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June 8, 2018


Board of Directors
Indiana Association of Area Vocational Districts, Inc.
d/b/a Indiana Association of Career & Technical Education Districts
PO Box 2058
Columbus, IN 47202

We have reviewed the report prepared by Indiana Association of Area Vocational Districts, Inc. d/b/a Indiana Association of Career & Technical Education Districts and opined upon by Humphrey CPA Group, LLC, Independent Public Accountants, for the period July 1, 2014 to June 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indiana Association of Area Vocational Districts, Inc. d/b/a Indiana Association of Career & Technical Education Districts as of June 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 9 through 10. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Humphrey CPA Group, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

***INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION
DISTRICTS***

(An Indiana Not-for-Profit Corporation)

Cash Basis Financial Statements

Years Ended June 30, 2016 and 2015

**INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION
DISTRICTS**

(An Indiana Not-for-Profit Corporation)

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Humphrey CPA Group, L.L.C.

www.HumphreyCPAGroup.com

445 N. Pennsylvania Street, Suite 941
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Board of Directors

Indiana Association of Area Vocational Districts, Inc.

DBA Indiana Association of Career and Technical Education Districts

Columbus, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Indiana Association of Area Vocational Districts, Inc. DBA Indiana Association of Career and Technical Education Districts (IATED) which comprise the statements of assets, liabilities, and net assets as June 30, 2016 and 2015, and the related statements of cash receipts and disbursements for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in note 2; this includes determining that the cash basis is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to IATED's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IATED's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of IACTED as of June 30, 2016 and 2015, and its support, revenue, and expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Reports Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2017 on our consideration of the IACTED's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *the Guide* in considering IACTED's internal control over financial reporting and compliance.



Indianapolis, Indiana
March 21, 2017

**INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION DISTRICTS**

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-CASH BASIS
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ <u>26,177</u>	\$ <u>21,414</u>
TOTAL ASSETS	\$ <u>26,177</u>	\$ <u>21,414</u>
<u>LIABILITIES AND NET ASSETS</u>		
TOTAL LIABILITIES	\$ 0	\$ 0
Unrestricted	<u>26,177</u>	<u>21,414</u>
TOTAL NET ASSETS	<u>26,177</u>	<u>21,414</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>26,177</u>	\$ <u>21,414</u>

See independent auditor's report and accompanying notes.

INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION DISTRICTS

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH RECEIPTS		
EOP Assessments/Career Pathways Project	\$ 288,589	\$ 293,274
STEM Grant	137,306	101,517
Dues	35,766	33,843
Transfer of IACTEA funds	0	6,631
Conference registrations	9,380	10,300
Other income	1,205	1,216
Interest income	38	42
	<u>472,284</u>	<u>446,823</u>
DISBURSEMENTS		
Program Services		
EOP Assessments/Career Pathways Project	229,940	248,345
STEM Grant expenditures	137,306	100,738
Conferences and workshops	21,519	15,158
Total program services disbursements	<u>388,765</u>	<u>364,241</u>
Management and General		
Contracted services	58,500	73,340
Operations	20,056	6,429
Legal and professional fees	0	5,400
Other disbursements	200	108
Total management and general disbursements	<u>78,756</u>	<u>85,277</u>
	<u>467,521</u>	<u>449,518</u>
CHANGE IN CASH	4,763	(2,695)
CASH BALANCE, BEGINNING OF YEAR	<u>21,414</u>	<u>24,109</u>
CASH BALANCE, END OF YEAR	<u>\$ 26,177</u>	<u>\$ 21,414</u>

See independent auditor's report and accompanying notes.

INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION DISTRICTS

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

(1) NATURE OF OPERATIONS

Indiana Association Of Area Vocational Districts, Inc. DBA Indiana Association of Career & Technical Education Districts (IATED), is a not-for-profit professional organization that began operations in 1985. The association provides services to Indiana's secondary school career & technical education programs, such as, in-service, curriculum development, professional development, and evaluation of programs, conferences and workshops.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting -

IATED uses the cash method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, the only asset recognized is cash and no accruals or prepayments of income or expense are reflected in the books of IATED. Accordingly, the financial statements are not intended to present the financial position and the results of operations in conformity with accounting principles generally accepted in the United States of America. Nonfinancial transactions are not recognized under this method of accounting.

Functional Allocation of Expenses

IATED summarizes the costs of providing the various programs and supporting services on a functional basis in the statements of activities based on an analysis of personnel time and space utilized for the related activities. Accordingly, it allocates certain costs among the programs and supporting services benefitted.

Federal and State Income Taxes -

No provision is recorded for Federal or State income taxes due to IATED having been granted not-for-profit status under Section 501 (c)(3) of the Internal Revenue Code. No tax penalties were incurred during the years ended June 30, 2016 and 2015.

U.S. generally accepted accounting principles require IATED to examine its tax positions for uncertain tax positions. IATED is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities.

Subsequent events

IATED has evaluated subsequent events through March 21, 2017, which is the date that the financial statements were available to be issued. No material subsequent events were identified, except as noted below, which would require disclosure and/or adjustment to the financial statements as of June 30, 2016 and 2015.

INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION DISTRICTS

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

(3) CONCENTRATION OF CREDIT RISK

IACTED is substantially funded by grants from the State of Indiana. These grants were approximately 90% and 88% for the years ended June 30, 2016 and 2015.

IACTED maintains its cash balance in a local credit union which is insured by the National Credit Union Administration (NCUA) up to \$250,000. As of June 30, 2016 and 2015, there were no amounts held in excess of the NCUA guarantee.

(4) GRANTS/STATE CONTRACTS

IACTED has entered into a contract with the Indiana Department of Education in the amount of \$300,000 for the periods January 1, 2014 through December 31, 2014. This grant was renewed for the calendar year 2015 in the amount of \$300,001. These funds are a pass through from the Federal Department of Education under the Career and Technical Education Vocational and Technical Education Basic Grant to States, CFDA Number 84.048. Amounts received under this grant for the years ended June 30, 2016 and 2015 totaled \$288,589 and \$293,274. Disbursements related to this grant totaled \$229,940 and \$248,345 for the years ended June 30, 2016 and 2015, respectively. Amounts spent on the 2015 and 2014 grant were \$288,589 and \$248,345. The grant was not renewed at December 31, 2015.

IACTED entered into a contract with the Indiana Education Roundtable/Commission for Higher Education for STEM Teacher Recruitment. This grant is funded through state revenue dollars. For the period July 1, 2013 through June 30, 2015 the total available was \$290,915. Amounts billed on this grant totaled \$101,517. This contract was renewed for the period July 1, 2015 through June 30, 2017 in the amount of \$237,556. For the years ended June 30, 2016 and 2015, IACTED received \$137,306 and \$101,517 under this grant. Disbursements related to this grant totaled \$137,306 and 100,738, respectively.



**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**

Board of Directors
Indiana Association of Area Vocational Districts, Inc.
DBA Indiana Association of Career and Technical Education Districts
Columbus, 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 financial statements of Indiana Association of Area Vocational Districts, Inc. DBA Indiana Association of Career and Technical Education Districts (IATED), which comprise the statements, liabilities and net assets as of June 30, 2016 and 2015 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon March 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IATED'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IATED's internal control. Accordingly, we do not express an opinion on the effectiveness of the IATED's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity'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. We consider the deficiencies described in the accompanying schedule of findings and responses as Finding 2016-001, 2015-001, 2014-001 and 2013-001, and 2016-002 and 2015-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IACTED'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 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*.

IACTED's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. IACTED's responses were not subject to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IACTED's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IACTED's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Humphrey CPA Group P.C.

Indianapolis, Indiana
March 21, 2017

**INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
DBA
INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION DISTRICTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the years ended June 30, 2016 and 2015**

FINDING: 2016-001, 2015-001, 2014-001, 2013-001

SEGREGATION OF DUTIES (FINANCIAL)

Condition: IACTED lacks proper segregation of duties within its accounting control functions.

Criteria: General principles for internal control would have duties related to the authorization, recording, reporting and custody of assets properly segregated.

Effect: Without proper segregation of duties, potential exists for employees to both perpetrate and conceal errors or fraud in the normal course of duties.

Cause of Condition: Most of the critical duties are combined and/or performed by the same individuals due to the smaller nature of the Project and limited staff.

Recommendation: The inadequate segregation of duties is primarily due to the size of the staff. Further segregation of duties may not be practical or cost justified. As such, the Board of Directors should continue to be aware of its fiduciary responsibility for the safeguarding of IACTED's assets.

Grantee Response/Corrective Action: Because of the size of IACTED and its staff, further segregation of duties may not be possible. The Board Treasurer is taking on additional responsibilities in the processing of accounting transactions in response to our risk assessment. The Board of Directors has been reminded of, and is aware of its fiduciary responsibility for the safeguarding of the association's assets, and each member reviews the financial reports and transactions at the monthly meetings.

**INDIANA ASSOCIATION OF AREA VOCATIONAL DISTRICTS, INC.
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INDIANA ASSOCIATION OF CAREER & TECHNICAL EDUCATION DISTRICTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the years ended June 30, 2016 and 2015**

FINDING: 2016-002, 2015-002

ACCOUNTING DISCIPLINE (FINANCIAL)

Condition: IACTED does not have individuals who have the ability to prepare a complete set of financial statements, including footnotes and supplementary information required by Government Auditing Standards.

Criteria: Personnel overseeing the accounting function of IACTED should have the knowledge and qualifications to prepare a complete set of financial statements, including footnotes and supplementary information required by Government Auditing Standards.

Effect: Not having personnel with proper qualifications and knowledge allows for financial statements to be prepared in ways not acceptable under generally accepted accounting principles.

Cause of Condition: IACTED does not have individuals on staff that possesses the qualifications and training necessary to apply generally accepted accounting principles and allows them to attend training to obtain the knowledge and understanding needed to apply principles and prepare the IACTED's financial statements.

Recommendation: IACTED should consider contracting this function out to another firm. The auditors are able to prepare the financial statements, as long as someone in management has been designated to take responsibility for the accuracy of the statements.

Grantee Response/Corrective Action: The preparation of the financial statements has always been performed by the treasurer and reviewed by the audit committee. In addition, IACTED works with the treasurer and the audit committee to maintain an accurate set of books, so that the financial statements can be properly prepared. The Board has identified and appointed individuals to serve on an audit committee to be responsible for the accuracy of the information in the financial statements.