

SPECS-UG Audit Committee Report – **Draft of 3/6/18 for review**

Date: 6 March 2018
To: Marc Roddin, President SPECS-UG
Subject: SPECS-UG Audit Committee Report

On 7 February 2018, SPECS-UG President Marc Roddin asked Rick Van Mell, KI6PUR, & Phil Henderson, KF6ZSQ, to perform an audit as required in the SPECS-UG Bylaws, Article 7 Finances, Section 4. Both Phil and Rick are SPECS-UG members, but neither of them were members of the Board or involved in any financial transactions of the organization during any part of the period audited.

In preparation for the Audit, the Audit Team reviewed the SPECS-UG Articles of Incorporation, Bylaws and Memorandum of Understanding with SPECS-RA as posted on the specsnet.org web site. The objective was to see what these documents required so that the review could determine if the requirements were being met.

The Audit Team conducted two meetings, both at Treasurer Patrick Muffler’s home in Palo Alto. The meeting on 25 February 2018 was conducted between 1400 and 1630, and the meeting on 4 March between 1430 and 1545.

In summary, the review concluded that the financial records were consistent with the Financial Report presented at the Annual Meeting on 20 January 2018, and agreed with the Bank of America and PayPal statements as of December 31, 2017. The review also determined that some current practices were not consistent with the controlling documents, and two minor expenses were not supported by appropriate receipts.

Where current practices were not consistent with the documents, and after discussion with the Treasurer, we either recommend following the required practice, or recommend a change in the documents. Since some document changes should be made, we also included numerous “housekeeping” recommendations for consistency and clarity.

The following pages contain our detailed observations and findings, and either *a specific recommendation for a document change* (shown in italics) or a recommendation for action by someone or further discussion among the SPECS-UG Officers. The recommended document changes are incorporated as marked-up changes in the accompanying Word versions of the Articles of Incorporation and the Bylaws. Also attached are clean copies of both documents restated with the recommended changes.

The Audit Team would like to thank Patrick Muffler for his complete and candid cooperation, and additional input from Training Officer Paul Goldstein and Dave Platt from SPECS-RA. We look forward to discussing our review with you and the Board as appropriate.

Phil Henderson, KF6ZSQ

Detailed Observations, Findings & Recommendations

One of the first observations, before the initial meeting, was that the Memorandum of Understanding posted on the SPECSNET.ORG web site was out of date. The current active document was located, and the web site was updated.

Another observation was that the Memorandum of Understanding between the Southern Peninsula Emergency Communications System Repeater Association (SPECS-RA) and the Southern Peninsula Emergency Communications System Users Group (SPECS-UG) clearly identified each entity throughout the document. The current SPECS-UG Articles of Incorporation and Bylaws, while being specific in their titles, were not specific in the text of the documents. *We recommend updating both documents with "SPECS-UG" where appropriate.*

We noted that "Board of Directors" was sometimes capitalized and sometimes not. *We recommend using capitalized "Board of Directors" or "Board" throughout.*

We noted that the format of "Articles" and "Sections" being aligned together is harder to read than indented "Sections" under "Articles." *We recommend indenting "Sections" under "Articles."*

SPECS-UG Articles of Incorporation Review

As noted above, *we recommend using the name clarification "SPECS-UG" throughout.*

Article 5 Board of Directors, Section 5, *We recommend revising the last sentence to, "The Repeater Liaison, a person designated by the Southern Peninsula Emergency Communication Repeater Association (SPECS-RA), shall be an ex officio member of the Board and shall have the voting privilege."* to more specifically define the position.

There is no mention of, or provision for establishing, "Directors-at-Large" in the Articles of Incorporation. The Bylaws create these positions and include them as members of the Board of Directors, but they are not elected by the membership, cannot be removed by the Board of Directors, and have full voting rights. Mathematically, there could be 6 Directors-at-Large if all of the Officers were from 1 city, or 5 Directors-at-large if Officers were from 2 cities. Thus the unelected Directors-at-Large could constitute both a quorum for a meeting and a majority vote. While this is not likely, a discussion of how and why "Directors-at-Large" were created and their rights in the organization could lead to a clarification of their role and an update in the appropriate documents. We include, at a minimum, recommended changes in the Article of Incorporation and Bylaws to remedy this potential situation.

One recommendation would be to add to the end of Article 5 Board of Directors, Section 1, "The Board, with membership approval, may establish additional Director positions."

See also related Bylaw change recommendations for Article 4 Board of Directors, Section 7, Article 9 Meetings, Section 6 and Article 10 Elections, Section 1.

SPECS-UG Bylaws Review

In addition to the noted name clarification to “SPECS-UG”, the following was observed:

Article 3 Membership, Section 1, As noted above we recommend capitalizing “Board of Directors” and “Board” throughout as a specific term as defined in the Articles of Incorporation.

Article 3 Membership, Sections 4 & 5, We recommend removing “registration fee” as there has not been one in recent years. Do we want to remove Section 4? What does a new member pay if they join during the year?

Article 4 Board of Directors, Section 1, We recommend capitalizing “Officers” which is a defined term and is capitalized elsewhere in the Bylaws.

Article 4 Board of Directors, Section 7, We recommend that Directors-at-Large be “nominated” rather than “appointed”, and then elected as part of Article 10, Section 1.

Article 5 Officers, Section 3, We recommend: “Officers must be members of *an* Amateur Radio Emergency Service (ARES) and/or the Radio Amateur Civil Emergency Service (RACES) *city group*.” To clarify that there are several ARES/RACES organizations that an officer may be part of (unless this was intended to be specifically Santa Clara County ARES/RACES, in which case that should be stated.)

Article 6 Duties of Officers, Section 1 President, We recommend appending at the end of the section “, as defined in Article 13” where the casual use of the term “SPECS” and “SPECS Net” are defined and clarified.

Article 6 Duties of Officers, Section 4 Secretary, We recommend adding that the Secretary shall also oversee the “*specsnet.org web site*” in addition to the newsletter.

Article 6 Duties of Officers, Section 4 Secretary, We recommend rewording that a copy of the bylaws be “made available” to new members, rather than “given” to new members, to conform to actual practice.

Article 6 Duties of Officers, Section 6 Training Officer, We recommend a review of this section with the current Training Officer and the Board to determine the desired outcome. Two compound sentences each contain requirements not currently being done, including: “sets up completion recognition programs and requirements for education,” and “keep records of members who attended various classes.”

A possible restatement might be the following two sentences:

“The Training Officer also provides schedules of classes available including those offered by other agencies for emergency preparedness.” “The Training Officer is to prepare outlines for recruiting activities in various venues (events, schools, clubs *etc.*).”

Article 7 Finances, Section 2, *We recommend revising the list of authorized signatories to be President, Secretary and Treasurer*; which is current practice and drop the 1st and 2nd Vice Presidents.

Article 7 Finances, Section 3, We recommend that the Treasurer prepare and the Board approve an annual budget as required in this section. The budget should identify the routine expenditures expected, and note that special projects, particularly in conjunction with the SPECS-RA, would be handled as separate items defined, budgeted and approved by the Board. This also would constitute “Board approval” for routine expenses.

Article 7 Finances, Section 4, We recommend the required audit be completed each year – as apparently it has not been done in recent years. This current review will constitute a review of current practices as of February 2018, and the 2017 financial results.

Article 9 Meetings, Section 5, *We recommend adding “and the specsnet.org web site”* to the notice of meetings. The current limited requirement to announce on the “SPECS Net” is not likely to reach the full membership.

Article 9 Meetings, Section 6, *We recommend adding “, including three Officers”* to the (but not less than four) expression to read, “(but not less than four, including three Officers)” which resolves the possibility of Directors-at-Large constituting a quorum.

Article 10, Section 1, *We recommend adding “and Directors-at-Large”* so the line will read, “The election of Officers and Directors-at-Large shall take place in January... .”

Article 10 Elections, Section 5, *We recommend removing “by mail” and adding the sentence, “Notice may be given by either or both the newsletter and specsnet.org.”* This would conform to current practice and remove the possibility of a member objecting that a “mailed” notice was not received. We did not determine if the Secretary has retained evidence of the required notice of officer nominations to the membership each year.

Article 12 Amendments, Section 1, *We recommend removing the “15” count, and replacing it with “one-tenth of the Regular Members in good standing,”* which is consistent with the wording in Article 9 Meetings, Section 7.

We recommend adding: Article 13 The term “SPECS”

Section 1. The name Southern Peninsula Emergency Communication System (hereafter referred to as SPECS) does not refer exclusively to either organization nor to any other legal entity. Rather, that which is often referred to in public as “SPECS” is understood and intended by both organizations to refer to an informal association consisting of SPECS-UG, SPECS-RA, (Southern Peninsula Emergency Communications System Repeater Association) and individuals who participate in activities but may or

SPECS Audit 3-3-18 v2.docx Page 5 of 7

may not be formal members of either SPECS-UG or SPECS-RA. The concept of an informal association named SPECS dates back many years to a time before legal entities were created, and contemporary use of the name SPECS preserves a connection to a rich historical legacy that is valued by both SPECS-UG and SPECS-RA.

Section 2. The “SPECS net” has been conducted on the W6ASH repeater (established and maintained by SPECS-RA), and now run by SPECS-UG, on Monday evenings each week for the last several decades.

This will clarify the use of just “SPECS” and “SPECS Net.”

Review of SPECS-UG 2017 Financial Reports

Treasurer Patrick Muffler has maintained individual 3-ring binders for each year and provided an excellent way to locate most of the source documents that would support the entries in the QuickBooks financial system.

At the front of each book is a document, originally started by Wes Freeman and maintained and updated by Patrick, titled “Guidelines for Treasurer” with a list of specific reports and documents that need to be filed on behalf of SPECS-UG. This is an excellent document. We recommend it be viewed by the Board annually to remind all Board members of their fiduciary responsibility and the need for accurate financial records.

We began with a review of the 2017 Profit and Loss report as presented at the Annual Meeting. While there was a minor difference of \$3.76 in the Flea Market profits between the SPECS-RA and SPECS-UG when it was expected to be identical, tracing the source documents for the flea market and other expenses determined that some items were not accounted for, and two items did not have supporting receipts. *We recommend reminding anyone who spends money on behalf of SPECS-UG that reimbursement is contingent on appropriate supporting documentation.*

The \$3.76 difference occurred because the Sales Tax on concessions estimated at the time of the 2017 Flea Market was \$45.51, but not payable until 2018. When processed on the California Department of Tax and Fee Administration’s web site, the actual total was only \$41.75, but the site required rounding up to \$42.00.

The Treasurer’s binders contained either copies of deposit slips or checks with the supporting documents.

In the case of payments for the shared post office box with Blackberry React, the Audit Team requested that the Treasurer print out the supporting email and include it in the binder, which was done.

Copies of all banks statements were included in the binders.

Supporting check registers from QuickBooks and statements from PayPal were also complete.

In this review we did not find any material differences to the financial reports.