of Trustees	Robert Baesler David Campbell	07-01-14 to 06-30-15 07-01-15 to 06-30-16



**STATE OF INDIANA**  
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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 OFFICIALS OF INDIANA STATE UNIVERSITY, TERRE HAUTE, INDIANA

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 aggregate discretely presented component unit of Indiana State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 23, 2015. Our report includes a reference to other auditors who audited the financial statements of Indiana State University Foundation (Foundation), as described in our report on University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University'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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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.

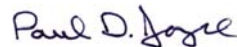
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University'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 no instances of noncompliance or other matters that are 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

October 23, 2015, except for the Schedule of Expenditures of Federal Awards,  
which is as of March 9, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

TO: THE OFFICIALS OF INDIANA STATE UNIVERSITY, TERRE HAUTE, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited Indiana State University's (University) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The University'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 its federal programs.

***Auditor's Responsibility***

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

***Opinion on Each Major Federal Program***

In our opinion, the University 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, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133  
(Continued)

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The University'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 the University 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 University'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 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 University'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003, that we consider to be a material weakness.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.


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.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133  
(Continued)

**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 aggregate discretely presented component unit of the University, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 23, 2015, 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 purposes of additional analysis as required by 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 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.

  
Paul D. Joyce, CPA  
State Examiner

March 9, 2016

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the University. The schedule and notes are presented as intended by the University.

INDIANA STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Direct Grant			
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 276,816
Federal Work-Study Program	84.033		402,947
Federal Perkins Loan - Federal Capital Contributions	84.038		8,112,161
Federal Pell Grant Program	84.063		20,423,275
Federal Direct Student Loans	84.268		<u>67,595,928</u>
Total for Student Financial Assistance Cluster			<u>96,811,127</u>
Direct Grant			
<b>TRIO Cluster</b>			
TRIO_Student Support Services	84.042	P042A101065	<u>383,210</u>
Total for TRIO Cluster			<u>383,210</u>
Total for Federal Grantor Agency			<u>97,194,337</u>
<b>Research and Development Cluster</b>			
<b><u>U.S. DEPARTMENT OF COMMERCE</u></b>			
Pass-Through Indiana Department of Natural Resources			
Coastal Zone Management Administration Awards	11.419	E16-5-MKM00429	<u>12,709</u>
Total for Federal Grantor Agency			<u>12,709</u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
Direct Grant			
Unknown	12.xxx	N62470-14-2-9015	<u>46,461</u>
Total for Federal Grantor Agency			<u>46,461</u>
<b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>			
Direct Grants			
Endangered Species Conservation - Recovery Implementation Funds	15.657	F13AC00080	20,923
Cooperative Research and Training Programs - Resources of the National Park System	15.945	Various	92,589
Pass-Through Indiana Department of Natural Resources			
Cooperative Endangered Species Conservation Fund	15.615	E2-14-WDP002	13,647
Pass-Through Purdue University			
Assistance to State Water Resources Research Institutes	15.805	G11AP20078	<u>11,185</u>
Total for Federal Grantor Agency			<u>138,344</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct Grants			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2012-ZA-BX-0001	113,335
Pass-Through Vigo County Public Defender's Office			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	EDS D3-13-7624	<u>244</u>
Total for Federal Grantor Agency			<u>113,579</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Pass-Through North Carolina Department of Transportation			
Highway Planning and Construction	20.205	MA-2013-01 RP2013-35	<u>59,463</u>
Total for Federal Grantor Agency			<u>59,463</u>
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>			
Pass-Through Purdue University			
Education	43.008	NNX10AK66H	14,462
Unknown	43.xxx	None Provided	<u>6,000</u>
Total for Federal Grantor Agency			<u>20,462</u>
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>			
Direct Grants			
Mathematical and Physical Sciences	47.049	CHE-1012629	7,863
Geosciences	47.050	OCE-1060992	23,594
Biological Sciences	47.074	IOS-1052247	150,800
Social, Behavioral, and Economic Sciences	47.075	Various	65,262
Education and Human Resources	47.076	Various	222,208
ARRA - Trans - NSF Recovery Act Research Support	47.082	DUE-0934648	81,651

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANA STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>NATIONAL SCIENCE FOUNDATION (continued)</u>			
Pass-Through Consortium for Ocean Leadership Geosciences	47.050	CA OCE-0652315	5,205
Pass-Through University of Arizona Geosciences	47.050	EAR-1338553	12,492
Social, Behavioral, and Economic Sciences	47.075	BCS-1241859	48,972
Total for Federal Grantor Agency			618,047
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Great Lakes Program	66.469	A305-2-70	42,130
Total for Federal Grantor Agency			42,130
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46304	11,789
Total for Federal Grantor Agency			11,789
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Union Hospital, Inc Telehealth Programs	93.211	G01RH27871-01-00	14,677
Pass-Through Iowa State University Biomedical Research and Research Training	93.859	7R15GM101603-2/430-17-04A	18,640
Total for Federal Grantor Agency			33,317
<b>Total for Research and Development Cluster</b>			1,096,301
<b>Other Federal Awards</b>			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education Child and Adult Care Food Program	10.558	None Provided	254,189
Total for Federal Grantor Agency			254,189
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Small Business Development Center Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	B14DC180001DR2	7,615
Total for Federal Grantor Agency			7,615
<u>U.S. DEPARTMENT OF LABOR</u>			
Pass-Through Indiana Department of Workforce Development Trade Adjustment Assistance	17.245	C1-10-TAA-62626-20665	9,520
Pass-Through Vincennes University WIA Cluster WIA/WIOA Youth Activities	17.259	None Provided	9,213
Total for Federal Grantor Agency			18,733
<u>FEDERAL COMMUNICATIONS COMMISSION</u>			
Direct Grants National Deaf-Blind Equipment Distribution Program (NDBEDP)	32.xxx	None Provided	13,008
Total for Federal Grantor Agency			13,008
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>			
Pass-Through Purdue University Education	43.008	NNX10AK66H	1,500
Total for Federal Grantor Agency			1,500
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>			
Pass-Through Arts Illiana Promotion of the Arts_Partnership Agreements	45.025	Various	6,017
Unknown	45.xxx	Various	4,801
Total for Federal Grantor Agency			10,818

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANA STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<b><u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u></b>			
Pass-Through American Library Association Unknown	45.xxx	None Provided	250
Total for Federal Grantor Agency			250
<b><u>SMALL BUSINESS ADMINISTRATION</u></b>			
Pass-Through Indiana Small Business Administration Small Business Development Centers	59.037	Various	139,049
Total for Federal Grantor Agency			139,049
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Pass-Through Indiana Department of Education Special Education Cluster (IDEA) Special Education_Grants to States	84.027	Various	3,524,279
Total for Special Education Cluster (IDEA)			3,524,279
Direct Grants			
Fund for the Improvement of Postsecondary Education Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.116	P116F140237	66,786
Child Care Access Means Parents in School	84.326 84.335	H326T130078 P335A100289	220,669 3,142
Pass-Through Vigo County School Corporation Mathematics and Science Partnerships	84.366	A58-4-14CI-1870	15,988
Pass-Through Indiana Commission for Higher Education Improving Teacher Quality State Grants College Access Challenge Grant Program	84.367 84.378	Various P378A140012	162,776 5,651
Pass-Through Indiana Department of Education Career and Technical Education - Basic Grants to States	84.048	A58-5-15CI-2761	1,164
Total for Federal Grantor Agency			4,000,455
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Pass-through Indiana University Area Health Education Centers Point of Service Maintenance and Enhancement Awards ARRA - State Primary Care Offices	93.107 93.414	Various U6AHP16683-02-03	52,570 2,000
Pass-Through Indiana Family & Social Services Administration Substance Abuse and Mental Health Services_Projects of Regional and National Significance Block Grants for Prevention and Treatment of Substance Abuse	93.243 93.959	A55-3-84-13-PS-0286 A55-3-84-13-IM-0286	42,551 32,324
Total for Federal Grantor Agency			129,445
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
Pass-Through State of Indiana - Serve Indiana AmeriCorps	94.006	Various	166,881
Total for Federal Grantor Agency			166,881
Total federal awards expended			\$ 103,032,581

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANA STATE UNIVERSITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the University and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs.

The purpose of the Schedule is to present a summary of those activities of the University for the year ended June 30, 2015, which have been financed by the U.S. Government (federal awards). For purposes of the Schedule, federal awards include all federal assistance and procurement relationships entered into directly between the University and the federal government and subawards from nonfederal organizations made under federally sponsored agreements. The Schedule presents only a selective portion of the activities of the University, therefore, it is not intended to and does not present the financial position, change in financial position, or cash flows of the University.

**Note 2. Federal Direct Student Loans**

The Schedule of Expenditures of Federal Awards includes Federal Direct Student Loans which were not made by the University but were received by its students. The University is responsible only for the performance of certain administrative duties with respect to these loans.

The number of guaranteed loans and the total amount processed for each Direct Loan Program for the year ended June 30, 2015, were as follows:

Program Title	Number of Loans Issued	Loan Amount
Direct Loan Program (Subsidized and Unsubsidized)	12,580	\$ 57,740,340
Direct PLUS Loans (Parent and Graduate PLUS Loans)	1,165	9,855,588
Totals	<u>13,745</u>	<u>\$ 67,595,928</u>

INDIANA STATE UNIVERSITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

**Note 3. Federal Perkins Student Loan Program**

The University participates in the Federal Perkins Loan Program. A revolving loan fund is maintained for the administration of the Program, the balances and transactions relating to the program are included in the University's financial statements. The Schedule of Expenditures of Federal Awards includes the entire amount of the revolving loan fund including the outstanding loans to students. The following schedule represents loans outstanding as of June 30, 2015:

Program Title	Federal CFDA Number	Amount
Federal Perkins Loan Program	84.038	<u>\$ 8,112,161</u>

**Note 4. Subrecipients**

Of the federal expenditures presented in the Schedule, the University provided federal awards to subrecipients as follows for the year ended June 30, 2015:

Program Title	Federal CFDA Number	Amount
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	\$ 16,285
National Deaf-Blind Equipment Distribution Program (NDBEDP)	32.XXX	4,775
Biological Sciences	47.074	14,068
Social, Behavioral, and Economic Sciences	47.075	5,689
Special Education_Grants to States	84.027	224,567
Fund for the Improvement of Postsecondary Education	84.116	19,143
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	24,442
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	20,861
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>28,616</u>
Total		<u>\$ 358,446</u>



INDIANA STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	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 section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Student Financial Assistance Cluster  
TRIO Cluster  
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2015-001 - ELIGIBILITY**

Federal Agency: U.S. Department of Education  
Federal Program: TRIO\_Student Support Services  
CFDA Number: 84.042  
Federal Award Number and Year (or Other Identifying Number): P042A101065

INDIANA STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the University has not established an effective internal control system, related to the grant agreement and the Eligibility compliance requirement.

Participants in the Student Support Services program must meet several program requirements. All participants tested met the general requirements for program Eligibility. There are, however, additional Eligibility requirements for participants of grant aid. One of the additional requirements for grant aid is the participant must be a Pell grant recipient. Three of the thirty-two participants who received grant aid were not Pell grant recipients. Each participant received \$1,500 in grant aid. This resulted in \$4,500 of grant aid paid on behalf of ineligible participants.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls enabled ineligible participants to receive aid.

34 CFR 646.30, Subpart D states in part:

"The cost principles that apply to the Student Support Services Program are in 2 CFR part 200, subpart E. Allowable costs include the following if they are reasonably related to the objectives of the project: . . .

(i) Grant aid to eligible students who—

(1) Are in their first two years of postsecondary education and who are receiving Federal Pell Grants under subpart 1 of part A of title IV of the Act; or

(2) Have completed their first two years of postsecondary education and who are receiving Federal Pell Grants under subpart 1 of part A of title IV of the Act if the institution demonstrates to the satisfaction of the Secretary that—

(i) These students are at high risk of dropping out; and

(ii) It will first meet the needs of all its eligible first- and second-year students for services under this paragraph.

(j) Temporary housing during breaks in the academic year for—

(1) Students who are homeless children and youths or were formerly homeless children and youths; and

(2) Students who are foster care youth."

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance of the compliance requirement could result in the loss of federal funding or necessitate repayment of the ineligible benefits to the grantor agency.

We recommended that the University implement internal controls and procedures to ensure that grant aid is provided to eligible students.

***FINDING 2015-002 - SPECIAL TESTS AND PROVISIONS - ENROLLMENT REPORTING***

Federal Agency: U.S. Department of Education

Federal Program: Federal Direct Student Loans

CFDA Number: 84.268

Federal Award Number and Year (or Other Identifying Number): FY15

The University uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes, when required, to the respective lender and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 1).

We selected a sample of 25 students who either withdrew or graduated from Indiana State University to determine whether enrollment changes were being properly reported to the NSLDS. The following errors were noted:

1. The withdrawal status of four students was not reported to NSLDS within 60 days.
2. The graduation status of one student was not reported to NSLDS.

34 CFR 685.309(b) states in part:

*"Enrollment reporting process.*

- (1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report . . .
- (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that- (i) a loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; . . ."

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(Continued)

The University has established controls over enrollment reporting. However, those controls were not effective to ensure that enrollment data was submitted timely and accurately for all students.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Inaccurate and delayed submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

We recommended that the University strengthen its controls to help ensure that the enrollment files submitted to NSC are complete and accurate. Procedures should be implemented to ensure that the University accurately reports student status change dates and types to NSLDS in a timely manner.

***FINDING 2015-003 - SPECIAL TESTS AND PROVISIONS -  
DISBURSEMENTS TO OR ON BEHALF OF STUDENTS***

Federal Agency: U.S. Department of Education

Federal Program: Federal Direct Student Loans

CFDA Number: 84.268

Federal Award Number and Year (or Other Identifying Number): FY15

During the fall semester of 2014, the University did not send required notifications to student or parent borrowers that their direct loan disbursements were credited or were going to be credited to the students' accounts. The University did not notify students or parents of their right to cancel all or a portion of the loan within 30 days.

34 CFR 668.165(a) states in part:

"(2) Except in the case of a post-withdrawal disbursement made in accordance with §668.22(a)(5), if an institution credits a student's account at the institution with Direct Loan, FFEL, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of—

- (i) The anticipated date and amount of the disbursement;
- (ii) The student's right or parent's right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan, the TEACH Grant proceeds returned to the Secretary. However, if the institution releases a check provided by a lender under the FFEL Program, the institution is not required to provide this information; and
- (iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) The institution must provide the notice described in paragraph (a)(2) of this section in writing—
- (i) No earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section; or
  - (ii) No earlier than 30 days before, and no later than seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section."

Internal controls over Disbursements To and On Behalf of Students were not sufficient to catch or prevent errors in the process of sending direct loan notifications and right-to-cancel information to student or parent borrowers.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The University's failure to notify student or parent borrowers of their loan disbursements and their right to cancel all or part of their loans could affect students' future borrowing potential and ability to repay their loans.

We recommended that the University implement effective internal controls to ensure that the loan disbursement process results in timely and accurate loan notifications to student and parent borrowers which contain the required right-to-cancel information.

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#### AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the University. The document is presented as intended by the University.

**CORRECTIVE ACTION PLAN*****FINDING 2015-001***

Contact Person Responsible for Corrective Action: Crystal Baker, Rita Worrall  
Contact Phone Number: (812) 237-7615 / (812) 237-2301

34 CFR 646.30 (D) states the following eligibility criteria for TRIO Grants:

*(1) Are in their first two years of postsecondary education and who are receiving Federal Pell Grants under subpart 1 of part A of title IV of the Act; or (2) Have completed their first two years of postsecondary education and who are receiving Federal Pell Grants under subpart 1 of part A of title IV of the Act if the institution demonstrates to the satisfaction of the Secretary that—*

*(i) These students are at high risk of dropping out; and (ii) It will first meet the needs of all its eligible first- and second-year students for services under this paragraph.*

Description of Corrective Action Plan:

ISU did not satisfactorily ensure internal controls over TRIO Grant awarding for the 2014-2015 academic year. For 2015-2016 forward, ISU has developed the following steps for awarding TRIO Grants:

- Create a disbursement item type within the Financial Aid Banner module that requires unmet need in the student's Cost of Attendance;
- Write Banner disbursement rules using RORRULE that will not allow payment unless the student has earned fewer than 60 credit hours and has received a Pell Grant during that same year; and
- Adequate consultation will occur between the Director of Student Support Services and the Director of Student Financial Aid prior to making awards in order to ensure compliance.

Anticipated Completion Date:

We implemented these actions on March 1, 2016. In addition, \$4,500 has been returned to the US Department of Education for the 2014-2015 year for the 3 students deemed ineligible.

*Crystal Baker*  
(Signature)

*Director of Financial Aid*  
(Title)

*3/3/16*  
(Date)

*Rita Worrall*  
(Signature)

*Director, Student Support Services*  
(Title)

*3/3/16*  
(Date)



**CORRECTIVE ACTION PLAN****FINDING 2015-002**

Contact Person Responsible for Corrective Action: April Hay

Contact Phone Number: (812) 237-2020

*34 CFR 685.309(b) states in part...*

*"Enrollment reporting process. (1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report...(2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that – (i) a loan under title IV of the Act was made to or on behalf of a student who was enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended;..."*

The University is required to confirm and report to the NSLDS the enrollment status of students who receive Federal student loans. ISU failed to timely report enrollment status within 60 days from the date that the University determined the status change of the student.

The following errors were noted:

1. The withdrawal status of four students was not reported to NSLDS within 60 days.
2. The graduation status of one student was not reported to NSLDS.

**Description of Corrective Action Plan:**

With regard to untimely submission of data to the NSLDS, the University is working with the National Student Clearinghouse (NSC) to review current findings and coordinate with the NSC to ensure the timely exchange of data among agencies. We are investigating process changes and an enhanced reporting timeline that allows for the mass transmission of graduation and enrollment status changes from ISU to the NSC and, in turn, for the submission of the Student Status Confirmation Report (SSCR) submitted by NCS to NSLDS.

The Office of Registration and Records is continuing to work with the Office of Student Financial Aid and the Controller's Office to allow our students the ability to drop their last class on-line, therefore allowing withdrawals to be processed in a timelier manner. In the meantime, we are including enhanced staff training between the Office of Registration and Records and the Office of Student Financial Aid to ensure understanding of the 30 day window for reporting to the NSC, thus meeting the NSLDS 60 day timeline. Effective March 1, 2016, until students have the ability to drop their last class on-line, each student withdrawal is being reported to the NSC within 7 business days of the withdrawal being processed, in addition to the regularly scheduled monthly mass transmissions.

The identified graduation status failure to report was due to human error, as it is currently part of the graduation process to submit this information manually once the mass degree report had been submitted to the NSC. We are incorporating enhanced staff training between the Office of Registration and Records and the Office of Student Financial Aid to ensure understanding and importance of graduation reporting. We are also currently working with the NSC to see if there is a way to reconcile data between ISU's student information system and the NSC data.

Anticipated Completion Date: Summer 2016

April Hays

(Signature)

Registrar

(Title)

3/3/2016

(Date)

**CORRECTIVE ACTION PLAN****FINDING 2015- 003**

Contact Person Responsible for Corrective Action: Crystal Baker  
Contact Phone Number: (812) 237-7615

34 CFR 668.165(a) states in part:

*"(2) Except in the case of a post-withdrawal disbursement made in accordance with §668.22(a)(5), if an institution credits a student's account at the institution with Direct Loan, FFEL, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of—*

- (i) The anticipated date and amount of the disbursement;*
- (ii) The student's right or parent's right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan, the TEACH Grant proceeds returned to the Secretary. However, if the institution releases a check provided by a lender under the FFEL Program, the institution is not required to provide this information; and*
- (iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement...*

**Description of Corrective Action Plan:**

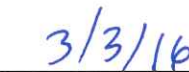
We acknowledge ISU's failure to provide documentation about the process to notify students and parents of loan disbursements and the right to cancel all or a portion of those disbursements. ISU is committed to providing timely information to borrowers about disbursements and their ability to cancel all or part of such disbursements. To meet this obligation, ISU has implemented an automated notification system through Ellucian Banner that will provide an email notification to the student or parent borrower within 7 days after the loan disbursement and credit to the student's account. The substance of the email notification, along with date sent and proof of receipt, will be captured in Banner for audit purposes. The notification email will provide students with an easy-to-utilize link to the student's ISU portal, which will provide specific information about the time and method of disbursement, the loan specifics (including subsidized and unsubsidized loan amounts), and cancellation procedures.

**Anticipated Completion Date:**

ISU has implemented these revisions to the process of notification for the 2014-2015 award year beginning with Spring 2015.

  
(Signature)

  
(Title)

  
(Date)