

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

FEDERAL SINGLE AUDIT REPORT

BALL STATE UNIVERSITY

MUNCIE, INDIANA

July 1, 2014 to June 30, 2015



FILED

04/08/2016

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SCHEDULE OF UNIVERSITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Dr. Terry S. King (Interim) Dr. Paul W. Ferguson Dr. Terry S. King (Acting)	07-01-14 to 07-31-14 08-01-14 to 01-25-16 01-26-16 to 06-30-16
Vice President, Business Affairs and Treasurer	Dr. Randall B. Howard Management Team (Interim) Bernard M. Hannon	07-01-14 to 08-25-14 08-26-14 to 02-02-15 02-03-15 to 06-30-16
Associate Vice President for Business Affairs and Assistant Treasurer	Bernard M. Hannon (Vacant)	07-01-14 to 02-02-15 02-03-15 to 02-22-16
President of the Board of Trustees	Richard J. Hall	01-01-14 to 12-31-17



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 BALL STATE UNIVERSITY, MUNCIE, 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 Ball 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 Ball 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.

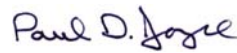
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

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 February 22, 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 BALL STATE UNIVERSITY, MUNCIE, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Ball 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 an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding 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 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 or 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 of 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

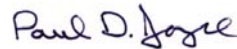
The University's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion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

February 22, 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.

BALL 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	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Student Financial Assistance Cluster			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Supplemental Educational Opportunity Grants	84.007	\$ 533,602	\$ -
Federal Work-Study Program	84.033	724,758	-
Federal Perkins Loan Program_Federal Capital Contributions	84.038	1,601,641	-
Federal Pell Grant Program	84.063	22,660,890	-
Federal Direct Student Loans	84.268	121,014,966	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	14,803	-
Total Student Financial Assistance Cluster		146,550,660	-
Research and Development Cluster			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Iowa State University Integrated Programs	10.303	10,954	-
Pass-Through U.S. Forest Service Federal	10.XXX	10,277	-
Total U.S. Department Of Agriculture		21,231	-
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	23,764	-
Pass-Through Illinois Department of Military Affairs National Guard Military Operations and Maintenance (O&M) Projects	12.401	29,729	-
Pass-Through Defense Finance and Accounting Service Military Medical Research and Development	12.420	107,053	-
Pass-Through New Hampshire Academy of Applied Science Basic Scientific Research	12.431	2,065	-
Total U.S. Department Of Defense		162,611	-
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources Sport Fish Restoration Program	15.605	106,494	-
Wildlife Restoration and Basic Hunter Education	15.611	227,698	-
Historic Preservation Fund Grants-In-Aid	15.904	99,145	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	1,555	-
Pass-Through Western Michigan University Endangered Species Conservation Recovery Implementation Funds	15.657	18,183	-
Pass-Through Purdue University Assistance to State Water Resources Research Institutes	15.805	19,127	-
Pass-Through National Park Service Native American Graves Protection and Repatriation Act	15.922	34,424	-
American Battlefield Protection	15.926	42,848	-
Cooperative Research and Training Programs Resources of the National Park System	15.945	1,107	-
Total U.S. Department Of The Interior		550,581	-

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

BALL 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	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>			
Science	43.001	76,529	-
Pass-Through Purdue University			
Education	43.008	18,382	-
Total National Aeronautics And Space Administration		94,911	-
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	7,466	-
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
Pass-Through Buffalo Bill Center of the West			
Promotion of the Humanities_Research	45.161	22,710	-
<u>NATIONAL SCIENCE FOUNDATION</u>			
Engineering Grants	47.041	347,194	30,802
Geosciences	47.050	42,851	-
Computer and Information Science and Engineering	47.070	16,517	-
Social, Behavioral, and Economic Sciences	47.075	184,541	4,786
Pass-Through Security and Software Engineering Research Center (S2ERC)			
Engineering Grants	47.041	13,578	-
Pass-Through Geological Society of America			
Geosciences	47.050	1,248	-
Pass-Through National Endowment for the Humanities			
Social, Behavioral, and Economic Sciences	47.075	(1,491)	-
Pass-Through Michigan State University			
Education and Human Resources	47.076	18,668	-
Total National Science Foundation		623,106	35,588
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Liberty-Perry Community Schools			
Fund for the Improvement of Education	84.215F	5,951	-
Pass-Through A Better Way Services			
Twenty-First Century Community Learning Centers	84.287	4,575	-
Pass-Through Washington State University			
Education Research, Development and Dissemination	84.305D	8,097	-
Total U.S. Department Of Education		18,623	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana State Department of Health			
The Affordable Care Act: Building Epidemiology, Laboratory, and Health			
Information Systems Capacity in the Epidemiology			
and Laboratory Capacity for Infectious Disease (ELC)			
and Emerging Infections Program (EIP)			
Cooperative Agreements;PPHF	93.521	44,988	-
Cooperative Agreements for State-Based Diabetes Control Programs and			

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

BALL 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	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>			
Evaluation of Surveillance Systems	93.988	123,853	-
Pass-Through Indiana University			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	28,385	-
Pass-Through NIH			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	106,127	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	7,444	-
Biomedical Research and Research Training	93.859	21,203	-
Aging Research	93.866	448,674	-
Pass-Through TKC Global Solutions, LLC			
Federal	93.XXX	7,544	-
Total U.S. Department Of Health And Human Services		788,218	-
Total Research And Development Cluster		2,289,457	35,588
<i>Child Nutrition Cluster</i>			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
School Breakfast Program	10.553	3,766	-
National School Lunch Program	10.555	47,724	-
Total Child Nutrition Cluster		51,490	-
<i>Highway Planning and Construction Cluster</i>			
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction	20.205	16	-
Pass-Through Delaware-Muncie Metropolitan Planning Commission			
Highway Planning and Construction	20.205	8,500	-
Pass-Through Madison County Council of Governments			
Highway Planning and Construction	20.205	19,000	-
Pass-Through Northeastern Indiana Regional Coordinating Council			
Highway Planning and Construction	20.205	2,817	-
Total Highway Planning And Construction Cluster		30,333	-
<i>Special Education Cluster</i>			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Special Education_Grants to States	84.027A	172,563	-
Pass-Through Alexandria Community Schools			
Special Education_Grants to States	84.027	40,931	-
Total Special Education Cluster		213,494	-
<i>Other Programs</i>			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through University of Missouri			
Agricultural Market and Economic Research	10.290	4,229	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	(14)	-

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

BALL 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	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources Historic Preservation Fund Grants-In-Aid	15.904	(91)	-
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Delaware County Residential Substance Abuse Treatment for State Prisoners	16.593	7,847	-
<u>U.S. DEPARTMENT OF STATE</u>			
Academic Exchange Programs - Undergraduate Programs	19.009	(19,631)	-
Investing in People in the Middle East and North Africa	19.021	641,569	-
Public Diplomacy Programs	19.040	14,008	-
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	162,857	-
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	787,332	-
Pass-Through Fulbright-Hays Research Abroad			
Academic Exchange Programs - Scholars	19.401	(6,729)	-
Pass-Through Institute of International Education			
Iraq Assistance Program	19.016	17,500	-
Investing in People in the Middle East and North Africa	19.021	23,078	-
Academic Exchange Programs - Scholars	19.401	24,044	-
Pass-Through Meridian International Center			
Investing in People in the Middle East and North Africa	19.021	153,884	-
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	139,188	-
Pass-Through Eurasia Foundation			
AECA/ESF PD Programs	19.900	2,500	-
Total U.S. Department Of State		1,939,600	-
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>			
Pass-Through Indiana Space Grant Consortium			
Education	43.008	6,000	-
Pass-Through Purdue University			
Education	43.008	6,000	-
Total National Aeronautics And Space Administration		12,000	-
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
Pass-Through Indiana Humanities Council			
Promotion of the Humanities_Federal/State Partnership	45.129	500	-
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	7,916	-
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>			
Pass-Through Indiana State Library			
Grants to States	45.310	14,915	-
<u>U.S. DEPARTMENT OF ENERGY</u>			
Renewable Energy Research and Development	81.087	63,899	-

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

BALL 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	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Rehabilitation Long-Term Training	84.129	98,198	-
Fund for the Improvement of Education	84.215	83,428	-
Improving Teacher Quality State Grants	84.367	(6,232)	-
Pass-Through Indiana Commission for Higher Education			
Improving Teacher Quality State Grants	84.367B	121,129	-
Pass-Through Indiana Department of Education			
Career and Technical Education -- Basic Grants to States	84.048	69,228	-
Twenty-First Century Community Learning Centers	84.287C	211,320	84,187
Improving Teacher Quality State Grants	84.367	6,938	-
Pass-Through Jay County Special Education Services			
Twenty-First Century Community Learning Centers	84.287	26,531	-
Pass-Through Warsaw Community Schools			
Mathematics and Science Partnerships	84.366	38,118	-
Pass-Through National Writing Project			
Improving Teacher Quality State Grants	84.367D	15,913	-
Total U.S. Department Of Education		664,571	84,187
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through American Psychological Association			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	22,838	-
Pass-Through Delaware County			
Child Support Enforcement	93.563	1,748	-
Pass-Through National Health Education Center Organization			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	1,173	-
Pass-Through Indiana University			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	140,489	25,638
Foster Care_Title IV-E	93.658	113,086	-
Total U.S. Department Of Health And Human Services		279,334	25,638
Total Other Programs		2,994,706	109,825
Total Federal Awards		\$ 152,130,140	\$ 145,413

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

BALL 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 Ball State University (University) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 agencies of the State of Indiana and others made under federally sponsored agreements. Because the Schedule presents only a selective portion of the activities of the University, it is not intended to and does not present the financial position, change in net assets or current revenues, expenditures, and other changes of the University. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For reporting purposes, federal awards have been classified into three types:

1. Student Financial Assistance Cluster
2. Research and Development Cluster
3. Other Federal Programs

Note 2. Other Programs Student Loans

The University participates in the Federal Perkins Loan Program. Amounts loaned to students are recorded as notes receivable. Gross student notes receivable outstanding at June 30, 2015, was:

Program Title	Federal CFDA Number	Loan Amounts
Federal Perkins Loan Program - Notes Receivable	84.038	<u>\$ 10,381,337</u>

Note 3. Other Considerations

As it pertains to the federal awards, the University was not required to have insurance in effect and it did not have any noncash assistance during the year for the year ending June 30, 2015.

BALL 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?	No
Significant deficiencies identified?	Yes
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 <i>OMB Circular A-133</i> ?	Yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
19.415	Student Financial Aid Cluster Research and Development Cluster Professional and Cultural Exchange Program - Citizens Exchanges

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.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-001 - SPECIAL TESTS AND PROVISIONS - RETURN OF TITLE IV FUNDS

Federal Agency: U.S. Department of Education

Federal Program: Federal Supplemental Educational Opportunity Grants, Federal Perkins
Loan Program_Federal Capital Contributions, Federal Pell Grant Program,
Federal Direct Student Loans, and Teacher Education Assistance for College
and Higher Education Grants

CFDA Number: 84.007, 84.038, 84.063, 84.268, and 84.379

Adequate procedures did not exist to ensure that the proper number of calendar days was used when calculating the return of Title IV funds for students who officially withdrew. Based on testing performed, nine students who officially withdrew during the fall 2014 semester had the incorrect total number of calendar days used in their calculation. The total number of calendar days in the period is calculated, entered into the computer system, and is used to calculate the proper amount of title IV funds to be refunded. The University did not exclude five days of Thanksgiving break when determining the total number of calendar days in the period. This resulted in the amount of title IV funds refunded to be incorrect for seven students. The remaining two students earned all aid for the term and were not eligible for a refund.

Failure to establish an effective internal control system places the University at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

34 CFR 668.22(f)(2)(i) states:

"The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period."

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."

Failure to determine the amount of title IV grants or loan assistance that a student earns could lead to students receiving improper amounts of aid.

Failure to establish internal controls enabled noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the University.

We recommended that management of the University develop procedures to accurately calculate the number of calendar days in the period in order to properly calculate the amount of student aid to be refunded to comply with the Return of Title IV Funds compliance requirement.

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AUDITEE PREPARED SCHEDULE

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

CORRECTIVE ACTION PLAN

FINDING 2015-001

Federal Program: Federal Supplemental Educational Opportunity Grants, Federal Perkins Loan Program, Federal Capital Contributions, Federal Pell Grant Program, Federal Direct Student Loans, and Teacher Education Assistance for College and Higher Education Grants

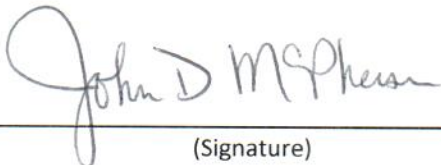
Contact Person Responsible for Corrective Action: John D. McPherson
Contact Phone Number: (765) 285-8894

Description of Corrective Action Plan:

The Problem: A staff member new to the Return to Title IV (R2T4) funds process improperly entered the Thanksgiving break as a three-day break and not a five-day break. For the R2T4 process, any consecutive five-day break is excluded from the total number of days in a semester. Therefore, the R2T4 calculation module in the financial aid system used a total of 117 days in the 2014 fall semester instead of 112 in calculating the amount of aid the students earned in that semester.

Corrective Action: All students who withdrew during the 2014 fall semester have been reviewed and a manual calculation of each withdrawal has been completed to ensure proper calculation. The result of the error is a total of \$3,483 (The Office of Financial Aid and Scholarships disbursed a total of \$140 million in Title IV aid in the 2014-15 award year). The staff member involved in the incorrect entry has been retrained on the process and the requirements. In addition, the system is pre-populated with the total number of days in the term. This will be verified by a senior staff member each term prior to any calculations being performed.

Anticipated Completion Date: Corrective Action Already Taken



(Signature)

Assistant Vice President of Enrollment Services and
Executive Director of Financial Aid and Scholarships

(Title)

February 22, 2016

(Date)