

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, 2017 to June 30, 2018



FILED
03/21/2019

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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	07-01-17 to 01-02-18 01-03-18 to 06-30-19
Senior Vice President for Finance and Administration, and University Treasurer	Diann E. McKee	07-01-17 to 06-30-19
Associate Vice President and University Controller	Jeffery J. Jacso	07-01-17 to 06-30-19
President of the Board of Trustees	David Campbell Edward Pease	07-01-17 to 06-30-18 07-01-18 to 06-30-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 unit of Indiana State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 25, 2018, 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. We have not performed any procedures with respect to the audited financial statements subsequent to October 25, 2018. 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 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 basic 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
Paul D. Joyce, CPA
State Examiner

October 25, 2018



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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, 2018, 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, 2018. Our report includes references to other auditors who audited the financial statements of 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, 2018



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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, 2018. 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, 2018.

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

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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 19, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

INDIANA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

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
Research and Development Cluster				
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
Direct Grants				
Endangered Species Conservation - Recovery Implementation Funds	15.657	F13AC00080	\$ -	\$ 2,268
Pass-Through Wildlife Management Institute, Inc				
Endangered Species Conservation - Recovery Implementation Funds	15.657	WNS 2015-07	-	721
Total for Endangered Species Conservation - Recovery Implementation Funds			-	2,989
Direct Grants				
Cooperative Research and Training Programs - Resources of the National Park System	15.945	P16AC00871	-	33,876
Cooperative Research and Training Programs - Resources of the National Park System	15.945	P17AC00786	-	37,276
Total for Cooperative Research and Training Programs - Resources of the National Park System			-	71,152
Pass-Through Purdue University				
Assistance to State Water Resources Research Institutes	15.805	4107-81241	-	11,655
Pass-Through Purdue University				
National Land Remote Sensing Education Outreach and Research	15.815	4107-80072	-	803
National Land Remote Sensing Education Outreach and Research	15.815	AV13-IN01	-	840
Total for National Land Remote Sensing Education Outreach and Research			-	1,643
Total for Federal Grantor Agency			-	87,439
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through North Carolina Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	MA-2013-01 PA-2018-36	-	148,345
Total for Highway Planning and Construction Cluster			-	148,345
Total for Federal Grantor Agency			-	148,345
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Pass-Through Purdue University				
Education	43.008	4103-75382	-	1,874
Education	43.008	4103-82668	-	5,000
Education	43.008	107686 8000082662	-	750
Total for Education			-	7,624
Total for Federal Grantor Agency			-	7,624
<u>NATIONAL SCIENCE FOUNDATION</u>				
Direct Grants				
Computer and Information Science and Engineering	47.070	1751765	-	10,226
Direct Grants				
Biological Sciences	47.074	1556982	-	41,827

INDIANA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

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
Direct Grants				
Education and Human Resources	47.076	1547789	-	2,886
Education and Human Resources	47.076	1645189	-	38,906
Total for Education and Human Resources			-	41,792
Pass-Through University of Arizona				
Geosciences	47.050	125161	-	2,410
Total for Federal Grantor Agency			-	96,255
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Ouabache Land Conservancy				
Nonpoint Source Implementation Grants	66.460	21678	-	891
Total for Federal Grantor Agency			-	891
<u>U.S. DEPARTMENT OF ENERGY</u>				
Direct Grant				
Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46304	-	125,862
Total for Federal Grantor Agency			-	125,862
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grant				
Fund for the Improvement of Postsecondary Education	84.116	P116F140237	51,303	297,955
Total for Federal Grantor Agency			51,303	297,955
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Union Hospital, Inc				
Telehealth Programs	93.211		-	23,396
Telehealth Programs	93.211		-	3,170
Total for Telehealth Programs			-	26,566
Pass-Through Indiana University				
Allergy and Infectious Diseases Research	93.855	IN4681804ISU	-	36,422
Pass-Through Iowa State University				
Biomedical Research and Research Training	93.859	430-17-04A	-	(1)
Pass-Through Indiana Family and Social Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	21846	-	21,783
Total for Federal Grantor Agency			-	84,770
Total for Research and Development Cluster			51,303	849,141
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child and Adult Care Food Program	10.558		-	37,132
Total for Federal Grantor Agency			-	37,132

INDIANA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

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
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant				
Children of Incarcerated Parents	16.831	2016-IG-BX-0004	83,939	121,771
Total for Federal Grantor Agency			83,939	121,771
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Indiana Department of Workforce Development				
Trade Adjustment Assistance	17.245	24984	-	7,442
Total for Federal Grantor Agency			-	7,442
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>				
Pass-Through Arts Illiana				
Promotion of the Arts Partnership Agreements	45.025	RIG6-18-2848834	-	4,901
Promotion of the Arts Partnership Agreements	45.025	RIG6-18-2905095	-	4,950
Pass-Through Indiana Arts Commission				
Promotion of the Arts Partnership Agreements	45.025	22806	-	11,859
Total for Promotion of the Arts Partnership Agreements			-	21,710
Total for Federal Grantor Agency			-	21,710
<u>SMALL BUSINESS ADMINISTRATION</u>				
Pass-Through Indiana Economic Development Corp				
Small Business Development Centers	59.037	A69-7-SBDC-16-205	-	40,382
Small Business Development Centers	59.037	A69-16-SBDC-2004	-	10,431
Small Business Development Centers	59.037	A342-8-SBDC-18-107	-	40,530
Total for Small Business Development Centers			-	91,343
Total for Federal Grantor Agency			-	91,343
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grants				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007		-	305,083
Federal Work-Study Program	84.033		-	497,224
Federal Perkins Loan Program_Federal Capital Contributions	84.038		-	8,059,217
Federal Pell Grant Program	84.063		-	22,696,488
Federal Direct Student Loans	84.268		-	72,455,224
Postsecondary Education Scholarships for Veteran's Dependents	84.408		-	5,413
Total for Student Financial Assistance Cluster			-	104,018,649
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027	A58-5-15DL-2243	124,935	2,558,421
Special Education Grants to States	84.027	A58-6-16DL-0176	-	385,334
Total for Special Education Grants to States			124,935	2,943,755
Total for Special Education Cluster			124,935	2,943,755

INDIANA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

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
Direct Grant TRIO Cluster TRIO Student Support Services	84.042	P042A150220	-	334,931
Total for TRIO Cluster			-	334,931
Direct Grant Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	H326T130078	-	223,992
Pass-Through University of Southern Indiana Mathematics and Science Partnerships	84.366	17-059-E	-	55,973
Pass-Through Ball State University Career and Technical Education -- Basic Grants to States	84.048		-	11,788
Total for Federal Grantor Agency			124,935	107,589,088
<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	5H79T1025977	107,268	268,345
Direct Grant Minority Health and Health Disparities Research	93.307	1R25MD011712	65,375	105,566
Pass-through Indiana University Area Health Education Centers	93.107	IN4683373ISU	1,625	24,231
Area Health Education Centers	93.107	IN4683371ISU	20,500	44,756
Total for Area Health Education Centers			22,125	68,987
Pass-through Indiana Family & Social Services Administration CCDF Cluster Child Care and Development Block Grant	93.575		-	166,714
Total for CCDF Cluster			-	166,714
Total for Federal Grantor Agency			194,768	609,612
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Workforce Development - Serve Indiana AmeriCorps	94.006	AF6264 - 17415	-	16,355
Total for Federal Grantor Agency			-	16,355
Total federal awards expended			454,945	109,343,594

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

(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, 2018 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 31.1% 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 from 7/1/2017 through 6/30/2021.

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.

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.

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

The number of guaranteed loans and the total amount processed for each Direct Loan Program for the year ended June 30, 2018 were as follows:

<u>Program Title</u>	<u>Number of Loans Issued</u>	<u>Loan Amount</u>
Direct Loan Program (Subsidized and Unsubsidized)	13,142	\$58,589,804
Direct PLUS Loans (Parent and Graduate PLUS Loans)	1,456	\$13,865,420
Totals	14,598	\$72,455,224

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, 2018:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Federal Perkins Loan Program	84.038	\$8,059,217

INDIANA STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
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
93.243	Student Financial Assistance Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
	Substance Abuse and Mental Health Services	Unmodified
	Projects of Regional and National Significance	

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001

Subject: Special Education Cluster (IDEA) - Suspension and Debarment
 Federal Agency: U.S. Department of Education
 Federal Program: Special Education Grants to States
 CFDA Number: 84.027
 Federal Award Numbers and Years (or Other Identifying Numbers): A58-5-15DL-2243, A58-6-16DL-0176
 Compliance Requirement: Procurement and Suspension and Debarment
 Audit Finding: Material Weakness

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

Condition

An effective internal control system was not in place at the University to ensure compliance with the requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The University did not retain evidence that contracted vendors had been verified for compliance with suspension and debarment requirements prior to entering into contracts.

Context

The ineffectiveness of controls related to the Procurement and Suspension and Debarment compliance requirement was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured that the University complied with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system could have enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the University.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the University's management establish effective controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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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 2017-001***

FY17

U.S. Department of Education

Contact Person Responsible for Corrective Action: Donna Simmonds, Director

Contact Phone Number: 812-237-4232


Status of Audit Finding:

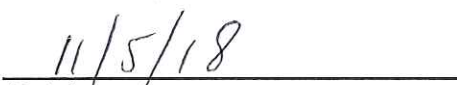
The University had not established an effective internal control to ensure the beginning and ending dates of each period of enrollment were accurately entered into the return of funds calculator. The end date for spring 2017 was incorrect resulting in erroneous number days used in the R2T4 calculation for students who withdrew from this semester.

A review of all spring 2017 withdrawals was conducted in February 2018 and additional funds were returned to the appropriate source. The University replaced the returned funds with institutional funds so student balances owed to the university would not be impacted.

As of May 2018, beginning and ending dates are now entered into the return of funds calculator by the Associate Director of Processing and are verified by the Associate Director of Compliance. In addition, the Associate Director of Compliance reviews a sample of students, each semester, to ensure the calculations are done correctly.



(Signature)

(Title)

(Date)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***FINDING 2017-002***

FY17

U.S. Department of Education

Contact Person Responsible for Corrective Action: Donna Simmonds, Director

Contact Phone Number: 812-237-4232


Status of Audit Finding:

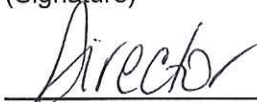
The University policy for awarding Federal Supplemental Education Opportunity Grant (FSEOG) funds permitted awards to students with an expected family contribution (EFC) of \$0-\$500 and on a first-come, first-serve basis.

The FSEOG policy and procedure and the Banner awarding and disbursement rules were immediately updated to eliminate the EFC range. The selection criteria were updated to award students who are Pell eligible with the lowest EFC (\$0). This was done in January 2018.

A review of 2017-2018 FSEOG recipients was conducted in January 2018. Funds were returned for students who did not meet the awarding criteria. The University replaced the returned funds with institutional funds so student balances owed to the university would not be impacted.

In July 2018, per guidance from the Department of Education, we identified 121 students who did not meet the awarding criteria and should not have received FSEOG in 2016-2017. As a result, we then identified the same number of students who could have received the award and awarded institutional funds.



(Signature)

(Title)

(Date)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**FINDING 2017-003**

FY17

U.S. Department of Education

Contact Person Responsible for Corrective Action: Donna Simmonds, Director

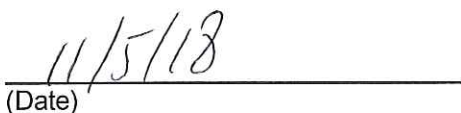
Contact Phone Number: 812-237-4232

Status of Audit Finding:

The University did not send all the required notifications to students with loans. Internal controls were not in place to identify two issues:

1. The automated loan notification process failed in August 2016.
 - o In December 2016, retroactive disbursement notifications were sent to each borrower. In addition, a member of our Systems team was copied on and retained samples of notifications to confirm daily receipt.
2. As an audit trail, loan notification codes are batch posted to the Banner form RUAMAIL.
 - o In January 2017, the batch post process failed. The systems team was copied on and retained samples of notifications to confirm daily receipt.

Since August 2017, our Associate Director of Compliance has tested the loan notification process every 3 weeks to ensure students are properly notified within 30 days of disbursement and the notification codes are posted to RUAMAIL.


(Signature)
(Title)
(Date)

CORRECTIVE ACTION PLAN

FINDING 2018-001

Terre Haute, IN 47809
812-237-3535
Fax: 812-237-8179

Contact Person Responsible for Corrective Action: Jeffrey Jacso, Associate Vice President and University Controller and Contact Phone Number: 812-237-3537

Views of Responsible Official:

Audit finding 2018-001 states that Indiana State University did not retain evidence that contracted vendors had been verified for compliance with suspension and debarment requirements prior to entering contracts.

Indiana State University concurs with this finding. The Purchasing Department did verify on SAM as required by purchasing procedures that a vendor is in compliance with suspension and debarment requirements. However, the Purchasing Department did not retain a copy of this search to attach to the file to provide evidence of the verification.

Description of Corrective Action Plan:

Indiana State University is committed to establishing and maintaining effective internal controls over all federal awards, including verifying vendors with whom we do business with to ensure that they are not excluded or disqualified.

The University will enhance written purchasing procedures to ensure that proper verification documentation exists for all required federal award purchases.

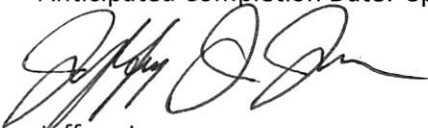
The enhanced procedures will include a requirement to retain documentation to be used as evidence that Suspension and Debarment requirements were met via one or more of the approved methods listed in 2 CFR 180.300:

- (a) Checking SAM exclusions
- (b) Collecting a certification from that person
- (c) Adding a clause or condition to the covered transaction with that person

The University will also provide additional training on purchasing procedures for all appropriate personnel.

All future contracts and purchase orders will contain enhanced contractual language to include a clause providing for suspension and debarment requirements.

Anticipated Completion Date: Spring 2019



Jeffrey Jacso
Associate Vice President and University Controller
3/19/19

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/>.