

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

**Paul D. Joyce, CPA
State Examiner**

FEDERAL COMPLIANCE AUDIT REPORT

OF

UNIVERSITY OF SOUTHERN INDIANA

EVANSVILLE, INDIANA

July 1, 2023 to June 30, 2024



FILED

02/10/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Ronald S. Rochon Steven J. Bridges (interim)	07-01-23 to 07-19-24 07-20-24 to 06-30-25
Vice President for Finance and Administration and Treasurer	Steven J. Bridges	07-01-23 to 07-19-24
Assistant Vice President for Finance and Administration and Assistant Treasurer	Jeffrey M. Sickman (Vacant) Jina L. Platts	01-01-24 to 12-20-24 12-21-24 to 12-31-24 01-01-25 to 06-30-25
Chair of the Board of Trustees	Christine H. Keck	07-01-23 to 06-30-25



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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 31, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 31, 2024. Our report includes a reference to other auditors who audited the financial statements of the University of Southern Indiana Foundation, Inc., as described in our report on the University's financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 31, 2024



Paul D. Joyce, CPA
State Examiner

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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

We have audited, in accordance with 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, the discretely presented component unit, and the aggregate remaining fund information of the University of Southern Indiana (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2024, 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 31, 2024. Our report includes a reference to other auditors who audited the financial statements of the University of Southern Indiana Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the University of Southern Indiana Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the University of Southern Indiana Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of the University of Southern Indiana Foundation, Inc.

Report on 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) as a basis for designing 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 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 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 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 THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 31, 2024



Paul D. Joyce, CPA
State Examiner

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of Southern Indiana's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Other Matter - Federal Expenditures Not Included in the Compliance Audit

The University's basic financial statements include the operations of the University of Southern Indiana Foundation, Inc., which is a component unit of the University. Expenditures of federal awards for this component unit, if any, are not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2024. Our compliance audit, described in the *Opinion on Each Major Federal Program*, did not include the operations of the University of Southern Indiana Foundation, Inc., as the component unit is a legally separate entity of the University and is subject to a separate audit, as applicable in accordance with Indiana state statutes or regulations, and the audit requirements of the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but, is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. 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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the other 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

January 21, 2025

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.



UNIVERSITY OF SOUTHERN INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2024

Cluster Title Federal Grantor Agency Pass-Through Entity Program Title/Project Title	Federal Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Federal Awards Expended	Expenditures to Subrecipients
Student Financial Assistance Cluster				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grants				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 292,512	\$ -
Federal Work-Study Program	84.033		239,554	-
Federal Pell Grant Program	84.063		9,434,920	-
Federal Direct Student Loans	84.268		<u>25,077,558</u>	<u>-</u>
Total for Student Financial Assistance Cluster			<u>35,044,544</u>	<u>-</u>
TRIO Cluster				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grant				
TRIO Student Support Services	84.042		<u>280,234</u>	<u>-</u>
Total for TRIO Cluster			<u>280,234</u>	<u>-</u>
Total for U.S. Department of Education			<u>35,324,778</u>	<u>-</u>
Research and Development Cluster				
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Partnership Agreements	10.699		<u>12,097</u>	<u>-</u>
Total for U.S. Department of Agriculture			<u>12,097</u>	<u>-</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>				
Pass-Through Purdue University				
Assistance to State Water Resources Research Institutes	15.805	15200131-034	<u>4,660</u>	<u>-</u>
Total for U.S. Department of Interior			<u>4,660</u>	<u>-</u>

UNIVERSITY OF SOUTHERN INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2024

Cluster Title Federal Grantor Agency Pass-Through Entity Program Title/Project Title	Federal Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Federal Awards Expended	Expenditures to Subrecipients
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Pass-Through Jet Propulsion Laboratory				
Science	43.001	1691961	17,076	-
Science	43.001	1708437	9,467	-
<i>Total ALN 43.001</i>			<u>26,543</u>	<u>-</u>
Total for National Aeronautics and Space Administration			<u>26,543</u>	<u>-</u>
<u>NATIONAL SCIENCE FOUNDATION</u>				
Direct Grants				
Social, Behavioral, and Economic Sciences	47.075		20,055	-
STEM Education (formerly Education and Human Resources)	47.076		7,486	-
STEM Education (formerly Education and Human Resources)	47.076		15,093	-
STEM Education (formerly Education and Human Resources)	47.076		29,481	-
<i>Total ALN 47.076</i>			<u>52,060</u>	<u>-</u>
Total for National Science Foundation			<u>72,115</u>	<u>-</u>
Total for Research and Development Cluster			<u>115,415</u>	<u>-</u>
Other Programs				
<u>U.S. DEPARTMENT OF TREASURY</u>				
Pass-Through Evansville Regional Economic Partnership				
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	00140	29,151	-
Pass-Through Indiana University				
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	10023	26,972	-
<i>Total ALN 21.027</i>			<u>56,123</u>	<u>-</u>
Total for U.S. Department of Treasury			<u>56,123</u>	<u>-</u>

UNIVERSITY OF SOUTHERN INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2024

Cluster Title Federal Grantor Agency Pass-Through Entity Program Title/Project Title	Federal Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Federal Awards Expended	Expenditures to Subrecipients
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Pass-Through Indiana Humanities Council Promotion of the Humanities Federal/State Partnership	45.129	24-1013	3,000	-
Total for National Endowment for the Humanities			<u>3,000</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grants				
Advanced Education Nursing Grant Program	93.247		395,248	-
Advanced Education Nursing Grant Program	93.247		15,260	7,547
Total ALN 93.247			<u>410,508</u>	<u>7,547</u>
PPHF Geriatric Education Centers	93.969		831,232	309,264
Pass-Through Indiana University Area Health Education Centers	93.107	9484	121,759	-
Pass-Through Indiana Center for Nursing Nursing Workforce Diversity	93.178	None	49,576	-
Pass-Through Indiana Department of Health COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	000000000000000000061598	154,340	-
Total for U.S. Department of Health and Human Services			<u>1,567,415</u>	<u>316,811</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Community Engaged Alliance AmeriCorps Martin Luther King Jr. Day of Service Grants 94.014	94.014	None	1,738	-
Total for Corporation for National and Community Service			<u>1,738</u>	<u>-</u>
Total for Other Programs			<u>1,628,276</u>	<u>316,811</u>
Total Federal Awards Expended			<u>\$ 37,068,469</u>	<u>\$ 316,811</u>

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

UNIVERSITY OF SOUTHERN INDIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2024

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the University and is presented on the accrual basis of accounting in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general-purpose financial statements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2. Federal Direct Student Loans

The number of guaranteed student loans and total amount for each program for University students for the year ended June 30, 2024, were as follows:

	No. of Students	Amount
Direct Loan Program (Subsidized and Unsubsidized)	2,761	\$21,712,825
Direct PLUS Loans (Parent and Graduate PLUS Loans)	333	3,364,733
Totals	3,094	\$25,077,558

UNIVERSITY OF SOUTHERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Aggregate Remaining Fund Information	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
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
93.969	Student Financial Assistance Cluster PPHF Geriatric Education Centers	Unmodified Unmodified

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2024-001

Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Verification
Federal Agency: U.S. Department of Education
Federal Programs: Federal Supplemental Educational Opportunity Grants, Federal Work-Study Program, Federal Pell Grant Program, Federal Direct Student Loans
Assistance Listings Numbers: 84.007, 84.033, 84.063, 84.268
Federal Award Number and Year (or Other Identifying Number): FY2024
Compliance Requirement: Special Tests and Provisions - Verification
Audit Finding: Material Weakness

Condition and Context

As a recipient of the Title IV funding from the Federal Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study Program (FWS), Federal Pell Grant Program (Pell), and Federal Direct Student Loans program (direct loan), the University was responsible for designing and implementing effective internal controls. The University had developed a system of internal controls over these federal programs that included policies and procedures related to the Special Tests and Provisions - Verification compliance requirement. The University had designed a key internal control that one employee would perform the required verifications, and a second employee would then review a sample of those verifications. However, the internal control was not properly implemented or operating effectively as the University had not established proper segregation of duties. The same employee responsible for performing the verifications was also responsible for reviewing those verifications during the audit period without an independent oversight, review, or approval process involving a second employee.

The lack of effective internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the University's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The system of internal controls, as designed by the University's management, was not properly implemented due to a staffing shortage in the Office of Student Financial Assistance. As a result, the same employee performed and reviewed the required verifications.

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

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the University's management properly implement the system of internal controls as designed to ensure compliance with the Special Tests and Provisions - Verification compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2024-002

Subject: PPHF Geriatric Education Centers - Subrecipient Monitoring
Federal Agency: U.S. Department of Health and Human Services
Federal Program: PPHF Geriatric Education Centers
Assistance Listings Number: 93.969
Federal Award Number and Year (or Other Identifying Number): FY2024
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Other Matters

Condition and Context

The University expended \$831,232 in PPHF Geriatric Education Centers funds during the audit period. Of that amount, \$309,264 was passed through to three subrecipients.

As a pass-through entity, the University was required to identify the award and applicable requirements and monitor the subrecipient. Procedures to monitor its subrecipients included the following:

- Reviewing financial and programmatic reports as required by the University.
- Following up and ensuring the subrecipient takes timely and appropriate actions on all deficiencies pertaining to the federal award provided to the subrecipient detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient.

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

Two of the three subrecipients expended more than \$750,000 in federal awards in fiscal year 2023, thus subjecting each to a Single Audit as required by the Uniform Guidance. As such, both subrecipients were required to submit a Single Audit report to the Federal Audit Clearinghouse (FAC) by March 31, 2024. The University should have expected that the two subrecipients would receive a Single Audit report as both subrecipients were subject to a Single Audit for multiple years leading up to 2023. However, the University did not obtain a copy of either subrecipient's 2023 Single Audit report. Obtaining and reviewing Single Audit reports of subrecipients is a required component of conducting proper monitoring of subrecipients. The lack of proper monitoring would not have allowed the University to follow up and ensure that the subrecipients took timely and appropriate action on all deficiencies pertaining to the federal awards passed through to the subrecipients from the University. In addition, it would not have allowed for the University to issue a management decision for audit findings pertaining to the federal award provided to the subrecipient within six months of acceptance by the FAC.

The lack of effective internal controls was a systemic issue throughout the audit period. The noncompliance was isolated to two of the University's three subrecipients during the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.332 states in part:

"All pass-through entities must: . . .

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: . . .

- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.
- (3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521. . . ."

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

2 CFR 200.521(d) states in part: ". . . The federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. . . ."

Cause

Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the University's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. The University's management had not designed or implemented a system of internal controls to ensure that subrecipient audit reports were received and reviewed.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. As a result, subrecipients to whom payments were made were not adequately monitored.

The failure to establish a sufficient system of internal controls allowed noncompliance with the grant agreements and the Subrecipient Monitoring compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the University's management establish a system of internal controls to ensure that subrecipient audit reports are received and reviewed, when required, to ensure that subrecipients are properly monitored in accordance with the federal regulations.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the University. The documents are presented as intended by the University.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2023-001

Fiscal year in which the finding initially occurred: FY 2023

Current Audit Period: July 1, 2023 – June 30, 2024

Finding Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Enrollment Reporting

Summary of Finding:

Although the University had policies and procedures in place over Enrollment Reporting, a process to ensure that system defects did not impact reporting requirements was not implemented. As such, for students who had a reduction or increase in enrollment status during the Spring 2023 term, errors in reporting campus level and program level data went undetected. Students with a status of withdrawn or with no changes during the period were accurately reported. It was recommended that the University's management establish a system of internal controls that includes a review of Banner job processes to verify source data is correctly populated and ensure that all data elements required to be submitted to NSLDS are accurate.

Status of Audit Finding:

Fully Corrected and the original corrective action was implemented.

The following corrective actions have been implemented:

1. The system defect within our student information system was corrected by our vendor via a system patch installed on June 4, 2023.
2. All student records affected by the system defect were corrected in the National Student Loan Clearinghouse database as of January 26, 2024.
3. Beginning in January 2024, the University increased the number of records selected for review from the enrollment file, making sure to review some students who had a reduction or increase in enrollment status, as well as some who had withdrawn.
4. The Associate Registrar subscribed to the e-community for our software vendor to monitor for future system errors.

Response Comments: None



CORRECTIVE ACTION PLAN

FINDING 2024-001

Finding Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Verification
Summary of Finding:

The University had designed a key control that one employee would perform the required verifications, and a second employee would then review a sample of those verifications. However, the control was not properly implemented or operating effectively as the University had not established proper segregation of duties. The same employee was responsible for performing and reviewing verifications during the audit period without an independent oversight, review, or approval process involving a second employee.

Contact Person Responsible for Corrective Action: Joanna Riney, Director of Student Financial Assistance

Contact Phone Number and Email Address: 812-465-7049; jriney@usi.edu

Views of Responsible Officials:

We concur with the finding.

While the University of Southern Indiana had internal controls in place to prevent aid from disbursing before verification was marked complete and assigned responsibility for verification processing to a well-trained employee with 20 years of verification processing experience, staff vacancies in the department in addition to training and preparation for vast changes in application, award calculation, and system controls for the 2024-2025 aid year limited the ability to conduct an independent review on a sample of students for which verification had been performed. Given the fact that there were very minimal changes to the verification process from the verification process performed in the last several years, in lieu of an independent review, management determined that for the 2023-2024 aid year, utilizing an after-the-fact review on a sample of completed verifications by the employee performing the verification, to review/double-check the verification procedures, provided reasonable assurance that compliance would be achieved. No instances of non-compliance in verification procedures were detected in the audit.

Description of Corrective Action Plan:

Staffing levels are returning to normal and new staff have a more complete understanding of overall financial aid including the verification process. Also, the Department of Education has provided additional clarification and guidance for all 2024-2025 processing and reduced the number of students selected for verification, allowing management the ability to resume the performance of an independent review on a sample of students for which verification had been performed.

Anticipated Completion Date:

The independent review was reinstated effective for verifications performed in Fall 2024 and going forward.

Per Uniform Guidance:

2 CFR § 200.511(a) – “The auditee is responsible for follow-up and corrective action on all audit findings. . . The auditee must also prepare a corrective action plan for current year audit findings. . . The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

2 CFR § 200.511(c) – “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516, a corrective action plan to address each audit finding included in the current year auditor’s reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.”

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CORRECTIVE ACTION PLAN

FINDING 2024-002

Finding Subject: PPHF Geriatric Education Centers - Subrecipient Monitoring

Summary of Finding:

Audit Finding 2024-002 states that the University of Southern Indiana did not establish a system of internal controls to ensure that subrecipient audit reports are received and reviewed, when required, to ensure that subrecipients are properly monitored in accordance with Federal regulations.

Contact Person Responsible for Corrective Action: Jina Platts, Assistant Vice President for Finance and Administration and Assistant Treasurer

Contact Phone Number and Email Address: 812-465-7090; jlplatts@usi.edu

Views of Responsible Officials:

We concur with the finding that the University should have ensured that subrecipient audit reports were received and reviewed, when required, to ensure that subrecipients are properly monitored in accordance with Federal regulations.

The University had other controls in place related to subrecipient monitoring including the review of financial reports and requests for reimbursement for subrecipient expenses. One purpose of collecting and reviewing subrecipient audit reports is to determine the level of monitoring required as high, medium, or low. Although the University treats all subrecipients as high risk, we are unable to issue a formal management decision to subrecipients within six months of acceptance of the audit report by the Federal Audit Clearinghouse without assurance that audit reports are received and reviewed in a timely manner.

Description of Corrective Action Plan:

The University will update subrecipient monitoring procedures as follows:

1. Upon issuance of a subaward, the Business Office will verify if a subrecipient is subject to single audit according to OMB Uniform Guidance. If so, the subrecipient must provide a complete copy of their most recent independent audit used to meet their OMB Uniform Guidance requirement or a link to their record on the Federal Audit Clearinghouse.
2. The Business Office will review the report to verify that there are no findings that may impact the proposed subaward. In the event there are such findings, the Business Office will notify the Office of Sponsored Projects & Research. Together the two offices will determine an appropriate plan of action and issue a Management Decision Letter as required by Uniform Guidance.
3. The Business Office will identify subrecipients receiving payments quarterly and verify that their most recent audit reports have been received and reviewed. Any audit reports completed after issuance of a subaward will be reviewed as described in #2 above.

Anticipated Completion Date:

Planned corrective actions to be implemented in January 2025.

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OTHER REPORTS

In addition to this report, other reports may have been issued for the University. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.