

**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, 2016 to June 30, 2017



**FILED**  
02/28/2018



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### SCHEDULE OF UNIVERSITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Dr. Daniel J. Bradley Dr. Deborah Curtis	07-01-16 to 01-02-18 01-03-18 to 06-30-18
Senior Vice President for Finance and Administration, and University Treasurer	Diann E. McKee	07-01-16 to 06-30-18
Associate Vice President and University Controller	Jeffery J. Jacso	07-01-16 to 06-30-18
President of the Board of Trustees	David Campbell	07-01-16 to 06-30-18



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

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

We have audited the financial statements of the business-type activities and the discretely presented component units of Indiana State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2017, and have issued our report thereon dated October 25, 2017, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 25, 2017. Our report includes a reference to other auditors who audited the financial statements of the Indiana State University Foundation, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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. This 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 taken as a whole.

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

October 25, 2017



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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 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, 2017, 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 25, 2017. Our report includes a reference to other auditors who audited the financial statements of the Indiana State University Foundation (Foundation), as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 25, 2017



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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 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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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). Those standards and the Uniform Guidance 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, 2017.

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

***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 items 2017-001, 2017-002, and 2017-003. 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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.


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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-003 to be material weaknesses.

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 described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a significant deficiency.

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.

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

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.

  
Paul D. Joyce, CPA  
State Examiner

February 22, 2018

## 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, 2017

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<b>Research and Development Cluster</b>				
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>				
Direct Grant				
Unknown	12.RD	N62470-14-2-9015	-	(641)
Total for Federal Grantor Agency			-	(641)
<b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>				
Direct Grants				
Endangered Species Conservation - Recovery Implementation Funds	15.657	F13AC00080	-	9,352
Cooperative Research and Training Programs - Resources of the National Park System	15.945	P16AC00871	-	42,922
Pass-Through Wildlife Management Institute, Inc				
Endangered Species Conservation - Recovery Implementation Funds	15.657	WNS 2015-07	-	8,228
Pass-Through Purdue University				
National Land Remote Sensing_Education Outreach and Research	15.815	4107-74126	-	1,217
National Land Remote Sensing_Education Outreach and Research	15.815	4107-74127	-	750
National Land Remote Sensing_Education Outreach and Research	15.815	4107-80072	-	697
National Land Remote Sensing_Education Outreach and Research	15.815		-	350
National Land Remote Sensing_Education Outreach and Research	15.815		-	310
Total for Federal Grantor Agency			-	63,826
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
Pass-Through North Carolina Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	MA-2013-01 RP2013-35	-	7,160
Total for Highway Planning and Construction Cluster			-	7,160
Total for Federal Grantor Agency			-	7,160
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>				
Pass-Through Purdue University				
Education	43.008	4103-75382	-	17,626
Education	43.008	4103-79634	-	5,298
Education	43.008	4103-74879	-	5,781
Education	43.008	4103-78946	-	5,630
Total for Federal Grantor Agency			-	34,335
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>				
Direct Grants				
Biological Sciences	47.074	IOS-1052247	-	48,809
Biological Sciences	47.074	1556982	-	40,704
Social, Behavioral, and Economic Sciences	47.075	BCS-1061808	-	4,743
Education and Human Resources	47.076	DUE-0532027	-	(20,000)
Education and Human Resources	47.076	DUE-1140748	-	9,906
Education and Human Resources	47.076	DUE-1547789	-	7,690
Education and Human Resources	47.076	1645189	-	37,701
Pass-Through University of Arizona				
Geosciences	47.050	125161	-	45,005
Social, Behavioral, and Economic Sciences	47.075	160000	-	(3,892)
Total for Federal Grantor Agency			-	170,666
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>				
Pass-Through Indiana Department of Environmental Management				
Great Lakes Program	66.469	A305-2-70	-	29
Total for Federal Grantor Agency			-	29
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>				
Direct Grant				
Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46304	-	106,901
Total for Federal Grantor Agency			-	106,901
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Direct Grant				
Fund for the Improvement of Postsecondary Education	84.116	P116F140237	82,186	305,820
Total for Federal Grantor Agency			82,186	305,820
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
Pass-Through Union Hospital, Inc				
Telehealth Programs	93.211		-	52,209

INDIANA STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2017

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Pass-Through Indiana University Allergy and Infectious Diseases Research	93.855	1801887	-	18,567
Pass-Through Iowa State University Biomedical Research and Research Training	93.859	430-17-04A	-	34,523
Total for Federal Grantor Agency			-	105,299
<b>Total for Research and Development Cluster</b>			<b>82,186</b>	<b>793,395</b>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child and Adult Care Food Program	10.558		-	50,846
Total for Federal Grantor Agency			-	50,846
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant Children of Incarcerated Parents	16.831	2016-IG-BX-0004	18,695	28,069
Total for Federal Grantor Agency			18,695	28,069
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>				
Pass-Through Indiana Arts Commission Promotion of the Arts_Partnership Agreements	45.025	A154-6-IM67	-	8,044
Total for Federal Grantor Agency			-	8,044
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Direct Grant Promotion of the Humanities_Fellowships and Stipends	45.160	FA-232534-16	-	50,400
Total for Federal Grantor Agency			-	50,400
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Pass-Through State of Indiana/Indiana State Library Grants to States	45.310	A64-15-15L-98A		5,873
Grants to States	45.310	A64-16-15L-27A	-	79,947
Total for Federal Grantor Agency			-	85,820
<u>SMALL BUSINESS ADMINISTRATION</u>				
Pass-Through State of Indiana/Office of Small Business and Entrepreneurship Small Business Development Centers	59.037	A69-16-SBDC-2004	-	12,862
Small Business Development Centers	59.037	A69-16-SBDC-1CO	-	11,550
Pass-Through State of Indiana/Indiana Economic Development Corp Small Business Development Centers	59.037	A69-7-SBDC-16-205	-	21,689
Total for Federal Grantor Agency			-	46,101
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grants				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007		-	313,374
Federal Work-Study Program	84.033		-	453,825
Federal Perkins Loan Program_Federal Capital Contributions	84.038		-	8,339,111
Federal Pell Grant Program	84.063		-	20,453,766
Federal Direct Student Loans	84.268		-	71,318,008
Postsecondary Education Scholarships for Veteran's Dependents	84.408		-	5,353
Total for Student Financial Assistance Cluster			-	100,883,437
Pass-Through Indiana Department of Education Special Education Cluster (IDEA)				
Special Education_Grants to States	84.027	A58-5-15DL-2243	119,924	2,403,890
Special Education_Grants to States	84.027	A58-6-16DL-0176	-	319,781
Total for Special Education Cluster			119,924	2,723,671
Direct Grant TRIO Cluster				
TRIO_Student Support Services	84.042	P042A150220	-	328,699
Total for TRIO Cluster			-	328,699
Direct Grant Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	H326T130078	-	204,765

INDIANA STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2017

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
Pass-Through University of Southern Indiana Mathematics and Science Partnerships	84.366	16-014-E	-	57,458
Mathematics and Science Partnerships	84.366	17-059-E	-	714
Pass-Through Indiana Commission for Higher Education Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	J22-15-C0354	-	52,481
Pass-Through Ball State University Career and Technical Education - Basic Grants to States	84.048	A58-7-17CI-3852	-	11,761
Total for Federal Grantor Agency			<u>119,924</u>	<u>104,262,986</u>
<u>Vietnam Education Foundation</u>				
Direct Grant Fellowship Program	85.802		-	32,259
Total for Federal Grantor Agency			-	32,259
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grant Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79TI25977	16,171	117,538
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79TI25977-02	56,332	116,754
Pass-through Indiana University Area Health Education Centers	93.107	1413388	-	(447)
Area Health Education Centers	93.107	IN4863368ISU	21,036	43,164
Area Health Education Centers	93.107	IN4683371ISU	10,921	34,903
Pass-through Indiana Family & Social Services Administration CCDF Cluster Child Care and Development Block Grant	93.575		-	313,920
Total for Federal Grantor Agency			<u>104,460</u>	<u>625,832</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Workforce Development - Serve Indiana AmeriCorps	94.006	AF-5-264	-	24,644
AmeriCorps	94.006	AF6264-17415	-	87,486
Total for Federal Grantor Agency			-	112,130
Total federal awards expended			<u>325,265</u>	<u>106,095,882</u>

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**

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires an annual audit of any entity expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of universities shall be conducted annually.

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Indiana State University for the year ended June 30, 2017 and is presented in accordance with the requirements of Uniform Guidance. The accompanying Schedule has been prepared in a format that presents summary financial information of the federal funds awarded to Indiana State University directly from federal agencies as well as amounts received as a subgrantee of other organizations. For purposes of the Schedule, federal assistance includes all federal assistance and procurement relationships entered into directly between Indiana State University and the federal government and subawards from nonfederal organizations made under federally sponsored agreements. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Because the Schedule presents only a selective portion of the activities of Indiana State University, it is not intended to and does not present the financial position, change in financial position, or cash flows of Indiana State University.

Indiana State University did not elect to use the 10% de minimis cost rate. The University uses a federally negotiated facilities & administration rate of 33% on federal awards when the rate is not restricted by federal regulation. This facilities & administration rate was approved by the US Department of Health & Human Services and is effective through 6/30/2017.

The accounting principles followed by Indiana State University and used in preparing the accompanying schedule are as follows:

Awards Other Than Student Financial Assistance

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in Uniform Guidance. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general university activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates.

Student Financial Assistance

Expenditures for non-loan awards made to students are recognized and reported in the Schedule. Student loan programs are funded by the federal government under various programs; e.g., Perkins Student Loan Program. Activity related to these loan programs includes federal capital contributions, loan repayments, interest earned on loans, cancellation of loans, and administrative and collection costs.

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

**Note 2. Federal Direct Student Loans**

The Schedule of Expenditures of Federal Awards includes Federal Direct Student Loans which were not made by Indiana State University but were received by its students. Indiana State 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, 2017 were as follows:

<u>Program Title</u>	<u>Number of Loans Issued</u>	<u>Loan Amount</u>
Direct Loan Program (Subsidized and Unsubsidized)	12,946	\$58,868,132
Direct PLUS Loans (Parent and Graduate PLUS Loans)	1,364	\$12,449,876
Totals	14,310	\$ 71,318,008

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

Indiana State 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 Federal Expenditures 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, 2017:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Federal Perkins Loan Program	84.038	\$ 8,339,111

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?	yes
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.326	Student Financial Assistance Cluster Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	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.

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

**FINDING 2017-001**

Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Return of Title IV Funds  
Federal Agency: U.S. Department of Education

Federal Programs: Federal Supplemental Educational Opportunity Grants, Federal Perkins  
Loan Program\_Federal Capital Contributions, Federal Pell Grant  
Program, Federal Direct Student Loans

CFDA Numbers: 84.007, 84.038, 84.063, 84.268

Federal Award Number and Year (or Other Identifying Number): FY 2017

Compliance Requirement: Special Tests and Provisions - Return of Title IV Funds

Audit Findings: Material Weakness, Other Matters

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

*Condition*

The University had not established an effective internal control system to ensure that the beginning and ending dates of each period of enrollment were accurately entered into the return of funds calculator. As a result, an incorrect number of days in the spring 2017 term was used in the calculation of Title IV funds to be returned to the Indiana Department of Education for students who officially withdrew during the term.

*Context*

Of the 40 students tested, 3 had insufficient funds returned to the Indiana Department of Education.

*Criteria*

34 CFR 668.22(e)(2) states in part:

"Percentage Earned. The percentage of title IV grant or loan assistance that has been earned by the student is –

- (i) Equal to the percentage of the payment period or period of enrollment that the student completed (as determined in accordance with paragraph (f) of this section) as of the student's withdrawal date, if this date occurs on or before –

(A) Completion of 60 percent of the payment period or period of enrollment for a program that is measured in credit hours; . . ."

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."

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*

Failure to establish controls over the entry of the term dates in the return of funds calculator allowed for an incorrect determination of Title IV aid earned to remain undetected.

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

*Effect*

The incorrect ending term date allowed for the total number of days in the term, thus the percentage of aid earned, to be calculated incorrectly resulting in not enough aid being returned to the Indiana Department of Education for the affected students.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the University develop procedures to ensure the accurate entry of period of enrollment in order to properly calculate the amount of student aid to be refunded in compliance with the Special Tests and Provisions - Return of Title IV Funds compliance requirement. Furthermore, we recommended that management of the University review the spring 2017 return of Title IV calculations and make the necessary corrections.

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Student Financial Assistance Cluster - Eligibility  
Federal Agency: U.S. Department of Education  
Federal Program: Federal Supplemental Education Opportunity Grants  
CFDA Number: 84.007  
Federal Award Number and Year (or Other Identifying Number): FY17  
Pass-Through Entity: Direct Award  
Compliance Requirement: Eligibility  
Audit Findings: Significant Deficiency, Other Matters

*Condition*

The University's policy for awarding Federal Supplemental Education Opportunity Grant (FSEOG) funds permitted awards to students with an expected family contribution (EFC) of 0-500 dollars who also qualified for a Pell Grant. It was awarded on a first-come, first-serve basis to all students who qualified based on the policy. The inclusion of the dollar value range and first-come, first-serve method of awarding funds allowed some students with higher EFCs to receive funding, while students with lower EFCs were denied funding.

*Context*

Of the 26 students tested, 19 received FSEOG awards. Of those 19 students, 3 had an EFC greater than zero. The total of the payments to these students for the fall and spring semesters was \$1,348.

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

*Criteria*

34 CFR 676.10(a) states:

- "(1) In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year.
- (2) If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants."

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*

The University failed to establish controls over the development of policies regulating the awarding of FSEOG funds to ensure compliance with federal regulations.

*Effect*

FSEOG funds were not awarded in accordance with federal regulations. Failure to comply with federal regulations could result in the University having to return funds to the federal agency.

*Questioned Cost*

There were no questioned costs identified.

*Recommendation*

We recommended the University conduct a review of the expected family contribution of FSEOG recipients for the award year and take appropriate action to correct any problems found. Furthermore, we recommended that the University revise its policy to be in compliance with federal rules and regulations and update its computer software to award accordingly.

*Views of Responsible Officials*

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

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

***FINDING 2017-003***

Subject: Student Financial Assistance Cluster - Special Tests and Provisions - Disbursements to or on Behalf of Students  
Federal Agency: Department of Education  
Federal Programs: Federal Direct Student Loans, Federal Perkins Loan Program, Federal Capital Contributions  
CFDA Numbers: 84.268, 84.038  
Federal Award Number and Year (or Other Identifying Number): FY17  
Compliance Requirement: Special Tests and Provisions - Disbursements to or on Behalf of Students  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediate prior audit report. The prior audit finding number was 2016-001.

*Condition*

The University had not established an effective internal control system over one of the requirements related to the Special Tests and Provisions - Disbursements to or on Behalf of Students compliance requirement.

The University did not send all the required notifications, including the right to cancel language, to students with multiple loan (i.e., subsidized, unsubsidized, plus or Perkins) disbursements made during the fiscal year.

*Context*

All 25 loan recipients sampled had not received a timely or proper notification for 70 out of 166 disbursements credited to their accounts.

*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). . . ."

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 ledger account with Direct Loan, Federal Perkins Loans, or TEACH Grant program funds, the institution must notify the student or parent of –

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

- (ii) The student's 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 or TEACH Grant proceeds returned to the Secretary; and
  - (iii) The proceeds 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.
- (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 ledger account at the institution, if the institution obtains affirmative action from the student under paragraph (a)(6)(i) of this section; . . ."

*Cause*

The University had not established a proper system of internal controls to prevent or detect errors in the computer programming relied upon to send all required notifications to students and/or parents.

The notifications were not generated by the computer system due to a coding error in the computer software.

*Effect*

The failure to establish effective internal controls enabled material noncompliance to go undetected.

Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds.

*Questioned Cost*

There were no questioned costs identified.

*Recommendation*

We recommended that the University implement effective internal controls related to the Special Tests and Provisions - Disbursements to or on Behalf of Students compliance requirement. Additionally, the University should have ensured that appropriate notification was made to all federal loan recipients within the required time frame.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is a 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 2016-001**

FY16

U.S. Department of Education

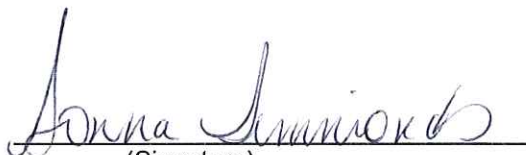
Contact Person Responsible for Corrective Action: Donna Simmonds, Interim Director (Crystal Baker, Director FY16)

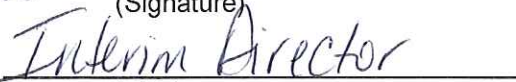
Contact Phone Number: 812-237-4232


Status of Audit Finding:

In spring 2016, the University did not send all the required loan disbursement/right to cancel notifications. This was due to a coding error that did not allow for subsequent notifications. (ie: student received a fall disbursement notification but did not receive a spring notification). This error was identified during an internal review and corrected in May 2016.

We continue to refine our internal control systems to ensure we identify and correct any errors within the 30 day regulatory timeframe.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

**CORRECTIVE ACTION PLAN*****FINDING 2017-001***

Contact Person Responsible for Corrective Action: Donna Simmonds, Interim Director of Financial Aid  
Contact Phone Number: 812-237-4232

**Views of Responsible Official:**

Audit finding 2017-001 states that Indiana State University failed to establish internal control over the entry of term dates used to calculate return of Title IV funds due to withdrawal.

Indiana State University concurs with this finding. When entering our academic calendar in the Return of Title IV Funds calculator, an incorrect date was entered for the last day of the spring 2017 semester. This resulted in miscalculations of the percentage of the semester attended and amount of eligible aid and the amount to be returned.

**Description of Corrective Action Plan:**

Indiana State University is committed to properly calculating the amount of student aid to be returned when students withdraw. The term start and end dates for fall 2016, summer 2017, fall 2017, and spring 2018 were immediately reviewed and confirmed to be correct.

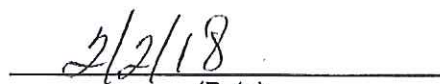
A review of all spring 2017 withdrawals has been conducted. We have returned a total of \$34,041 to the appropriate source. Since this was institutional error, the university covered the amount of the return so student account balances were not impacted. Campus-based aid adjustments for this time period will be noted as an adjustment on the 2017-2018 FISAP.

In the future, the Associate Director of Processing will enter the dates in the Return of Title IV Funds calculator and the Associate Director of Compliance, hired in fall 2017, will check that the dates were entered correctly. The Associate Director of Compliance will review a sample of students, each semester, to ensure the return of Title IV funds calculation was done correctly.

Anticipated Completion Date: Spring 2018

  
(Signature)

  
(Title)

  
(Date)



**Office of Student  
Financial Aid**

220 North 7th Street  
Terre Haute, Indiana 47809  
812-237-2215  
Fax 812-237-4330  
Isu-finaid@mail.indstate.edu

**CORRECTIVE ACTION PLAN**

***FINDING 2017-002***

Contact Person Responsible for Corrective Action: Donna Simmonds, Interim Director of Financial Aid  
Contact Phone Number: 812-237-4232

Views of Responsible Official:

Audit finding 2017-002 states that Indiana State University failed to comply with 34 CFR 676.10 in selecting Federal Supplemental Educational Opportunity Grant (FSEOG) recipients.

Indiana State University concurs with this finding.

Description of Corrective Action Plan:


Indiana State University is committed to providing assistance to exceptionally needy undergraduate students. We have conducted a review of all 2017-2018 FSEOG recipients and will return funds for students with an Expected Family Contribution (EFC) greater than \$0. Since this was institutional error, the university covered the amount of the return so student account balances were not impacted.

The FSEOG policy and procedure as well as Banner awarding and disbursement rules have been updated to eliminate the EFC range of \$0-\$500. The selection criteria has been updated to award students who are Pell eligible with the lowest EFC (\$0).

Anticipated Completion Date: Spring 2018

  
(Signature)

  
(Title)

  
(Date)



**Office of Student  
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**CORRECTIVE ACTION PLAN**

**FINDING 2017-003**

Contact Person Responsible for Corrective Action: Donna Simmonds, Interim Director of Financial Aid  
Contact Phone Number: 812-237-4232

**Views of Responsible Official:**

Audit finding 2017-003 states that Indiana State University failed to send required loan disbursement notifications.

Indiana State University concurs with this finding.

**Description of Corrective Action Plan:**

Indiana State University is committed to providing timely notification to student and parent borrowers regarding disbursements and their right to reduce or cancel loans.

The Associate Director of Compliance, hired in fall 2017, runs a report every 3 weeks to identify the population of students with loan disbursements during the time period. This report is cross-referenced with the population of students with disbursement notifications posted to the Banner form RUAMAIL.

If a batch did not post to RUAMAIL, Systems personnel are notified. The Associate Director of Compliance does a second review to ensure the issue was resolved.

Anticipated Completion Date: Fall 2017

Donna Simmonds  
(Signature)

Interim Director  
(Title)

2/2/18  
(Date)

#### 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/>.