



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34677

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

June 30, 2009

Board of Directors
Family Justice Center of
St. Joseph County, Inc.
711 E. Colfax Ave.
South Bend, IN 46617

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Family Justice Center of St. Joseph County, Inc., as of June 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. The Independent Auditor's Report makes mention of going concern considerations. Pages 16 through 23 contain twelve current audit findings and \$79,766 in questioned costs. Management's corrective action plan is on pages 25 through 32.

STATE BOARD OF ACCOUNTS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPORTING SCHEDULE	1-2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements.....	7-9
SUPPORTING SCHEDULE	
Schedule of expenditures of federal awards.....	10
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 <i>GOVERNMENT AUDITING STANDARDS</i>	11-12
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	13-14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	15-23
SCHEDULE OF PRIOR AUDIT FINDINGS	24
AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN	25-32



**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULE**

To the Board of Directors
FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
South Bend, Indiana

We have audited the accompanying statement of financial position FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. (the "Organization") as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. as of June 30, 2007, 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.

As discussed in Note 6 to the financial statements, the Organization failed to comply with certain requirements applicable to a government grant. The ultimate effect of the actions of the granting agency relative to these instances of noncompliance cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying financial statements.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 6 to the financial statements, the Organization's federal grant, which represents virtually all of its revenue, expires in April 2008 and management has not obtained replacement funding, which raises substantial doubt about the Organization's ability to continue as a going concern. Management's plans regarding this matter also are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2008 on our consideration of the Organization'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 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 10 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Culla & Associates, P.C.

March 17, 2008

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2007

Assets:

Current Assets:

Cash and cash equivalents	\$	5,955
Grant receivable		52,500
Prepaid rent		<u>245,289</u>
<i>Total current assets</i>		<u>303,744</u>

Property and Equipment:

Leasehold improvements		125,995
Furniture and equipment		<u>35,660</u>
		161,655
Less accumulated depreciation		<u>(15,741)</u>
<i>Net property and equipment</i>		<u>145,914</u>

Total assets \$ 449,658

Liabilities and Net Assets:

Current Liabilities:

Accounts payable	\$	<u>55,080</u>
------------------	----	---------------

Net Assets:

Unrestricted	\$	393,578
Temporarily restricted		<u>1,000</u>
<i>Total net assets</i>		<u>394,578</u>

Total liabilities and net assets \$ 449,658

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

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Grant under The President's Family Justice Center Initiative Grant Program	\$ 652,861	\$ -	\$ 652,861
Contributions	1,924	1,000	2,924
Other	<u>450</u>	<u>-</u>	<u>450</u>
<i>Total revenues, gains, and other support</i>	<u>655,235</u>	<u>1,000</u>	<u>656,235</u>
Expenses:			
Domestic violence services	228,000	-	228,000
General and administrative	31,557	-	31,557
Fund-raising	<u>2,100</u>	<u>-</u>	<u>2,100</u>
<i>Total expenses</i>	<u>261,657</u>	<u>-</u>	<u>261,657</u>
Change in net assets	393,578	1,000	394,578
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net assets, end of year</i>	<u>\$ 393,578</u>	<u>\$ 1,000</u>	<u>\$ 394,578</u>

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

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2007

	<u>Domestic Violence Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel	\$ 47,289	\$ 29,400	\$ 2,100	\$ 78,789
Professional services	38,393	2,157	-	40,550
Supplies	3,911	-	-	3,911
Telephone	2,515	-	-	2,515
Postage	201	-	-	201
Repairs and maintenance	338	-	-	338
Printing and copying	875	-	-	875
Dues and subscriptions	727	-	-	727
Occupancy	105,773	-	-	105,773
Travel and conferences	2,246	-	-	2,246
Insurance	1,962	-	-	1,962
Advertising	1,131	-	-	1,131
Depreciation	15,741	-	-	15,741
Other	<u>6,898</u>	<u>-</u>	<u>-</u>	<u>6,898</u>
 <i>Totals</i>	 <u>\$ 228,000</u>	 <u>\$ 31,557</u>	 <u>\$ 2,100</u>	 <u>\$ 261,657</u>

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

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
STATEMENT OF CASH FLOWS
Years Ended June 30, 2007

Change in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash received from grantors and others	\$ 606,925
Cash paid to employees, suppliers, and others	<u>(439,857)</u>
<i>Net cash provided by operating activities</i>	<u>167,068</u>

Cash Flows from Investing Activities:

Purchase of property and equipment	<u>(161,655)</u>
------------------------------------	------------------

Net change in cash and cash equivalents	5,413
Cash and cash equivalents, beginning of year	<u>542</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 5,955</u>

Reconciliation of Change in Net Assets to Net Cash

Provided by Operating Activities:

Change in net assets	\$ 394,578
Add (deduct) items not providing (requiring) cash:	
Depreciation	15,741
(Increase) in grant receivable	(49,310)
(Increase) in prepaid rent	(245,289)
Increase in accounts payable	54,850
(Decrease) in accrued liabilities	<u>(3,502)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 167,068</u>

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

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. (the "Organization") is an Indiana nonprofit corporation organized to provide a convenient, centralized, client-centered holistic service to survivors of domestic violence. Its operations are supported primarily by a grant from the U.S. Department of Justice through the Office of the Prosecuting Attorney of St. Joseph County, Indiana.

Significant Accounting Policies:

Use of estimates:

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

The costs of providing the program and the supporting service have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and the supporting service benefited based on management's best estimates.

Because the Organization receives the majority of its support from a single grant, fund raising costs are not material and are not separately presented in the accompanying financial statements.

Net asset classes:

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

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

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

Cash and cash equivalents:

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

Gifts and grants:

The majority of the Organization's revenue is earned under a cost-reimbursement award from a government agency. Revenues are recognized from such awards when costs

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

allowable under the terms of the awards are incurred.

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

Property and equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Leasehold improvements	2 years
Furniture and equipment.....	3 to 5 years

All of the Organization's property and equipment have been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives. Because management expects such assets to be used in accordance with the funding source directives, the cost of the assets is recorded as an asset when they are acquired.

Advertising:

Advertising costs are expensed when incurred, except for costs associated with direct-response advertising, which are capitalized and amortized over the expected period of benefits. Advertising expense was \$1,131 for the year ended June 30, 2007. There were no direct-response advertising costs included as assets at June 30, 2007.

Income taxes:

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

NOTE 2. GRANT RECEIVABLE

The grant receivable consists of reimbursements due under a government cost-reimbursement award. All amounts are due within one year and no allowance for uncollectibles is considered necessary. In addition, at June 30, 2007, the Organization had a balance remaining on the award of approximately \$315,000, which will be recognized as revenue if and when allowable costs are incurred within the grant period.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. RESTRICTED NET ASSETS

Temporarily restricted net assets of \$1,000 at June 30, 2007 are available for the purchase of equipment and educational materials for a client resources room.

NOTE 4. LEASE INFORMATION

The Organization leases its facilities under a non-cancelable operating lease expiring in November 2008. There are no minimum future rental payments due under this lease at June 30, 2007 because rent for the entire lease term of \$346,290 has already been paid. Of this amount, \$245,289 is reported in the accompanying statement of financial position as prepaid rent, and total rent expense of \$101,001 is included in occupancy expense in the accompanying statement of functional expenses.

The lease contains a renewal option in which the Organization can renew the lease for an additional two years for \$373,450 by providing the landlord at least 180 days written notice.

NOTE 5. CONCENTRATIONS

All of the Organization's programs and activities occur in St. Joseph County, Indiana. Consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the year ended June 30, 2007, approximately 99.5% of total revenues were received from the St. Joseph County, Indiana Prosecutor's Office under a sub grant from a grant from the U.S. Department of Justice.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of the grant receivable, which is due entirely from the Office of the St Joseph County Prosecutor.

NOTE 6. CONTINGENCY AND GOING CONCERN

During the year ended June 30, 2007, the Organization failed to comply with certain property procurement standards that are applicable to its government grant, resulting in questioned costs of approximately \$80,000. The awarding agency may request a refund of some or all of the questioned costs. The ultimate effect of the actions of the Organization and the awarding agency relative to these instances of possible noncompliance cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying financial statements.

The Organization's government grant, which represented 99.5% of its revenue for the year ended June 30, 2007, expires in April 2008 and will likely not be extended or renewed. Management recognizes that replacement funding is necessary for the Organization to continue in operation and has been working on obtaining new grants; however they have not been successful to date. If management is unable to obtain adequate replacement funding, the Organization may be unable to continue as a going concern.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Agreement Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Justice:</u>			
Passed-Through Office of the Prosecuting Attorney of St. Joseph County :			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	N/A	\$ <u>652,861</u>
<i>Total expenditures of federal awards</i>			\$ <u>652,861</u>

Notes to Schedule of Expenditures of Federal Awards:

This schedule includes the federal grant activities of Family Justice Center of St. Joseph County, Inc. and is presented in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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***

To the Board of Directors
FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
South Bend, Indiana

We have audited the financial statements of FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. (the "Organization") as of and for the year ended June 30, 2007, and have issued our report thereon dated March 17, 2008, in which we included a paragraph stating that there is substantial doubt about the Organization's ability to continue as a going concern. We conducted our 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

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 07-1 through 07-6 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 07-1 through 07-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 07-10 through 07-12.

The Organization's response to the findings identified in our audit is described in the accompanying auditee's response and corrective action plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culler & Associates, P.C.

March 17, 2008



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
South Bend, Indiana

Compliance

We have audited the compliance of FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

As described in findings 07-10 through 07-12 in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding property management, the Davis Bacon Act, and procurement procedures that are applicable to its Grant to Encourage Arrest Policies and Enforcement of Protection Orders. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Organization's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 07-7 through 07-9 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider all to be material weaknesses.

The Organization's response to the findings identified in our audit is described in the accompanying auditee's response and corrective action plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Culler & Associates, P.C.

March 8, 2008

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section 1-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued—	Unqualified ¹
Internal control over financial reporting:	
—Significant deficiencies identified?	Yes
—Material weaknesses identified?	Yes
Noncompliance material to financial statements noted?	Yes

¹-A going concern paragraph is included in the auditor's report.

Federal Awards

Internal control over major programs:	
—Significant deficiencies identified?	Yes
—Material weaknesses identified?	Yes
Type of auditor's report issued on compliance for major programs—	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders
Dollar threshold used to distinguish between type A and type B programs—	\$300,000
Auditee qualified as low-risk auditee?	No

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Contact Information of Independent Public Accounting Firm:

Richard J. Cullar, CPA
Cullar & Associates, PC, Certified Public Accountants
209 North Main Street, Suite 200
South Bend, IN 46601
(574)-288-8320
RCullar@Cullar.com

Contact Information of Auditee:

Peter Morgan, Executive Director
Family Justice Center of St. Joseph County, Inc.
711 East Colfax Avenue
South Bend, IN 46617
(574) 234-6900
pmorgan@fjcsjc.org

Section 2 - Financial Statement Findings

FINDING 07-1

Statement of Condition:

The accounting function was performed by the Executive Directors; however, the Directors had no accounting training or knowledge except how to enter deposits and prepare checks.

Criteria:

An adequate system of internal control over financial reporting requires that the Organization have an employee or contractor who has sufficient accounting training and knowledge so that transactions can be properly recorded, misstatements detected and corrected, and financial statements prepared in accordance with generally accepted accounting principles.

Effect of Condition:

Most of the statement of financial position accounts, as well as grant revenue and many expense accounts, were materially inaccurate prior to the audit.

Recommendation:

We recommend that management hire, or contract with, a trained accountant to perform the accounting function.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

FINDING 07-2

Statement of Condition:

The Organization does not have any written accounting and financial policies and procedures.

Criteria:

An adequate system of internal control over financial reporting requires that policies and procedures be in place to prevent or detect misstatements and safeguard assets.

Effect of Condition:

Unwritten policies and procedures are more easily circumvented, intentionally or unintentionally, and do not constitute an adequate internal control environment. In addition, because the Organization experienced turnover in the Executive Director position, the lack of written policies and procedures prevented successors from knowing how to perform accounting functions or to consistently record and report transactions.

Recommendation:

We recommend management purchase an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedures manual.

FINDING 07-3

Statement of Condition:

The Board of Directors did not receive complete sets of financial statements; they received only reports comparing budgeted to actual revenue and expenses. These reports were not generated directly from the accounting system.

Criteria:

The Board of Directors has an important oversight role in monitoring the Organization's financial results, particularly in small organization without a trained accountant, and it needs complete, system-generated financial reports to do so.

Effect of Condition:

Board members were not adequately informed about the overall financial condition of the Organization and were not able to adequately exercise their oversight function. In addition, reliance upon reports that are not generated by the accounting system increases the risk that the information is incomplete or inaccurate due to transposition errors from the accounting system or that it has been altered.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Recommendation:

We recommend that management provide a complete set of system-generated financial statements each month to the Board of Directors and that the Board carefully review the statements for any unusual or unexpected items.

FINDING 07-4

Statement of Condition:

Bank statement reconciliations were not prepared for a six-month period. In addition, no supervisory individual reviewed and approved the reconciliations.

Criteria:

Timely prepared bank statement reconciliations are an important, basic control over cash and the overall integrity of the accounting system.

Effect of Condition:

Material errors could occur in the financial statements without being detected on a timely basis.

Recommendation:

We recommend that bank statement reconciliations be prepared shortly after the monthly statements are received. We also recommend that the Board Treasurer review the reconciliations for propriety, verify that the reconciled balance agrees with the general ledger, and sign and date them as evidence of his or her review and approval.

FINDING 07-5

Statement of Condition:

A former Executive Director is still an authorized signatory on the checking account.

Criteria:

An adequate system of internal control provides for the safeguarding of assets.

Effect of Condition:

A former employee still has access to the Organization's funds.

Recommendation:

We recommend management execute a new bank account signatory agreement, listing only those individuals with check signing authority. Procedures should also be adopted to ensure that signatory cards are changed if a signatory leaves employment or changes positions.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

FINDING 07-6

Statement of Condition:

The Executive Director and two volunteers take turns opening the mail and collecting cash receipts. The Executive Director makes all deposits and posts them to the general ledger.

Criteria:

Duties should be segregated so that no one individual has access to assets and to the related accounting records.

Effect of Condition:

There is an inadequate segregation of duties over cash receipts. The Executive Director could skim cash receipts and cover it up.

Recommendation:

We recommend management develop cash receipts policies and procedures that include a two-person mail opening system and a signed daily cash receipts log. One opener should prepare and deposit the daily receipts, and the other opener should give the Executive Director a copy of the signed daily log. The Executive Director should compare the daily log to the bank deposit receipts for agreement.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Section 3 - Federal Award Findings

U.S. DEPARTMENT OF JUSTICE
Passed-Through Office the Prosecuting Attorney of St. Joseph County
CFDA Number 16.590
Grants to Encourage Arrest Policies and Enforcement of Protection Orders

**QUESTIONED
COSTS**

FINDING 07-7

Statement of Condition:

Management did not have copies of the relevant OMB Circulars and was not familiar with their provisions.

Criteria:

The Organization's grant requires that it comply with the provisions of OMB Circulars that are applicable to nonprofit organizations.

Effect of Condition:

The Organization could inadvertently violate relevant provisions of the Circulars.

Recommendation:

We recommend that management obtain and understand the OMB Circulars applicable to its federal program and review its policies, procedures, and operations to ensure compliance.

FINDING 07-8

Statement of Condition:

Management did not have a copy of its grant agreement. Although an unsigned copy of the grant was later obtained, management could not locate an executed copy.

Criteria:

Management is responsible for fulfilling the terms of its grant.

Effect of Condition:

The Organization could inadvertently violate the terms of its grant.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

QUESTIONED
COSTS

Recommendation:

We recommend that management obtain and keep fully executed copies of all grants. We also recommend that management review its policies, procedures, and operations to ensure compliance with the grant.

FINDING 07-9

Statement of Condition:

The Organization does not have any written accounting and financial policies and procedures.

Criteria:

Section 21 of OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*, contains standards for financial management systems that includes a requirement to have written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of its award.

Effect of Condition:

The Organization did not comply with Section 21 of OMB Circular 110.

Recommendation:

We recommend that management purchase an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedures manual, and that the manual include provisions for complying with Section 21 of OMB Circular A-110.

FINDING 07-10

Statement of Condition:

The Organization does not maintain a list of equipment purchased with federal funds, nor has it taken a physical inventory of such equipment.

Criteria:

Section 34 of OMB Circular A-110 contains property management requirements that include maintaining complete and accurate equipment records and taking an inventory of equipment at least once every two years.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

QUESTIONED
COSTS

Effect of Condition:

The Organization did not comply with Section 34 of OMB Circular 110.

Recommendation:

We recommend that management prepare an equipment list that includes the specific information required by Section 34 of OMB Circular A-110, and that it take a physical inventory of the equipment at least once every two years.

FINDING 07-11

Statement of Condition:

The Organization's construction contracts for office renovations did not include provisions for compliance with the Davis-Bacon Act.

Criteria:

Appendix A of OMB Circular A-110 requires that all construction contracts of more than \$2,000 include a provision for complying with the Davis-Bacon Act and supplemental Department of Labor regulations. The Davis-Bacon Act requires that contractors and subcontractors pay their workers wage rates and fringe benefits determined by local prevailing wages.

Effect of Condition:

The Organization did not comply with the Davis-Bacon Act for its office renovation. Costs of \$79,766 are subject to disallowance.

\$ 79,766

Recommendation:

We recommend that management read and understand the OMB Circulars, which reference the Davis-Bacon Act, and create an accounting and financial policies and procedures manual that includes those requirements.

FINDING 07-12

Statement of Condition:

The Organization did not document the basis of contractor selection for contracts awarded for its office renovation.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

QUESTIONED
COSTS

Criteria:

Section 44 of OMB Circular A-110 requires documentation of the basis of contractor selection, bids, or justification for lack of competitive bids, and the basis for award on all purchases above \$25,000.

Effect of Condition:

The Organization did not comply with Section 44 of OMB Circular A-100 for its office renovation. Costs of \$79,766 are subject to disallowance.¹

Recommendation:

We recommend that management read and understand the OMB Circular procurement rules and create an accounting and financial policies and procedures manual that includes these requirements.

Total questioned costs

\$79,766

¹-Not included in questioned costs because the same costs are also questioned in finding 07-11.

FAMILY JUSTICE CENTER OF ST. JOSEPH COUNTY, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007

Not applicable – there was no prior audit.

Family Justice Center of St. Joseph County

Corrective Action Plan
Responding to Audit for Year Ending June, 30, 2007

March 18, 2008

The Finance Committee of the Family Justice Center of St. Joseph County, having reviewed the Financial and Compliance Report prepared by Cullar and Associates, now makes the following recommendations to the Executive Committee and the full Board of Directors of the Family Justice Center of St. Joseph County. These recommendations are based upon the Financial Statement Findings found at Section 2 of the audit report.

Finding 07-1

Statement of Condition: The accounting function was performed by the Executive Director; however, the Director had no accounting training or knowledge except how to enter deposits and prepare checks.

Criteria: An adequate system of internal control over financial reporting requires that the Organization have an employee or contractor who has sufficient accounting training and knowledge so that transactions can be properly recorded, misstatements detected and corrected, and financial statements prepared in accordance with generally accepted accounting principles.

Effect of Condition: Most of the statement of financial position accounts, as well as grant revenue and many expense accounts, were materially inaccurate prior to the audit.

Recommendation (from audit): We recommend that management hire, or contract with a trained accountant to perform the accounting function.

Recommendation (from committee): The Executive Director will hire or contract with a trained accountant as soon as practicable.

Date of Completion: March 15, 2008

Finding 07-2

Statement of Condition: The Organization does not have any written accounting and financial policies and procedures.

Criteria: An adequate system of internal control over financial reporting requires that policies and procedures be in place to prevent or detect misstatements and safeguard assets.

Effect of Condition: Unwritten policies and procedures are more easily circumvented, intentionally or unintentionally, and do not constitute an adequate internal control environment. In addition, because the Organization experienced turnover in the Executive Director position, the lack of written policies and procedures prevented successors from knowing how to perform accounting functions or to consistently record and report transactions.

Recommendation (from audit): We recommend management purchase an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedure manual.

Recommendation (from committee): 1) The Executive Director will obtain and assemble an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedures manual. That manual shall include provisions for complying with Section 21 of the OMB Circular A-110. Working from a list provided by the auditor, the Executive Director can use an existing resource to which the FJC presently subscribes – the Severson Information Library of the Alliance for Children and Families – and board member agencies as resources for obtaining templates of all recommended policies.

Date of Completion: March 19, 2008

Recommendation (from committee): 2) The Executive Director and the Finance Committee shall use the assembled templates to develop a policies and procedures manual that will bring the FJC into compliance. This manual will be presented to the Executive Committee and the full Board of Directors for approval.

Date of Completion: July 1, 2008

Finding 07-3

Statement of Condition: The Board of Directors did not receive complete sets of financial statements; instead, they received only reports comparing budget to actual revenue and expenses. These reports were not generated directly from the accounting system.

Criteria: The Board of Directors has an important oversight role in monitoring the Organization's financial results, particularly in small organization without a trained accountant, and it needs complete, system-generated financial reports to do so.

Effect of Condition: Board members were not adequately informed about the overall financial condition of the Organization and were not able to adequately exercise their oversight function. In addition, reliance upon reports that are not generated by the accounting system increases the risk that the information is incomplete or inaccurate due to transposition errors from the accounting system or that it has been altered.

Recommendation (from audit): We recommend that management provide a complete set of system-generated financial statements each month to the Board of Directors and that the Board carefully review the statements for any unusual or unexpected items.

Recommendation (from committee): 1) The Executive Director shall investigate accounting systems appropriate for the organization and make a recommendation to the Finance Committee and the Executive Committee as to whether one should be purchased, or whether the system previously purchased – Quickbooks 2005 – is sufficient. This system shall be fully implemented and utilized by the Executive Director.

Date of Completion: Fully functional by March 28, 2008

Recommendation (from committee): 2) The Executive Director shall provide a complete set of system-generated financial statements each month to the Finance Committee for review, and to the Executive Committee and the full Board of Directors.

Date of Completion: Beginning with the March 2008 financial statements, and ongoing

Recommendation (from committee): 3) The Finance Committee, the Executive Committee and the full Board of Directors shall review the system-generated financial statements for any unusual or unexpected terms.

Date of Completion: On-going, beginning with March 2008 financial statements

Finding 07-4

Statement of Condition: Bank statement reconciliations were not prepared for a six-month period. In addition, no supervisory individual reviewed and approved reconciliations.

Criteria: Timely prepared bank statement reconciliations are an important, basic control over cash and the overall integrity of the accounting system.

Effect of Condition: Material errors could occur in the financial statements without being detected on a timely basis.

Recommendation (from audit): We recommend that bank statement reconciliations be prepared shortly after the monthly statements are received. We also recommend that the Board Treasurer review the reconciliations for propriety, verify that the reconciled balance agrees with the general ledger, and sign and date them as evidence of his/her review and approval.

Recommendation (from committee): The committee notes that bank statement reconciliations were performed in a timely manner each month by the Office of the Prosecutor. These reconciliations were prepared independently of the Family Justice Center Executive Director, and shared with the Executive Director and available to its Board. However, to ensure basic and timely control over the cash flow, the committee recommends: 1) A Finance Committee designee shall reconcile the monthly statements within 20 business days of receipt of statements.

Date of Completion: On-going beginning with February bank statements

Recommendation (from committee): 2) Within 10 business days of reconciliation, the Board Treasurer will receive the statements and the reconciliation. The Board Treasurer or designee will then review the statements and reconciliation and verify that the reconciled balance agrees with the general ledger, and sign and date them as evidence of her/his review and approval.

Date of Completion: On-going beginning with February bank statements

Finding 07-5

Statement of Condition: A former Executive Director is still an authorized signatory on the checking account.

Criteria: An adequate system of internal control provides for the safeguarding of assets.

Effect of Condition: A former employee still has access to the Organization's funds.

Recommendation (from audit): We recommend management execute a new bank account signatory agreement, listing only those individuals with check signing authority. Procedures should also be adopted to ensure that signatory cards are changed if a signatory leaves employment or changes positions.

Recommendation (from committee): 1) The Executive Director shall execute a new bank account signatory agreement, listing only those individuals with check signing authority.

Date of Completion: March 20, 2008

Recommendation (from committee): 2) Procedures should also be adopted to ensure that signatory cards are changed if a signatory leaves employment or changes positions.

Date of Completion: July 1, 2008

Finding 07-6

Statement of Condition: The Executive Director and two volunteers take turns opening the mail and collecting cash receipts. The Executive Director makes all deposits and posts them to the general ledger.

Criteria: Duties should be segregated so that no one individual has access to assets and the related accounting records.

Effect of Condition: There is an inadequate segregation of duties over cash receipts. The Executive Director could skim cash receipts and cover it up.

Recommendation (from audit): We recommend management develop cash receipts policies and procedures that include a two-person mail opening system and a signed daily cash receipts log. One opener should prepare and deposit the daily receipts and the other opener should give the Executive Director a copy of the signed daily log. The Executive Director should compare the daily log to the bank deposit receipts for agreement.

Recommendation (from committee): 1) The Executive Director should develop cash receipt policies and procedures which include a two-person mail opening system and a signed daily cash receipts log. One opener should prepare and deposit the daily receipts, and the other opener should give the Executive Director a copy of the signed daily log. The Executive Director should compare the daily log to the bank deposit receipts for agreement.

Date of Completion: July 1, 2008

Finding 07-7

Statement of Condition: Management did not have copies of the relevant OMB Circulars and was not familiar with their provisions.

Criteria: The Organization's grant requires that it comply with the provisions of OMB Circulars that are applicable to nonprofit organizations.

Effect of Condition: The Organization could inadvertently violate relevant provisions of the Circulars.

Recommendation (from audit): We recommend that management obtain and understand the OMB Circulars applicable to its federal program and review its policies, procedures, and operations to ensure compliance.

Recommendation (from committee): 1) The Executive Director should obtain and understand OMB Circulars applicable to its federal program.

Date of Completion: April 30, 2008

Recommendation (from committee): 2) In preparation of the policies and procedures manual, the Finance Committee and the Executive Director should ensure that these policies and procedures are in compliance with applicable OMB Circulars.

Date of Completion: July 1, 2008

Finding 07-8

Statement of Condition: Management did not have a copy of its grant agreement. Although an unsigned copy of the grant was later obtained, management could not locate an executed copy.

Criteria: Management is responsible for fulfilling the terms of its grant.

Effect of Condition: The Organization could inadvertently violate the terms of the grant.

Recommendation (from audit): We recommend that management obtain and keep fully executed copies of all grants. We also recommend that management review its policies, procedures and operations to ensure compliance with the grant.

Recommendation (from committee): 1) The Executive Director will obtain and keep fully executed copies of all grants.

Date of Completion: March 28, 2008

Finding 07-9

Statement of Condition: The Organization does not have any written accounting and financial policies and procedures.

Criteria: Section 21 of OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*, contains standards for financial management systems that includes a requirement to have written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of its award.

Effect of Condition: The Organization did not comply with Section 21 of OMB Circular 110.

Recommendation (from audit): We recommend that management purchase an industry-specific template manual to use as a basis to develop an accounting and financial policies and procedures

manual, and that the manual include provisions for complying with Section 21 of OMB Circular A-110.

Recommendation (from committee): 1) The Executive Director should purchase or assemble an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedures manual. The manual should include provisions for complying with Section 21 of the OMB Circular A-110.

Date of Completion: March 19, 2008

Recommendation (from committee): 2) The Executive Director and the Finance Committee should use the purchased template to develop a policies and procedures manual that will bring us into compliance. This manual will be presented to the Executive Committee and the full Board of Directors for approval.

Date of Completion: July 1, 2008

Finding 07-10

Statement of Condition: The Organization does not maintain a list of equipment purchased with federal funds, nor has it taken a physical inventory of such equipment.

Criteria: Section 34 of OMB Circular A-110 contains property management requirements that include maintaining complete and accurate equipment records and taking an inventory of equipment at least once every two years.

Effect of Condition: The Organization did not comply with Section 34 of OMB Circular 110.

Recommendation (from audit): We recommend that management prepare an equipment list that includes the specific information required by Section 34 of OMB Circular A-110, and that it take a physical inventory of the equipment at least once every two years.

Recommendation (from committee): 1) The Executive Director will prepare an equipment list that includes the specific information required by Section 34 of OMB Circular A-110.

Date of Completion: July 1, 2008

Recommendation (from committee): 2) The Executive Director will take a physical inventory of the equipment at least once every two years.

Date of Completion: Every two years

Finding 07-11

Statement of Condition: The Organization's construction contracts for office renovations did not include provisions for compliance with the Davis-Bacon Act.

Criteria: Appendix A of OMB Circular A-110 requires that all construction contracts of more than \$2,000 include a provision for complying with the Davis-Bacon Act and supplemental Department of Labor regulations. The Davis-Bacon Act requires that contractors and

subcontractors pay their workers wage rates and fringe benefits determined by local prevailing wages.

Effect of Condition: The Organization did not comply with the Davis-Bacon Act for its office renovation. Costs of \$79,766 are subject to disallowance.

Recommendation (from audit): We recommend that management read and understand the OMB Circulars, which reference the Davis-Bacon Act, and create an accounting and financial policies and procedures manual that includes those requirements.

Recommendation (from committee): The committee notes that minutes from the Family Justice Center Executive Committee show that three quotes were obtained by management and reviewed by the Executive Committee prior to selection of a contractor; however, documentation of those quotes was not kept by the Executive Director and consequently, neither the quotes nor a clear picture of the criteria for selection of contractor was available to the auditors. The committee accepts the statement and recommendation from the auditors, and specifically recommends that: 1) The Executive Director will read and understand the OMB Circulars, which reference the Davis-Bacon Act.

Date of Completion: May 1, 2008

Recommendation (from committee): 2) The Executive Director should purchase or assemble an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedures manual. This manual will include up-to-date information from relevant OMB Circulars sufficient to ensure knowledge and compliance with the Davis-Bacon Act and all other relevant provisions. This manual will be approved by the Finance Committee.

Date of Completion: July 1, 2008

Finding 07-12

Statement of Condition: The Organization did not document the basis of contractor selection for contracts awarded for its office renovation.

Criteria: Section 44 of OMB Circular A-110 requires documentation of the basis of contractor selection, bids, or justification for lack of competitive bids, and the basis for award on all purchases above \$25,000.

Effect of Condition: The Organization did not comply with Section 44 of OMB Circular 110 for its renovations. Costs of \$79,766 are subject to disallowance.

Recommendation (from audit): We recommend that management read and understand the OMB Circular procurement rules and create an accounting and financial policies and procedures manual that includes these requirements.

Recommendation (from committee): 1) The Executive Director will obtain, read and understand the OMB Circular procurement rules.

Date of Completion: May 1, 2008

Recommendation (from committee): 2) The Executive Director should purchase or assemble an industry-specific template accounting manual to use as a basis to develop an accounting and financial policies and procedures manual. This manual will include up-to-date information from relevant OMB Circulars sufficient to ensure knowledge and compliance with all relevant procurement rules. This manual will be approved by the Finance Committee.

Date of Completion: July 1, 2008