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June 5, 2009

Board of Directors
Aging & Community Services
of South Central, Inc.
1531 13th St., Ste. G900
Columbus, IN 47201-1302

We have reviewed the audit report prepared by Wipfli, LLP, Independent Public Accountants, for the period July 1, 2007 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 Aging & Community Services of South Central, 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 17 through 20 contain three current audit findings. A separate document dated March 30, 2009, contains the status of four prior audit findings and three current audit findings.

STATE BOARD OF ACCOUNTS

**Aging & Community Services of
South Central Indiana, Inc.**

Columbus, Indiana

Financial Statements and Additional Information
Year Ended June 30, 2008

Aging & Community Services of South Central Indiana, Inc.

Financial Statements and Additional Information
Year Ended June 30, 2008

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Independent Auditor's Report

Board of Directors
Aging & Community Services of South Central Indiana, Inc.
Columbus, Indiana

We have audited the accompanying statement of financial position of Aging & Community Services of South Central Indiana, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Aging & Community Services of South Central 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 auditing standards generally accepted in the United States 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aging & Community Services of South Central Indiana, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009, on our consideration of Aging & Community Services of South Central Indiana, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Aging & Community Services of South Central Indiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards, Schedule A, which includes the requirements of 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 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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

March 26, 2009
Madison, Wisconsin

Aging & Community Services of South Central Indiana, Inc.

Statement of Financial Position

June 30, 2008

<i>Assets</i>	
Current assets:	
Cash	\$ 278,224
Grants receivable	753,542
Accounts receivable	15,184
Other assets	20,585
Total current assets	1,067,535
Interest in investment held by a community foundation	12,022
Equipment, net	17,183
TOTAL ASSETS	\$ 1,096,740
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 521,943
Accrued payroll and related expenses	56,950
Accrued vacation	92,538
Total liabilities	671,431
Net assets:	
Unrestricted	262,286
Temporarily restricted	163,023
Total net assets	425,309
TOTAL LIABILITIES AND NET ASSETS	\$ 1,096,740

Aging & Community Services of South Central Indiana, Inc.

Statement of Activities

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Federal grant revenue	\$ 2,373,521	\$ 0	\$ 2,373,521
State and local grant revenue	1,433,927	0	1,433,927
Medicaid	700,695	0	700,695
Client contributions	133,398	0	133,398
Other revenue	188,328	0	188,328
Change in interest in investment held by a community foundation	1,022	11,000	12,022
Local revenue	228,089	30,027	258,116
In-kind contributions	18,322	0	18,322
Net assets released from restriction	124,612	(124,612)	0
Total revenue	5,201,914	(83,585)	5,118,329
Expenses:			
Program expenses - Aging programs:			
Salaries and wages	2,050,304	0	2,050,304
Employee taxes and benefits	277,921	0	277,921
Rent and utilities	117,174	0	117,174
Telephone and postage	83,970	0	83,970
Contracts for services	128,194	0	128,194
Supplies	176,501	0	176,501
Travel	200,391	0	200,391
Direct food services	380,328	0	380,328
Other direct services	648,338	0	648,338
Foster grandparent stipends	195,799	0	195,799
Subgrantee contracts	395,397	0	395,397
Other expenditures	165,535	0	165,535
In-kind expense	18,322	0	18,322
Total program expenses	4,838,174	0	4,838,174
Management and general expense	400,277	0	400,277
Total expenses	5,238,451	0	5,238,451
Change in net assets	(36,537)	(83,585)	(120,122)
Net assets - June 30, 2007	298,823	246,608	545,431
Net assets - June 30, 2008	\$ 262,286	\$ 163,023	\$ 425,309

See accompanying notes to financial statements.

Aging & Community Services of South Central Indiana, Inc.

Statement of Cash Flows

Year Ended June 30, 2008

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 120,122)
<hr/>	
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation	14,979
Donation of equipment	(24,549)
Change in interest in investment held by a community foundation	(12,022)
Changes in operating assets and liabilities:	
Grants receivable	(34,342)
Accounts receivable	145,342
Other assets	(4,279)
Accounts payable	166,460
Accrued payroll and related expenses	51,517
Accrued vacation	8,864
<hr/>	
Net cash provided by operating activities	191,848
<hr/>	
Change in cash	191,848
Cash - June 30, 2007	86,376
<hr/>	
Cash - June 30, 2008	\$ 278,224

Aging & Community Services of South Central Indiana, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

Aging & Community Services of South Central Indiana, Inc. (the "Organization") is a not-for-profit corporation. The Organization was organized in 1981 to provide services to elderly and disabled persons in the Bartholomew, Brown, Decatur, Jackson, and Jennings County areas in the state of Indiana. The Organization is primarily supported through federal and state government grants. Approximately 89% of the funding is federal and state pass-through funds received from the Indiana Family and Social Services Administration.

The Organization's direct services include: information and referral, care management, congregate meals, home delivered meals, homemaker, handychore, outreach, advocacy, Foster Grandparents Program, nursing home pre-admission screening, Medicaid Waiver, Caring Connections (volunteers), Guardianship, health prevention and First Call for Help/211. The Organization provides grants through Older Americans Act funds for: senior center operations, transportation, legal services, nursing home ombudsman, adult day care, and medication assistance. Through the use of state funds, the organization purchases on behalf of consumers: attendant care, homemaker services, home health aide, respite care, owner occupied rehabilitation, and emergency response systems.

Basis of Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Significant Policies

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Aging & Community Services of South Central Indiana, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

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.

Equipment

Equipment purchased is capitalized at cost and depreciated over its useful life using the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Grant-funded equipment acquired is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the equipment purchased with grant funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. All grant-funded equipment was fully depreciated at June 30, 2008.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards that are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of fees earned are reflected as deferred revenue.

Aging & Community Services of South Central Indiana, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consist primarily of amounts billed under performance contracts related to senior programs. Amounts are reviewed for collectibility by management and an allowance for doubtful accounts is recorded as needed, based on collection history and customer attributes. The Organization considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. If an account becomes uncollectible, it will be written off at that time.

Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and Indiana income taxes.

In-Kind Contributions

The Organization has recorded in-kind contributions for space and professional services in the statement of activities in accordance with Financial Accounting Standard No. 116 (FAS 116), *Accounting for Contributions Received and Contributions Made*. FAS 116 requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of FAS 116 are different than the in-kind requirements of several grant awards. The Organization received contributions of nonprofessional volunteers during the year with a value of \$266,471 primarily for its Senior programs, which is not recorded in the statement of activities.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs, which cannot be readily identified with a final cost objective.

Note 2 Grants Receivable

Grants receivable consist of the following:

Federal	\$ 343,266
State	410,276
<hr/>	
Total	<u>\$ 753,542</u>

Aging & Community Services of South Central Indiana, Inc.

Notes to Financial Statements

Note 3 Equipment

A summary of equipment is as follows:

Equipment	\$ 287,392
Accumulated depreciation	(270,209)
<u>Equipment, net</u>	<u>\$ 17,183</u>

Note 4 Pension Plan

The Organization provides pension benefits for all of its full-time employees through a 403(b) Plan. The Organization matches 1% of the participating employee's annual pay. The Organization's contributions to the plan for the year ended June 30, 2008, were \$3,644.

Note 5 Operating Leases

The Organization holds various operating leases for their administrative office, outreach offices, and equipment. The terms of the lease agreements require monthly payments for the term of the lease. Total rental expense for the year ended June 30, 2008, was \$117,314. Minimum rental commitments are as follows:

2009	\$ 120,000
2010	120,000
2011	120,000
2012	126,000
2013	126,000
<u>Total</u>	<u>\$ 612,000</u>

Note 6 Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. Balances in excess of \$100,000 are not insured. The uninsured balance as of June 30, 2008, was \$265,390.

Note 7 Interest in Investment Held by a Community Foundation

As of June 30, 2008, funds with a fair value of \$12,022 are being held for the use and benefit of the 211/First Call for Help program (a program of the Organization) at the Community Foundation of Bartholomew County (the "Foundation"). Accordingly, the value of these funds is included in the accompanying statement of financial position. All changes in the fund are considered changes in unrestricted net assets. The accompanying financial statements include a change in interest in investment held by a community foundation of \$12,022 in 2008.

Aging & Community Services of South Central Indiana, Inc.

Notes to Financial Statements

Note 7 Interest in Investment Held by a Community Foundation (Continued)

The Organization has granted variance power to the Foundation. As such, the Board of Directors of the Foundation has the power to modify any restriction or condition on the distribution of the funds if, in their judgment, such restrictions become inconsistent with the charitable needs of the Organization or inconsistent with the charitable needs served by the Foundation. Therefore, the interest in investment held by a community foundation is shown on the statement of financial position as temporarily restricted net assets.

Note 8 Line of Credit

The Organization has a line of credit of \$300,000 with Home Federal Bank, due May 1, 2009. The interest rate is stated at prime plus .5% (effective rate as of June 30, 2008, was 5.5%). The note is collateralized by accounts receivable due to the Organization. At June 30, 2008, there was no outstanding balance.

Note 9 Grant Awards

At June 30, 2008, the Organization had received future funding commitments under various grants of approximately \$844,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Note 10 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Program contributions	\$ 145,785
Interest in investment held by a community foundation (Note 7)	11,000
Handicap ramp	5,990
Orville Pitts Scholarship Fund	248
<u>Total temporarily restricted net assets</u>	<u>\$ 163,023</u>

The program contributions are donations, contributions, and other revenue received restricted for specific program purposes. The handicap ramp net asset balance is to fund the construction and repair of handicap ramps, and the Orville Pitts Scholarship Fund is to be used to fund scholarships.

Additional Information

Aging & Community Services of South Central Indiana, Inc.

Schedule A

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Program Title	Grant Number	Program Period	CFDA Number	Current Year Expenditures
FEDERAL GRANTS				
Department of Education Passed-Through Indiana				
Family and Social Services Administration				
Special Education Grants for Infants and Families with Disabilities	03-06-FS-1163-01	04/01/07 - 03/31/08	84.181	\$ 596,032
Special Education Grants for Infants and Families with Disabilities	03-06-FS-1163-02	04/01/08 - 03/31/09		172,785
			Total CFDA #84.181	768,817
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	03-08-0V-1163-09	07/01/07 - 06/30/08	93.043	18,068
Special Programs for the Aging, Title III, Part A, Grants for Supportive Services and Senior Centers	03-08-0V-1163-01	07/01/07 - 06/30/08	93.044	78,207
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	03-08-0V-1163-03	07/01/07 - 06/30/08		237,348
			Total CFDA #93.044	315,555
Special Programs for the Aging, Title III, Part C, Nutrition Services	03-08-0V-1163-05	07/01/07 - 06/30/08	93.045	213,259
Special Programs for the Aging, Title III, Part C, Nutrition Services	03-08-0V-1163-07	07/01/07 - 06/30/08		188,642
			Total CFDA #93.045	401,901
Nutrition Services Incentive Program	03-08-02-1163-01	07/01/07 - 06/30/08	93.053	39,666
			Subtotal CFDA #93.044, #93.045, AND #93.053 cluster	757,122
National Family Caregiver Support	03-08-0V-1163-11	07/01/07 - 06/30/08	93.052	128,941
Social Services Block Grant	03-08-0G-1163-01	07/01/07 - 06/30/08	93.667	261,332
Medical Assistance Program	03-08-70-1163-01	07/01/07 - 06/30/08	93.778	85,408
Centers for Medicare and Medicaid Services	03-07-3N-1163-0.3	01/01/07 - 09/30/08	93.779	34,668
Total Department of Health and Human Services				1,285,539
National Corporation for National and Community Service-Direct				
Foster Grandparent Program	03SFNIN003	07/01/07 - 06/30/08	94.011	319,165
TOTAL FEDERAL FUNDS				\$ 2,373,521

Note to Schedule of Expenditures of Federal Awards

This schedule includes the federal grant activity of Aging & Community Services of South Central Indiana, Inc. 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.

See Independent Auditor's Report.



Independent Auditor's 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
Aging & Community Services of South Central Indiana, Inc.
Columbus, Indiana

We have audited the financial statements of Aging & Community Services of South Central Indiana, Inc. (a nonprofit organization), as of and for the year ended June 30, 2008, and have issued our report thereon dated March 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Aging & Community Services of South Central Indiana, 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 Aging & Community Services of South Central Indiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Aging & Community Services of South Central Indiana, 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 Aging & Community Services of South Central Indiana, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of Aging & Community Services of South Central Indiana, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Aging & Community Services of South Central Indiana, Inc.'s internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting and material adjustments identified as items 063008-01 through 063008-03.

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 Aging & Community Services of South Central Indiana, Inc.'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above, items 063008-01 through 063008-03, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aging & Community Services of South Central Indiana, 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 the management of Aging and Community Services of South Central Indiana, Inc. in a separate letter dated March 26, 2009.

This report is intended solely for the information and use of management, the Board of Directors, others within Aging & Community Services of South Central Indiana, Inc., 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.


Wipfli LLP

March 26, 2009
Madison, Wisconsin



Independent Auditor's 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
Aging & Community Services of South Central Indiana, Inc.
Columbus, Indiana

Compliance

We have audited the compliance of Aging & Community Services of South Central Indiana, Inc. (a nonprofit organization) 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, 2008. Aging & Community Services of South Central Indiana, 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 Aging & Community Services of South Central Indiana, Inc.'s management. Our responsibility is to express an opinion on Aging & Community Services of South Central Indiana, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Aging & Community Services of South Central Indiana, 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 on Aging & Community Services of South Central Indiana, Inc.'s compliance with those requirements.

In our opinion, Aging & Community Services of South Central 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, 2008.

Internal Control Over Compliance

The management of Aging & Community Services of South Central Indiana, 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 Aging & Community Services of South Central Indiana, 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 Aging & Community Services of South Central Indiana, Inc.'s internal control over compliance.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an organization'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 organization'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 organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 063008-01 through 063008-03 to be significant deficiencies in internal control over compliance.

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 organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 063008-01 through 063008-03 to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors, others within Aging & Community Services of South Central Indiana, Inc., 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.


Wipfli LLP

March 26, 2009
Madison, Wisconsin

Aging & Community Services of South Central Indiana, Inc.

Schedule of Findings and Questions Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Aging & Community Services of South Central Indiana, Inc.
2. Three significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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*. All three of the significant deficiencies were determined to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Aging & Community Services of South Central Indiana, Inc. were disclosed during the audit.
4. Three significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. All three of the significant deficiencies were determined to be material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Aging & Community Services of South Central Indiana, Inc. expresses an unqualified opinion.
6. There were three audit findings relative to the major federal award programs for Aging & Community Services of South Central Indiana, Inc.
7. The programs tested as major programs were the U.S. Department of Health and Human Services Title III Senior Nutrition Cluster, CFDA #93.044, #93.045, and 93.053, the U.S. Social Services Block Grant, CFDA #93.667, and the U.S. Department of Education Special Education Grants for Infants and Families with Disabilities, CFDA #84.181.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Aging & Community Services of South Central Indiana, Inc. was not determined to be a low-risk auditee.

Aging & Community Services of South Central Indiana, Inc.

Schedule of Findings and Questions Costs

B. Findings – Financial Statements Audit

Finding:

FINANCIAL MANAGEMENT (063008-01)

Condition

During the fiscal year, it was noted there was turnover and transition in the finance department which affected the operation of internal controls. As in the prior year, several significant accounts were not being reconciled on a regular basis, several statement of financial position accounts were being utilized improperly, and Aging & Community Services of South Central Indiana, Inc. failed to properly address findings noted in the audit report for the year ended June 30, 2007. The lack of effective control over and accountability for funds, property, and other assets, and the failure to address prior year audit findings indicates a material weakness in internal controls.

Criteria

OMB Circular A-110, 2 CFR, Subpart C, Sec.215.21(b)(1), requires that *...the grant recipient have a financial system that provides for accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program.* In addition, OMB Circular A-110, 2 CFR, Subpart C, Sec.215.21(b)(3), requires *...Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.*

Effect

Aging & Community Services of South Central Indiana, Inc. should have proper controls in place to ensure that all significant balances and accounts are being reconciled on a regularly basis, that general ledger transactions be recorded in accordance with accounting principals generally accepted in the United States, and that all prior deficiencies be reviewed and corrected. Not having procedures in place to properly reconcile general ledger accounts indicates a weakness in internal controls and could result in materially misstated financial statements.

Recommendation

Subsequent to June of 2008, management took steps to address these internal control deficiencies by utilizing independent consultants to assist finance staff in reconciling accounts, reviewing internal controls, and implementing procedures to address the deficiencies. We recommend management continue to monitor these areas in the future to ensure proper financial management is being carried out.

Aging & Community Services of South Central Indiana, Inc.

Schedule of Findings and Questions Costs

B. Findings – Financial Statements Audit (Continued)

Finding:

ALLOWABLE COSTS/COST PRINCIPLES – COST ALLOCATION (063008-02)

Condition

The audit report for the year ended June 30, 2007, identified a deficiency related to the internal controls over cost allocation. During the current year audit fieldwork, Wipfli LLP noted that source documentation was not able to be located for several allocations. In addition, it was again noted that Aging & Community Services of South Central Indiana, Inc. was not following the written cost allocation plan which indicates there is a material weakness in internal control.

Criteria

OMB Circular A-110, 2 CFR, Subpart C, Sec. 215.21(b)(6 and 7), requires that *...the grant recipient have written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award... and that ...the grant recipient maintain accounting records including cost accounting records that are supported by source documentation.*

Effect

Aging & Community Services of South Central Indiana, Inc. could not easily support the charges made to federal awards, and was allocating costs in a manner that was inconsistent with its written cost allocation plan. As a result of this condition, there is a potential for federal awards to be charged for more than their fair share of allocable costs.

Recommendation

Subsequent to June of 2008, management took steps to address these internal control deficiencies by utilizing independent consultants to assist finance staff in reconciling accounts, reviewing internal controls, and implementing procedures to address the deficiencies. This assistance will also include assistance with streamlining the cost allocation plan and utilizing the general ledger software to automate the process as much as possible. The finance team has also taken steps to organize and maintain cost allocation supporting documentation to ensure all charges to federal awards are supported by adequate documentation. We recommend management adjust their cost allocation procedures to properly reflect the allocation of shared costs reasonably and equitably, and continue to monitor the organization and maintenance of source documentation.

Aging & Community Services of South Central Indiana, Inc.

Schedule of Findings and Questions Costs

B. Findings -- Financial Statements Audit (Continued)

Finding:

MATERIAL ADJUSTMENTS (063008-03)

Condition

During our audit, Wipfli LLP proposed adjusting journal entries for grants receivable, expenses, revenue, and net assets which we deem to be material in relation to the financial statements, which were subsequently recorded by management. Since Aging & Community Service of South Central Indiana, Inc.'s internal controls did not detect and correct these adjustments prior to the beginning of our audit fieldwork, a material weakness exists in Aging & Community Service of South Central Indiana, Inc.'s controls over grants receivable, expenses, revenue, and net assets.

Criteria

Government Auditing Standards (January 2007 revision) consider the inability to perform necessary financial statement calculations and accurately adjust account balances to be an internal control weakness.

Effect

As a result of not performing the necessary calculations and adjustments to account balances, a material weakness exists in internal controls.

Recommendation

We recommend that Aging & Community Service of South Central Indiana, Inc. implement procedures to provide sufficient internal controls to identify and correct any misstatements noted during the financial statement preparation, including utilizing the independent consultant that was engaged subsequent to June 30, 2008.

Aging & Community Services of South Central Indiana, Inc.

Schedule of Findings and Questions Costs

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Questioned Costs: None

Condition

The conditions at 063008-01, 063008-02, and 063008-03 apply to the following federal grants:

- Social Services Block Grant Program, CFDA #93.667, Grant No. 03-08-0G-1163-01 for the grant period July 1, 2007, through June 30, 2008
- Special Programs for the Aging, Title III, Part A, Part B, and Part C, CFDA #93.044, #93.045, and #93.053, Grant No. 03-08-0V-1163-01, 03-08-0V-1163-03, 03-08-0V-1163-05, 03-08-0V-1163-07, and 03-08-02-1163-01 for the grant period July 1, 2007, through June 30, 2008
- Special Education Grants for Infants and Families With Disabilities (SPOE/First Steps), CFDA #84.181, Grant No. 03-06-FS-1163-01 for the grant period April 1, 2007 through March 31, 2008 and 03-06-FS-1163-02 for the grant period April 1, 2008, through March 31, 2009

DATE **March 30, 2009**

STATUS OF PRIOR YEAR FINDINGS

FINDINGS:

Prior year findings listed as numbers 063007-01, 063007-02, and 063007-03 are repeat findings in the current year. They were not satisfactorily resolved during the current fiscal year under audit, and are repeated as current year findings numbers 063008-01, 063008-02, and 063008-03.

FINDING:

FINANCIAL ACCOUNTING AND REPORTING (063007-04)

Condition

A client's internal control over financial reporting does not end at the general ledger, but extends to the preparation of the financial statements and notes. As part of our professional services for the year ended June 30, 2007, Wipfli LLP ("Wipfli") assisted in drafting the financial statements and related footnotes. The management of Aging & Community Services of South Central Indiana, Inc. does not have sufficient expertise to prepare Aging & Community Services of South Central Indiana, Inc.'s financial statements and footnotes. Because management relies on Wipfli to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a material weakness exists in Aging & Community Services of South Central Indiana, Inc.'s internal controls.

Criteria

Government Auditing Standards, January 2007 revision, considers the inability to report financial data reliably in accordance with generally accepted accounting principles to be an internal control weakness.

Effect

As a result of not having an individual capable of preparing financial statements in accordance with generally accepted accounting principles, a material weakness exists in internal controls.

STATUS OF CURRENT YEAR FINDINGS (continued)

Recommendation

We recommend that Aging & Community Services of South Central Indiana, Inc. implement procedures to provide sufficient internal controls over the preparation of financial statements in accordance with generally accepted accounting principles.

AUDITEE RESPONSE TO PRIOR YEAR FINDING:

This has been an acceptable procedure for many years and we've only recently become aware that we were out of compliance on this issue. In the future, we will prepare our financial statements with the assistance of a contracted NFP CPA firm.

RESOLUTION OF PRIOR YEAR FINDING:

Aging & Community Services of South Central Indiana, Inc. has contracted with an independent CPA with knowledge of accounting principles generally accepted in the United States to be able to address issues noted in findings 063007-01 through 063007-03, as well as preparation of the financial statements. This finding is considered to be resolved.

STATUS OF CURRENT YEAR FINDINGS

FINDING:

FINANCIAL MANAGEMENT (063008-01)

Condition

During the fiscal year, it was noted there was turnover and transition in the finance department which affected the operation of internal controls. As in the prior year, several significant accounts were not being reconciled on a regular basis, several statement of financial position accounts were being utilized improperly, and Aging & Community Services of South Central Indiana, Inc. failed to properly address findings noted in the audit report for the year ended June 30, 2007. The lack of effective control over and accountability for funds, property, and other assets, and the failure to address prior year audit findings indicates a material weakness in internal controls.

Criteria

OMB Circular A-110, Subpart C.21(b)(1), requires that *...the grant recipient have a financial system that provides for accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program.* In addition, OMB Circular A-110, Subpart C.21(b)(3), requires *...Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.*

STATUS OF CURRENT YEAR FINDINGS (continued)

Effect

Aging & Community Services of South Central Indiana, Inc. should have proper controls in place to ensure that all significant balances and accounts are being reconciled on a regularly basis, that general ledger transactions be recorded in accordance with accounting principals generally accepted in the United States, and that all prior deficiencies be reviewed and corrected. Not having procedures in place to properly reconcile general ledger accounts indicates a weakness in internal controls and could result in materially misstated financial statements.

Recommendation

Subsequent to June of 2008, management took steps to address these internal control deficiencies by utilizing independent consultants to assist finance staff in reconciling accounts, reviewing internal controls, and implementing procedures to address the deficiencies. We recommend management continue to monitor these areas in the future to ensure proper financial management is being carried out.

AUDITEE RESPONSE TO CURRENT YEAR FINDING:

Aging and Community Services has established procedures to reconcile accounts monthly. With the outside consultant's assistance, accounts have been reconciled from the prior year, staff is being trained, and procedures have been implemented to correct this deficiency. The Finance team is made up of competent and reliable personnel who are experienced in managing the financial operations of the Agency.

FINDING:

ALLOWABLE COSTS/COST PRINCIPLES – COST ALLOCATION (063008-02)

Condition

The audit report for the year ended June 30, 2007, identified a deficiency related to the internal controls over cost allocation. During the current year audit fieldwork, Wipfli LLP noted that source documentation was not able to be located for several allocations. In addition, it was again noted that Aging & Community Services of South Central Indiana, Inc. was not following the written cost allocation plan which indicates there is a material weakness in internal control.

Criteria

OMB Circular A-110, Subpart C, Sec. 215.21(b) (6 and 7), requires that *...the grant recipient have written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award... and that ...the grant recipient maintain accounting records including cost accounting records that are supported by source documentation.*

STATUS OF CURRENT YEAR FINDINGS (continued)

Effect

Aging & Community Services of South Central Indiana, Inc. could not easily support the charges made to federal awards and was allocating costs in a manner that was inconsistent with its written cost allocation plan. As a result of this condition, there is a potential for federal awards to be charged for more than their fair share of allocable costs.

Recommendation

Subsequent to June of 2008, management took steps to address these internal control deficiencies by utilizing independent consultants to assist finance staff in reconciling accounts, reviewing internal controls, and implementing procedures to address the deficiencies. This assistance will also include assistance with streamlining the cost allocation plan and utilizing the general ledger software to automate the process as much as possible. The finance team has also taken steps to organize and maintain cost allocation supporting documentation to ensure all charges to federal awards are supported by adequate documentation. We recommend management adjust their cost allocation procedures to properly reflect the allocation of shared costs reasonably and equitably and continue to monitor the organization and maintenance of source documentation.

AUDITEE RESPONSE TO CURRENT YEAR FINDING:

Aging and Community Services has implemented proper procedures to charge expenses to programs. Source documentation is maintained and available to justify the charges. The written cost allocation plan will be reviewed with the outside consultant and changes made to reflect actual allocation procedures. The accounting software will be utilized to assist with the allocation of expenditures.

FINDING:

MATERIAL ADJUSTMENTS (063008-03)

Condition

During our audit, Wipfli LLP proposed adjusting journal entries for grants receivable, expenses, revenue, and net assets which we deem to be material in relation to the financial statements which were subsequently recorded by management. Since Aging & Community Service of South Central Indiana, Inc.'s internal controls did not detect and correct these adjustments prior to beginning our audit fieldwork, a material weakness exists in Aging & Community Service of South Central Indiana, Inc.'s controls over grants receivable, expenses, revenue, and net assets.

STATUS OF CURRENT YEAR FINDINGS (continued)

Criteria

Government Auditing Standards (January 2007 revision) consider the inability to perform necessary financial statement calculations and accurately adjust account balances to be an internal control weakness.

Effect

As a result of not performing the necessary calculations and adjustments to account balances, a material weakness exists in internal controls.

STATUS OF CURRENT YEAR FINDINGS (continued)

Recommendation

We recommend that Aging & Community Service of South Central Indiana, Inc. implement procedures to provide sufficient internal controls to identify and correct any misstatements noted during the financial statement preparation, including the utilizing the independent consultant that was engaged subsequent to June 30, 2008.

AUDITEE RESPONSE TO CURRENT YEAR FINDING:

All adjusting journal entries that we prepared and auditor adjustments have been made. We have reconciled our financial records to the audited trial balance. Future audit preparation will engage the services of outside consultants in advance of the fieldwork and during the grant close out process.

Signed:

Aliane Cantrese