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November 30, 2009

Board of Directors
Indiana Resource Center for Children with
Special Needs, Inc. d/b/a IN*Source
1703 S. Ironwood Dr.
South Bend, IN 46613

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, for the period August 1, 2007 to July 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Indiana Resource Center for Children with Special Needs, Inc. d/b/a IN*Source, as of July 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The management letter contains seven comments.

STATE BOARD OF ACCOUNTS

FINANCIAL REPORT

INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
D/B/A IN*SOURCE

July 31, 2008 and 2007

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CULLAR & ASSOCIATES, PC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
South Bend, Indiana

We have audited the accompanying statements of financial position of INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC. (the "Organization") as of July 31, 2008 and 2007, and the related statements of activities, functional expenses, 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 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 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 INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC. as of July 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cullar & Associates, P.C.

April 1, 2009

INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
STATEMENTS OF FINANCIAL POSITION
July 31, 2008 and 2007

	2008	2007
Assets:		
Cash and cash equivalents	$ 56,013	$ 65,262
Grants receivable	-	28,803
Other receivables	1,086	1,000
Deposits and prepaid expenses	6,175	4,470
Cash held for others	45,220	37,957
Total assets	$ 108,494	$ 137,492
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	$ 18,427	$ 36,910
Accrued employment claim settlement	58,770	-
Refundable grant advances	69	17,965
Agency liability	45,220	37,957
Total liabilities	122,486	92,832
Net Assets (Deficiency):		
Unrestricted	(13,992)	40,252
Temporarily restricted	-	4,408
Total net assets (deficiency)	(13,992)	44,660
Total liabilities and net assets	$ 108,494	$ 137,492

The accompanying notes are an integral part of these financial statements.

INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
STATEMENTS OF ACTIVITIES
Years Ended July 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Gains:						
Grants:						
Parent Training and Information Center	$ -	$ 360,819	$ 360,819	$ -	$ 316,760	$ 316,760
Indiana Unified Training System	-	11,333	11,333	-	110,349	110,349
Regional Resource Initiative	25,550	-	25,550	28,068	-	28,068
Family Support	8,990	-	8,990	-	-	-
Contributions	1,000	-	1,000	6,428	2,500	8,928
Special events	10,689	-	10,689	11,341	-	11,341
Conference and workshop fees	2,910	-	2,910	2,745	-	2,745
Interest income	1,667	-	1,667	2,002	-	2,002
Other	9,226	-	9,226	1,987	-	1,987
Net assets released from restrictions	376,560	(376,560)	-	430,141	(430,141)	-
Total revenues and gains	436,592	(4,408)	432,184	482,712	(532)	482,180
Expenses and Losses:						
Parent Training	359,332	-	359,332	310,128	-	310,128
Unified Training Systems	11,251	-	11,251	108,110	-	108,110
Regional Initiative	33,288	-	33,288	28,401	-	28,401
Management and general	26,223	-	26,223	27,585	-	27,585
Fundraising	1,972	-	1,972	1,807	-	1,807
Employment claim settlement	58,770	-	58,770	-	-	-
Total expenses and losses	490,836	-	490,836	476,031	-	476,031
Change in net assets	(54,244)	(4,408)	(58,652)	6,681	(532)	6,149
Net assets, beginning of year	40,252	4,408	44,660	33,571	4,940	38,511
Net assets (deficiency), end of year	$ (13,992)	$ -	$ (13,992)	$ 40,252	$ 4,408	$ 44,660

The accompanying notes are an integral part of these financial statements.

INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2008

	Parent Training	Unified Training Systems	Regional Initiative	Management and General	Fund-raising	Total Expenses
Personnel	$ 293,408	$ 1,749	$ 20,327	$ 16,054	$ -	$ 331,538
Stipends	2,388	8,911	1,750	-	-	13,049
Travel	14,803	-	3	420	-	15,226
Occupancy	9,768	162	886	852	-	11,668
Telephone	3,733	95	247	(32)	-	4,043
Equipment	2,113	34	656	-	-	2,803
Printing	2,485	104	255	190	-	3,034
Office supplies	17,790	175	7,962	251	-	26,178
Postage	5,746	21	604	249	-	6,620
Literature	544	-	-	-	-	544
Professional fees	5,338	-	528	6,764	-	12,630
Conferences and training	1,216	-	-	-	-	1,216
Contracted services	-	-	70	-	-	70
Other	-	-	-	1,475	1,972	3,447
Total expenses	$ 359,332	$ 11,251	$ 33,288	$ 26,223	$ 1,972	$ 432,066

The accompanying notes are an integral part of these financial statements.

INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2007

	Parent Training	Unified Training Systems	Regional Initiative	Management and General	Fund-raising	Total Expenses
Personnel	$ 255,268	$ 11,047	$ 23,850	$ 17,341	$ -	$ 307,506
Stipends	3,169	92,999	-	-	-	96,168
Travel	10,972	303	1,163	1,143	-	13,581
Occupancy	9,782	1,140	1,132	949	-	13,003
Telephone	5,254	391	378	12	-	6,035
Equipment	1,681	196	196	-	-	2,073
Printing	5,954	688	688	-	-	7,330
Office supplies	7,817	838	582	339	-	9,576
Postage	4,438	502	312	309	-	5,561
Literature	216	1	1	-	-	218
Professional fees	-	-	-	5,797	-	5,797
Conferences and training	5,577	5	5	-	-	5,587
Contracted services	-	-	94	-	-	94
Other	-	-	-	1,695	1,807	3,502
Total expenses	$ 310,128	$ 108,110	$ 28,401	$ 27,585	$ 1,807	$ 476,031

The accompanying notes are an integral part of these financial statements.

	2008	2007
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash received from grantors, donors, and others	$ 441,424	$ 457,765
Cash paid to employees, suppliers, and others	(452,340)	(483,273)
Interest income received	1,667	2,002
Net cash (used in) operating activities	(9,249)	(23,506)
Net change in cash and cash equivalents	(9,249)	(23,506)
Cash and cash equivalents, beginning of year	65,262	88,768
Cash and cash equivalents, end of year	$ 56,013	$ 65,262
Reconciliation of Change in Net Assets to Net Cash (Used In) Operating Activities:		
Change in net assets	$ (58,652)	$ 6,149
Add (deduct) items not requiring (providing) cash:		
(Increase) in cash held for others	(7,263)	(8,209)
(Increase) decrease in grants receivable	28,803	(465)
(Increase) in other receivables	(86)	(343)
(Increase) in deposits and prepaid expenses	(1,705)	(1,400)
(Decrease) in accounts payable and accrued liabilities	(18,483)	(5,499)
Increase in accrued employment claim settlement	58,770	-
Increase in agency liability	7,263	8,209
(Decrease) in refundable grant advances	(17,896)	(21,948)
Net cash (used in) operating activities	$ (9,249)	$ (23,506)

The accompanying notes are an integral part of these financial statements.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization:

INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC., doing business as IN*SOURCE, (the "Organization") is an Indiana nonprofit corporation that administers programs designed to gather and disseminate information on education services for the handicapped, to cooperate with public and private agencies in increasing educational opportunities for the handicapped, and to counsel parents of handicapped persons so as to enable their children to reach their fullest potential as persons and citizens.

The Organization's operations are supported primarily by grants from governmental agencies.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The costs of providing the programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates and cost studies.

Net asset classes:

The Organization reports its activities and financial position by the following classes of net assets:

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Inclusion of funds:

The Organization acts as the project director for the Collaborative Parent Involvement Project (the "Project") under a cooperative agency agreement with Indiana University. Under the agreement, the University acts as the administrative and fiscal agent for the Project. Since the University handles the funds for the program and is subject to audit by the Indiana State Board of Accounts, the accompanying financial statements do not include the results of activities or the resulting balances from the Project.

The Organization also acts as fiscal agent for National Coalition of Parent Center. The amount of cash held under that agreement is reported in the accompanying statements of financial position as both an asset and a liability. No revenue or expenses are reported for activity in this agency account in the accompanying statements of activities.

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and equipment:

Property and equipment is recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed by the straight-line method over the estimated useful life of the assets, generally from three to five years.

Gifts and grants:

The Organization reports gifts and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as revenue until the conditions are substantially met. Gifts and grants received with conditions that have not been substantially met are reflected as refundable grant advances in the accompanying statements of financial position.

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code. Consequently, the accompanying financial statements do not include any provision for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

NOTE 2. GRANTS RECEIVABLE

Grants receivable consists of amounts unconditionally promised to the Organization for various programs. All amounts are expected to be collected in the next year, and no allowance for doubtful accounts is considered necessary. At July 31, 2008, the Organization had also received approximately $36,000 in conditional promises to give in excess of allowable costs incurred under cost-reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

At July 31, 2008 and 2007, the Organization had received $69 and $17,965, respectively, of advances on cost-reimbursement grants in excess of allowable costs incurred that are reflected as refundable grant advances in the accompanying statements of financial position. Such advances are required to be returned if the Organization does not incur allowable costs by the end of the grant periods.

NOTE 3. RESTRICTED NET ASSETS

Temporarily restricted net assets at July 31, 2007 were restricted for the annual conference. Net assets were released from donor restrictions for both the years ended July 31, 2008 and 2007 by incurring expenses satisfying restricted purposes.

NOTE 4. LEASE INFORMATION

The Organization leases its office facilities under an operating lease expiring in July 2009 and certain equipment under an operating lease expiring in June 2011. Minimum future rent payments under these non-cancelable operating leases as of July 31, 2008 for each of the next three years and in the aggregate are as follows:

2009	$ 41,111
2010	12,911
2011	11,834
Total minimum rental payments	$ 65,856

Rent expense for the office facilities was $8,906 and $10,352 for the years ended July 31, 2008 and 2007, respectively, net of amounts charged to the Collaborative Parent Involvement Project discussed in Note 1. There was no rent expense for the copier for either year ended July 31, 2008 or 2007 because that rent was paid by the Collaborative Parent Involvement Project.

NOTE 5. RETIREMENT PLAN

The Organization maintains a defined-contribution “SIMPLE” retirement plan that covers substantially all of its full-time employees. Retirement expense was $21,800 and $16,373 for the years ended July 31, 2008 and 2007, respectively.

NOTE 6. CONCENTRATIONS

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization has cash on deposit with financial institutions which, at times, may exceed the insurance limits of the Federal Deposit Insurance Corporation and has cash invested in money market accounts that are not covered by such insurance. Cash and cash equivalents are maintained at high quality financial institutions and the Organization has not experienced any losses on such deposits.

The Organization's contributors and activities are concentrated in Indiana. Accordingly, its contributions and other sources of support and revenue may be affected by conditions in that area. In addition, approximately 92% and 94% of total revenues were received from three funding sources, with 84% and 66% received from one source, for the years ended July 31, 2008 and 2007, respectively.

NOTE 7. EMPLOYMENT CLAIM SETTLEMENT AND NET ASSET DEFICIENCY

During the year ended July 31, 2008, the Organization reached a settlement with employees of the Collaborative Parent Involvement Project (the "Project") discussed in Note 1 regarding claims for unpaid time and vacation pay. The total amount of the settlement was $58,770, which the Organization agreed to pay $26,819 in cash and $31,951 in future compensated vacation over the next five years. The agreement also provides the employees with cash compensation for any unused vacation in the event of separation.

Management believes that most of future compensated vacation will be absorbed by the Project grant over the next five years. However, due to the provision for cash payment upon employee separation, there can be no assurance that the Organization will not be obligated to pay the entire amount. Because the Organization has a net asset deficiency of $13,992 at July 31, 2008, should it be required to pay the entire settlement in cash, it may be unable to continue in existence.

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CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
South Bend, Indiana

We have audited the financial statements of INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC. (the "Organization") for the year ended July 31, 2008, and have issued our report thereon dated April 1, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 25, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free or material misstatement.

As part of our audit, we considered the Organization's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

1. *Qualitative Aspects of Accounting Practices*

   Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

   Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the allocation of expenses between program and supporting services is based on time studies and specific identification of particular expenses.

We evaluated the key factors and assumptions used to develop the allocation between program and supporting services in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure in Note 7 to the financial statements of the employment claim settlement and the resulting net asset deficiency.

2. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Record approximately $59,000 in employment settlement liability with employees of Collaborative Parent Involvement Project
- Reduce IPTP grant by approximately $11,000 for costs charged to it that appear to be unallowable under OMB Circular A-122
- Recognize approximately $9,000 in deferred grant support in prior years
- Recognize approximately $9,000 of income from reversal of reserve for potential repayment of FSSA grant for costs questioned five years ago that was appealed but for which no response was received and for which repayment appears improbable
- Reduce accrued vacation by approximately $4,800

The following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

- Overstatement of cash of $507
- Overstatement of fiduciary cash and related liability of $1,600
- Overstatement of other receivables of $1,000

4. *Disagreements with Management*

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 1, 2009.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

- As discussed above, our audit disclosed costs of approximately $11,000 charged to the IPTP award that we believe are not in compliance with the requirements of OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. This consists of 1) a $7,000 bonus paid the Program Director that was not the subject of an agreement executed before the services were rendered and, 2) approximately $4,000 in retirement costs for employees who worked on multiple programs but for which the entire cost was charged to IPTP. These costs have been reported as a liability in the Organization's financial statements and have not been recognized as revenue, although they have been charged to the award.

- As discussed in Note 7 to the financial statements, the Organization incurred a large deficit for 2008 and has a net asset deficiency at July 31, 2008 due to the settlement of an employment claim by employees of the Collaborative Parent Involvement Project. As discussed in Note 7, a portion of that settlement will be paid by future compensated vacation that management expects to be absorbed by the Project grant over the next five years. We concur with management's assessment. However, because the Organization has a net asset deficiency of $13,992, should it be required to pay the entire settlement in cash, it may be unable to continue in existence.

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and the Organization's management and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

April 1, 2009

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AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors and Management
INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC.
South Bend, Indiana

In planning and performing our audit of the financial statements of INDIANA RESOURCE CENTER FOR FAMILIES WITH SPECIAL NEEDS, INC. (the "Organization") for the year ended July 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the 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 by the entity's internal control.

We consider the following deficiencies to be significant deficiencies in internal control:

Accounting Manual

The Organization did not have an accounting policies and procedures manual during the year. Unwritten policies and procedures are more easily circumvented, intentionally or unintentionally. We noted that management completed the manual subsequent to year-end.

Bank Statement Reconciliations

We noted that a part-time assistant bookkeeper prepared several months of bank statement reconciliations at one time.

The reconciliation of the bank statement to the general ledger is a key internal control procedure. Reconciliations must be prepared on a timely basis to be effective. We recommend that the bookkeeper reconcile the bank statement to the general ledger as soon as it is received each month and that the Executive Director review it for propriety. He should sign and date the reconciliation to document the procedure.

Indiana Escheat Law

We noted that the Organization's bank statement reconciliation includes several outstanding checks that are more than one year old. Indiana escheat law requires corporations to follow certain procedures regarding uncashed checks and other unclaimed property.

We recommend that management determine the reasons that these checks have not been cashed and follow state law in their disposition.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following control deficiencies constitute material weaknesses:

Unallowable Grant Costs

Management is not familiar with the provisions of OMB Circular A-122, Cost Principles for *Non-Profit Organizations*, which governs the allowability of costs charged to federal awards. As a consequence, the Organization charged an award for approximately $11,000 in costs that we do not believe are allowable under that Circular.

We recommend that management gain an adequate understanding of the relevant OMB circulars, including A-122, to familiarize themselves with requirements for administering federal awards.

Employee Time Cards

We noted that the CPIP regional employees signed several months of blank time cards at a time, which the Bookkeeper kept in her office. The Bookkeeper completed the time cards on their behalf and mailed them to IU each pay period. During the year, the employees informed management that these time cards did not represent their actual time worked and that they were due additional compensation. Management settled with the employees for $58,770 in cash and future additional paid vacation days.

We recommend management prohibit employees from signing blank time cards or completing time cards on behalf of others. Additionally, management should adopt personnel policies explicitly requiring that all time actually worked be recorded on time cards.

Payroll Reports

The Bookkeeper handles all communication with the outside payroll service and receives and opens all the payroll reports. This provides the Bookkeeper with the opportunity to improperly alter information when she provides it to the outside payroll service and then conceal it through her receipt and access to the subsequent payroll records.

We recommend the Executive Director open, review, and sign all the outside payroll reports in a similar manner to that of the bank and investment accounts.

Applying Complex Accounting Standards with Limited Resources

As part of our audit, we proposed adjustments relating to complex accounting standards and drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with such standards or to prepare financial statements and related disclosures in accordance with U.S. generally accepted accounting principles because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of our audit function, new professional standards require that we now communicate this to you because, as auditor, we are not considered to be part of the Organization's internal control.

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

Cullen & Associates, P.C.

April 1, 2009