

Staff Response to Non Confidential Audit Committee Report

Issue: Management bonuses related to the booking of the bequest into 2014 vs. 2015

Staff: As explained previously the proper treatment is to book the bequest in 2015 not 2014. This treatment was approved by the treasurer with backing of the chair and the auditor based on GAAP and sections 116, 117, and 124 of the Financial Accounting Standards and ASC-958 as explained in the memo sent to LNC private email addresses.

Bonuses were recalculated and both the ED and PD repaid the overages. There is currently no over paid bonus needing to be repaid.

Issue: Moving expense paid back in 2013

Staff: First, this was already debated and dealt with during the 2013 audit and the focus should now be on 2014 issues and not rehashing issues brought up with prior board and chair hoping for a different outcome with a new board or chair. That said – the expenses were binding and authorized by the chair at the time and booked properly based on prior discussions with the audit committee chair on how to handle moving expenses.

Issue: Allocating payroll (functional allocation of expenses)

Staff: We have previously explained in the last several meetings how it is almost impossible to accomplish what the audit committee chair wants unless the LNC directs us to spend more time on allocating our time instead of actually doing the work of the party. Most of us (Wes, Casey, Nick, myself) are really “administrative” - so per the ED’s policy we are now allocating all of our time that way. Carla’s time is now mostly split between membership communications and campaign/candidate support. Our contractors are booked in the areas they are doing work in such as fundraising, ballot access, branding, etc.

Issue: Timesheets

Staff: As previously explained the OD and ED reviews these every pay period (every 2 weeks). The ED then signs off on each and every payroll which includes the timesheets. Staff has informed the chair of the EPCC of some of the issues brought forth by the audit committee and will work with the chair of the EPCC to resolve any additional problems related to the wording in the draft employee manual and if anything in the policy manual needs to be updated to actually conform to how business is done at LPHQ.

Issue: Equipment Acquisition

Staff: The process of signing leases has gone unchanged over the last 11 plus years. Staff considers leases without large buyouts or balloon clauses as an on going monthly expense all of which are well within permissible limits and are committed with permission/approval of the ED. This issue has also come up over the years with the audit committee and the

chair(s) at the time as well as prior boards did not see this as a problem that needed to be addressed via policy.

Photo of copier in question:



Photo of Postage Meter:



Photo of typical outgoing mail and packages for the day (if anyone thinks we can print and post this kind of volume without the help of a commercial printer and meter then please volunteer to work a day in Casey's shoes and try to do this via stamps and my HP Laser Printer):



Typically, we have been replacing our copier and postage meter every three years and often we've received a better machine for less money. Each time the company supplying the equipment has "bought out" the prior lease which is typical. In essence we are "renting" the copier and postage meter – and just like with the office it is often more expense to rent then own. However, cash flow wise - often renting may be a better solution.

Issue: Audit Committee Role

Staff: As you read the auditor's documents they refer to something about "management" and the "board" determining policy not the audit firm nor the audit committee or other outsiders.

Here is a general guideline about an audit committee's role from KPMG:

https://www.kpmg.com/RU/en/topics/Audit-Committee-Institute/Publications/Documents/toolkit/4_Creating%20an%20effective%20audit%20committee.pdf

The key is this: "The audit committee mandate should only empower the committee to make recommendations to the board and not to make decisions in its own right."

During this audit – and the last couple prior audits – the audit committee went well beyond its role as outlined in our policy manual and bylaws – and the role that most audit committee's play. Often going against the policies and decisions of the Treasurer and Chair and often heavily editing the actual audit including the financials and notes which degrades the results and the bylaw requirement for a neutral 3rd party audit.