

Chair's Report
Libertarian National Committee, Inc.
September 21, 2002
Geoffrey J. Neale, Chair

In my first report to the LNC, I want to try to bring you up to date on much of what I've been working on since the Convention. This report may very well be longer than subsequent reports. I intend to try to illustrate some of the ways in which I work, so you'll better understand how I do things. In the future, I'm hoping that you'll come to accept the approaches I use, and accept a little less of a report, focusing more on what, not how.

I have received several requests over the last few days for information on subjects that are being included in this report. Part of the principle of board management is the reliance upon dependable, timely reports. In the future, I want you to rely on my reports because they will be timely and dependable. My ability to perform tasks is greatly reduced if I take time to answer individual queries on subjects I'm already going to be reporting on. I've tried to be amenable to this point, but I will need your help to be more effective.

Therefore, if the LNC wishes me to provide interim updates on what I'm doing, I'd like the LNC to decide what that frequency is, and I'll be happy to comply with it (provided it's reasonable – I'm not starting a daily news service). Then I'd like the LNC to allow me to produce the report as my standard way of communicating my actions with you.

Office Visits

I have had the opportunity to make two visits to the National Office since the Convention. The first was from July 15 through July 17, (with Deryl Martin), and from August 5 through August 7.

The first visit was primarily to audit the Accounts Receivables, but I also spent some time getting up to speed with many other things.

The second visit was to audit employee records, and continue getting up to speed.

All items of significance will be detailed in the following sections.

My next scheduled visit to the National Office will be on September 14, for the purpose of interviewing the final candidates for the LP News editor position.

Chair's Report to the September 21, 2002 LNC

LP News Editor

At the last LNC meeting, I reported that I had negotiated an arrangement by which Bill Winter would serve as a consulting editor until a replacement could be found. He was to be paid the equivalent of half-pay, be subject to all the terms of behaviour and relationships as stipulated in the employment contract, for three months minimum, with three one month extension options. Sorry, folks – that contract has been renegotiated.

Had this contract gone into effect, we would have been obligated to pay Bill Winter his accrued untaken leave, which would have amounted to some 6 months of pay. That is a position we would have been unable to deal with financially.

Steve Dasbach made the most excellent suggestion that we retain Bill on the payroll, change his status to half-time salary, yet still give him full paychecks by using a portion of his unused accrued leave to make up the difference. By doing this, Bill is no longer accruing any new leave, and is reducing his unused balance while performing the duties of LP News Editor. This also removed our requirement to pay his unused leave in July. Instead, it will become due once his contract is non-renewed.

One important note: Bill Winter has stated his intention to waive a portion of his accrued leave, rather than requiring payment in full. I have thanked him for his generous offer.

The search for a new LP News Editor began with a publication in the LP News of the opening, and the invitation to submit for the position. Ads were also placed with Monster.com. The ad copy was shown to me for my approval, and I found it to be appropriate, and approved it. The ad was placed in the August edition of LP News.

Since that time we have received quite a few submissions. I personally reviewed most of the submissions. The group of candidates was reduced to the four most favorable candidates, who have all been invited to interview. All have confirmed, and will be interviewed by myself, Steve Dasbach and Bill Winter on September 14. After interviewing the candidates, and heeding the advice of Bill and Steve, I will make a decision regarding the candidates.

For your information, the four finalists are:

- *[deleted – see below]*; former Staff Writer and Editorial Page Editor for the *[deleted]*;
- *[deleted]*; owner of a publication editing, design and layout business; former *[deleted]* Editor.
- *[deleted]*; Editor in Chief of the *[deleted]* (*[deleted]* student newspaper).
- *[deleted]*; Publisher and Editor of *[deleted]* Magazine.

Should a candidate be found acceptable, I intend to begin negotiations over terms immediately, but will not make a final choice until consulting with the LNC as a whole. I

Chair's Report to the September 21, 2002 LNC

will be instructing the ED to bring along all applications for the position to the LNC meeting, should any of you wish to review the submissions. I will not be having staff make copies of any of the submissions for your retention because of the unreasonable cost to do so. This should be your primary opportunity to review this process, and you are free to direct any questions to me regarding the process.

Please keep the names of the final four confidential for just one simple reason: these people all have current employers, and publication of these names could compromise their employment. That would just not be a cool thing to do for the ones we reject.

Staff Issues

Steve Dasbach's contract expired on July 31, 2002. During my July visit, I renegotiated his contract to a month-to-month contract, with a mutual two-month notice clause.

I have the authority to negotiate his contract without input from the LNC, but that would not be wise, would it? I let Steve know that I was not going to either renew or not renew until I had the opportunity to consult with the LNC as a body. This issue will be raised at the LNC meeting.

I have reviewed the employee files at the National Office, and found them to be pretty much in order. There is evidence of regular employee reviews, though I feel the rating of employees tends to be a little too much towards favorable reviews for my general liking. I feel satisfactory is the most general rating that should be given to staff. Less favorable indicates a problem area, and more favorable should be reserved for people that deliver extraordinary results. Exemplary ratings should be reserved for the 99th percentile type individuals. Overall, however, this is a minor point, and can be taken in reference because the ratings tend to be consistent, and still allow judgment of relative value to the organization.

I have reviewed and made recommendations regarding our vacation/leave accrual policies, which will be distributed separately.

Some other issues will be raised at the LNC meeting due to the fact that they are still "works in progress", and involve issues of confidentiality that I think are most appropriate to reserve until the LNC meeting.

Software

I spent some time reviewing the state of current software, and of software needs, and have the following to report:

Our current accounting software is inadequate for several reasons. First, it is a version that is no longer supported, and the cost to upgrade to a supported version is, in my opinion, excessive. In fact, the cost of upgrading would exceed the cost of converting to a different package. Second, the reporting capabilities are limited. Third, it is a single

Chair's Report to the September 21, 2002 LNC

user version, and I believe moving to a multiple user version is most definitely indicated, based upon current usage patterns, and for our capacity to upscale our operations.

After reviewing requirements, and talking to accounting professionals, I have not only recommended but directed staff to purchase a five user version of Quickbooks. The total cost for this is \$950. I have lined up a "pro-bono consultant" to provide conversion services. All that is left for us to do is to actually plan and execute. Once I have received a copy of the purchased software, we will begin this process.

As part of this process, Bill Hall drew me up a confidentiality agreement to be used with volunteers who may have access to significant portions of our data, such as my "pro bono consultant". In fact, he has stated that he will not help me unless he gets one to sign, because it in fact clearly states what levels of confidentiality are expected of him.

Our membership database definitely requires replacement. In order to provide lower costs and improved service capabilities to not only the National Office, but to state and local affiliate as well, we need to migrate to a web based application that allows significantly improved functionality.

Staff had already selected "Riaser's Edge" as the best choice for this purpose. I reviewed the package, and also checked some 30 other software packages available on the market for this purpose. In my opinion, staff's recommendations are solid – "Raiser's Edge" is the best solution for our needs.

Now our only question is how to proceed with purchase and implementation. It is my intent to attempt to raise funds specifically for this purpose. The initial cost estimate from BlackBaud is approx. \$128,000. One recommendation is to pay over five years via a commercial lease. The Treasurer and I are both reticent to do this because it would increase our monthly obligations by \$3,000. I prefer a phased installation of the product, through direct purchase and "pay as you go" financing. Through phased installation and training, and the judicious use of consultants, I believe we can make significant reductions in the cost of this installation. However, until we have a better picture of our financial situation, which must rely on LNC review, I cannot estimate an installation plan for this product.

Accounts Receivable

Although the Treasurer's report stated the situation of the A/R, I wanted to go into a little more detail to outline to the LNC the processes we used, and the data we tested for, in auditing the A/R. Please be clear that I will try to mention things we checked on, not assumptions we made. We checked on suspicions. Any mention of these suspicions should be clearly understood to be just that – suspicions that either turned out to be true – or not.

Chair's Report to the September 21, 2002 LNC

By nature, the A/R situation required a "high elevation" look that lead us into more detailed examination of specific data. We started by looking at the July 7th A/R aging report, and trying to spot glaring issues. We decided to start by looking into the accounts with current activity that were most in arrears.

As of that date, the current accounts with the most due were (in descending sequence): Alana Friedman, Eli Israel, and Carla Howell.

It turned out that Alana Friedman, at that point, did owe us \$4,000 for ads that had already been printed, Eli Israel owed \$2,100 for three ads, and Carla had a balance of approx \$1,500 due.

Alana Friedman has since brought her outstanding amount down significantly.

The ads for which Eli Israel was billed were one for his Chair race, and two for the Massachusetts Convention. It has since been determined that two conditions related to Eli's balance. His ad was paid shortly after our visit, and the two ads for the Massachusetts Convention were supposed to be billed directly to LPMA, but were not. They have also been paid in full as of this report. However, by combining two LPMA ads with his own, Eli Israel negotiated a rate for these ads that LPMA would not have gotten had the ads been booked directly. It is the opinion of the Chair and the Treasurer that price reductions should not be awarded by combining two advertiser's orders.

The very next day we received a check from Carla Howell which brought her balance down significantly. Subsequently, it was determined that most of the remaining balance had been for ads that were billed, cancelled, and never credited.

The Treasurer and I, although not suspicious ourselves, thought it would be wise to verify that no favorable conditions had been granted to any candidates for internal office. Therefore, we searched through every issue from August of 2001 through July of 2002, and listed every ad for internal office. We then checked against the A/R detail register. Only four individuals placed ads during that period. They were: Carol Moore, George Phillis, Eli Israel and myself. We found that only Eli Israel arranged for a "pay as you go" option (which is available to all advertisers). The other three paid in advance for their entire run of ads. We did have a significant difficulty in locating the payment for George Phillis, because he did not show any payments made. It was determined by us that the ads were paid for by Lois Kanashiki. There was only one incongruity relating to the ads. One candidate had five ads in the LP News, yet only paid for four. It was yours truly. My first ad was of such unsufferable print quality that Bill Winter offered a small additional ad at no cost as compensation. We have been told that this is standard policy. One of the invoices for Eli Israel was dated March 28, for the March issue. Our policy is that the billing date be two months prior to the issue date, that the amount is due in full one month prior to the publication date, yet this invoice was dated 28 days after the publication date. We then check all other invoices for the March issue and determined that all invoices for that issue were dated on March 28. In short, we concluded that no special treatment was given to any candidate for internal office.

Chair's Report to the September 21, 2002 LNC

While looking through detail for all accounts, we noticed some other incongruities. One was that Spear Lancaster showed as being 120 days past due for on of his ads. We determined that the error was due to the fact that the wrong invoice date had been entered. It showed February 28th, but should have shown June 1. He has paid this balance in a timely manner, and should never have been shown as past due 120 days.

I could continue, but I especially wanted to just let you all know that we attempted to diligently search for signs of impropriety. We did not find any. What we found instead was bad accounting practices. These Deryl has addressed in his report, so I will not.

Since then, we have moved significantly towards cleaning up the A/R. It is the opinion of myself and the Treasurer that we must develop a bad debt write-off policy, and further reduce some of the "deadwood" from the A/R report. We cannot continue to show A/R as an asset if we have no expectation of collecting. This is a discussion I intend to get into at the LNC meeting.

Development

I have made myself available to the Development Director to aid in personal appeals to major donors. As part of this effort, I will be paying a personal visit to a major donor in the Dallas area on September 12. I intend to play as active a role in our relationships with major donors as possible, making myself available to those who dig deep into their pockets for the cause.

Disclaimer

Since this is my first report to the LNC, please forgive me if I've overlooked some point I should have reported to you. I will issue an addendum to this report based upon your input, requests, questions, etc. Please try to get these to me within a week.