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February 1, 2010

Board of Directors
Tri-Star Alliance, Inc.
7982 Heinze Rd.
Lanesville, IN 47136

We have reviewed the audit report prepared by Rodefer Moss & Co., PLLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 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 Tri-Star Alliance, Inc., as of December 31, 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 finding in the report. Page 17 contains one current audit finding.

STATE BOARD OF ACCOUNTS

Audited Financial Statements

Tri-Star Alliance, Inc.

December 31, 2008 and 2007

TRI-STAR ALLIANCE, INC.

**AUDITED FINANCIAL STATEMENTS
December 31, 2008 and 2007**

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INDEPENDENT AUDITOR'S REPORT

June 10, 2009

To the Board of Directors
TRI-STAR ALLIANCE, INC.
7982 Heinze Road
Lanesville, IN 47136

We have audited the accompanying statements of assets, liabilities and net assets - modified cash basis of **TRI-STAR ALLIANCE, INC.** (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of support, revenue and expenses and changes in net assets - modified cash basis, and functional expenses - modified cash basis for the years 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 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.

As described in note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **TRI-STAR ALLIANCE, INC.** as of December 31, 2008 and 2007, and its support, revenue, and expenses and changes in net assets for the years then ended, on the basis of accounting described in note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2009, on our consideration of **TRI-STAR ALLIANCE, 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 should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **TRI-STAR ALLIANCE, INC.**, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Roderfer Moss & Co, PLLC
RODEFER MOSS & CO, PLLC

TRI-STAR ALLIANCE, INC.

STATEMENTS OF ASSETS, LIABILITES AND NET ASSETS-
MODIFIED CASH BASIS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ <u>5,811</u>	\$ <u>2,310</u>
TOTAL ASSETS	\$ <u>5,811</u>	\$ <u>2,310</u>
<u>LIABILITIES</u>		
Note Payable-Director	\$ <u>1,000</u>	\$ <u>1,098</u>
TOTAL LIABILITIES	<u>1,000</u>	<u>1,098</u>
<u>NET ASSETS</u>		
Unrestricted Net Assets	<u>4,811</u>	<u>1,212</u>
TOTAL NET ASSETS	<u>4,811</u>	<u>1,212</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,811</u>	\$ <u>2,310</u>

The accompanying notes are an integral part of this financial statement.

TRI-STAR ALLIANCE, INC.

STATEMENTS OF SUPPORT, REVENUES AND EXPENSES AND
CHANGES IN NET ASSETS-MODIFIED CASH BASIS

	<u>For the Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
<u>UNRESTRICTED NET ASSETS</u>		
Contract Revenue	\$ 652,215	\$ 611,283
Contributions	<u>7,800</u>	<u>-</u>
TOTAL UNRESTRICTED REVENUES	660,015	611,283
<u>EXPENSES</u>		
Program Services:		
Food Program	<u>650,550</u>	<u>606,894</u>
Total Program Services	650,550	606,894
Supporting Services:		
Management & General:	<u>5,866</u>	<u>5,234</u>
Total Supporting Services	5,866	5,234
TOTAL EXPENSES	<u>656,416</u>	<u>612,128</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	3,599	(845)
NET ASSETS, BEGINNING OF YEAR	<u>1,212</u>	<u>2,057</u>
NET ASSETS, END OF YEAR	<u>\$ 4,811</u>	<u>\$ 1,212</u>

The accompanying notes are an integral part of this financial statement.

TRI-STAR ALLIANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS
For the Years Ended December 31, 2008 and 2007

	2008		2007		Total	Management and General	Food Program	Program Services	Supporting Services	Management and General	Total
	Food Program	Supporting Services	Food Program	Supporting Services							
Reimbursed Food Cost	\$ 582,046	\$ -	\$ 582,046	\$ -	\$ 582,046	-	\$ 543,897	\$ -	\$ -	\$ 543,897	\$ 543,897
Salaries	47,567	4,136	51,703	4,138	56,841	4,138	47,582	-	-	51,720	51,720
Accounting Fees	7,176	624	7,800	-	7,800	-	-	-	-	-	-
Payroll Taxes	3,639	316	3,955	317	4,272	317	3,640	-	-	3,957	3,957
Automobile Expense	2,997	261	3,258	252	3,510	252	2,898	-	-	3,150	3,150
Employee Benefits	1,247	108	1,355	-	1,355	-	-	-	-	-	-
Telephone	1,236	108	1,344	103	1,447	103	1,188	-	-	1,291	1,291
Outside Services	1,129	98	1,227	119	1,346	119	1,373	-	-	1,492	1,492
Computer and Internet	840	-	840	-	840	-	986	-	-	986	986
Equipment Rental	812	-	812	-	812	-	999	-	-	999	999
Training Expense	677	-	677	-	677	-	968	-	-	968	968
Occupancy	621	54	675	216	891	216	2,484	-	-	2,700	2,700
Office and Postage	348	30	378	27	405	27	310	-	-	337	337
Office Supplies	163	14	177	32	209	32	369	-	-	401	401
Website	-	85	85	-	85	-	-	-	-	-	-
Meals and Entertainment	52	4	56	-	56	-	-	-	-	-	-
Other Taxes	-	18	18	7	25	7	-	-	-	7	7
Dues and Subscriptions	-	10	10	10	20	10	-	-	-	10	10
Provider Expenses	-	-	-	53	53	-	53	-	-	53	53
Travel	-	-	-	147	147	13	147	-	-	160	160
Totals	\$ 650,550	\$ 5,866	\$ 656,416	\$ 5,234	\$ 661,650	\$ 5,234	\$ 606,894	\$ -	\$ -	\$ 612,128	\$ 612,128

The accompanying notes are an integral part of this financial statement.

TRI-STAR ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

TRI-STAR ALLIANCE, INC. (the Organization) is a not-for-profit corporation organized in 2001. The Organization serves as a pass through entity for in home day care providers to receive federal reimbursement for meals served in the day care settings. The Organization serves Clark, Crawford, Floyd, Harrison, Jefferson, Scott, and Washington counties in the State of Indiana.

Basis of Accounting

The organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modification to the cash basis of accounting is the recording of notes payable.

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 its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Organization expenses the cost of property and equipment in the year of the purchase.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements.

TRI-STAR ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Support, Revenue, and Expenses and Changes in Net Assets as net assets released from restrictions.

NOTE B - RELATED PARTY TRANSACTIONS

On October 1, 2006, the Organization entered into a lease agreement with The Miracle Zone to lease a drop box and office space in their facilities at 3510 St. Joseph Road, New Albany, Indiana. Jim and Susan Miller are directors of Tri-Star and were 50% shareholders of The Miracle Zone through May 2008. Under the lease agreement, the Organization agreed to pay \$ 275 per month until October 2007 when it decreased to \$75 per month. This lease was renewed on a yearly basis and terminated in February 2008. The Organization incurred office lease expense, which is included in occupancy expense of \$ 150 and \$2,700 for the years ending December 31, 2008 and 2007, respectively. Jim and Susan Miller also loaned money to the Organization to pay for various expenses. The amounts owed to the directors at December 31, 2008 and 2007 are \$ 1,000 and \$1,098, respectively.

NOTE C - CONCENTRATION OF REVENUE

In the years ended December 31, 2008 and 2007, the Organization received 99% and 100%, respectively, of its revenue from the Indiana Department of Education for the services it provides to its home daycare centers.

NOTE D- LEASES

In June 2008, the Organization entered into a verbal agreement with I.O.O.F. Hope Lodge to lease a drop box and office space in their facilities at 306 Bank Street, New Albany, Indiana. In October 2008, this agreement became written and runs through September 2009. Under the agreements, the Organization agreed to pay \$75 per month. The Organization incurred office lease expense, which is included in occupancy expense of \$525 and \$0 for the years ending December 31, 2008 and 2007, respectively. The future minimum lease payments due for the year ending December 31, 2009 is \$675.

TRI-STAR ALLIANCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards Expended</u>
December 31, 2008			
Indiana Department of Education			
Child and Adult Care Food Program	10.558	1100175	\$ <u>652,215</u>
TOTAL			\$ <u>652,215</u>

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **TRI-STAR ALLIANCE, INC.** and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

TRI-STAR ALLIANCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards Expended</u>
December 31, 2007			
Indiana Department of Education			
Child and Adult Care Food Program	10.558	1100175	\$ <u>611,283</u>
TOTAL			\$ <u>611,283</u>

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **TRI-STAR ALLIANCE, INC.** and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.



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

June 10, 2009

TRI-STAR ALLIANCE, INC.
7982 Heinze Road
Lanesville, Indiana 47136

We have audited the financial statements of **TRI-STAR ALLIANCE, INC.**, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 10, 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 **TRI-STAR ALLIANCE, 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 **TRI-STAR ALLIANCE, INC.**'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 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 the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-07 #1 to be a significant deficiency 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. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **TRI-STAR ALLIANCE, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **TRI-STAR ALLIANCE, INC.** in a separate letter dated June 10, 2009.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.


RODEFER MOSS & CO, PLLC



REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

June 10, 2009

TRI-STAR ALLIANCE, INC.
7982 Heinze Road
Lanesville, Indiana 47136

Compliance

We have audited the compliance of **TRI-STAR ALLIANCE, INC.** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007. **TRI-STAR ALLIANCE, INC.**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **TRI-STAR ALLIANCE, INC.**'s management. Our responsibility is to express an opinion on **TRI-STAR ALLIANCE, INC.**'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **TRI-STAR ALLIANCE, INC.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **TRI-STAR ALLIANCE, INC.**'s compliance with those requirements.

In our opinion, **TRI-STAR ALLIANCE, INC.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2007.

Internal Control Over Compliance

The management of **TRI-STAR ALLIANCE, INC.**, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **TRI-STAR ALLIANCE, INC.**'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of **TRI-STAR ALLIANCE, INC.**'s internal control over compliance.

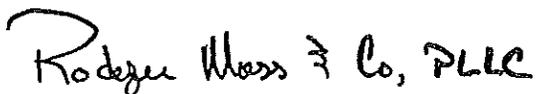
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-07 #1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

TRI-STAR ALLIANCE, INC.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **TRI-STAR ALLIANCE, INC.**'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, 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.


RODEFER MOSS & CO, PLLC

TRI-STAR ALLIANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Years Ended December 31, 2008 and 2007

Schedule of Findings and Questioned Costs
Section I- Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiencies identified that are
Not considered to be material weaknesses? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Award

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiencies identified that are
Not considered to be material weaknesses? X yes ___ none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ___ yes X no

TRI-STAR ALLIANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Years ended December 31, 2008 and 2007

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee? ___yes <u>X</u> no	

Section II - Financial Statement Findings

2008-07 FINDING #1 Lack of Segregation of Duties

Condition: The Organization has limited personnel with lack of segregation of duties.

Criteria: The fundamental concept in a good system of internal control is proper segregation of duties. The basic premise is that no one employee should have access to both assets and the related accounting records or to all phases of a transaction.

Effect: Because of limited personnel, one person handles all phases of most transactions. The result is that intentional or unintentional errors could be made and not detected in a timely manner.

Cause of condition: The Organization has limited personnel.

Recommendation: The Organization should consider dividing incompatible duties between both employees so that no one employee has access to all phases of a transaction.

TRI-STAR ALLIANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Years ended December 31, 2008 and 2007

Section III - Federal Award Findings and Questioned Costs

See 2008-07 FINDING #1 under Section II- Financial Statement Findings