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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

May 22, 2018

Board of Directors  
Tri-Star Alliance, Inc.  
7982 Heinze Road  
Lanesville, IN 47136

We have reviewed the report prepared by Tri-Star Alliance, Inc. and opined upon by Rodefer Moss & Co, PLLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Tri-Star Alliance, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 15. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

In our opinion, Rodefer Moss & Co, PLLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

TRI-STAR ALLIANCE, INC.

Financial Statements and Supplementary Information

December 31, 2016 and 2015

TRI-STAR ALLIANCE, INC.  
Financial Statements and Supplementary Information  
December 31, 2016 and 2015

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## Independent Auditors' Report

To the Board of Directors  
Tri-Star Alliance, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Tri-Star Alliance, Inc. (a nonprofit organization), which comprise the Statements of Assets, Liabilities and Net Assets - Modified Cash Basis as of December 31, 2016 and 2015 and the related Statements of Support, Revenue and Expenses and Changes in Net Assets - Modified Cash Basis, and Functional Expenses - Modified Cash Basis for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-Star Alliance, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017, on our consideration of Tri-Star Alliance, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-Star Alliance, Inc.'s internal control over financial reporting and compliance.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
September 15, 2017

TRI-STAR ALLIANCE, INC.  
 Statements of Assets, Liabilities, and Net Assets (Deficit) - Modified Cash Basis  
 December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ -	\$ 5,718
Total assets	<u>\$ -</u>	<u>\$ 5,718</u>
 <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Liabilities		
Bank Overdraft	\$ 1,848	\$ -
Note payable - director	<u>1,000</u>	<u>1,000</u>
Total liabilities	<u>2,848</u>	<u>1,000</u>
Net Assets (Deficit)		
Unrestricted net assets (deficit)	<u>(2,848)</u>	<u>4,718</u>
Total net assets (deficit)	<u>(2,848)</u>	<u>4,718</u>
Total liabilities and net assets (deficit)	<u>\$ -</u>	<u>\$ 5,718</u>

TRI-STAR ALLIANCE, INC.  
 Statements of Support, Revenue and Expenses and Changes in Net Assets - Modified Cash Basis  
 Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
Unrestricted Revenues		
Contract revenue	\$ <u>1,081,390</u>	\$ <u>854,254</u>
Total unrestricted revenue	<u>1,081,390</u>	<u>854,254</u>
Expenses		
Program Services		
Food program	<u>1,080,777</u>	<u>846,742</u>
Total program services	<u>1,080,777</u>	<u>846,742</u>
Supporting Services		
Management and general	<u>8,179</u>	<u>6,609</u>
Total supporting services	<u>8,179</u>	<u>6,609</u>
Total expenses	<u>1,088,956</u>	<u>853,351</u>
Net change in unrestricted net assets	(7,566)	903
Net assets at the beginning of the year	<u>4,718</u>	<u>3,815</u>
Net assets (deficit) at the end of the year	<u>\$ (2,848)</u>	<u>\$ 4,718</u>

TRI-STAR ALLIANCE, INC.  
 Statements of Functional Expenses - Modified Cash Basis  
 Years Ended December 31, 2016 and 2015

	2016			2015		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Food Program	Management and General		Food Program	Management and General	
Reimbursed food cost	\$ 988,392	\$ -	\$ 988,392	\$ 771,759	\$ -	\$ 771,759
Salaries	70,468	6,128	76,596	49,656	4,318	53,974
Employee benefits	3,984	346	4,330	9,353	813	10,166
Accounting fees	5,106	444	5,550	5,014	436	5,450
Automobile	3,786	329	4,115	3,822	332	4,154
Payroll taxes	5,391	469	5,860	3,799	330	4,129
Telephone	990	86	1,076	986	86	1,072
Occupancy	828	72	900	828	72	900
Office and postage	720	63	783	409	36	445
Office supplies	706	61	767	379	33	412
Training	-	-	-	344	-	344
Website	-	145	145	-	119	119
Bank charges	386	34	420	386	34	420
Other taxes	20	2	22	6	1	7
<b>Totals</b>	<b><u>\$ 1,080,777</u></b>	<b><u>\$ 8,179</u></b>	<b><u>\$ 1,088,956</u></b>	<b><u>\$ 846,742</u></b>	<b><u>\$ 6,609</u></b>	<b><u>\$ 853,351</u></b>

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization Activities** - Tri-Star Alliance, Inc. (the "Organization") is a not-for-profit corporation organized in 2001. The Organization serves as a pass-through entity for in home day care providers to receive federal reimbursement for meals served in the day care settings. The Organization serves Clark, Crawford, Floyd, Harrison, Jefferson, Orange, Scott, and Washington counties in the State of Indiana.

**Basis of Accounting** - The Organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modification to the cash basis of accounting is the recording of notes payable.

**Basis of Presentation** - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Equipment** - The Organization expenses the cost of property and equipment in the year of the purchase.

**Income Taxes** - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions, and believes that it has none that are uncertain. At the Statement of Assets, Liabilities and Net Assets - Modified Cash Basis date, the Organization's Form 990s for the years ending December 31, 2016, 2015, 2014 and 2013 remained subject to examination by the Internal Revenue Service.

**Restricted and Unrestricted Revenue and Support** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Statement of Support, Revenue, and Expenses and Changes in Net Assets as net assets released from restrictions.

**Date of Management Review** - Management has evaluated events and transactions occurring subsequent to the Statement of Assets, Liabilities and Net Assets - Modified Cash Basis date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

## NOTE 2 - RELATED PARTY TRANSACTIONS

Jim and Susan Miller, husband and wife, are the Directors of the Organization. Mr. and Mrs. Miller loaned money to the Organization to pay for various expenses. The amounts owed to the Directors at December 31, 2016 and 2015 totaled \$1,000 and \$1,000, respectively.

## NOTE 3 - CONCENTRATION OF REVENUE

For the years ending December 31, 2016 and 2015, the Organization received 100% of its revenue from the Indiana Department of Education for the services it provides to its home daycare centers.

TRI-STAR ALLIANCE, INC.  
Notes to Financial Statements (Continued)

NOTE 4 - LEASES

In June 2008, the Organization entered into a verbal agreement with I.O.O.F. Hope Lodge to lease a drop box and office space in their facilities at 306 Bank Street, New Albany, Indiana. In October 2008, this agreement became written and has been renewed through September 2017. Under the agreements, the Organization agreed to pay \$75 per month. The Organization incurred office lease expense, which is included in occupancy expense of \$900 and \$900 for the years ending December 31, 2016 and 2015, respectively. The future minimum lease payments due for 2017 total \$675.

TRI-STAR ALLIANCE, INC.  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2016

Federal Grantors/Pass Through Grantor/Program Title	CFDA	Pass-Through Grantor's Awards Number	Federal Awards Expended
December 31, 2016			
Indiana Department of Education			
Child and Adult Care Food Program	10.588	1100175	\$ <u>1,088,956</u>
Total			\$ <u>1,088,956</u>

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tri-Star Alliance, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tri-Star Alliance, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

Tri-Star Alliance, Inc. has not elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

TRI-STAR ALLIANCE, INC.  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2015

Federal Grantors/Pass Through Grantor/Program Title	CFDA	Pass-Through Grantor's Awards Number	Federal Awards Expended
December 31, 2015 Indiana Department of Education			
Child and Adult Care Food Program	10.588	1100175	\$ <u>853,351</u>
Total			\$ <u><u>853,351</u></u>

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tri-Star Alliance, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tri-Star Alliance, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

Tri-Star Alliance, Inc. has not elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' 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

To the Board of Directors  
Tri-Star Alliance, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tri-Star Alliance, Inc. (a nonprofit organization), which comprise the Statement of Assets, Liabilities and Net Assets - Modified Cash Basis as of December 31, 2016 and the related Statements of Support, Revenue and Expenses and Changes in Net Assets - Modified Cash Basis, and Functional Expenses - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-Star Alliance, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-Star Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-Star Alliance, 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*.

### **Tri-Star Alliance Inc.'s Response to Findings**

Tri-Star Alliance, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs. Tri-Star Alliance, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
September 15, 2017

Independent Auditors' Report on Compliance For Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
Tri-Star Alliance, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Tri-Star Alliance, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tri-Star Alliance, Inc.'s major federal programs for the year ended December 31, 2016. Tri-Star Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Tri-Star Alliance, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Tri-Star Alliance, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Tri-Star Alliance, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Tri-Star Alliance, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Tri Star Alliance, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tri-Star Alliance Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

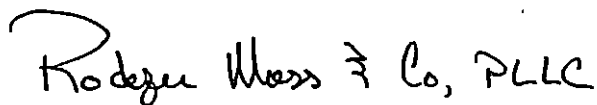
Management of Tri-Star Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tri-Star Alliance, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Tri-Star Alliance, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

Tri-Star Alliance, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tri-Star Alliance, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rodefer Moss & Co, PLLC  
New Albany, Indiana  
September 15, 2017

TRI-STAR ALLIANCE, INC.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Award

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Type of auditor's report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516 (a)?  yes  no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.558

Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

TRI-STAR ALLIANCE, INC.  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2016

Section II - Financial Statement Findings

2016-001 FINDING #1 Lack of Segregation of Duties

- Condition: The Organization has limited personnel, which are husband and wife, along with their daughter, resulting in lack of segregation of duties.
- Criteria: The fundamental concept in a good system of internal control is proper segregation of duties. The basic premise is that no one employee should have access to both assets and the related accounting records or to all phases of a transaction.
- Effect: Because of limited personnel, one person handles all phases of most transactions. The result is that intentional or unintentional errors could be made and not detected in a timely manner.
- Cause: The Organization has limited personnel.
- Recommendation: The Organization should consider dividing incompatible duties between employees so that no one employee has access to all phases of a transaction.
- Response: The Organization has divided and assigned specific duties for recording transactions to limit the possibility of recording errors. The Organization believes that, in dividing incompatible duties between employees, mitigating factors are present to reduce the risk present with lack of segregation of duties.

Section III - Federal Award Findings and Questioned Costs

See 2016-001 FINDING #1 under Section II - Financial Statement Findings

TRI-STAR ALLIANCE, INC.  
Corrective Action Plan  
Year Ended December 31, 2016

**Finding 2016-001:** Management's comments are as follows:

Tri-Star Alliance, Inc. has divided and assigned specific duties for recording transactions among employees to limit the possibility of recording errors. The Organization believes that, in dividing incompatible duties among employees, mitigating factors are present to reduce the risk present with lack of segregation of duties.

**Status:** The Organization believes the finding has been adequately addressed provided limited staff.

TRI-STAR ALLIANCE, INC.  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2016

2015-01 FINDING #1 Lack of Segregation of Duties

**Condition:** The Organization has limited personnel with lack of segregation of duties.

**Recommendation:** The Organization should consider dividing incompatible duties among employees so that no one employee has access to all phases of a transaction.

**Status:** Although lack of segregation of duties is still present and is reported as a current finding, the Organization has divided and assigned specific duties for recording transactions to limit the possibility of recording errors. The Organization believes that, in dividing incompatible duties among employees, mitigating factors are present to reduce the risk present with lack of segregation of duties.