



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B35624

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

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, 2006 to June 30, 2008. 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, 2008, 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 16 through 23 contain seven current audit findings.

STATE BOARD OF ACCOUNTS

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

**FORT BRANCH, INDIANA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**June 30, 2008**

---



**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 – 11
Supplementary Information:	
Schedule of Functional Expenses	12
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>	13 – 15
Schedule of Audit Findings and Responses	16 – 23



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tulip Tree Health Services of Gibson County, Inc.  
123 N. McCreary Street  
Fort Branch, Indiana 47648

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, 2008, and the related statements of activities, functional expenses, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tulip Tree Health Services of Gibson County, Inc, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the period 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 expenses 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.

July 9, 2009

*Kempner CPA Group, LLP*  
Certified Public Accountants and Consultants  
Evansville, Indiana

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

**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b><u>June 30, 2008</u></b>
Current Assets	
Cash	\$ 4,168
Grants receivable	16,498
Pledges receivable	13,383
Prepaid Insurance	2,430
Accounts receivable, net of allowance for doubtful accounts	<u>4,433</u>
Total Current Assets	<u>40,912</u>
Property and Equipment	
Land	5,000
Buildings and building improvements	206,037
Equipment	<u>163,352</u>
Total	<u>374,389</u>
Less accumulated depreciation	<u>128,812</u>
Net Property and Equipment	245,577
	<u><u>\$286,489</u></u>
 <b>LIABILITIES AND NET ASSETS</b>  	
Current Liabilities	
Payroll tax liabilities	\$ 1,587
Accrued wages	4,615
Short-term note payable	19,850
Deferred revenue	<u>39,988</u>
Total Current Liabilities	<u>66,040</u>
Net Assets	
Unrestricted	207,066
Temporarily restricted	<u>13,383</u>
Total Net Assets	220,449
	<u><u>\$286,489</u></u>

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

**STATEMENT OF ACTIVITIES**

**Twenty-Four Month Period Ended  
June 30, 2008**

---

**UNRESTRICTED NET ASSETS**

Unrestricted Revenues and Support

Grants	\$327,332
United Way allocation/designations	55,938
Program fees	79,538
Contributions	28,900
Other	<u>281</u>

Total Unrestricted Revenues and Support 491,989

Expenses

Management and general	127,159
Program services	<u>466,685</u>

Total Expenses 593,844

CHANGE IN UNRESTRICTED NET ASSETS (101,855)

**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily Restricted Revenues and Support

United Way allocation/designations	13,383
United Way allocation/designations released from restriction	<u>(17,712)</u>

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS (4,329)

CHANGE IN NET ASSETS (106,184)

Net Assets at Beginning of Period 326,633

NET ASSETS AT END OF PERIOD \$220,449

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

**STATEMENT OF CASH FLOWS**

Twenty-Four Month Period Ended  
June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	(\$106,184)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Loss on disposal of asset	1,063
Depreciation	44,329
(Increase) decrease in:	
Accounts receivable	(4,433)
Grants receivable	17,736
Pledges receivable	4,329
Prepaid insurance	125
Increase (decrease) in:	
Accounts payable -- trade	(6,994)
Payroll withholdings - taxes	98
Accrued wages	563
Deferred revenue	<u>39,988</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(9,380)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(16,608)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(16,608)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	27,850
Repayment of note payable	<u>(8,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>19,850</u>
DECREASE IN CASH	(6,138)
 CASH AT BEGINNING OF PERIOD	10,306
 CASH AT END OF PERIOD	<u><u>\$ 4,168</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**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, 2008**

**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 3 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 disposing 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. Accordingly, 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, 2008**

**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 contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

**Note 2 – Accounts Receivable**

Accounts receivable at June 30, 2008 consisted of the following:

Receivables from third party payors and patients	\$ 17,734
Less allowance for uncollectibles	(13,301)
Net Accounts Receivable	<u>\$ 4,433</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 3 – Grants**

Tulip Tree receives, on a cost reimbursement basis, grants from the State of Indiana through the Indiana Department of Health. Tulip Tree Health Service of Gibson County, Inc. was also awarded a grant by the Welborn Baptist Foundation, Inc. Grant expenditures for the twenty-four months ended June 30, 2008 are as follows:

	<u>Award Amount</u>	<u>Amount Expended</u>
Community Health Centers Grant (July 1, 2006 through June 30, 2007)	\$115,625	\$115,625
Community Health Centers Grant (July 1, 2007 through June 30, 2008)	195,625	195,625
Gibson County Community Foundation (July 1, 2006 - June 30, 2008)	11,070	11,070
Welborn Baptist Foundation, Inc.	5,012	5,012
Total Grant Expenditures for the Twenty-Four Month Period		<u><u>\$327,332</u></u>

**Note 4 – Grants Receivable**

Grants receivable at June 30, 2008 consisted of the following:

State of Indiana:

Indiana State Department of Health

\$ 16,498

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 5 – Pledges Receivable**

Pledges receivable at June 30, 2008 consisted of the following:

United Way	<u>\$ 13,382</u>
------------	------------------

Management estimates that all pledges receivables will be collected. Therefore, an allowance for uncollectible pledges is not necessary.

**Note 6 – Concentration**

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

**Note 7 – Property and Equipment**

The major classifications of fixed assets at June 30, 2008, were as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2008
Land	\$ 5,000	-	-	\$ 5,000
Building	105,000	-	-	105,000
Building Improvements	101,037	-	-	101,037
Equipment	149,459	\$ 16,608	\$ 2,715	163,352
Total Fixed Assets	360,496	16,608	2,715	374,389
Less Accumulated Depreciation	(86,135)	(44,329)	(1,652)	(128,812)
Book Value of Fixed Assets	\$ 274,361	\$ (27,721)	\$ 1,063	\$ 245,577

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 8 – 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. Legal expenses of \$762 were paid to the related party during the audit period. Other related parties consist of seven board members who are patients of Tulip Tree. Transactions include immaterial amounts paid to Tulip Tree as patient fees. 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 and mother of the current administrator, 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 \$27,850 to Tulip Tree and was repaid \$8,000 as of June 30, 2008.

**Note 9 – Litigation and Claims**

The Organization has litigation arising from the normal course of business relating to a dispute with an 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.

**Note 10 – Restrictions on Net Assets**

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

Net assets restricted due to time	\$ 13,382
-----------------------------------	-----------

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

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

**SCHEDULE OF FUNCTIONAL EXPENSES**

**Twenty-Four Month Period Ended  
June 30, 2008**

---

Management and General

Accounting	\$ 10,950
Advertising	1,223
Insurance	9,897
Maintenance/repairs	27,561
Wages	55,040
Payroll taxes	5,248
Miscellaneous	17,240
	<hr/>
	127,159

Program Services

Medical consultants/nurse practitioner	23,384
Depreciation	44,329
Education	2,694
Insurance	0
Lab fees	45,635
Bad debt expense	23,629
Maintenance/repairs	0
Medical supplies	19,267
Wages	245,403
Payroll taxes	23,401
Office supplies	17,439
Telephone	7,611
Utilities	12,390
Other	1,503
	<hr/>
	466,685
	<hr/>
	<u>\$593,844</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.  
123 N. McCreary Street  
Fort Branch, Indiana 47648

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, 2008, 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

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

organization's ability to initiate, authorize, record, process, or report financial data 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 findings 2008-02 and 2008-03 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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 findings 2008-01 and 2008-04 described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting.

### **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 items 2008-05, 2008-06 and 2008-07.

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.

July 9, 2009

*Kempu CPA Group, LLP*  
Certified Public Accountants and Consultants  
Evansville, Indiana

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

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

**June 30, 2008**

**FINANCIAL STATEMENT FINDINGS**

**Finding No.: 2008-01 - Controls Over Financial Statement Preparation (Repeated from Finding No. 2006-01)**

**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, material adjusting entries to present the financial statements in accordance with generally accepted accounting principles. Some of these entries were material.
- 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, 2008**

**FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**Finding No.: 2008-01 - 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 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, 2008**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Finding No.: 2008-02 - Controls Over Expenditures (Repeated from Finding No. 2006-02)**

**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, 2008**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Finding No.: 2008-03 - Board Oversight**

**Criteria:**

The board of director should provide oversight of operations, including follow up of decisions.

**Condition:**

The board of directors approved accounts receivable to be written off. The board did not follow up with management and ensure that this action was taken.

**Effect:**

The organization's financial data was misrepresented.

**Cause:**

The board of directors does not follow up on previously approved matters or provide sufficient oversight of day-to-day operations.

**Recommendation:**

The Board of Directors should become more active in the oversight of operations by following up on approved actions and ensure that management is following the decisions of the board.

**Management's Response:**

The Board of Directors concurs and recognizes that board oversight has been insufficient and lacking at times and was not always conducive to long term sustainability of the organization. In 2008, the Board of Directors has restructured the members of the Board of Directors, adopted and implemented more appropriate policies and procedures, and continues to learn and improve the functions of their duties to insure the long term success of the organization.

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

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

**June 30, 2008**

**FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**Finding No.: 2008-04 - Failure to Successfully Bill Medicare and Medicaid**

**Criteria:**

The organization is required to bill Medicare and Medicaid timely.

**Condition:**

The organization was unable to successfully bill Medicare and Medicaid for a portion of the audit period.

**Effect:**

The organization has had to write off significant amounts of accounts receivable because of incorrect billing of Medicare and Medicaid.

**Cause:**

The software used by the organization to bill Medicare and Medicaid was inadvertently altered by employees. The alterations caused Medicare and Medicaid reimbursements to be denied.

**Recommendation:**

Management should correct the software and ensure that it cannot be altered by employees in the future. Management should continue to bill Medicare and Medicaid for prior amounts.

**Management's Response:**

The Board concurs and recognizes that for a period of time our organization was unable to successfully bill Medicare and Medicaid for multiple complicated reasons. In early 2008, the Board, being aware of this issue, authorized the upgrade of computer software, purchased two database updates, hired appropriately trained staff personnel and much of 2008 was dedicated to solving this issue. We submitting applications to Medicaid and Medicare in May 2008; and successfully began billing Medicaid in June 2008 and Medicare in November 2008. We received our first Medicaid payment in July 2008 and our first Medicare payment in January 2009.

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

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

**June 30, 2008**

**FINDINGS OF NONCOMPLIANCE**

**Finding No.: 2008-05 - Failed to file periodic reports with grantor.**

**Criteria:**

The organization is required to track, document, and report health outcome data and performance measures in monthly and quarterly reports.

**Condition:**

Per review of reports submitted, the organization submitted reports monthly from 2006 to August of 2007. After August of 2007, the organization stopped creating and submitting the reports.

**Effect:**

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

**Cause:**

The information contained in these reports was difficult to accurately track and tabulate. The organization stopped compiling and submitting the reports.

**Recommendation:**

The organization should develop a way to track the required information in an efficient manner and submit the required reports.

**Management's Response:**

The Board concurs and recognizes that our organization did not file all periodic reports as required by some grantors. The Board has adopted a policy for increased direct Board oversight of all active grants held by the organization.

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

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

**June 30, 2008**

**FINDINGS OF NONCOMPLIANCE (CONTINUED)**

**Finding No.: 2008-06 - Failed to staff one full time physician or nurse practitioner with prescription authority.**

**Criteria:**

The organization is required to staff one full time physician or nurse practitioner with prescription authority to provide consistency and continuity of care.

**Condition:**

Per inquiry of management and review of payroll summaries, the organization did not have a full time physician or nurse practitioner on staff.

**Effect:**

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

**Cause:**

The organization cannot find and retain someone willing to work full time.

**Recommendation:**

The organization should continue to search for someone and expand their search.

**Management's Response:**

The Board concurs and recognizes that our organization does not employ one full time physician or nurse practitioner with prescriptive authority. However, we have been fortunate enough to be able to have and maintain a number of part time practitioners that combined equal more than one full time practitioner. Due to the size of our organization, location and available resources, and our continuous attempts to advertise, interview and hire a full time practitioner, we have not been able to obtain and maintain one full time practitioner. We will continue to seek out an additional full time provider. Until such time, we will continue to maintain part time practitioners that will be the equivalent of no less than one full time practitioner.

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

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

**June 30, 2008**

**FINDINGS OF NONCOMPLIANCE (CONCLUDED)**

**Finding No.: 2008-07 - Failed to reconcile expenses to budget line items.**

**Criteria:**

The organization's expenses are required to conform to the approved budget figures.

**Condition:**

Per inquiry of management, expenses are not tracked for compliance with approved grant budget.

**Effect:**

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

**Cause:**

The organization does not reconcile expenses to each line of approved budget.

**Recommendation:**

The organization should reconcile expenses to each approved budget line.

**Management's Response:**

The Board concurs and recognizes that this was an issue with the prior Director. However, since Nora Nixon became the active Administrator in February 2008, reconciliations occur at regular intervals.