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AN EQUAL OPPORTUNITY EMPLOYER

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May 7, 2008

Board of Directors
Addiction Resource Network of Indiana, Inc.
201 S. Capitol Ave., Suite 610
Indianapolis, IN 46225

We have reviewed the audit report prepared by Alerding & Co., LLC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. 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 Addiction Resource Network of Indiana, Inc., as of June 30, 2007, 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 and 18 contain one current audit finding.

STATE BOARD OF ACCOUNTS

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Addiction Resource Network of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of ADDICTION RESOURCE NETWORK OF INDIANA, INC. (the "Network") as of June 30, 2007, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of ADDICTION RESOURCE NETWORK OF INDIANA, INC.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. Generally Accepted Auditing Standards and the standards applicable to financial audits contained in *Governmental 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.

The financial statements of the Network for the year ended June 30, 2006, were audited by other independent accountants, whose report thereon, dated February 8, 2007, expressed an unqualified opinion on those statements.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of ADDICTION RESOURCE NETWORK OF INDIANA, INC. as of June 30, 2007, and the changes in its net assets and cash flows for the year then ended, in conformity with U.S. Generally Accepted Accounting Principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 27, 2008, on our consideration of ADDICTION RESOURCE NETWORK OF INDIANA, INC.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 2007 Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2007 financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A. Harding & Co.

March 27, 2008

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and cash equivalents	\$ 36,769	\$ 662,620
Restricted cash	-0-	57,895
Receivable from Member Organization	63,326	-0-
Grants receivable	4,408	3,665
Prepaid expenses and other assets	<u>3,143</u>	<u>4,003</u>
Total current assets	107,646	728,183
 Property and equipment	 <u>821</u>	 <u>4,869</u>
 Total assets	 <u>\$ 108,467</u>	 <u>\$ 733,052</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 4,961	\$ 23,369
Amounts due to Member Organizations	63,326	454,521
Accrued expenses	<u>-0-</u>	<u>22,530</u>
Total liabilities	<u>68,287</u>	<u>500,420</u>
 Net Assets:		
Unrestricted net assets	40,180	174,737
Reserve required by funding source	<u>-0-</u>	<u>57,895</u>
Total net assets	<u>40,180</u>	<u>232,632</u>
 Total liabilities and net assets	 <u>\$ 108,467</u>	 <u>\$ 733,052</u>

See accompanying Notes to Financial Statements.

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Revenue, Gains & Other Support:		
Contract Revenue - Chronic Addictions	\$ 1,672,254	\$ 4,952,201
Gambling	96,976	484,880
Training grant	-0-	73,413
Interest income	5,438	10,960
Other income	917	-0-
Total revenue, gains, and other support	<u>1,775,585</u>	<u>5,521,454</u>
Expenses:		
Program Expenses:		
Chronic Addictions	1,646,595	4,692,153
Gambling	92,568	484,880
Training grant	-0-	73,413
Total program expenses	<u>1,739,163</u>	<u>5,250,446</u>
General and Administrative Expenses:		
Administrative	125,664	-0-
Salaries	15,965	88,525
Contractual labor	1,362	1,154
Payroll taxes	1,444	6,826
Employee benefits	1,149	2,412
Office expenses	1,345	3,634
Professional fees	69,502	88,575
Rent	3,300	13,200
Utilities and other occupancy costs	-0-	492
Telephone	795	6,701
Conference, travel and meeting expenses	294	6,783
Licenses and fees	-0-	1,743
Depreciation	1,563	2,796
Insurance	3,703	3,565
Miscellaneous	76	1,097
Advertising	-0-	3,705
Repairs and maintenance expense	227	877
Loss on sale of assets	2,485	-0-
Total general and administrative expenses	<u>228,874</u>	<u>232,085</u>
Total expenses	<u>1,968,037</u>	<u>5,482,531</u>
Change in net assets	(192,452)	38,923
Net Assets, Beginning of Year	<u>232,632</u>	<u>193,709</u>
Net Assets, End of Year	<u>\$ 40,180</u>	<u>\$ 232,632</u>

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (192,452)	\$ 38,923
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,563	2,796
Loss on sale of asset	2,485	-0-
Changes in operating assets and liabilities:		
Receivable from member	(63,326)	350,000
Grants receivable	(743)	(3,559)
Prepaid expenses and other assets	860	(20)
Accounts payable	(18,408)	475,699
Amounts due to members	(391,195)	-0-
Accrued expenses	(22,530)	8,789
Accrued third-party settlements	-0-	(399,228)
Net cash provided by (used in) operating activities	<u>(683,746)</u>	<u>473,400</u>
 Net Increase (Decrease) in Cash and Cash equivalents	 (683,746)	 473,400
 Cash and Cash Equivalents, Beginning of Year	 <u>720,515</u>	 <u>247,115</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 36,769</u>	 <u>\$ 720,515</u>

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

ADDICTION RESOURCE NETWORK OF INDIANA, INC. (the "Network") is a not-for-profit organization whose mission and principal activities are to provide managed care services for the Indiana Family and Social Services Administration – Division of Mental Health (FSSA/DMH). The Network's revenues are derived principally from Federal and state grants and its activities are conducted principally in the State of Indiana.

Effective October 1, 2006, the Network entered into a management services agreement with InteCare, Inc. as its management organization. The Network subsequently terminated its ARNI HAP Provider Agreement and entered into an agreement where InteCare will administer the HAP program with respect to the Network and Member Organizations have the option to elect membership into the InteCare Provider Network. Funds are distributed by the State to the InteCare Provider Network, and then funds are distributed to ARNI and subsequently to the Member Organizations. In accordance with the agreement, InteCare provides management services to ARNI in order to administer the HAP program.

Member Organizations

As of June 30, 2007, the Network's Member Organizations include the following:

- Community Addiction Services of Indiana, Inc.
- Family Services Association of Central Indiana, Inc.
- Reid Hospital and Health Services, Inc.
- Recovery Associates, Inc.

Additionally, the following organizations were members during the year ended June 30, 2006:

- Life Treatment Centers, Inc.
- Washington House, Inc.
- New Directions, Inc.

Member Organizations must be: (1) organized as an Indiana not-for-profit corporation; (2) engaged in the business of providing to persons residing in the State of Indiana services related to the diagnosis, care, and treatment of dependence upon or addiction to alcohol, drugs, or other behavioral addiction or providing services to persons who are at risk of being harmed by the use of alcohol, drugs, or other behavioral addictions; and (3) certified or accredited by the Indiana Family and Social Services Administration – Division of Mental Health of the State of Indiana.

The President or their designee of each Member Organization is a member of the Network's Board of Directors. Program services are provided by all members listed above. The Member Organizations are autonomous organizations that provide for the diagnosis, care, and treatment of dependence upon or addiction to alcohol, drugs, or other behavioral addictions, or providing services to persons who are at risk of being harmed by the use of alcohol, drugs, or other behavioral addictions. Therefore, expenses for program services constitute related party transactions.

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

The Network and Member Organizations are related parties that are not financially interrelated. The Member Organizations authorize the Network to solicit funds on their behalf. The Network acts as a pass-through entity through which state and Federal grants are obtained and subsequently disbursed to subrecipients, which are Member Organizations. For the years ended June 30, 2007 and 2006, subrecipient's expenses related to distributions to Member Organizations from the Network totaled \$1,739,163 and \$5,250,446, respectively.

The significant accounting policies followed by the Network in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In 2007, there were no donor imposed restrictions and, accordingly, all net assets have been recorded as unrestricted.

Functional Expenses

Functional expenses for Program Expenses and General and Administrative Expenses are included in the accompanying Statements of Activities and Changes in Net Assets for the years ended June 30, 2007 and 2006. The Network incurs no substantial Fundraising Expenses in the normal course of its operations.

Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent cash invested in checking and money market accounts. All liquid investments with original maturity dates of three months or less are classified as cash equivalents.

Property and Equipment and Depreciation

Property and equipment purchased and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the estimated useful lives, which range from 3 to 10 years, using the straight-line method of depreciation.

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Government Grants

Support funded by government grants is recognized as the Network performs the contracted services or incurs expenses eligible for reimbursement under the grant agreement. Grant activities are subject to audit and acceptance by the granting agency and, as a result of such an audit, adjustments could be required.

Income Taxes

The Network is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

Working Capital Requirements

Prior to the termination of the ARNI HAP Provider Agreement (Note 1), the Managed Care Provider contract with Indiana Family and Social Services Administration, Division of Mental Health and Addiction required certain reserves to be maintained as a criterion for determining financial capacity. The Network was required to maintain working capital or net assets of 2.5% of the contract amounts, adjusted for loss members, for the managed care for the year. The required amount was \$57,895 for the year ended June 30, 2006.

Subsequent to the termination of the agreement and transfer to InteCare, Inc., ARNI was not required to maintain a working capital reserve.

2. PROPERTY AND EQUIPMENT

The Network's property and equipment are as follows:

	<u>2007</u>	<u>2006</u>
Computer hardware and software	\$ 27,680	\$ 34,586
Furniture and fixtures	-0-	5,558
	<u>27,680</u>	<u>40,144</u>
Accumulated depreciation and amortization	(26,859)	(35,275)
	<u>\$ 821</u>	<u>\$ 4,869</u>

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

3. LEASES

The Network leased office space and office equipment during the years ended June 30, 2007 and 2006. Rental expense for the years then ended was \$3,558 and \$14,274, respectively. The lease agreements were either terminated or transferred to InteCare, Inc. in October 2006.

4. RETIREMENT PLAN

The Network had established a 403(b) retirement plan for its employees during the years ended June 30, 2007 and 2006. The Network contributed 6% of salaries of participating employees and those employees were able to contribute an elective percentage up to a maximum of 15%. Pension expense was \$630 and \$1,890 for the years ended June 30, 2007 and 2006, respectively. The plan was terminated in October 2006 in accordance with the management services agreement with InteCare, Inc.

5. CONCENTRATIONS

The Network obtains 100% of its revenue from state and Federal grants and conducts 100% of its business activities as a managed care provider within the State of Indiana.

The Network maintains cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Network has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

SUPPLEMENTAL INFORMATION

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

SCHEDULE OF EXPENDITURES OF GOVERNMENTAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	State Grant Number	Amount
Department of Health and Human Services/ Pass-through programs			
Indiana Family and Social Services Administration, Division of Mental Health and Addictions Substance Abuse Prevention and Treatment			
(SAPT) Block Grant	93.959	49-06-SA-1273	\$ 1,646,595
Social Services (SS) Block Grant	93.667	49-06-SA-1273	<u>92,568</u>
Total Expenditures of Governmental Awards			<u>\$ 1,739,163</u>

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	State Grant Number	Amount
Department of Health and Human Services/ Pass-through programs Indiana Family and Social Services Administration, Division of Mental Health and Addictions Substance Abuse Prevention and Treatment (SAPT) Block Grant			
	93.959	49-06-SA-1273	<u>\$ 1,274,465</u>

Note 1: Basis of Presentation

This schedule includes the Federal awards activity of the Network and is presented on the accrual 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 basic financial statements.

Note 2: Subrecipients

Of the Federal expenditures presented in this schedule, the Network provided Federal awards to subrecipients as follows:

Program	Federal CFDA Number	Subrecipient	Amount
U.S. Department of Health and Human Services Indiana Family and Social Services Administration Division of Mental Health and Addictions Substance Abuse Prevention and Treatment (SAPT) Block Grant			
	93.959	Reid Hospital and Health Care Services, Inc.	\$ 286,755
	93.959	Community Addiction Services of Indiana, Inc.	677,505
	93.959	Family Services Association of Central Indiana, Inc.	159,818
	93.959	Recovery Associates, Inc.	<u>150,387</u>
			<u>\$ 1,274,465</u>



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

Board of Directors
Addiction Resource Network of Indiana, Inc.
Indianapolis, Indiana

We have audited the financial statements of Addiction Resource Network of Indiana, Inc. (the "Network") as of and for the year ended June 30, 2007, and have issued our report thereon dated March 27, 2008. We conducted our audit in accordance with U.S. Generally Accepted Auditing Standards 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 the Network'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 the Network's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Network's internal control over financial reporting.

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 Network's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. Generally Accepted Accounting Principles such that there is more than a remote likelihood that a misstatement of the Network's financial statements that is more than inconsequential will not be prevented or detected by the Network's internal control.

A material weakness is a significant deficiency, or a 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 Network's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Network'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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is included in the accompanying schedule of findings and responses as item 07-1.

We noted certain matters that we reported to the Network's management in a separate letter dated March 27, 2008.

The Network's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Network's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management, 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.

A. Leiding & Co.

Indianapolis, Indiana
March 27, 2008

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

Board of Directors
Addiction Resource Network of Indiana, Inc.
Indianapolis, Indiana

Compliance

We have audited the compliance of Addiction Resource Network of Indiana, Inc. (the "Network") 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 year ended June 30, 2007. The Network'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 the Network's management. Our responsibility is to express an opinion on the Network's compliance based on our audit.

We conducted our audit of compliance in accordance with: (1) U.S. Generally Accepted Auditing Standards; (2) the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (3) 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 the Network'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 on the Network's compliance with those requirements.

In our opinion, Addiction Resource Network of Indiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 07-1.

Internal Control Over Compliance

The management of Addiction Resource Network of Indiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Network's internal control over compliance with 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 of the effectiveness of the Network's internal control over compliance.

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 inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Network's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Network's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management, 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.

A. Ludwig & Co.

March 27, 2008

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2007**

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
07-1	See Explanation Below	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
07-1		
Grant:	Substance Abuse Prevention and Treatment (SAPT) Block Grant	
CFDA:	93.959	
Subrecipients:	Family Services of Central Indiana Aurora Reid Hospital & Health Care Recovery Associates, Inc. Community Addiction Services of Indiana, Inc.	
Criteria or Specific Requirement:	Two Member Organizations participate in the Mental Health Funds Recovery Program (MHFRP). As a part of that program, participating Member Organizations must match a portion of the funding received. The Network must factor in the MHFRP Match each quarter when the Hoosier Assurance Plan (HAP) funds allocation is calculated.	
Condition:	During the first three quarters of fiscal year ending June 30, 2007, the Network did not properly account for the MHFRP match. Accordingly, this resulted in the total allocation to each Member Organization to be misallocated.	
Questioned Costs:	\$88,657 was overpaid to one Member Organization and effectively an underpayment to the other three Member Organizations. As of June 30, 2007, the overpaid Member Organization had reimbursed the Network \$25,330 for a net receivable due to the Network of \$63,326. The amounts paid were in turn reimbursed to the other three Member Organizations. (1)	

(1) As of June 30, 2007, the Network had received written confirmation that the remaining \$63,326 would be reimbursed by November 2008. The Network will in turn reimburse its other Member Organizations for their remaining balances due.

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

JUNE 30, 2007

Effect: Based on retrospective evaluation of the quarterly distributions, it was determined that three of the Member Organizations were underpaid their allocated funds for the year. Additionally, the fourth Member Organization was overpaid for the year ending June 30, 2007.

Cause: Members of the Network administration team calculated the total allocation of funds without factoring in the requirements of the MHFRP match for the respective Network members. Based on the evaluation of the allocation and the control associated with ensuring the calculation was accurate, the error was not confirmed until after the third quarter distributions were made.

Recommendation: Alerding & Co., LLC recommends that the established Allocation Committee meet quarterly and no less than annually to determine that the allocation calculations for the coming year are accurate. Additionally, we recommend that the distribution summary prepared by the Network be approved in writing on a quarterly basis by the MHFR Program Coordinator, the Network's administrator, to provide an additional layer of oversight to the controls of the MHFR Match Program.

Views of Responsible Officials and Planned Corrective Actions: Resolved. The overpaid Member Organization has agreed to repay the underpaid Member Organizations based upon agreed upon payment plan. Additionally, the MHFR Program Coordinator has joined the audit committee of the Network to provide future oversight of the match program.

ADDICTION RESOURCE NETWORK OF INDIANA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

Reference Number	Finding	Status
	None	