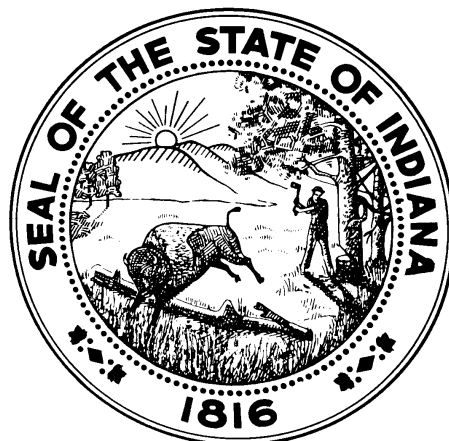


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

TOBACCO FUNDS OF PRIME TIME
OF MORGAN COUNTY, INC.
MORGAN COUNTY, INDIANA

January 1, 2002 to December 31, 2006



FILED
02/19/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Sandra S. Thiebe Diana Roy	01-01-02 to 12-18-06 02-28-07 to 12-31-07
Co-Chairperson of the Board of Directors	Greg Silver Volitta Frische	01-01-02 to 12-31-07 01-01-02 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOBACCO FUNDS OF PRIME TIME
OF MORGAN COUNTY, INC., MORGAN COUNTY, INDIANA

We have examined the financial information presented herein of the Tobacco Funds of Prime Time of Morgan County, Inc., (Prime Time) for the period of January 1, 2002 to December 31, 2006. The Prime Time's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the Tobacco Funds of Prime Time of Morgan County, Inc., for the years ended December 31, 2002, 2003, 2004, 2005, and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 18, 2007

TOBACCO FUNDS OF PRIME TIME OF MORGAN COUNTY, INC.
INDIANA TOBACCO PREVENTION AND CESSATION PROGRAM (ITPC)
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
As Of And For The Years Ended December 31, 2002, 2003, 2004, 2005, and 2006

	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
ITPC Tobacco Grant	\$ -	\$ 73,200	\$ 11,768	\$ 61,432
Totals	<u>\$ -</u>	<u>\$ 73,200</u>	<u>\$ 11,768</u>	<u>\$ 61,432</u>

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
ITPC Tobacco Grant	\$ 61,432	\$ 73,200	\$ 48,506	\$ 86,126
Totals	<u>\$ 61,432</u>	<u>\$ 73,200</u>	<u>\$ 48,506</u>	<u>\$ 86,126</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
ITPC Tobacco Grant	\$ 86,126	\$ 20,000	\$ 54,778	\$ 51,348
Totals	<u>\$ 86,126</u>	<u>\$ 20,000</u>	<u>\$ 54,778</u>	<u>\$ 51,348</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
ITPC Tobacco Grant	\$ 51,348	\$ 30,858	\$ 77,381	\$ 4,825
Totals	<u>\$ 51,348</u>	<u>\$ 30,858</u>	<u>\$ 77,381</u>	<u>\$ 4,825</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
ITPC Tobacco Grant	\$ 4,825	\$ 32,506	\$ 5,020	\$ 32,311
Totals	<u>\$ 4,825</u>	<u>\$ 32,506</u>	<u>\$ 5,020</u>	<u>\$ 32,311</u>

The accompanying notes are an integral part of the financial information.

TOBACCO FUNDS OF PRIME TIME OF MORGAN COUNTY, INC.
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

Prime Time of Morgan County, Inc., (Prime Time) is a not for profit corporation established under Indiana Code 23-17. Prime Time was formed in 1983 as a non-profit organization to coordinate a community wide, comprehensive approach to substance and child abuse in Morgan County.

Prime Time is governed by a volunteer Board of Directors. According to its bylaws Prime Time's mission statement is to "Reduce the incidence of substance and child abuse, and their related costs, pain, suffering and consequences through mobilization and education of the community."

Note 2. Basis Accounting

Prime Time maintains a cash basis accounting system.

Note 3. Subsequent Events

The cash balance of the bank accounts of Prime Time was \$18,360.55 as of December 31, 2006. Subsequent to that time, Prime Time expended a substantial portion of this amount to fulfill the obligations of a grant received by the Kendrick Foundation on November 21, 2006. As of December 18, 2007, the bank account of Prime Time has a balance of \$189.79.

TOBACCO FUNDS OF PRIME TIME OF MORGAN COUNTY, INC.
EXAMINATION SUMMARY

The financial records of Prime Time of Morgan County, Inc., were examined to determine if grants provided by the Indiana Tobacco Prevention and Cessation Program to Prime Time of Morgan County, Inc., were properly expended for purposes described in the grant agreement and to determine if grant funds remain unexpended at this time. In accordance with the terms of the grant agreement, unexpended funds are to be returned to the Indiana Tobacco Prevention and Cessation Program.

The records of Prime Time of Morgan County, Inc., were maintained in QuickBooks by director Sandra S. Thiebe. The QuickBooks records contain many errors and mispostings and as such are deemed not to be a reliable record of the financial transactions of Prime Time of Morgan County, Inc. To obtain a record of actual financial activity of Prime Time of Morgan County, Inc., we abstracted the actual financial activity from the bank statements, which included optical images of deposit tickets and cancelled checks. Since very few cancelled checks noted any information in the memo section and no deposit tickets noted the source of funds, it was difficult to determine which program the financial transactions relate to.

The Indiana Tobacco Prevention and Cessation Program (ITPC) granted a total of \$229,763.50 to Prime Time of Morgan County, Inc., from September 4, 2002 to April 17, 2006. Based on our review of the records of Prime Time of Morgan County, Inc., we were able to document disbursements from the ITPC grant by Prime Time of Morgan County, Inc., in the amount of \$197,452.54, leaving a total of \$32,310.96 of unexpended ITPC grant monies.

Our examination indicated ITPC funds were expended for the following purposes during the grant period:

Salary	\$ 83,917.77
Refunded to ITPC	35,008.00
Payment to schools	5,250.00
Other contractual payments	31,260.42
Printing	5,771.15
Program materials	11,442.02
Advertising	15,628.11
Office supplies	1,491.37
Computer equipment	1,245.00
Travel and other reimbursements	1,086.54
Other program expenses	<u>5,352.16</u>
Total ITPC disbursements	<u>\$ 197,452.54</u>

The results of our examination also disclosed Prime Time of Morgan County, Inc., purchased a new Dell laptop computer on May 22, 2006. Payment of \$1,245 from ITPC money was made to Dell at that time. Our review of the grant and the grant budget indicates the purchase of computers or other equipment was not included within the scope of the grant. Since the Dell laptop was purchased near the end of the tobacco grant, and the purchase of the computer was not included in the grant agreement or grant budget, it appears the purchase of the computer is not an allowable ITPC expense.

TOBACCO FUNDS OF PRIME TIME OF MORGAN COUNTY, INC.
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2007, with Diana Roy, Director; and Greg Silver, Co-Chairperson of the Board of Directors. The official response has been made a part of this report and may be found on pages 8 through 17.

PRIME TIME OF MORGAN COUNTY, INCORPORATED
LOCAL COORDINATING COUNCIL FOR THE
GOVERNOR'S COMMISSION FOR A DRUG-FREE INDIANA

Standing committees:
Alcohol, Tobacco and Other Drugs
Juvenile Officer's Association
Morgan County Child Abuse Prevention Council
Character Counts

61 N. Jefferson St. Suite 5
Martinsville, Indiana 46151
Phone: (765) 342-1013
primetime@iquest.net

December 27, 2007

OFFICIAL RESPONSE

To: State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

To Whom It May Concern:

First I'd like to thank the two investigators that conducted the audit for the State Board of Accounts of Prime Time, Inc of Morgan County. They were both pleasant and thorough and in my opinion handled what is a very stressful situation for us in a professional manner.

As to the reason for the audit and the findings I can not argue the matter at this time with any legal documentation that will change the results, however, I would like the record to reflect that it was the Prime Time Board of Directors that brought this situation to light and have and will continue to work diligently to rectify the matter in an effort to recoup the losses of those effected by the poor management of Sandra Theibe. Having said that, I would also like it noted that in 2006 when it was brought to the board's attention that Sandra Theibe was to have a meeting with ITPC to go over discrepancies in her quarterly reports both Greg Silvers, co-chairperson and Judy Bucci, board member made efforts to keep in contact with our ITPC representative. They were both told that the situation had been rectified and that Prime Time was in good standing with the organization. I have enclosed a written correspondence, which supports this statement.

Therefore, it was the Boards belief that if there had been a problem it had been corrected and we were ready to move forward.

Because of this belief it was not until we were doing our year end business and employee evaluations that we discovered other problems which ultimately led me to contact the Morgan County Prosecutor and Sheriff and ask for the situation to be investigated.

Thank you for your time.



Volitta Fritsche, co-chair
Prime Time Inc of Morgan County



DATE: January 27, 2007

FROM: Karla Sneegas, Executive Director

TO: Prime Time Morgan County
Grant Number A5-5-COM55

RE: Report issued by State Board of Accounts following
Monitoring Engagement.

Indiana Tobacco Prevention and Cessation (ITPC) is enclosing a copy of the Independent Accountant's Report on Applying Agreed Upon Procedures, (the Monitoring Engagement).

There are significant follow-up activities listed in the following pages required to bring your records into compliance with the deliverables of your contract, they have been outlined on the following pages. The items listed in red are exceptions cited directly from the State Board of Accounts report. The bolded items in black are facts and steps required to resolve these findings. Please respond in writing to these findings and make all requested documents available for review.

Prime Time Morgan County is suspended from receiving further Tobacco Grant funding, including the current grant contract in place, Until this matter is resolved.

Please work with your Regional Director to correct these exceptions within the next 30 days. Failure to correct these exceptions is in violation of the grant agreement and just cause for immediate termination of the contract. If ITPC terminates the contract, the grant recipient must reconcile the grant and return the balance of the grant funds to ITPC by certified check with 48 hours of notification of the termination.

If you have any questions regarding this report, please contact Celesta Bates, Chief Finance Office, ITPC, at 317-234-1778 or cbates@itpc.in.gov.

Follow-up Activities after Monitoring Engagement

- () None at this time, Please continue to work closely with your Regional Director to remain in compliance with the grant requirements. CONGRATULATIONS!
- () Submit the requisite budget amendment to bring your budget into compliance with your approved budget. It is the grant recipient's responsibility to continuously monitor expenditures to assure adherence to the approved budget. Failure to do so is in violation of the grant agreement.
- () The report indicates that no program income (interest) was identified as being received by the unit. Interest earned on tobacco grant funds must be used consistently as tobacco grant funds received from ITPC. If interest was earned on tobacco funds please credit these funds to the grant and update the fiscal reports and the spreadsheet. Please respond in writing detailing the corrective action(s) to be taken so this does not occur in the future.
- (X) The report indicates that the bank account was not reconciled monthly. Failure to do so indicates a lack of cash management, the primary responsibility of the lead agency. This is a gross violation of the grant agreement between the lead agency and ITPC. The lead agency must reconcile the tobacco account monthly to ensure there are sufficient funds in the tobacco account at all times to cover the balance of the funds remaining in the grant. The grant funds should never be used for anything other than tobacco related expenditures.**

Records were commingled with Prime Time's, a not for profit organization, records. No separate ledger or bank account was maintained or presented for audit for the tobacco grant. No receipts or copies of claims with supporting documentation were presented for audit. No evidence was presented showing how much revenue was received for the grant or if any unused grant money was returned. Prime Time maintained all records and the Tobacco grant office had not requested any copies.

I recommended that she maintain a ledger and copies of receipts and claims with supporting for the tobacco grant.

- () The grant project is not proceeding according to the application and no approved modifications are on file. Cease all activities which were not previously approved and contact your Regional Director.

- () The grant indicates that services were provided to individuals on an involuntary basis and/or as a prerequisite to eligibility for the receipt of other services. Cease this practice and contact your Regional Director for guidance on re-evaluating the grant program.
- () The monitoring engagement indicates that the grant program may not be reaching the intended target population and/or location of service sites. Please develop a way to document the primary recipients of the services you provide. Work with your Regional Director, he/she will have suggestions to help document that you are accomplishing this goal.
- () Potential conflicts of interest were observed and no statement of conflict of interest could be found in the files. Contact your Regional Director to obtain guidance on the appropriate procedures to file and documents to include in the files.
- () There was evidence that the no smoking policy was not being observed in the project facility at all times and/or that the unit was not making a good faith effort to maintain a drug-free workplace. Contact your Regional Director to obtain guidance on procedures that would assist you in complying with this requirement.
- (X) Accurate quarterly reports must be submitted timely and Grant Recipients must report additional expenditures in excess of amounts provided by grant funds. The unit must reconcile reported expenditures to the unit's financial records. Please ensure that the new accounting procedures developed support reconciliation of documented expenditures to the Quarterly Fiscal Reports and the units account records. The Form E-1 should be filed within 30 days after the closing of your fiscal year end. If you have not done so, as instructed by the Field Auditor, please do so at this time.**

The report shows, Page 3:

Prior audit showed \$73,200 disbursed for 1-1-02 to 12-31-02; records presented for audit shows \$11,224 disbursed during this period.

Resolution: Prime Time Morgan County must present adequate supporting documentation to explain the additional expenditures not found in the records. If Prime Time Morgan County cannot provide records to substantiate reported expenditure discrepancy (\$61,976.00), the \$61,976 in

unsubstantiated expenditures will have to be reimbursed to the State.

The Quarterly report for 12-31-03 shows a cash balance of \$90,288, the carry over balance on 3-31-04 shows \$65,000 carried forward. We could not determine if any grant money was returned.

Resolution: No part of the difference between the reported balance at 12-31-03, was returned to ITPC. We have nothing in our records to indicate why the difference in cash balance reported on 3-31-04. Prime Time Morgan County needs to review all cash expenditures from the account to determine the true balance as of 12-31-03.

Quarterly report for 6-30-06 shows (6,848.75) balance; it appears part of the cash receipts for the grant award had not been received. No documentation from ledger or bank was presented to verify this.

Facts: From 1/1/02 to 6/30/06 Indiana Tobacco Prevention and Cessation Transferred the follow amounts to Prime Time Morgan County.

August 2, 2002	\$73,200
June 25, 2003	\$36,100
September 18, 2003	\$37,100
April 28, 2004	\$20,000
August 25, 2004	\$20,000
Total Funding to Morgan Cty	\$186,400.00

ITPC does not have access to the ledger of Prime Time Morgan County and cannot verify what the cash balance would have been on 6-30-06. A detailed ledger of receipts and expenditures for the tobacco account will have to determine this. Prime Time Morgan County, as all tobacco grant recipients have been strongly urged to maintain a separate account for the funding. This requirement was not mandatory because we have many other grantees that are able to adequately track funding through the ledger and not maintain separate bank accounts.

Quarterly reports and budget reports were reviewed and used for reporting; no supporting documentation was presented to prove the accuracy of the reports.

Prime Time Morgan County must produce the supporting documentation and make it available for review by the state.

Sandra Thiebe the grant administrator stated the state was aware she had not kept separate records and she was in the process of compiling ledgers to send to the state.

The grant administrator did state in the reverse site visit held in the ITPC offices that she had not kept separate records for the tobacco grant and did eventually provide a summary of expenditures for review. These statements and the resulting document did not satisfy the State's contract deliverable that Prime Time Morgan County's keep adequate supporting documentation for the tobacco grant. Those actual documents are maintained by the Unit to be reviewed by the State Board of Accounts during the Monitoring Engagement, this did not occur. Those records must be made available for the state to review.

Quarterly report 12/31/05 shows a balance of \$35,008.; it doesn't state if this is ledger balance or cash balance. We did not see where any grant money was returned.

Fact: Prime Time Morgan County did submit a check for \$35,008.00 to ITPC on 10/24/05. ITPC cannot state whether it is in fact the ledger balance on cash balance, since no separate bank records were maintained for the tobacco account and the document submitted was a summary of expenditures prepared by the grant administrator and no independently verifiable evidence was ever presented to substantiate this dollar amount.

Resolution: Prime Time Morgan County will have to compile and documentation and a cash basis ledger to substantiate funding received and expended for tobacco related programming activities and make these items, all receipts, invoices, etc. available for review by the State.

Forms E-1, for not-for-profits, were not filed with the State Board of Accounts for 2004 or 2005.

State Law Indiana Code (IC) 5-11-1-4 requires all non-governmental organizations (entities) receiving financial assistance from governmental sources in the form of grants, subsidies or contributions, to file an Entity Annual Report (Form E-1) with the State Board of Accounts. For additional information on this requirement go to

www.in.gov/sboa/publications/manuals/forme1/. Feel free to contact Mike Bozymski, Supervisor for Not-For-Profit Corporations at (317) 232-2525 for additional information.

- () No evidence existed in the file to indicate that sub recipients' activities and expenditures were being adequately monitored. As the lead agency for the tobacco grant, it is another primary responsibility, as the fiduciary for the funds that the sub recipients' activities and expenditures are adequately monitored. Work with your Regional Director to obtain guidance on appropriate oversight procedures and ways to document those procedures.

- () There was evidence in the records to indicate that fixed assets with a value of \$500 or greater had been purchased with tobacco grant funds. Develop a fixed asset listing including all such fixed assets with a value of \$500 or more. See attached sample. Please forward a copy of the fixed assets listing along with the letter detailing the corrective actions to be taken to adequately document expenditures.



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

TO: INDIANA TOBACCO PREVENTION AND CESSATION
PERIOD: 1-1-03 TO 9-26-06
RE: PRIME TIME MORGAN COUNTY

GRANT NO: A5-5-COM55
TOTAL AMOUNT: \$39,442

We have performed the procedures enumerated below solely to assist you with respect to compliance with certain requirements of the Tobacco Prevention and Cessation Trust Fund (Tobacco Trust Fund) program. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

Adherence to Approved Budget

We reviewed transactions to verify that approved budget allowances were not exceeded and modifications, if any, were authorized in writing by the ITPC.

Results: No exceptions were found.

Allowable Costs

We reviewed expenditures to confirm that tobacco trust funds were spent only as approved and not spent for unallowable items and were supported by properly executed documentation.

Results: No exceptions were found.

Cash Management

We verified that unspent balances were in bank accounts and that program income (income generated by grant funds) was used for the approved project. We also verified that no funds were received from the tobacco industry.

AGREED-UPON PROCEDURES -- Page 2

Results: Records were commingled with Prime Time's, a not for profit organization, records. No separate ledger or bank account was maintained or presented for audit for the tobacco grant. No receipts or copies of claims with supporting documentation were presented for audit. No evidence was presented showing how much revenue was received for the grant or if any unused grant money was returned. Prime Time maintained all records and the Tobacco grant office had not requested any copies.

I recommended that she maintain a ledger and copies of receipts and claims with supporting documentation for the tobacco grant

Compliance with Application

We verified that the project is proceeding according to the application unless approved modifications are included.

Results: No exceptions were found.

Voluntary Acceptance of Services

We reviewed documentation of services provided to individuals to assure that acceptance of such services was voluntary and not a prerequisite to eligibility for the receipt of any other services.

Results: No exceptions were found.

Target Population and Geographic Location of Service Sites

We checked compliance with the limitation in the grant agreement for target population and location of service sites.

Results: No exceptions were found.

Conflict of Interest

We noted any conflict of interest observed.

Results: No exceptions were found.

No Smoking Policy/Drug Free Workplace

We noted whether the no smoking policy was observed in project facilities at all times and whether the unit is making a good faith effort to maintain a drug-free workplace.

Results: No exceptions were found.

Reporting

We inquired whether Form E-1 was filed with the State Board of Accounts, verified that the Quarterly Fiscal Report was accurate and timely and additional expenditures in excess of amounts provided by grant funds were reported.

AGREED-UPON PROCEDURES -- Page 3

Results: Prior audit showed \$73,200 disbursed for 1-1-02 to 12-31-02; records presented for audit shows \$11,224 disbursed for this period.

The Quarterly report for 12-31-03 shows a cash balance of \$90,288, the carry over balance on 3-31-04 shows \$65,000 carried forward. We could not determine if any grant money was returned.

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Quarterly reports and budget reports were reviewed and used for reporting; no supporting documentation was presented to prove the accuracy of the reports.

Sandra Thiebe the grant administrator stated the state was aware she had not kept separate records and she was in the process of compiling ledgers to send to the state.

Quarterly report 12/31/05 shows a balance of \$35,008; it doesn't state if this is ledger balance or cash balance. We did not see where any grant money was returned.

Forms E-1, for not-for-profits, were not filed with the State Board of Accounts for 2004 or 2005.

Subrecipient Monitoring

We determined, if funds were passed to a subrecipient, whether activities and expenditures of that subrecipient were adequately monitored.

Results: No exceptions were found.

Fixed Assets

We verified that fixed assets with a value of \$500 or greater were included on a fixed asset listing and any disposals or removals were approved in writing from the ITPC. We also determined the assets purchased could reasonably be assumed in use for the project.

Results: No exceptions were found.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

STATE BOARD OF ACCOUNTS

September 26, 2006