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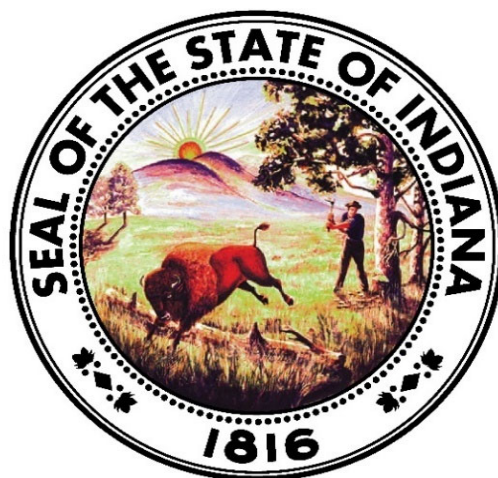
FEDERAL COMPLIANCE AUDIT REPORT

OF

INDIANA STATE UNIVERSITY

TERRE HAUTE, INDIANA

July 1, 2022 to June 30, 2023



FILED

02/13/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Dr. Deborah Curtis	07-01-22 to 06-30-24
Senior Vice President for Finance and Administration and University Treasurer	Diann E. McKee	07-01-22 to 06-30-24
Associate Vice President and University Controller	Jeffrey J. Jacso	07-01-22 to 06-30-24
Chair of the Board of Trustees	Kathleen G. Cabello Robert E. Casey, Jr.	07-01-22 to 06-30-23 07-01-23 to 06-30-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, the discretely presented component unit, and the aggregate remaining fund information of Indiana State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 31, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 31, 2023. Our report includes a reference to other auditors who audited the financial statements of the Indiana State University Foundation, Inc., as described in our report on the University's financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 6, 2024



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Indiana State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 31, 2023. Our report includes a reference to other auditors who audited the financial statements of the Indiana State University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of the Indiana State University Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Indiana State University Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of the Indiana State University Foundation, Inc.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Beth Kelley, CPA, CFE
Deputy State Examiner

October 31, 2023, except for the Schedule of Expenditures
of Federal Awards, for which the date is February 6, 2024



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

Opinion on 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, 2023. The University's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, to be material weaknesses.

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

Government Auditing Standards require the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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



Beth Kelley, CPA, CFE
Deputy State Examiner

February 6, 2024

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, 2023

Cluster Title/Federal Grantor Agency/Pass-Through Entity/ Program Title/Project Title	Federal Assistance Listings 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 TRANSPORTATION</u>				
Pass-Through Purdue University				
Highway Research and Development Program	20.200	21000350-122	\$ -	\$ 31,807
Pass-Through The Board of Trustees of the University of Illinois				
Highway Planning and Construction	20.205	087795-17958	-	1,479
Total for Federal Grantor Agency			-	33,286
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Pass-Through Purdue University				
Office of Stem Engagement (OSTEM)	43.008	12000338-358	-	2,400
Total for Federal Grantor Agency			-	2,400
<u>NATIONAL SCIENCE FOUNDATION</u>				
Direct Grants				
Geosciences	47.050	1804900	-	74,147
Geosciences	47.050	1903607	-	12,300
Total for Geosciences			-	86,447
Direct Grants				
Social, Behavioral, and Economic Sciences	47.075	1759694	10,105	27,977
Total for Federal Grantor Agency			10,105	114,424
<u>Environmental Protection Agency</u>				
Pass-Through Ouabache Land Conservancy				
Nonpoint Source Implementation Grants	66.460	48894	-	9,618
Total for Federal Grantor Agency			-	9,618
<u>U.S. DEPARTMENT OF ENERGY</u>				
Direct Grant				
Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46304	-	15,880
Total for Federal Grantor Agency			-	15,880
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grant				
Higher Education Institutional Aid	84.031	P031F180072	76,683	516,021
Total for Federal Grantor Agency			76,683	516,021
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grant				
Food and Drug Administration Research	93.103	1U01FD007776	-	33,520
Direct Grant				
Minority Health and Health Disparities Research	93.307	1R25MD011712	-	102,119
Direct Grant				
Primary Care Training and Enhancement	93.884	1D57HP40198-01-00	-	248,737
Total for Federal Grantor Agency			-	384,376
Total for Research and Development Cluster			86,788	1,076,005
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child and Adult Care Food Program	10.558		-	30,376
Total for Federal Grantor Agency			-	30,376
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Pass-Through City of Greencastle				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		-	8,469
Total for Federal Grantor Agency			-	8,469

INDIANA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2023

Cluster Title/Federal Grantor Agency/Pass-Through Entity/ Program Title/Project Title	Federal Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>SMALL BUSINESS ADMINISTRATION</u>				
Pass-Through Indiana Economic Development Corp				
COVID-19 Small Business Development Centers	59.037	A229-9-SBA-1027	-	31,848
Small Business Development Centers	59.037	A229-9-SBA-1066	-	72,165
Small Business Development Centers	59.037	A229-3-SBA-1082	-	30,063
Total for Small Business Development Centers			-	134,076
Direct Grant				
COVID-19 Community Navigator Pilot Program	59.077	SBAHQ22CNP0027	138,374	374,050
Total for Federal Grantor Agency			138,374	508,126
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Student Financial Assistance Cluster				
Direct Grants				
Federal Supplemental Educational Opportunity Grants	84.007		-	452,851
Federal Work-Study Program	84.033		-	472,206
Federal Perkins Loan Program_Federal Capital Contributions	84.038		-	3,506,914
Federal Pell Grant Program	84.063		-	14,028,396
Federal Direct Student Loans	84.268		-	43,111,818
Total for Student Financial Assistance Cluster			-	61,572,185
Pass-Through Ball State University				
Career and Technical Education -- Basic Grants to States	84.048	22-0505-001	-	11,944
Direct Grant				
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	H326T180018	-	208,482
Direct Grant				
COVID-19 Education Stabilization Fund	84.425E	P425E201317	-	(9,100)
COVID-19 Education Stabilization Fund	84.425F	P425F202309	-	2,335,530
COVID-19 Education Stabilization Fund	84.425M	P425M200711	-	1,196,613
Total COVID-19 Education Stabilization Fund - Direct Grants			-	3,523,043
Pass-Through Indiana Department of Education				
COVID-19 Education Stabilization Fund	84.425U	67795	13,797	57,826
Total COVID-19 Education Stabilization Fund			13,797	3,580,869
Total for Federal Grantor Agency			13,797	65,373,480
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-through Indiana University				
Area Health Education Centers	93.107	8084	-	37,826
Area Health Education Centers	93.107	9490	-	81,872
Total for Area Health Education Centers			-	119,698
CCDF Cluster				
Pass-through Indiana Family & Social Services Administration				
Child Care and Development Block Grant	93.575		-	258,138
COVID-19 Child Care and Development Block Grant	93.575		-	335,416
Total for CCDF Cluster			-	593,554
Pass-through United Way of the Wabash Valley				
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provide Quality Improvement	93.912		-	1,728
Total for Federal Grantor Agency			-	714,980
Total federal awards expended			\$ 238,959	\$ 67,711,436

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, 2023 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 7/1/2021 through 6/30/2026.

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.

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

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.

The number of guaranteed loans and the total amount processed for each Direct Loan Program for the year ended June 30, 2023 were as follows:

Program Title	Number of Loans Issued	Loan Amount
Direct Loan Program (Subsidized and Unsubsidized)	6,907	\$35,731,774
Direct PLUS Loans (Parent and Graduate PLUS Loans)	660	\$7,380,044
Totals	7,567	\$43,111,818

Note 3. Federal Perkins Student Loan Program

Indiana State University participates in the Federal Perkins Loan Program (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, 2023:

Program Title	Federal CFDA Number	Amount
Federal Perkins Loan Program	84.038	\$1,651,674

INDIANA STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Name of Opinion Unit	Opinion Issued
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
	Student Financial Assistance Cluster	Unmodified
	Research and Development Cluster	Unmodified
84.425	COVID-19 Education Stabilization Fund	Unmodified

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

Auditee qualified as low-risk auditee? yes

Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2023-001

Subject: Research and Development Cluster - Subrecipient Monitoring
Federal Agencies: National Science Foundation, US Department of Education
Federal Programs: Social, Behavioral, and Economic Sciences; Higher Education Institutional Aid
Assistance Listings Numbers: 47.075, 84.031
Federal Award Numbers and Years (or Other Identifying Numbers): 1759694, P031F180072
Compliance Requirement: Subrecipient Monitoring
Audit Findings: Material Weakness, Other Matters

Condition and Context

The University expended \$1,076,005 in Research and Development funds during the audit period. Of that amount, \$86,788 was passed through to five subrecipients.

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

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

All five subrecipients expended more than \$750,000 in federal awards in fiscal year 2022, thus subjecting each to a Single Audit as required by the Uniform Guidance. As such, each subrecipient was required to submit its Single Audit report to the Federal Audit Clearinghouse (FAC) by March 31, 2023. In November 2023, eight months after the subrecipients' report submission deadline, the University completed the review of the fiscal year 2022 audit reports for all five subrecipients. The delayed monitoring would not have allowed the University to follow up and ensure that the subrecipients took timely and appropriate action on all deficiencies pertaining to the federal awards passed through to the subrecipients from the University. In addition, it would not have allowed for the University to issue a management decision for audit findings pertaining to the federal award provided to the subrecipient within six months of acceptance by the FAC.

The lack of effective internal controls and noncompliance, as related to the monitoring of the five subrecipients, were systemic issues throughout the audit period.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.332 states in part:

"All pass-through entities must: . . .

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

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

(3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521. . . ."

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

Cause

The system of internal controls as developed by management of the University was not properly implemented to ensure that subrecipient audit reports were received and reviewed in a timely manner.

Effect

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

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

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the University's management establish a system of internal controls, including segregation of duties, related to the grant agreements and compliance requirements listed above. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 DOCUMENT

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

CORRECTIVE ACTION PLAN

FINDING 2023-001

Finding Subject: Research and Development Cluster – Subrecipient Monitoring
Summary of Finding:

Audit Finding 2023-001 states that Indiana State University did not have an effective internal control system in place in order to ensure that subrecipient Federal Audit Clearinghouse reports are reviewed in a timely manner for the Research & Development Cluster.

Contact Person Responsible for Corrective Action: Hope Waldbieser, Executive Director of Finance
Contact Phone Number and Email Address: 812-237-3524 - hope.waldbieser@indstate.edu

Views of Responsible Officials:

We concur with the finding that Indiana State University should have completed the Federal Audit Clearinghouse review in a more timely manner. Indiana State University conducted the required review, but it was completed later than allowed by the excerpt of 2 CFR 200.521(d) below.

2 CFR 200.521(d) states in part:

“The federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. . . .”

Indiana State University did have other aspects of subrecipient monitoring in place related to the review of financial and programmatic reports for the subrecipients.

Explanation and Reasons for Disagreement:

Description of Corrective Action Plan:

Effective January 2024, Indiana State University will update its Subrecipient Monitoring procedures in the following ways to ensure the Federal Audit Clearinghouse is reviewed in a timely manner and that appropriate documentation is maintained.

1. Subrecipient Federal Audit Clearinghouse reviews for prior fiscal year audits will be completed quarterly (July, October, January & April) during each fiscal year. The final Subrecipient Federal Audit Clearinghouse review for prior fiscal year audits will be completed in July after all current fiscal year payments have been made.
2. In order to ensure there is a segregation of duties the Office of Contracts & Grants Director will provide the Executive Director of Finance a report of the completed review each quarter including

the final review in July for their review and approval. The Executive Director of Finance will confirm the following:

- a. There is adequate documentation to support each quarterly review.
 - b. Any deficiencies pertaining to the subrecipients Federal Audit Clearinghouse findings related to an award from Indiana State University are addressed in a timely manner.
3. Any identified issues during these reviews will be appropriately addressed by management as required by 2 CFR 200.332 and 2 CFR 200.521(d).

Anticipated Completion Date:

Indiana State University will ensure that the revised timeline for these procedures is in place during January 2024.

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/>.