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January 24, 2023

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

We have reviewed the audit report of Tri-Star Alliance, Inc., which was opined upon by Deming, Malone, Livesay & Ostroff, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. 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, 2021 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 19. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 21.

In our opinion, Deming, Malone, Livesay & Ostroff prepared the audit reports in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**TRI-STAR ALLIANCE, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**December 31, 2021 and 2020**

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## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Tri-Star Alliance, Inc. (a not-for-profit organization), which comprise the statements of assets and net assets-modified cash basis as of December 31, 2021 and 2020, and the related statements of support, revenue, and expenses and changes in net assets-modified cash basis and statements of functional expenses-modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Tri-Star Alliance, Inc. as of December 31, 2021 and 2020, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tri-Star Alliance, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-Star Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tri-Star Alliance, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-Star Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary 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 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 schedule of expenditures of federal awards 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 October 4, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tri-Star Alliance, Inc.'s 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.

*Deming, Malone, Livesay & Ostroff*

Deming, Malone, Livesay & Ostroff  
New Albany, Indiana  
October 4, 2022

**TRI-STAR ALLIANCE, INC.**

**STATEMENTS OF ASSETS AND NET ASSETS -  
MODIFIED CASH BASIS**  
December 31, 2021 and 2020

<b>Assets</b>	<u>2021</u>	<u>2020</u>
Cash	<u>\$ 8,462</u>	<u>\$ 4,171</u>
<b>Total assets</b>	<u>\$ 8,462</u>	<u>\$ 4,171</u>
<b>Net Assets</b>		
Without donor restrictions	<u>\$ 8,462</u>	<u>\$ 4,171</u>
<b>Total net assets</b>	<u>\$ 8,462</u>	<u>\$ 4,171</u>

See Notes to Financial Statements.

**TRI-STAR ALLIANCE, INC.**  
**STATEMENTS OF SUPPORT, REVENUE AND EXPENSES AND**  
**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Changes in net assets without donor restrictions</b>		
Revenues:		
Contract revenue	\$ 1,118,144	\$ 817,332
<b>Total revenues without donor restrictions</b>	<u>1,118,144</u>	<u>817,332</u>
Expenses:		
Program Services:		
Food program	1,107,103	811,044
<b>Total program services</b>	<u>1,107,103</u>	<u>811,044</u>
Supporting Services:		
Management and general	6,750	6,814
<b>Total supporting services</b>	<u>6,750</u>	<u>6,814</u>
<b>Total expenses</b>	<u>1,113,853</u>	<u>817,858</u>
Change in net assets without donor restrictions	4,291	(526)
Net assets at the beginning of the year	<u>4,171</u>	<u>4,697</u>
Net assets at the end of the year	<u>\$ 8,462</u>	<u>\$ 4,171</u>

See Notes to Financial Statements.

**TRI-STAR ALLIANCE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**

Years Ended December 31, 2021 and 2020

	2021			2020		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Food Program	Management and General		Food Program	Management and General	
Reimbursed food cost	\$ 813,206		\$ 813,206	\$ 735,608		\$ 735,608
Provider relief	216,451		216,451			
Salaries	63,676	\$ 5,537	69,213	60,573	\$ 5,267	65,840
Payroll taxes	4,871	424	5,295	4,634	403	5,037
Accounting fees	4,646	404	5,050	5,520	480	6,000
Automobile	1,478	128	1,606	1,774	154	1,928
Telephone	937	82	1,019	925	80	1,005
Occupancy	828	72	900	828	72	900
Office and postage	504	44	548	411	36	447
Bank charges	420	36	456	420	36	456
Office supplies	86	8	94	331	29	360
Website		15	15		255	255
Other taxes				20	2	22
<b>Totals</b>	<u>\$ 1,107,103</u>	<u>\$ 6,750</u>	<u>\$ 1,113,853</u>	<u>\$ 811,044</u>	<u>\$ 6,814</u>	<u>\$ 817,858</u>

See Notes to Financial Statements.

**TRI-STAR ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Nature of Organization and Summary of Significant Accounting Policies**

**Nature of organization:**

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.

**Summary of significant accounting policies:**

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization’s financial statements. The financial statements are representations of the Organization’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to the modified cash basis of accounting and have been consistently applied in the preparation of the financial statements.

**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 accounting principles generally accepted in the United States of America. Under this basis, revenue is recorded when received and expenditures are recorded when paid rather than when incurred. Modifications to the cash basis of accounting include periodic accrued liabilities.

**Basis of presentation:**

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions:

Net assets available for use in general operation and not subject to donor restrictions.

## NOTES TO FINANCIAL STATEMENTS

### Net assets with donor restrictions:

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or events specified by the donor. Other donor restrictions are perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. If assets are received and their restriction expires or is fulfilled in the same period, then the asset is classified as being without donor restriction for the period. There are no net assets with donor restrictions as of December 31, 2021 and 2020.

### **Estimates:**

Management uses estimates and assumptions in preparing the financial statements. These 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 exempt from federal, state, and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction and with the Indiana Department of Revenue. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Organization has unrelated business income for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Organization does not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the year then ended.

### **Functional allocation of expenses:**

The Statement of Functional Expenses - Modified Cash Basis presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate of percent of resources and effort used.

## NOTES TO FINANCIAL STATEMENTS

### **Date of management's review:**

Management has evaluated events and transactions occurring subsequent to the Statement of Assets and Net Assets - Modified Cash Basis date of December 31, 2021 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.

### **Newly issued standards not yet effective:**

The Financial Accounting Standards Board issued the following accounting standards, which will be effective in subsequent years: 1) ASU No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for fiscal years beginning after June 15, 2021; 2) ASU No. 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021; and 3) ASU No. 2016-13, *Financial Instruments-Credit Losses*, effective for fiscal years beginning after December 15, 2022.

The Organization is evaluating the impact of these standards on future financial statements.

### **Note 2. Liquidity and Availability**

Financial assets available for general expenditure within one year of the statement of assets and net assets - modified cash basis date consist of \$8,462 and \$4,171 of cash as of December 31, 2021 and 2020, respectively.

### **Note 3. Concentration of Revenue**

For the years ending December 31, 2021 and 2020, the Organization received 100% of its revenue from the Indiana Department of Education for the services it provides to its home daycare centers.

### **Note 4. Leases**

The Organization has a lease agreement with I.O.O.F. Hope Lodge for a drop box and office space in their facilities at 306 Bank Street, New Albany, Indiana. The annual lease has been renewed through September 2022. Under the agreement, the Organization agreed to pay \$75 per month. The Organization incurred office lease expense, which is included in occupancy expense, of \$900 for each of the years ending December 31, 2021 and 2020. The future minimum lease payments due for 2022 total \$675.

## NOTES TO FINANCIAL STATEMENTS

### **Note 5. Subsequent Events**

In August 2022, the Organization received notice from the Indiana Department of Education of deficiencies noted during its inspection of the Child and Adult Care Food Program. Part of the deficiencies noted \$10,121 will be withheld from future funds. The Organization is evaluating the deficiencies and is determining the next steps for addressing the deficiencies noted.

Subsequent to year-end, the Organization chose not to renew its contract with the Indiana Department of Education which expires September 30, 2022.

**SUPPLEMENTARY INFORMATION**

**TRI-STAR ALLIANCE, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2021

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed-Through to Subrecipients</u>	<u>Federal Award</u>
<b>U.S. Department of Agriculture</b>				
Passed through from Indiana Department of Education Child and Adult Care Food Program	10.558	1100175	\$ 813,206	\$ 897,402
<b>Total U.S. Department of Agriculture</b>			<u>813,206</u>	<u>897,402</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through from Indiana Department of Education Child Care and Development Block Grant	93.575	1100175	216,451	216,451
<b>Total U.S. Department of Health and Human Services</b>			<u>216,451</u>	<u>216,451</u>
<b>Total expenditures of federal awards</b>			<u>\$ 1,029,657</u>	<u>\$ 1,113,853</u>

The accompanying notes are an integral part of this schedule.

**TRI-STAR ALLIANCE, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2021

**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, 2021. 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 or changes in net assets 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. Tri-Star Alliance, Inc. has adopted the procurement requirements specified in the Uniform Guidance.

**Note C. Indirect Cost Rate**

Tri-Star Alliance, Inc. has 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 not-for-profit organization), which comprise the Statement of Assets and Net Assets - Modified Cash Basis as of December 31, 2021 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 October 4, 2022.

**Report on 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) as a basis for designing 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 a 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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-001, that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tri-Star Alliance, Inc.'s financial statements are free from 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**

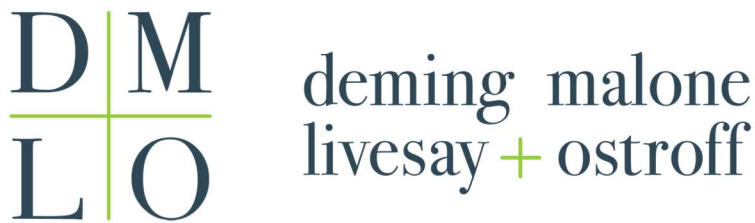
*Government Auditing Standards* require the auditors to perform limited procedures on Tri-Star Alliance, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Tri-Star Alliance, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.



Deming, Malone, Livesay & Ostroff  
New Albany, Indiana  
October 4, 2022



**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**

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

We have audited Tri-Star Alliance, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2021. Tri-Star Alliance, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tri-Star Alliance, Inc. complied, in all material respects, with the 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, 2021.

***Basis for Opinion on Each Major Federal Program***

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; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tri-Star Alliance, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination Tri-Star Alliance, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Tri-Star Alliance, Inc.'s federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tri-Star Alliance, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tri-Star Alliance, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tri-Star Alliance, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Tri-Star Alliance, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Tri-Star Alliance, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **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 Finding 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Tri-Star Alliance, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Tri-Star Alliance, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2021-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Tri-Star Alliance, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Tri-Star Alliance, Inc.'s response was not subjected to the other 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.



Deming, Malone, Livesay & Ostroff  
New Albany, Indiana  
October 4, 2022

**TRI-STAR ALLIANCE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended December 31, 2021

**Section I - Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Tri-Star Alliance, Inc. were prepared in accordance with the modified cash basis.
2. Internal control over financial reporting:
  - Material weakness identified? \_\_ Yes X No
  - Significant deficiency identified? X Yes \_\_ None reported
3. No instances of noncompliance material to the financial statements of Tri-Star Alliance, Inc. which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Internal control over major federal programs:
  - Material weakness identified? \_\_ Yes X No
  - Significant deficiency identified? X Yes \_\_ None reported
5. The auditors' report on compliance for the major federal award programs of Tri-Star Alliance, Inc. expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The program audited as a major program was:

<u>AL Number</u>	<u>Name of Major Federal Program</u>
10.558	Child and Adult Care Food Program
93.575	Child Care and Development Block Grant
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee qualified as a low-risk auditee.

**TRI-STAR ALLIANCE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended December 31, 2021

Section II - Financial Statement Findings

<b>2021-001</b>	Significant Deficiency: Lack of Segregation of Duties
<b>Criteria:</b>	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.
<b>Condition:</b>	The Organization has limited personnel, which are husband and wife, along with their daughter, resulting in lack of segregation of duties.
<b>Cause:</b>	The Organization has limited personnel.
<b>Effect:</b>	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.
<b>Identification of repeat finding:</b>	This finding is a repeat of a finding noted in the audit for December 31, 2020 as finding number 2020-001.
<b>Recommendation:</b>	The Organization should consider dividing incompatible duties between employees so that no one employee has access to all phases of a transaction.
<b>Views of Responsible Officials:</b>	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

**Corrective Actions Not Started or In Process:**

Significant deficiency - Finding 2021-001: AL 10.558 Child and Adult Care Food Program and AL 93.575 Child Care and Development Block Grant

See Section II

**TRI-STAR ALLIANCE, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended December 31, 2021

**2020-001 Finding:** AL 10.558

**Condition:** The Organization had limited personnel, which are husband and wife, along with their daughter, resulting in 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. This finding remains open.



**Tri-Star Alliance, Inc.**

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**TRI-STAR ALLIANCE, INC.**  
**CORRECTIVE ACTION PLAN**  
Year Ended December 31, 2021

U.S. Department of Agriculture

Tri-Star Alliance, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent accounting firm: Deming, Malone, Livesay & Ostroff, PSC, 301 East Elm Street, New Albany, Indiana, 47150.

Audit period: January 1 through December 31, 2021

The finding from the December 31, 2021 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**Findings - Federal Awards**

Finding 2021-001: AL 10.558 Child and Adult Care Food Program and AL 93.575 Child Care and Development Block Grant

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

Action taken: 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.

If the U.S. Department of Agriculture has any questions regarding this plan, please contact Jim Miller at Tri-Star Alliance.

Sincerely,

Jim Miller  
Assistant Director