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# STATE OF INDIANA

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November 6, 2009

Board of Directors
Corcoran & Wishart, LLC
2597 W. Vernal Pike
Bloomington, IN 47404

We have reviewed the audit report prepared by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period January 1, 2006 to December 31, 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 Corcoran & Wishart, LLC, as of December 31, 2007 and 2006, and the results of its operations for the periods 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. The management letter contains two comments.

STATE BOARD OF ACCOUNTS

# Corcoran & Wishart, LLC

**Financial Statements**
**For The Years Ended**
**December 31, 2007 and 2006**

Comer Nowling and Associates, P.C.

*Certified Public Accountants*

# CORCORAN & WISHART, LLC

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**Independent Auditor's Report**

Limited Liability Company Members
Corcoran & Wishart, LLC
Bloomington, Indiana

We were engaged to audit the accompanying balance sheets of Corcoran & Wishart, LLC (a for profit company) as of December 31, 2007 and 2006 and the related statements of revenues, expenses and changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Corcoran & Wishart, LLC as of December 31, 2007 and 2006, and the changes in its member equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.
August 22, 2008



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# CORCORAN & WISHART, LLC
# BALANCE SHEET
# DECEMBER 31, 2007 AND 2006

| | | 2007 | | 2006 |
|---|---|---|---|---|
| Assets | | | | |
| **Current assets** | | | | |
| Cash | $ | 8,216 | $ | 940 |
| Claims receivable | | 26,700 | | 53,400 |
| Prepaid insurance | | 2,730 | | 2,730 |
| Total current assets | $ | 37,646 | $ | 57,070 |
| Liabilities and Members' Equity | | | | |
| **Current liabilities** | | | | |
| Accounts payable | $ | 14,868 | $ | - |
| Total current liabilities | | 14,868 | | - |
| **Members' equity** | | 22,778 | | 57,070 |
| Total liabilities and members' equity | $ | 37,646 | $ | 57,070 |

See accompanying notes to financial statements.

# CORCORAN & WISHART, LLC
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
## FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

| | 2007 | 2006 |
|---|---|---|
| **Revenues** | | |
| Contract income | $ 359,200 | $ 313,371 |
| Total revenues | 359,200 | 313,371 |
| **Expenses** | | |
| Rent | 10,338 | 6,762 |
| Insurance | 3,339 | 609 |
| Telephone | 3,502 | 760 |
| Supplies | 2,299 | 32 |
| Travel, per diem and other reimbursable expenses | 73,698 | 50,632 |
| Simple plan | 37,968 | - |
| Other administrative expenses | 1,744 | 1,688 |
| Total expenses | 132,888 | 60,483 |
| **Excess of revenues over (under) expenses** | 226,312 | 252,888 |
| **Member distributions** | (260,604) | (207,542) |
| **Members' equity, beginning of year** | 57,070 | 11,724 |
| **Members' equity, end of year** | $ 22,778 | $ 57,070 |

See accompanying notes to financial statements.

**CORCORAN & WISHART, LLC**
**STATEMENT OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Contract income collected | $ 385,900 | $ 271,597 |
| Cash paid for operating expenditures | (118,020) | (63,213) |
| Net cash provided by (used in) operating activities | 267,880 | 208,384 |
| **Cash flows from investing activities:** | | |
| Member distributions | (260,604) | (207,542) |
| Net increase (decrease) in cash | 7,276 | 842 |
| **Cash, beginning of year** | 940 | 98 |
| **Cash, end of year** | $ 8,216 | $ 940 |
| **Reconciliation of excess of revenues over (under) expenses to net cash provided by (used in) operating activities:** | | |
| **Excess of revenues over (under) expenses** | $ 226,312 | $ 252,888 |
| **Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:** | | |
| Changes in assets and liabilities: | | |
| Claims receivable | 26,700 | (41,774) |
| Prepaid insurance | - | (2,730) |
| Account payable | 14,868 | - |
| **Net cash provided by (used in) operating activities** | $ 267,880 | $ 208,384 |

See accompanying notes to financial statements.

CORCORAN & WISHART, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### NATURE OF OPERATIONS

Corcoran & Wishart, LLC, an Indiana limited liability company (the "Company"), was formed in 1983 for the purpose of providing management consulting, monitoring services, and technical assistance to non-profit organizations and units of state and local government. The firm specializes in employment and training program administration. The Company contracts with the South Central Region 8 Workforce Board, Inc. to serve as Regional Operator and staff to the Board. The South Central Region 8 is a regional workforce area comprised of the Indiana counties of Owen, Monroe, Brown, Greene, Daviess, Martin, Lawrence and Orange. The Regional Operator is responsible for oversight and management of the Federal and State funded workforce programs granted to the South Central Region 8 Workforce Board, Inc.

### BASIS OF PRESENTATION

The financial statements of the Company have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

### PROPERTY AND EQUIPMENT

As of December 31, 2007 and 2006, all property and equipment acquired by the Company were purchased with funds provided by the State of Indiana and therefore owned by the State of Indiana. Any future assets acquired with Company general funds would be recorded and depreciated as noted above. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation would be eliminated from the accounts and any resulting gain or loss would be credited or charged to income. Expenditures for maintenance and repairs are expensed.

### REVENUE RECOGNITION

The Company contracts with the South Central Region 8 Workforce Board, Inc. to serve as Regional Operator and to staff the Board. These contracts require the Company to submit to the Board appropriate records of services provided. Revenues under the contracts are recognized as the services are provided.

### INCOME TAX STATUS

The Company is structured as a limited liability company. In lieu of Company income taxes, the members of a limited liability company are taxed on their share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

### ALLOCATION OF COSTS

The Company allocates indirect costs to benefiting programs using direct labor hours charged to programs. Joint costs are those costs incurred for the common benefit of all Company programs, which cannot be readily identified with a final cost objective.

### CLAIMS RECEIVABLE

Claims receivable are amounts due from the South Central Region 8 Workforce Board, Inc. Based upon collection history, amounts have been deemed as fully collectible and no allowance for uncollectible accounts has been recorded.

### STATEMENT OF FINANCIAL ACCOUNTING STANDARD (SFAS) NO. 144

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in net assets, statements of financial position or statements of cash flows.

## NOTE 2 – STATE OWNED PROPERTY AND EQUIPMENT

As of December 31, 2007 and 2006, the Company controlled State owned equipment and furniture costing $32,407. These assets were purchased with funds provided by the State of Indiana. Per contract and grant agreements, title to any assets purchased with State funds remains with the State and are reported as assets in the financial statements of the State of Indiana. Therefore, assets purchased with State funds are not reflected in the financial statements of the Company.

## NOTE 3 – CONCENTRATION OF CREDIT RISK

Revenues from federal, state and local government funded contracts represent 100% of the Company's total revenue and support for the years ended December 31, 2007 and 2006.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

## NOTE 4 – RETIREMENT PLAN

The Company has a SIMPLE IRA plan (Savings Incentive Match Plan for Employees) covering substantially all employees. Under the plan, the Company makes contributions (up to 3% of compensation) to the plan for eligible LLC members. For the years ended December 31, 2007 and 2006, the Company contributions were $7,968 and $-0-, respectively. In addition, for the year ended December 31, 2007, individual member discretionary contributions totaled $30,000. No individual member discretionary contributions were made during 2006.

**SAS 112 – Communication of Internal Control Deficiencies and Other Matters**

To the Managing Members
Corcoran & Wishart, LLC
Bloomington, Indiana

In planning and performing our audits of the financial statements of Corcoran & Wishart, LLC as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Corcoran & Wishart, LLC's internal control over financial reporting (internal control) 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

## Other Internal Control Matters

Based on our review and understanding of your Company's internal controls, we have listed several suggestions for strengthening internal controls over certain processes and procedures.

### Develop and Implement "Whistleblower" Policy

The Public Company Accounting Reform and Investor Protection Act (Sarbanes-Oxley) was passed in 2002 in the wake of the Enron corporate scandal. All companies, publicly traded and non-publicly traded are required to adhere to Title III, Section 806, and Title XI, Section 1107, which provide protection to employees who report suspected fraud or other illegal activities

To comply with this legislation, policies and procedures should be developed and implemented that provide at least the following aspects:

- ☑ A confidential avenue for reporting suspected waste, fraud, and abuse.
- ☑ A process for thoroughly investigating any reports.
- ☑ A process for disseminating the findings from the investigation.
- ☑ Assurance that the employee filing the complaint will not be subjected to termination, firing, harassment, or miss out on promotion.
- ☑ Assurance that even if the findings do not support the nature of the complaint, the employee or volunteer who made the complaint will not face any repercussions. Please see Attachment I for a proposed whistleblower policy statement.

### Develop and Implement Document Retention Policies and Procedures

In addition, per Title VIII, Section 802, and Title XI, Section 1102 of the Public Company Accounting Reform and Investor Protection Act (Sarbanes-Oxley) legislation, policies and procedures must be developed and implemented that ensure documentation preservation and retention:

- ☑ Consider what type of documents your nonprofit would need to store/archive and be able to retrieve.
- ☑ Take an inventory of your nonprofit's current record system to determine what records are in use, in storage, and what records are archived.
- ☑ Develop retention rules based on legal requirements and the operational need of your nonprofit and ensure that these rules are clearly disseminated to all staff and volunteers.
- ☑ Develop a process for finding and preserving documents that either will be or are part of an investigation or legal action.

- ☑ Develop rules for managing, storing, preserving, and archiving electronic messages or other electronic data.

- ☑ Develop a means by which the Document Retention system will be audited on a regular basis to ensure all staff are in compliance with the provisions.

We recommend that the Company develop and document the process whereby the document retention system will be audited on an ongoing basis to ensure compliance. In addition, with changes in technology, the Company should consider documenting procedures for managing and storing email and electronic means of communication.

Please see Attachment II for a sample document retention policy.

* * * * *

We wish to thank John and other Members of your Company for their full support and assistance during our audit.

This communication is intended solely for the information and use of management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Comer, Nowling And Associates, P.C.*

Indianapolis, Indiana
August 22, 2008

# Attachment I

## Whistleblower Protection Policy (Sample)

The whistleblower protection policy is being implemented at the (Organization name) to comply with the Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley). This provision in the legislation applies to all organizations, not just publicly traded ones.

At the (Organization name), any staff member or volunteer who reports waste, fraud, or abuse will not be fired or otherwise retaliated against for making the report.

The report will be investigated and even if determined not to be waste, fraud, or abuse, the individual making the report will not be retaliated against. There will be no punishment for reporting problems—including firing, demotion, suspension, harassment, failure to consider the employee for promotion, or any other kind of discrimination.

There are several ways to make a report of suspected waste, fraud, or abuse:

- Call the anonymous hotline at (phone number).
- Send an e-mail to (e-mail address).
- Submit a report in writing.

Here is what we will do to investigate the report:

(The Organization would list the steps it would take to investigate the allegation).

Here is how we will follow up to report on our findings:

- Provide the person filing a report with a summary of our findings.
- Take steps to deal with the issue addressed, including making operational or personnel changes.
- If warranted, contact law enforcement to deal with any criminal activities.

# Attachment II

## Record Retention And Disposal

This Record Retention and Disposal Policy ("Policy") is designed to reduce the risk of consumer fraud and related harms, including identity theft, created by improper maintenance, retention, and/or disposal of Employee Identifying Information ("EII"). [ORGANIZATION NAME] strives for privacy and security of all EII in the maintenance, retention, and eventual destruction/disposal of such information. Destruction/disposal of this information in whatever format shall be carried out appropriately in accordance with federal and state law and this Policy.

### a. Definitions

(1) **Employee Identifying Information. ("EII")** EII is information that can be used to identify an employee of [ORGANIZATION NAME], which bears on the employee's credit standing, credit capacity, character, general reputation, personal characteristics, health information, or health care payment information. Examples of such information includes, but is not limited to: Social Security numbers ("SSNs"), telephone numbers, addresses, drivers' license numbers, e-mail addresses, information obtained from credit reports, credit card information, and insurance information, such as protected health information ("PHI").

(2) **Record.** A record is a document containing EII data or information in any form or medium, created, received, and/or maintained by the employer in the transaction of business and kept as evidence in support of such activity.

### b. Obligations Of Employer

With respect to documents covered by this Policy, [ORGANIZATION NAME] agrees to comply with applicable federal and state confidentiality and security laws, including, but not limited to, the Federal Trade Commission's Rule, "Disposal of Consumer Reports Information and Records," including:

(1) **Treatment Of EII**. Except as otherwise required or permitted by law, [ORGANIZATION NAME] will keep all EII confidential and will not use or disclose such EII.

(2) **Use And Disclosure Of EII**. Unless otherwise required or permitted by law, [ORGANIZATION NAME] shall not disclose EII to any person or entity outside of the organization without first receiving written authorization from the affected employee. If, after first receiving written authorization from the affected employee, [ORGANIZATION NAME] discloses EII to any other person or entity, [ORGANIZATION NAME] shall take action so that such persons or entities agree to the same restrictions and conditions as apply to [ORGANIZATION NAME] under this policy.

(3) **Notification.** [ORGANIZATION NAME] will attempt to notify an employee of instances of which it is aware in which the confidentiality of the EII has been breached.

(4) **Safeguards.** [ORGANIZATION NAME] shall maintain appropriate safeguards to ensure that EII is not used or disclosed other than as provided by this Policy or as required or permitted by law, including maintaining EII in safe and secure places that are not accessible to public view.

**c. Responsibility Of Employees**

(1) **Duty Of All Employees.** It is the responsibility of all employees to protect against the unauthorized disclosure of EII.

(2) **Additional Responsibility Of Supervisors.** Supervisors are expected to identify EII and to instruct their employees on how to handle such information and material.

(3) **Use Of Discretion Required For Certain Positions.** Employees who are hired into positions that require the handling of EII are expected to use discretion and comply with this Policy when dealing with such information.

**d. Enforcement Of Policy**

Unauthorized disclosure of EII in violation of the procedures set forth in this Policy may lead to disciplinary action, including immediate discharge.

**Record Retention & Disposal**

Record destruction/disposal will be done in accordance with applicable program guidelines and laws. The Record Retention Schedule is suspended for records involved in any open or reasonably anticipated investigation, audit, or litigation, and documents must not be destroyed for a period of one year after resolution. Other exceptions to the schedule are program specific and include records of property purchases. The following must occur prior to the destruction of all other records:

**Procedure**

1. Employees must verify the retention period. (Record Retention Schedule - Table I below).
2. Determine appropriate method for destruction/disposal (See Table II below).
3. Secure records against unauthorized or inappropriate access until the destruction/disposal are complete. Storage boxes must be clearly labeled with pertinent information, i.e. contents of box and destruction date.

When contracting with a disposal company for destruction, the contract shall include all of the following elements:

a. Specify the method of destruction/disposal.
b. Specify the time that will elapse between acquisition and destruction/disposal of data/media.
c. Establish safeguards against breaches in confidentiality.
d. Provide proof of destruction/disposal.

Email retention should be managed by content of the message. Employees should differentiate records subject to the record retention procedures and those that are considered non-records.

**Examples:**

**Record email** –email to a contractor explaining the final contract revision
**Non-record email** –email between employees to set up a meeting time

E-mails that constitute records under the retention procedures should be printed and filed appropriately. Employees should direct questions about email retention to their supervisor.

## Record Retention Schedule (Table I)

"**AT**" means after termination of plan, grant, program, etc. "**AR**" means after date of submission of final report or final payment. "**P**" means permanently.

| **Personnel/Employment Records** | | **Custodian: Human Resource Generalist** |
|---|---|---|
| **Years** | **Type of Record** | **Clarification** |
| 1-AT | Employee Benefit Plans | |
| 2 | EEO/Affirmative Action Records/Reasonable Accommodation Request | written affirmative action plans indefinitely |
| 3 | Employment Verification, (I-9) | 3 years from date of hire or 1 year after termination, whichever is later |
| 5 | OSHA Records | Medical records with occupational exposure retain for length of employment plus 35 years |
| 7-AT | Garnishments Records | |
| 10 | Personnel Files | |
| **General Records** | | **Custodian: Program Manager** |
| **Years** | **Type of Record** | **Clarification** |
| 1 | Board Reports/Records (including tapes) | Board Minutes & By-laws should be retained indefinitely |
| 1 | Management Meeting Minutes/Reports | |
| 3-AR | Program Files, i.e. HHS, IFSSA, IHCDA, IFHC, FEMA | |
| 5 | ISDH Records | from the date of final payment or until state audit is complete |
| 7-AT | Contracts, mortgages, notes, and leases | |
| 7-AT | Insurance Policies/Records | accident claims/records should be retained indefinitely |
| 7 | Medical Files | after last visit, unless under the age of 18 then 7 years after turning 18 years old |
| P | Organization Annual Reports | |
| P | Articles of Incorporation | |
| **Financial/Tax Records** | | **Custodian: Financial Manager** |
| **Years** | **Type of Record** | **Clarification** |
| 3 | Bank Statement/Reconciliations | |
| 3 | Petty Cash Vouchers | |
| 7 | Accounts Payable/Accounts Receivable | |
| 7 | Checks | Canceled checks for important payments, i.e. taxes, purchases of property should be retained permanently |
| 7 | Inventories of products, materials and supplies | |
| 7 | Payroll Records | |
| P | Audit Records, Cash Books, Property Records, Retirement & Pension Records, Tax Returns/Records | |
| P | Chart of Accounts, General Ledgers, End Trail Balance, Journals | |

| Appropriate Method For Destruction/Disposal (Table II) | |
|---|---|
| **Medium** | **Recommendation** |
| Audio/video tapes Microfilm/ Microfiche | Recycling (tape over) or pulverizing |
| Computerized Data / Computers, Disks, Drives | Methods of destruction/disposal should destroy/dispose of data permanently and irreversibly. Methods include 1) overwriting data with a series of characters, or 2) reformatting the disk (destroying everything on it). Deleting a file on a disk does not destroy the data, but merely deletes the filename from the directory, preventing easy access and making the sector available on the disk so it may not be overwritten. Magnetic degaussing will leave the sectors in random patterns with no preference to orientation, rendering previous data unrecoverable. Total data destruction/disposal does not occur until the back-up tapes have been overwritten. |
| Paper Records | Paper records should be destroyed/disposed of in a manner that leaves no possibility for reconstruction of information. Destroying/disposing of paper records include: burning, shredding, pulping, and pulverizing. |