



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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January 27, 2010

Board of Directors
Tulip Tree Health Services
of Gibson County, Inc.
123 N. McCreary Street
Ft. Branch, IN 47648

We have reviewed the audit report prepared by Kemper CPA Group, LLP, Independent Public Accountants, for the period July 1, 2004 to June 30, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Tulip Tree Health Services of Gibson County, Inc., as of June 30, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. Pages 18 through 21 contain three current audit findings. The management letter contains three comments.

STATE BOARD OF ACCOUNTS

**TULIP TREE HEALTH SERVICES OF
GIBSON COUNTY, INC.**

FORT BRANCH, INDIANA

FINANCIAL STATEMENTS

June 30, 2006



**TULIP TREE HEALTH SERVICES OF
GIBSON COUNTY, INC**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 13
Supplementary Information:	
Schedule of Functional Expenses	14
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 – 17
Schedule of Audit Findings and Responses	18 – 21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tulip Tree Health Services of Gibson County, Inc.
Fort Branch, Indiana

We have audited the accompanying statement of financial position of Tulip Tree Health Services of Gibson County, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities and cash flows for the twenty-four month period then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulip Tree Health Services of Gibson County, Inc., as of June 30, 2006, and the changes in its financial position and, its cash flows for the twenty-four months then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Tulip Tree Health Services of Gibson County, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Tulip Tree Health Services of Gibson County, Inc. taken as a whole. The accompanying schedule of functional expense is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2009, on our consideration of the Tulip Tree Health Services of Gibson County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 important for assessing the results of our audit.

Kromper CPA Group, LLP

July 9, 2009

Certified Public Accountants and Consultants

**TULIP TREE HEALTH SERVICES OF
GIBSON COUNTY, INC.**

STATEMENT OF FINANCIAL POSITION

ASSETS	<u>June 30, 2006</u>
Current Assets	
Cash	\$ 10,306
Pledges receivable	17,712
Grants receivable	34,234
Prepaid insurance	<u>2,555</u>
Total Current Assets	<u>64,807</u>
Property and Equipment	
Land	5,000
Buildings and building improvements	206,037
Equipment	<u>149,459</u>
Total	<u>360,496</u>
Less accumulated depreciation	<u>86,135</u>
Net Property and Equipment	274,361
	<u><u>\$339,168</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 6,994
Payroll tax liabilities	1,489
Accrued wages	<u>4,052</u>
Total Current Liabilities	<u>12,535</u>
Net Assets	
Unrestricted	308,921
Temporarily restricted	<u>17,712</u>
Total Net Assets	326,633
	<u><u>\$339,168</u></u>

**TULIP TREE HEALTH SERVICES OF
GIBSON COUNTY, INC.**

STATEMENT OF ACTIVITIES

**Twenty-Four Month Period Ended
June 30, 2006**

UNRESTRICTED NET ASSETS

Unrestricted Revenues and Support

United Way allocation/designations	\$ 37,486
Grants	293,873
Program fees	53,239
Contributors	13,017
Other	<u>747</u>

Total Unrestricted Revenues and Support 398,362

Expenses

Management and general	124,818
Program services	<u>364,213</u>

Total Expenses 489,031

CHANGE IN UNRESTRICTED NET ASSETS (90,669)

TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Revenues and Support

United Way allocation/designations	<u>17,712</u>
------------------------------------	---------------

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS 17,712

CHANGE IN NET ASSETS (72,957)

Net Assets at Beginning of Period, Restated (Note 10) 399,590

NET ASSETS AT END OF PERIOD \$326,633

**TULIP TREE HEALTH SERVICES OF
GIBSON COUNTY, INC.**

STATEMENT OF CASH FLOWS

	<u>Twenty-Four Month Period Ended June 30, 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$(72,957)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	40,562
(Increase) decrease in:	
Grants receivable	(17,076)
Pledges receivable	(17,712)
Increase (decrease) in:	
Accounts payable – trade	4,876
Payroll withholdings - taxes	357
Accrued wages	843
	<u> </u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(61,107)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(13,062)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,062)</u>
DECREASE IN CASH	(74,169)
CASH AT BEGINNING OF PERIOD	84,475
CASH AT END OF PERIOD	<u><u>\$ 10,306</u></u>

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Tulip Tree Health Services of Gibson County, Inc. (Tulip Tree) is a not-for-profit agency committed to providing quality, affordable health care services to all residents of Gibson County and the surrounding areas. The primary health care services include education, diagnosis and treatment at the community facility. Revenue is generated from state and local grants and contributions, as well as, patient fees.

Basis of Accounting

The financial statements of Tulip Tree have been prepared on the accrual basis of accounting which is generally accepted accounting in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding this financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Tax Status

Tulip Tree qualifies as a not-for-profit organization under Internal Revenue Code Section 501(c)(3) and is exempt from federal income tax. Tulip Tree has been determined to not be a private foundation.

Cash

Cash consists of deposit accounts with one local financial institution.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated lives range from 5 years to 39 years based upon the category of the fixed asset.

Equipment purchased with grant funds must have prior approval from the granting agency before disposal of the asset.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Grants Receivable

Grants receivable represent expenses incurred during the current operating period that have been submitted to the grantor for reimbursement and not received before the period ended.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Concluded)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions

Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted donations whose restrictions are met within the same year as received are reported as unrestricted donations. The donations are reported at fair value at the date the donations are received.

Contributions of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2 -- Grants

Tulip Tree receives, on a cost reimbursement basis, grants from the State of Indiana through the Indiana Department of Health. Tulip Tree also receives a grant from the Gibson County Community Foundation and Gibson County Health Department. These grant revenues were received as follows:

	<u>Award Amount</u>	<u>Amount Expended</u>
Community Health Centers Grant (July 1, 2004 through June 30, 2005)	\$145,750	\$145,750
Community Health Centers Grant (July 1, 2005 through June 30, 2006)	115,625	115,623
Gibson County Community Foundation (November 4, 2004 through November 4, 2005)	5,000	5,000
Gibson County Community Foundation (November 15, 2005 through November 15, 2006)	7,500	7,500
Gibson County Health Department (July 1, 2004 through June 30, 2005)	10,000	10,000
Gibson County Health Department (July 1, 2005 through June 30, 2006)	10,000	10,000
Total Grant Expenditures for the Twenty-Four Month Period		<u>\$293,873</u>

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 3 – Grants Receivable

Grants receivable at June 30, 2006 consisted of the following:

State of Indiana:

Indiana State Department of Health	<u>\$ 34,234</u>
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Management estimates that all receivables will be collected. Therefore, an allowance for uncollectible accounts is not necessary.

Note 4 – Pledges Receivable

Pledges receivable at June 30, 2006 consisted of the following:

United Way	<u>\$ 17,712</u>
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Management estimates that all receivables will be collected. Therefore, an allowance for uncollectible accounts is not necessary.

Note 5 – Concentration

The organization receives approximately 63 percent of its support and revenue from one governmental granting agency.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6 – Property and Equipment

The major classifications of property and equipment at June 30, 2006, were as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2006</u>
Land	\$ 5,000	-	-	\$ 5,000
Building	105,000	-	-	105,000
Building improvements	101,037	-	-	101,037
Equipment	136,399	\$ 13,060	-	149,459
Total	<u>347,436</u>	<u>13,060</u>	-	<u>360,496</u>
Less accumulated depreciation	<u>(45,573)</u>	<u>(40,562)</u>	-	<u>(86,135)</u>
	<u>\$ 301,863</u>	<u>\$ (27,502)</u>	-	<u>\$ 274,361</u>

Note 7 – Related-Party Transactions

Some members of the board of directors are considered related-parties to Tulip Tree. In addition to serving on the board of directors, one of the board members also serves as Tulip Tree's attorney. There were no legal expenses paid during the audit period. Other related parties consist of four board members who are patients of Tulip Tree. Attachment A of the grant from the State of Indiana requires that a minimum of one-third of the board of directors be comprised of patients.

A director of Tulip Tree periodically loans Tulip Tree funds to cover payroll expenses until a reimbursement voucher can be received from the State. This director does not, and wishes not, to collect interest on these loans. Throughout the audit period, this director loaned \$8,000 to Tulip Tree and was repaid that same amount before year end.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 8 – Litigation and Claims

The Organization has litigation arising from the normal course of business. The Organization is currently involved in a pending lawsuit with a former employee. In management's opinion, the outcome of any such litigation will not materially affect the Organization's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least possible that management's view of the outcome could change in the near term. No accrual has been made for the pending lawsuit.

Note 9 – Restrictions on Net Assets

The Organization's net assets are subject to the following restrictions:

Temporarily Restricted Net Assets

Net assets restricted due to time	\$ 17,712
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**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 10 – Prior Period Adjustments

Certain errors resulting in an understatement of previously reported grants receivable, accounts payable, and accrued wages were discovered during the current year. Accordingly, adjustments of \$17,158 were made to record grants receivable, \$2,555 to record prepaid insurance, \$2,118 to record accounts payable, and \$3,209 to record accrued wages during 2006, as of the beginning of the audit period. A corresponding entry was made to increase previously reported net assets.

Net assets at beginning of period, as previously reported	\$385,204
Prior-period adjustment – recording of grants receivable	17,158
Prior-period adjustment – recording of prepaid insurance	2,555
Prior-period adjustment – recording of accounts payable	(2,118)
Prior-period adjustment – recording of accrued wages	<u>(3,209)</u>
Net assets at beginning of year, as restated	399,590
Decrease in net assets	(72,957)
Net assets at end of year	<u><u>\$326,633</u></u>

From:

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----- SUPPLEMENTARY INFORMATION -----

**TULIP TREE HEALTH SERVICES OF
GIBSON COUNTY, INC.**

SCHEDULE OF FUNCTIONAL EXPENSES

	<u>Twenty-Four Month Period Ended June 30, 2006</u>
Management and General	
Accounting	\$ 14,725
Advertising	960
Insurance	11,958
Maintenance/repairs	10,922
Wages	68,037
Payroll taxes	3,565
Miscellaneous	<u>14,651</u>
	<u>124,818</u>
 Program Services	
Medical consultants/nurse practitioner	24,000
Depreciation	40,562
Education	3,138
Lab fees	31,645
Bad debt expense	9,128
Medical supplies	18,733
Mileage reimbursement	1,141
Wages	194,053
Payroll taxes	10,168
Small equipment	746
Office supplies	12,596
Telephone	7,101
Utilities	<u>11,202</u>
	364,213
	<u><u>\$489,031</u></u>



**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
Tulip Tree Health Services of Gibson County, Inc.
Fort Branch, Indiana

We have audited the financial statements of Tulip Tree Health Services of Gibson County, Inc. (a nonprofit organization) as of and for the twenty-four month period ended June 30, 2006, and have issued our report thereon dated July 9, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tulip Tree Health Services of Gibson County, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulip Tree Health Services of Gibson County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tulip Tree Health Services of Gibson County, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data

To the Board of Directors
Tulip Tree Health Services of Gibson County, Inc.

reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider one of the deficiencies described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. Finding 2006-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider a deficiency described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting. Finding 2006-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulip Tree Health Services of Gibson County, Inc.'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2006-03.

We also noted certain matters that we reported to management of Tulip Tree Health Services of Gibson County, Inc.'s in a separate letter dated July 9, 2009.

Tulip Tree Health Services of Gibson County, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Tulip Tree Health Services of Gibson County, Inc.'s response and, accordingly, we express no opinion on it.

To the Board of Directors
Tulip Tree Health Services of Gibson County, Inc.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kemper CPA Group, LLP

July 9, 2009

Certified Public Accountants and Consultants

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

June 30, 2006

FINANCIAL STATEMENT FINDINGS

Finding No.: 2006-01 - Controls Over Financial Statement Preparation

Criteria:

The organization is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The organization's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Financial Accounting Standards Board (FASB).

Condition:

The organization does not have sufficient internal controls over the financial reporting process. The organization maintains their accounting records on the cash basis of accounting. While the organization maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the organization's accounting records, noted the following:

- The organization's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The organization did not have adequate controls over the maintenance of complete records of accounts receivable or accounts payable.
- The organization records revenue when it is received instead of when it is earned.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

June 30, 2006

FINANCIAL STATEMENT FINDINGS (CONTINUED)

**Finding No.: 2006-01 - Controls Over Financial Statement Preparation
(Concluded)**

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

The organization did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the organization should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, FASB pronouncements, and knowledge of the organization's activities and operations.

Management's Response:

The Board of Directors concurs and recognizes controls over financial statements have been insufficient at times. The Board has formally adopted a policy with regard to the regular submission and review of financial reporting requirements and to follow all applicable generally accepted accounting principles with regard to all financial matters and reporting.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

June 30, 2006

FINANCIAL STATEMENT FINDINGS (CONCLUDED)

Finding No.: 2006-02 - Controls Over Expenditures

Criteria:

The organization should have internal controls over cash disbursements.

Condition:

The organization does not have sufficient controls over cash disbursements.

Effect:

Inappropriate expenses could be paid.

Cause:

The organization is very small, making segregation of duties difficult. The Board of Directors is not active in the oversight of disbursements.

Recommendation:

The Board of Directors should become more active in the oversight of operations by lowering the threshold of expenses requiring board discussion and approval.

Management's Response:

The Board of Directors concurs and recognizes that at times there were insufficient Board controls over expenditures. In addition to the adoption of stricter policies regarding financial reporting, the Board has also formally adopted a policy requiring all expenditures exceeding \$500.00 require prior Board approval.

**TULIP TREE HEALTH SERVICES
OF GIBSON COUNTY, INC.**

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

June 30, 2006

FINDINGS OF NONCOMPLIANCE

Finding No.: 2006-03 - Excessive Voucher Amounts

Criteria:

Per the grant agreement, the organization is only able to receive, up to one-twelfth of the total grant award each month.

Condition:

Per review of voucher receipts, the organization received more than one-twelfth of the total grant award in eight of fifteen.

Effect:

Noncompliance with requirements of the Community Health Centers Fund Grant Agreement through the Indiana State Department of Health.

Cause:

As the organization incurred expenses, it prepared a voucher for reimbursement. These vouchers were frequently greater than one-twelfth of the total grant award.

Recommendation:

The organization should more closely monitor its vouchering procedures and ask for reimbursement of one-twelfth of the total grant award each month.

Management's Response:

The Board of Directors concurs and recognizes that some requests for reimbursements from the State of Indiana (vouchers) exceeded 1/12 of the total grant award. Due to the size of some of the approved expenditures and the timing of those purchases eligible to be reimbursed through the grant, having vouchers not exceed 1/12 of the total grant was not always possible. The Board of Directors and Administrator however fully recognize and understand this requirement and have been in compliance with this provision since May 2008 and will remain so unless documented circumstances necessitate an exception.



Tulip Tree Health Services of Gibson County, Inc.
123 N. McCreary Street
Ft. Branch, IN 47648

We have audited the financial statements of Tulip Tree Health Services of Gibson County, Inc., as of and for the year ended June 30, 2006, and have issued our report thereon dated July 9, 2009. We conducted our audit 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.

In planning and performing our audit, we considered the Tulip Tree Health Services of Gibson County, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Tulip Tree Health Services of Gibson County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Tulip Tree Health Services of Gibson County, Inc.'s internal control over financial reporting.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration:

- Employees are not required to take vacation. Mandatory vacation leave would assist in fraud detection and deterrence.
- Disbursement limit requiring approval by the Board of Director's should be lowered to help strengthen internal control.
- Currently, the formal policy for capitalization of assets is not being followed. Assets valued at or exceeding the established capitalization threshold should be recorded as an asset and depreciated over the appropriate useful life to better ensure financial statement accuracy of the related asset and expense accounts.

This report is intended solely for the information and use of the Tulip Tree Health Services of Gibson County, Inc., agency management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants

July 9, 2009