

**TENNESSEE ASSOCIATION OF
ALCOHOL, DRUG & OTHER
ADDICTION SERVICES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2012

***JOE OSTERFELD, CPA
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TENNESSEE ASSOCIATION OF ALCOHOL, DRUG & OTHER ADDICTION SERVICES, INC.

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc.
Nashville, Tennessee

I have audited the accompanying statement of financial position of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc. (a nonprofit corporation) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of the Organization. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 28, 2013, on my consideration of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purposes of forming an opinion on the basic financial statements of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc. The accompanying Schedules of Federal Awards and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and 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 my opinion, the information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Joe Osterfeld, CPA
Columbia, Tennessee
March 28, 2013

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012**

<u>ASSETS</u>	
Cash	\$50,865
Accounts receivable	33,219
Grantor receivable - State of Tennessee	75,516
Inventory	30,489
Prepaid expenses	5,102
Total current assets	<u>195,191</u>
Land, building, and equipment	73,378
Accumulated depreciation	<u>(73,378)</u>
Net land, building, and equipment	0
Total assets	<u><u>\$195,191</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable	\$5,878
Accrued expenses	9,888
Deferred revenue - dues paid in advance	8,415
Total current liabilities	<u>24,181</u>
Net assets, unrestricted	<u>171,010</u>
Total net assets	<u>171,010</u>
Total liabilities and net assets	<u><u>\$195,191</u></u>

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

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUE</u>			
Awards		\$635,492	\$ 635,492
Bookstore revenues	\$ 77,771		77,771
Newsletter advertising	450		450
Special events	20,955		20,955
Membership dues	49,719		49,719
Interest income	40		40
Net assets released from restrictions	635,492	(635,492)	0
Total public support and revenue	<u>784,427</u>	<u>0</u>	<u>784,427</u>
<u>EXPENSES</u>			
Program services	610,497	0	610,497
Support Services	98,035	0	98,035
Total expenses	<u>708,532</u>	<u>0</u>	<u>708,532</u>
Increase (decrease) in net assets	75,895	0	75,895
Net assets, beginning	<u>95,115</u>	<u>0</u>	<u>95,115</u>
Net assets, end of year	<u><u>\$171,010</u></u>	<u><u>\$0</u></u>	<u><u>\$171,010</u></u>

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

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Services</u>				<u>Bookstore & Member Services</u>	<u>Support Services Management & General</u>	<u>Total</u>
	<u>Clearing- House</u>	<u>SBIRT</u>	<u>Gambling</u>	<u>Training</u>			
Salaries	\$58,722	\$0	\$7,852	\$86,015	\$0	\$61,330	\$213,919
Employee benefits	19,029	0	1,579	18,279	0	12,485	51,372
Advertising	0	0	1,500	0	0	0	1,500
Professional services	20,126	4,845	447	193,154	44,943	348	263,863
Supplies	13,564	5,620	322	3,839	3,881	830	28,056
Bookstore purchases	0	0	0	0	53,970	0	53,970
Telephone and internet	1,048	0	216	3,449	0	3,723	8,436
Postage & shipping	3,557	0	298	3,404	(60)	(227)	6,972
Occupancy	7,763	0	832	11,090	0	13,585	33,270
Equipment rent	1,638	0	327	6,157	0	1,086	9,208
Printing & publications	0	2,698	0	0	0	0	2,698
Travel	5,062	1,226	56	13,428	(127)	1,106	20,751
Conferences & meetings	1,588	556	31	1,237	222	88	3,722
Special events	0	0	0	0	1,675	0	1,675
Insurance	0	0	0	0	0	2,931	2,931
Membership dues	5,375	0	0	0	0	750	6,125
Other expenses	345	0	0	0	(281)	0	64
Total expenses	<u>\$137,817</u>	<u>\$14,945</u>	<u>\$13,460</u>	<u>\$340,052</u>	<u>\$104,223</u>	<u>\$98,035</u>	<u>\$708,532</u>

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

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	\$75,895
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Adjustments to reconcile increase in net assets to net
cash provided (used) by operations:

Depreciation	0
(Increase) decrease in:	
Accounts receivable	(13,610)
Grant receivable - State of Tennessee	(24,049)
Inventory	(6,010)
Prepaid expense	331
Increase (decrease) in:	
Accounts payable	(92,660)
Accrued expenses	(2,180)
Deferred revenue	5,984
Total from operations	(56,299)

<u>INVESTING ACTIVITIES:</u>	0
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<u>FINANCING ACTIVITIES:</u>	0
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Increase (decrease) in cash	(56,299)
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Beginning cash balance	107,164
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Ending cash balance	\$50,865
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The accompanying notes are an integral part of the financial statements

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. (TAADAS), a Tennessee not-for-profit corporation, is a statewide, consumer-oriented, association with its beginnings in 1976, whose mission is to provide a collaborative Tennessee voice for addiction, co-occurring, prevention, and recovery support services to affect positive change. TAADAS operates a clearinghouse for the state of Tennessee to distribute alcohol and drug abuse prevention and educational materials, a toll-free information and referral number, a training program, and provides membership services. Supportive services include fund raising, management and general expenses not directly identifiable to any program, but indispensable to these activities and to TAADAS's existence. A board of directors governs TAADAS.

Basis of Accounting

The financial statements of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, accounts payable, and other liabilities.

Basis of Presentation

Financial statement presentation follows US generally accepted accounting principles which require TAADAS 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.

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at fiscal year-end are collectible.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as all cash on hand and deposited in FDIC insured bank accounts with an original maturity of three months or less.

Deferred Revenue

Income from membership dues are deferred and recognized over the periods to which the membership dues relate.

Donated Assets

Marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of the donation.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, TAADAS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. TAADAS reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

TAADAS records donated services when they create or enhance a non-financial asset or for specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Values of Financial Instruments

Financial instruments of Agency include cash, short-term trade accounts receivable, and trade accounts payable. Management estimates that the fair value of all financial instruments at fiscal year-end do not differ materially from the carrying values of the financial instruments recorded in the accompanying balance sheet.

Income Tax Status

Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. is an organization, which is not considered a private foundation and is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. TAADAS's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2010, 2011 and 2012 are subject to examination by the IRS, generally for 3 years after they were filed.

Inventory

Inventories are stated at cost determined on a first-in, first-out basis.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Planned Major Maintenance Activities

Costs or fair market value for donated items and services for planned major maintenance in excess of \$10,000 are treated as additions to property and equipment and depreciated over their estimated useful lives using the straight-line method. For the year ended June 30, 2012, there were no planned major maintenance activities.

Promises to Give

Unconditional promises to give are recognized as revenue or a gain in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of assets, presently five years. Depreciation is reflected as an expense in the Statement of Functional Expenses. All assets were fully depreciated at June 30, 2012.

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. 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CREDIT RISK

All cash and certificate of deposits of Tennessee Association of Alcohol, Drug & Other Abuse Services, Inc. are deposited in FDIC insured banks. TAADAS had no deposits exceeding the \$250,000 FDIC deposit insurance coverage.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of balances due for bookstore sales.

**TENNESSEE ASSOCIATION FOR ALCOHOL,
DRUG & OTHER ADDICTION SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 - EMPLOYEE PENSION PLAN

TAADAS maintains a simple IRA retirement plan to which TAADAS matches employee contributions up to 3% of the salaries and wages of covered employees. Pension expense for the year ending June 30, 2012 was \$3,302.

NOTE 5 - FINANCIAL DEPENDENCE AND GRANTOR RECEIVABLE

TAADAS is substantially funded by federal and state grants awarded by the State of Tennessee's Department of Mental Health. All of the grantor receivable is related to State of Tennessee Department of Mental Health contracts. A significant reduction in the level of this support, if this were to occur, may have an effect in TAADAS's programs and activities. In addition, the grants prescribe allowable expenditure guidelines with which Agency must comply. The grants are received prospectively, subject to subsequent verification of the incurring of allowable expenditures or provision of qualifying services.

NOTE 6 – OPERATING LEASES

Rent expense for the year ending June 30, 2012 was \$33,270. TAADAS was paying rent of \$10,285 per month to XMI Commercial Properties of its offices at 1800 Church Street in Nashville, Tennessee. TAADAS was obligated to continue renting this space until 2014. This rental also included annual rental increases. In April 2010, TAADAS moved to its new offices at 1321 Murfreesboro Road in Nashville, Tennessee. TAADAS negotiated a buyout of its future lease obligations, initially by paying \$1,500 per month to XMI Commercial Properties after moving out. TAADAS made a final payment of \$6,296 to XMI Commercial Properties in December 2011 to settle this obligation. The liability was included in accounts payable at June 30, 2011.

The current office space at 1321 Murfreesboro Road in Nashville, Tennessee is leased from Airport Plaza LLC at a monthly cost of \$2,773 through September 30, 2012, TAADAS received the use of the space for six months with no rent due until October 1, 2010. Monthly rent increases beginning October 1, 2012 to \$3,327 per month until September 2014. Monthly rent then increases beginning October 1, 2014 to \$3,604 through September 2015.

TAADAS also rents office equipment under various term agreements, but no lease is considered a capital lease. Future minimum rental payments for leases with initial lease terms of one year or more are \$39,924, \$42,419 and \$10,813 for the years ending June 30, 2013, 2014, and 2015 respectively.

NOTE 7 - DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through March 28, 2013, the date which the financial statements were available to be issued. No material subsequent events have occurred that need to be disclosed.

TENNESSEE ASSOCIATION OF ALCOHOL, DRUG & OTHER ABUSE SERVICES, INC.
SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2012

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2011</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>	
<u>U.S. Department of Health and Human Services:</u>							
Passed Through the Tennessee Department of Mental Health:							
93.959	GR113290301	Block Grants for Prevention & Treatment of Substance Abuse	\$ (9,789)	\$ 9,789	\$ -	\$ -	(A)
93.959	GR1132854	Block Grants for Prevention & Treatment of Substance Abuse	(1,728)	1,728	-	-	(A)
93.959	GR113334301	Block Grants for Prevention & Treatment of Substance Abuse	(39,950)	39,950	-	-	(A)
93.959	GR1235018	Block Grants for Prevention & Treatment of Substance Abuse	-	19,217	19,500	(283)	(A)
93.959	GR123573501	Block Grants for Prevention & Treatment of Substance Abuse	-	279,571	319,040	(39,469)	(A)
93.959	GR1235747	Block Grants for Prevention & Treatment of Substance Abuse	-	150,918	168,060	(17,142)	(A)
Total Drug and Alcohol Block Grant *			(51,467)	501,173	506,600	(56,894)	
Totals			\$ (51,467)	\$ 501,173	\$ 506,600	\$ (56,894)	

(A): Amounts shown in brackets represents money due from the grantor.

(B): Advances due to the grantor if not used for program purposes.

* Represents a major program for Single Audit Purposes.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

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

TENNESSEE ASSOCIATION OF ALCOHOL, DRUG & OTHER ABUSE SERVICES, INC.
SCHEDULE OF STATE AWARDS
JUNE 30, 2011

<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2011</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>	
<u>Tennessee Department of Mental Health:</u>						
GR123573501	Training, Education and Technical Assistance	\$ -	\$ 110,270	\$ 128,892	\$ (18,622)	(A)
	Totals	<u>\$ -</u>	<u>\$ 110,270</u>	<u>\$ 128,892</u>	<u>\$ (18,622)</u>	

(A): Amounts shown in brackets represents money due from the grantor.

(B): Advances due to the grantor if not used for program purposes.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

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

Joe Osterfeld, CPA

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc.
Nashville, Tennessee

I have audited the financial statements of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc. (a Tennessee nonprofit corporation) as of and for the year ended June 30, 2012, and have issued my report thereon dated March 28, 2013. I conducted my audit 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.

Internal Control over Financial Reporting

Management of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc.'s control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose expressing an opinion on the effectiveness of Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control 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 significant 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 corrected on a timely basis.

My 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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Tennessee Association of Alcohol, Drug & Other Addiction Services, Inc.'s financial statements are free from material misstatement, I performed tests of their 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors; management; others within the organization; federal awarding agencies; Comptroller of the Treasury, State of Tennessee, Division of Audit; pass through entities; and is not intended to be and should not be used by anyone other than these specified parties.

Joe Osterfeld, CPA
Columbia, Tennessee
March 28, 2013

Tennessee Association for Alcohol, Drug & Other Addiction Services, Inc.
Schedule of Prior Year Findings
For the Year Ended June 30, 2011

2011-1. Functional Expense Reporting:

Criteria or specific requirement: In the *Accounting and Financial Reporting for Not-for-Profit Recipients in the State of Tennessee Manual*, the State of Tennessee requires that the organization must use the same policies, procedures, and methods for all accounting, including cost allocation, and for all financial reporting, including grant reporting to State funding agencies, annual reporting to the Tennessee Secretary of State, Division of Charitable Solicitations, including IRS Form 990, and general purpose financial reporting. The organization must maintain reliable time records for each employee for each pay period based on actual detailed time reports or other after-the-fact determination of the actual activity of each employee. Amounts reported for grant programs are to agree with or reconcile to the organization's financial records.

Statement of Condition: For the year ended June 30, 2011, the agency reported its functional expenses in the audited financial statements as it has in its grant reports. However, expenses reported by program and supporting services in the audited financial statements and in grant reporting did not agree with the agency's general ledger. Amounts by natural category, such as salaries do agree in total, but salaries reported by program or function, such as training or management and general did not agree.

Context: The organization had \$693,328 total expenses during the year ended June 30, 2011. According to agency grant reports, \$233,823 of program expenses, 34% of the total expenses, were posted instead to the management and general expense function in the general ledger.

Effect: TAADAS did not comply with the state requirements as outlined above.

Cause: The agency was not consistently posting expenditures to the proper functional category in its general ledger. As a result, separate worksheet reconciliations have to be maintained. This makes the opportunity for errors in posting expenditures greater. This also makes it more difficult to monitor expenses versus grant budgets. The agency also had used after the fact determinations to document employee time by program or function instead of employee timesheets as recommended by a state monitoring report.

Recommendation: The agency should use timesheets to document time worked by program or function. The agency should post expenses to the proper program or function in the general ledger when paid. Any differences with the grant reports should be reconciled and corrected in the general ledger with appropriate supporting documentation.

Response: Management has implemented a new timesheet to document time by function or program. Management agrees with the need to post expenses to the proper function or program in the general ledger and will work to implement the recommendation.

Current Year Follow-up: The new timesheet was implemented and time is being documented by function and program. Expenses are posted to the proper function and program in the general ledger. No exceptions noted for this finding in the fiscal year ending June 30, 2012.