
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Fentress County Children's Center, Inc.
Jamestown, Tennessee**

Final Report Number: 13-11

Project Number: TN-15759

April 2013

**Prepared by
Leon Snead & Company, P.C.**



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March 29, 2013

Appalachian Regional Commission
Office of the Inspector General
1666 Connecticut Avenue, N.W.
Washington, D.C. 20009

Leon Snead & Company, P.C. has completed an audit of grant number TN-15759 awarded by the Appalachian Regional Commission (ARC) to the Fentress County Children's Center, Inc. (FCCC). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

The primary objectives of the audit were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines and best practices, including program (internal) controls, were appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and the goals and objectives of the grant were met.

Overall, FCCC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants reviewed. However, FCCC had not established written policies and procedures that met all of the federal requirements and did not always follow its established policies and procedures. The costs tested were supported and considered reasonable. In addition, the records and reports indicated that the tasks required by the grant agreement were met.

The draft report was provided to FCCC on March 11, 2013, for comments on the findings and recommendations. In response, the Executive Director stated that Center officials concurred with the recommendations and actions had been taken to correct the problems.

Leon Snead & Company appreciates the cooperation and assistance received from the FCCC and ARC staffs during the audit.

Sincerely,

Leon Snead & Company, P.C.
Leon Snead & Company, P. C.

TABLE OF CONTENTS

Background	1
Objective, Scope and Methodology	2
Results of Audit	2
Findings and Recommendations	3
A. Written Policies and Procedures	3
B. Contract Approval	4

Background

Leon Snead & Company, P.C. completed an audit of grant number TN-15759 awarded by the Appalachian Regional Commission (ARC) to the Fentress County Children's Center, Inc. (FCCC). The audit was made at the request of the ARC, Office of the Inspector General, to assist that office in its oversight of ARC grant funds.

FCCC is a non-profit 501(c) (3) corporation and is involved in providing legal, medical, and mental health services to physically or sexually abused children and providing educational programs on abuse of children and adults. Its activities are overseen by a board of directors and day-to-day operations are handled by an executive director and a staff of four employees. The main business offices and facilities are located in Jamestown, Tennessee and include private space for providing counseling to children, parents, and others receiving the services. Mental health counseling services are provided by a professionally trained staff of a private counseling firm under contract with FCCC. FCCC also contracts out the operation of its financial and accounting activities, although the executive director routinely interacts with the contractor in maintaining the records.

FCCC receives funding for its operations from a number of sources including federal and state grants, private sources, and the Fentress County government. Although it did not have a current ARC grant at the time of our audit, it received ARC funding from 2008 to 2012 and federal funds were the largest single source of income. For example, the income reported on the Form 990 submitted to the IRS in 2011 showed: \$199,497 from ARC; \$24,798 from a private trust; \$27,264 from Fentress County; and \$92,684 from two Tennessee state grants.

The two most recent ARC grant awards were covered during our audit. The first grant (TN-15759-C2) was initially awarded to provide funding for the period of October 1, 2010 to September 30, 2011, but was later extended to December 31, 2011. Its purpose was to address health care problems related to child sexual abuse primarily through providing (a) medical examinations and mental health counseling to the victims, (b) advocacy services to the children and non-offending parents, and (c) prevention education to teachers and students. The grant provided \$200,000 in ARC funds and required \$50,000 in grantee match funding. The grant had been completed and was closed by ARC with a final payment made on January 24, 2012.

The second grant (TN-15759-C3) was awarded to provide funding for the period of October 1, 2011 to September 30, 2012. Its purpose was also to address children-related health issues in Fentress County, but with an emphasis on parental chemical dependence rather than child sexual abuse. It supported providing (a) mental health counseling for chemically dependent parents, (b) victim advocacy and life-skills services to children of chemically dependent parents, and (c) prevention education for teachers and students in local schools. The grant provided \$150,000 in ARC funds and required \$37,500 in grantee match funding. The grant had been completed and was closed by ARC with a final payment made on November 30, 2012.

Objectives, Scope and Methodology

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant requirements; (2) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the project, the accounting system, and operating procedures. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We reviewed a sample of costs charged to the project to determine whether the charges were properly supported and allowable. In that regard, we sampled and tested \$138,776 from the total of \$350,000 in expenditures reimbursed to FCCC on the two closed grants to determine whether the charges were adequately supported and allowable. We reviewed the applicable administrative procedures and related internal controls to ensure they were adequate to administer the grant and funds. We also reviewed the most recent Single Audit report to determine whether there were any issues that impacted the ARC grants.

The primary criteria used in performing the audit were the specific grant terms and requirements, applicable Office of Management and Budget Circulars and relevant parts of the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of February 11-20, 2013, including on-site work at the FCCC offices in Jamestown, Tennessee. The audit results were discussed with the FCCC executive director at the conclusion of the on-site visit.

Results of Audit

Overall, FCCC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants reviewed. However, FCCC had not established written policies and procedures that met all of the federal requirements and did not always follow its established policies and procedures. The costs tested were supported and considered reasonable. In addition, the records and reports indicated that the tasks required by the grant agreement were met. The issues relating to the FCCC written policies and procedures and our recommended corrective actions are discussed in the Findings and Recommendations section of the report.

FINDINGS AND RECOMMENDATIONS

A. Written Policies and Procedures

FCCC did not have written policies and procedures in place to address some of the requirements in OMB Circular A-110. Therefore, it was not fully complying with the ARC grant requirements.

The ARC grant agreement (General Provisions, Article 1) requires each grant to be administered in accordance with applicable federal requirements as determined by the type of grantee involved. FCCC is a non-profit organization and is therefore subject to the administrative requirements in OMB Circular A-110 covering many operational aspects such as procurement, accounting and financial management, equipment management, and reports and records.

The FCCC written policies and procedures did not refer to the OMB Circular A-110 as being applicable to the FCCC operations for grant activities or contained specific policies and procedures necessary to comply with some of the requirements. For example, A-110, section 44, requires all grantees to have written procurement policies and procedures to ensure an effective procurement process is in place. This would include a process that ensures unnecessary purchases are avoided, non-competitive purchases are minimized and fully justified when necessary; steps are taken to ensure a fair and reasonable price is obtained; and important aspects of each procurement transaction are adequately documented in the FCCC files.

In addition, section 42 of A-110 requires grantees to have a written code of conduct that applies to individuals involved in the selection, award, or administration of contracts to help avoid potential conflicts of interest. FCCC had a written Business Ethics and Standards of Conduct, but it was not specific enough to meet the requirement for a written procurement code of conduct. Likewise, there were no written procedures governing equipment management, as described in section 34 of A-110. As a result, FCCC was not maintaining the kinds of equipment records required in that section for the equipment items purchased with ARC funds under the grants - a vehicle and some specialized medical equipment.

At the exit conference, the executive director indicated that she understood the issue and would work with the executive committee to update its policies and procedures.

Recommendation

Prior to receipt of any additional federal funding, FCCC should update its written policies and procedures to fully address the requirements in OMB Circular A-110.

B. Contract Approval

FCCC awarded three contracts for professional services that had not been properly approved and signed prior to the awards.

FCCC's written policies and procedures (Fiscal Policy, section F) require all agreements, which obligate FCCC resources to be approved and signed by two members of the executive committee. We consider this a good FCCC policy and believe it represents an effective internal control to help ensure proper management actions are taken and resources are effectively utilized.

We identified two contracts for accounting-related services (Linder and Beckman) and a contract for professional mental health counseling services (The Source Solution) that had costs charged to the ARC grants. We noted that each contract had only the signature of the FCCC executive director. There was no second FCCC signature as required by its policies and procedures. The executive director attributed this issue to a lack of familiarity with the established policies and procedures.

Although the three contracts did not fully comply with the established policies and procedures, we are not questioning the costs charged to the ARC grants because we verified that the related invoices sampled and tested were properly reviewed and approved. Nevertheless, we believe management action is needed to ensure future contracts for which costs will be charged to ARC grants are properly approved and signed consistent with the FCCC policies and procedures.

At the exit conference, the executive director indicated that she understood the issue and would work with the executive committee to address the issue.

Recommendation

Prior to receipt of any additional federal funding, FCCC should implement controls to ensure all contracts are approved and signed by two executive committee members in accordance with its established policies and procedures.

Grantee Response

The Executive Director of the Fentress County Children Center indicated agreement with the findings and stated that steps have been taken to correct the problems. The Executive Director provided a copy of the center's policies, recent approved by its Board of Directors, that address the acquisition of goods and services and business ethics and code of conduct. Copies of the policies are enclosed.

Auditor's Comments

The findings are addressed adequately in the Center's new policies on procurement and business ethics and the actions taken by the grant recipient are sufficient to resolve the recommendations.

Leon Snead Company

Subject: FW: Audit of ARC grant TN-15759
Attachments: P&P Procurement Policy F2.docx; Fiscal Policy.docx; Business Ethics C1.docx; Equipment Management F3.docx; Executive Board Meeting March 28,2013 Agenda 2013.doc

From: Lisa Roysdon [mailto:cacfentress@twlakes.net]
Sent: Wednesday, April 03, 2013 3:32 PM
To: 'Leon Snead & Company'
Subject: RE: Audit of ARC grant TN-15759

I again apologize for not getting you the information sooner. We are running on a very small staff at the present time and when emergencies with clients arise they must become our first priority. I have attached the corrective actions that we have taken at the FCCC.

For Findings under written policies the FCCC has established a written Procurement Policy (I also included the Fiscal Policy in the Attachments) enlarged the Business and Ethics Policy and has established a written Equipment management policy. Also attached is a copy of the Executive Board Agenda showing that each month new contracts will be discussed at the board meeting and proper signatures will be gather at that time.

Please let me know if additional information is needed.

Lisa Roysdon
Fentress County Children's Center

From: Leon Snead & Company [mailto:leonsnead.companypc@erols.com]
Sent: Tuesday, April 02, 2013 9:01 AM
To: 'Lisa Roysdon'
Subject: RE: Audit of ARC grant TN-15759

Lisa:

This is just to inquire of the status on the Boards action to approve the corrective actions. Is it possible to get a copy by the COB today? Thanks

Leon Snead
301-738-8190

From: Lisa Roysdon [mailto:cacfentress@twlakes.net]
Sent: Thursday, March 28, 2013 10:46 AM
To: 'Leon Snead & Company'
Subject: RE: Audit of ARC grant TN-15759

I am having an Executive BVoard meeting today March 28,2013. I would like to get the Boards input before sending the corrective actions to you. I will be out of the office on Friday but I will try to have everything to you by Monday , April 1,2013.

Lisa



Subject:	Originally Issued	Latest Revision	Page	No.
Procurement Policy	04-18-13			

I. **Purpose and Description**

To establish the policies and procedures of the Fentress County Children's Center (FCCC) concerning the acquisition of goods and services. FCCC's procurement policies and procedures are designed to ensure timely, efficient, and economic procurement, within the guidelines of good business practices. Unless stated otherwise, these policies and procedures will apply to all procurement actions irrespective of funding source and payment method. All purchases and procurements shall be reasonable and necessary (i.e., no unnecessary items shall be purchased).

As a non-profit organization and a recipient of federal grants, FCCC will adhere to and incorporate into its policy manuals, the following OMB Circulars:

- A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
- A-122, Cost Principles for Non-Profit Organizations.
- A-133, Audits of States, Local Governments, and Non-Profit Organizations.

A. Procurement Responsibilities

It is the responsibility of the Executive Director to ensure the implementation of the policies and procedures.

In accordance with Fiscal Policy (See Policy F), the Executive Director has been authorized to write and sign checks drawn against the accounts of the FCCC, for the following administrative purposes:

- payment of contractors with whom the Board of Directors has negotiated a contract, provided that the contractors have performed the work to the satisfaction of the Board;

- payment of on-going or regularly recurring expenses of the organization, including, but not necessarily limited to, monthly rent, telephone charges, utility charges, and equipment rental fees;
- purchase of office supplies, postage, and other expendable items, as required;
- payment of salaries to any and all employees of the FCCC, as authorized by the Board of Directors;
- reimbursement of expenses incurred by FCCC employees, members of the Board of Directors, and any others, in performance of duties directly related to the work of the FCCC, provided that proper documentation is supplied;
- purchase of equipment necessary for the operation of the FCCC offices, including, but not limited to, facsimile machine, computer systems, copy machines, and office furniture; and
- any other incidental purposes as may arise for the orderly operation of the FCCC offices.

II. Scope

This Policy applies to the Fentress County Children's Center (FCCC)

III. Effective Date

The policy statement is effective as of April 18,2013.

IV. Policy and Procedures

Purchase of goods or services \$0 - \$2,499

1. Approval from Executive Director to indicate price reasonableness.

Purchase of goods or services \$2,500 – \$4999

1. A competitive process is required. A minimum of three verbal quotations must be requested and documented.
2. In the event that the lowest bid is not selected, or if only one quote is received, Executive Director is required to document price reasonableness.

Purchase of goods or services \$5000 and above

1. A competitive process is required. A minimum of three written quotations must be requested and documented.
2. In the event that the lowest bid is not selected, or if only one quote is received, Executive Director is required to document price reasonableness.

Sole source purchase of goods or services \$2,500 and above

1. When a competitive bidding process is impractical because only one product/service will meet the need and that one product/service is only offered by one vendor, justification for a sole source purchase must be documented.
2. Price reasonableness must also be demonstrated and documented prospective vendors, contractors, or consultants.

V. Code of Conduct

FCCC requires full and open disclosure when dealing with procurement. As such, FCCC employees and members of the Board of Directors must avoid strictly any conflict of interest or the appearance of a conflict of interest. FCCC employees and the Board of Directors must at all times provide full disclosure of their actions or relationships with prospective vendors, contractors, or consultants.

1. FCCC Employees. FCCC employees shall not engage in conduct resulting in a real, potential, or apparent conflict of interest. A conflict of interest may arise when any action by a FCCC employee, whether isolated, recurring, or continuous, is to the direct financial advantage of this employee, of their spouse, parent, or child. Employees shall not participate in the selection, final choice, or management of a contract, covered by donor funds, if a real, potential, or apparent

conflict of interest would be involved. Such a conflict of interest would arise when any employee or any member of their family, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm/organization selected for a final contract. FCCC employees shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, sub-recipients, parties of project contractors, or entities regulated by its member states. As appropriate, either the Executive Director or the Board of Directors will be responsible for determining the disciplinary action that will be imposed for any conflict of interest violations.

2. Members of the Board of Directors. The Board of Directors shall not engage in conduct resulting in a real, potential, or apparent conflict of interest. A potential conflict of interest may arise when action by a Board member, whether isolated, recurring, or continuous, is to the direct financial advantage of this individual, or their spouse, parent, or child. As appropriate, the Board of Directors will be responsible for determining the disciplinary action that will be imposed for any code of conduct violations.



Subject:	Originally <u>Issued</u>	Latest <u>Revision</u>	<u>Page</u>	<u>No.</u>
<i>Governing Equipment</i>	12-01-05	04-18-13		F3

I. Purpose and Description

To develop and maintain a property accounting system that accounts for all property.

II. Policy

(1) Equipment records shall be maintained accurately and shall include the following information.

(i) A description of the equipment.

(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

(iii) Source of the equipment, including the award number.

(iv) Whether title vests in the recipient or the Federal Government.

(v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.

(vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).

(vii) Location and condition of the equipment and the date the information was reported.

(viii) Unit acquisition cost.

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

(2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.

(3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

(4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

(5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

(g) When the recipient no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the Federal awarding agency. The Federal awarding agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that

agency, the availability of the equipment shall be reported to the General Services Administration by the Federal awarding agency to determine whether a requirement for the equipment exists in other Federal agencies. The Federal awarding agency shall issue instructions to the recipient no later than 120 calendar days after the recipient's request and the following procedures shall govern.

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the recipient's request, the recipient shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the recipient shall be permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for the recipient's selling and handling expenses.

(2) If the recipient is instructed to ship the equipment elsewhere, the recipient shall be reimbursed by the Federal Government by an amount which is computed by applying the percentage of the recipient's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the recipient is instructed to otherwise dispose of the equipment, the recipient shall be reimbursed by the Federal awarding agency for such costs incurred in its disposition.

(4) The Federal awarding agency may reserve the right to transfer the title to the Federal Government or to a third party named by the Federal Government when such third party is otherwise eligible under existing statutes. Such transfer shall be subject to the following standards.

(i) The equipment shall be appropriately identified in the award or otherwise made known to the recipient in writing.

(ii) The Federal awarding agency shall issue disposition instructions within 120 calendar days after receipt of a final inventory. The final inventory shall list all equipment acquired with grant funds and federally-owned equipment. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar day period, the recipient shall apply the standards of this section, as appropriate.



Subject:	Originally	Latest		
FISCAL POLICY	<u>Issued</u>	<u>Revision</u>	<u>Page</u>	<u>No.</u>
	12-01-05			

I. Purpose and Description

As outlined in the Bylaws of FENTRESS COUNTY CHILDREN'S CENTER, this fiscal policy is the initial document requiring the creation of policies and procedures necessary to assure that the corporation shall have sound financial controls that are appropriate, under generally accepted accounting principles, to its size and purpose.

The policies and procedures required by this fiscal policy will be developed by the Executive Committee and submitted to the Board for approval. At a minimum, these procedures are intended to govern the signing of checks; the obligation of funds; approval of contracts, leases, deeds and mortgages; and other significant aspects of the organization's fiscal operation.

II. Scope

This policy applies to FENTRESS COUNTY CHILDREN'S CENTER (the "Company").

III. Effective Date

This policy statement is effective as of December 7 2005.

IV. Policy and Procedures

The Treasurer in association with the Executive Director is responsible for employee compliance with the Company's Fiscal Policy.

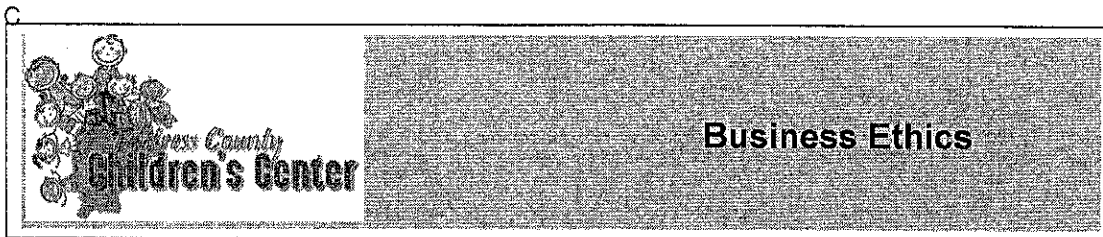
AGENDA
Fentress County Children's Center
Executive Board Meeting
Date: March 28, 2013

Opening Prayer:

- I. Call to Order/Opening Remark**
- II. Approval of Agenda**
- III. Approval of Minutes**
- IV. Financial Report**
- V. Director's Report**
 - ✓ Grant Report
 - ✓ Approval of Contracts
- VI. Old Business**
 - ✓ Harlem Ambassadors
- VII. New Business**
 - ✓ Training Expense
 - ✓ Cleaning of Center
 - ✓ Child Abuse Prevention Month
 - ✓ Closing for Good Friday
 - ✓ ARC Audit
 - ✓ A.P.S

Adjournment

Our next meeting will be April 18, 2013 at 12:00pm



Subject:	Originally Issued	Latest Revision	Page	No.
<i>Business Ethics and Code of Conduct</i>	12-01-05	04-18-13		C 1

I. Purpose and Description

The reputation of Fentress County Children's Center Inc. (the "FCCC") as a fair, reputable and honest organization can only be maintained if all of its employees, officers and directors adhere to high moral and ethical standards in conducting business. Establishing and maintaining the trust and confidence of all clients, creditors, customers, suppliers, vendors and governmental agencies, is of paramount importance to the FCCC. In order to do so, the FCCC has adopted this Code of Ethics (the "Code"). The purpose of this Code is to document and govern the basic standards and principles that the FCCC has adopted to promote honest and ethical business conduct by and among its directors, officers and employees, and to reasonably deter wrong doing and inappropriate or illegal acts.

II. Policy

BUSINESS CONDUCT

The FCCC's directors, officers and employees shall conduct themselves in a fair, ethical, legal and honest manner. In conducting the FCCC's business, trust and integrity must be a corner stone in all of the business dealings and relationships these individuals establish with clients, customers, vendors, competitors, governmental officials, communities, the media and the general public, as well as each other. The FCCC's directors, officers and employees shall not engage in conduct or activity that could raise questions as to the Company's honesty or reputation or otherwise cause embarrassment to the FCCC or its donors. There should be careful observance of laws and regulations, as well as high regard for appropriate standards of conduct and personal integrity.

While it is impracticable to describe every improper act or practice, the FCCC deems the following standards of conduct to be particularly important:

A. Use of Company Assets

The FCCC's directors, officers and employees are responsible for the proper and efficient use of the Company's physical resources and properties, as well as its proprietary information. The FCCC's offices, equipment, supplies and other resources may not be used for personal use or activities that are not related to the employment or responsibilities of its directors, officers and employees, except for any activities that have been approved in advance by the supervisor.

B. Competition and Fair Dealing

The FCCC will compete fairly and honestly, and will seek competitive advantage through superior performance and not unethical or illegal business practices. Each director, officer and employee will respect the rights of and deal fairly with the FCCC's clients, suppliers, competitors and each other. No director, officer or employee shall take unfair advantage of anyone through manipulation, concealment, or abuse of privileged information.

C. Confidentiality

Employees, officers and directors must maintain the confidentiality of information entrusted to them by the FCCC or its customers, except when disclosure is required by laws. Whenever possible, directors, officers and employees should consult with the FCCC counselor or director if they believe they have a legal obligation to disclose confidential information. The obligation to preserve confidential information continues even after employment ends.

D. Payments to or from Customers or Vendors

No effort may be made, directly or indirectly, to improperly influence any client, supplier or vendor of the Company. A director, officer or employee may not accept or provide a gift, favor or entertainment to a grantor, vendor, or other person or organization in connection with the FCCC's business unless all of the following criteria are met: (i) it is reasonable and not excessive in relation to customary industry practices; (ii) it cannot, in the circumstances, be reasonably construed as a bribe, payoff or kickback; (iii) public disclosure of it would not embarrass the FCCC; (iv) the item is consistent with the normal and accepted business ethics of the industry and country in which it is provided; (v) it does not violate the laws of the United States or the country in which it is provided; and (vi) it is not in the form of cash or cash equivalents.

E. Political:

No corporate funds, merchandise or service may be paid or furnished, directly or indirectly, to a political party, committee, organization, political candidate or incumbent, government official or government employee.

F. CONFLICT OF INTEREST:

The FCCC's directors, officers and employees have an obligation to be loyal to the best interests of the Company and, therefore, should avoid any actions or affiliations that may involve, or appear to involve, a conflict of interest with the Company. Directors, officers and employees should not have any financial or other business relationship with suppliers, customers or competitors that could reasonably be expected to impair, or even appear to impair, their independence or cloud any judgment they may need to make on behalf of the Company.

G. COMPLIANCE WITH LAWS AND REGULATIONS: All directors, officers and employees shall comply in all material respects with all laws, rules and regulations applicable in the country, state and local jurisdictions where the Company's business is conducted.