

Summary of NNPDF SVA Review Findings, Response, and Resolutions

On April 28, 2014, Mr. Mathias, with the firm of SVA Certified Public Accountants, S.C., presented the NNPDF Executive Committee with his preliminary findings from a third party financial review that he conducted on April 25, 2014. As indicated by Mr. Mathias the preliminary review did not find any evidence of significant concern. Nevertheless, Mr. Mathias pointed out that his preliminary review was limited in scope, and he recommended a more detailed review. In order to allay any concerns that Mr. Mathias' preliminary review could be considered insufficient, the Executive Committee retained Mr. Mathias to perform a more detailed review and to prepare a report of that work.

On June 12, 2014, Mr. Mathias submitted his report to Leslie Hughes, NNPDF Chair. That report was then reviewed by NNPDF pro bono legal counsel Stephen A. Mendel of The Mendel Law Firm, L.P., for the purpose of advising the NNPDF regarding recommended further action.

On June 17, 2014, Mr. Mendel submitted his firm's review to Leslie Hughes. The review indicated several items that required further inquiry by the NNDPF, and a compilation from both firms of recommendations to consider regarding NNPDF financial policy and procedure (the compilation is at the end of this document).

On June 23, 2014 the information from Mr. Mendel was forwarded to the full NNPDF Board of Directors. This began the NNPDF Board's process of understanding, reviewing, and addressing of each of the items and recommendations. Current NNPDF financial policy and procedures were also reviewed during this process.

On August 28, 2014, a conference call with the NNPDF community was held by Leslie Hughes, NNPDF Chair, Lisa Chavez, NNPDF Vice-Chair, and Mr. Mendel. One of the purposes of that call was to provide a general update on the progress of Board's resolution of the items and recommendations, and to respond to questions submitted by the NNPDF community. Information regarding that call, including a link to the audio, can be accessed here: <http://www.nnpdf.org/NewsLinePage.html#BoardAug28>.

The process was purposefully deliberate and careful, to ensure that all actions and decisions aligned with and resulted in support of the NNPDF's mission, and adherence to NNPDF bylaws, policy, and handbooks, as well as applicable laws. This has required numerous hours invested in research, discussions, and quite numerous meetings by the all-volunteer members of the NNDPF Finance Committee, Executive Committee, and the full Board. A cost of \$3,000 was incurred by the NNPDF for the extended review by Mr. Mathias of SVA which was an unbudgeted expense.

On March 14, 2015, Jill Flinton, NNPDF Treasurer and Finance Chair, presented the full Board with the summary of the resolutions to the items and recommendations (listed at the end of this document). The resolutions were a culmination of the review, recommendations, and approval of the Finance Committee, the Executive Committee, and the full Board of Directors. This summary finalized the Board's process to understand and work out resolutions to each the items and recommendations; therefore, they are now being posted publicly through this document.

Review of the current NNPDF financial policies and procedures has resulted in strengthening and updating several policies and procedures, including policies related to receipts and disbursements, to match the growth and changes that the NNDPF has experienced in recent years regarding ways to receive contributions, research participation and payments, and bookkeeping complexity. The Finance Committee will continue to monitor the policies, procedures and financial condition of the NNPDF to make sure the NNPDF continues to be financially able to meet its mission.

NNPDF Finance Committee
April 2015

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NNPDF SVA review findings as summarized by Attorney Mendel with Finance Committee resolutions:

- A. Confirm that the amounts paid to the employees are consistent with the expected salaries and reimbursements and approved by the Foundation.

Management and Staff salary amounts were included in the 2013 Budget which was approved by the NNPDF Board of Directors in early 2013. The amounts paid are consistent with expected salaries and reimbursements and were approved.

- B. Confirm that specified deposits were duplicates.

The three identified deposits from late 2012 and 2013 were confirmed to be duplicates and were appropriately corrected.

- C. Certain transactions, as identified in the report, require a reversal, confirmation of being a duplicate, or whether a small deposit might be missing.

These transactions were carefully reviewed and were corrected as appropriate.

- D. Confirm approval was granted for several payments for out-of-pocket medical expense reimbursement.

An allotment for medical expense reimbursements was included in the 2013 Budget, which was approved by the Board of Directors in early 2013. These reimbursement requests were also separately reviewed and approved prior to payment by the Treasurer in accordance with NNPDF policies and procedures.

1. Move QuickBooks to the Cloud (online), so that the Foundation's financial transactions can be readily accessed by the Executive Committee and the Treasurer. If the recommendation is accepted, then, for security reasons, user passwords should be changed every thirty (30) days.

The Finance Committee performed an extensive review of this possibility. A final decision was made to leave the software in the current form, with the possibility of change at a later date.

2. Use QuickBooks' accounts receivable function to more accurately monitor known income sources.

The NNPDF does not generally have accounts receivable. For those few items that are known, the accounts receivable function is utilized.

3. Use QuickBooks' accounts payable function to more accurately match expenses with the proper accounting period.

There are a handful of items that would be appropriate for recording as a payable. Those items are currently included in the accounts payable function.

4. Reduce the number of income and expense accounts, as there are a large number of accounts with little or no activity. Fewer accounts increase the probability that transactions are recorded more consistently and can simplify the financial review process.

This can only be performed at year end so as to not lose any information. Further detailed discussions will occur with a QuickBooks specialist during 2015 to determine if this is possible without losing historical information.

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5. Issue balance sheets and income statements to the Executive Committee on a monthly basis and not later than the tenth day of each month.

The Finance Committee receives these reports on a monthly basis, by the 10th of the following month. This information will be presented to the NNPDF Executive Committee monthly and the NNPDF Board of Directors quarterly.

6. Reconcile donor bank deposits and donor QuickBooks' entries to minimize discrepancies between the two sets of records.

Donations mailed to PO Box 310 are directly handled and deposited by bank personnel. The bank provides copies of the donations to the NNPDF for recording in QuickBooks and for providing an acknowledgment for tax deduction purposes.

7. A second person, such as Treasurer, should review all financial transactions to minimize the likelihood that inaccurate financial data is reported to the Executive Committee and/or the Board.

The entire Finance Committee is reviewing the monthly financial statements prior to the information being reported to the Executive Committee and the Board.

8. Establish a formal audit committee to coordinate the annual audit and discuss the results with the CPA retained to perform the audit.

The non-staff and non-officer members of the Finance Committee members will now be included in all communications with the CPA retained to perform the annual audit and tax returns. These members will review and discuss the CPA audit before it is presented to the Executive Committee and the Board.

9. The Executive Committee should be more involved in the annual audit, and should share with the Board the auditor's results, as well as any concerns or recommendations the auditor may have.

The annual 2014 CPA audit was reviewed by the Executive Committee and recommendations discussed. It was then provided to the Board for review and discussion. See item #8 above for more information.

10. The Foundation should implement treasury management protocols available through most banks. By way of example, and not as a limitation, the Executive Director can go online and prepare checks for the accounts payable, but a second person, such as the Treasurer or a member of the Executive Committee, are the only persons that can actually approve the payment and cause its issuance.

The Treasurer currently receives the bank statements and all cancelled checks directly from the bank, expenses are only approved up to the limit of the budget, the Finance Committee is reviewing the reports monthly, and large expenditures (research payments, medical reimbursements, other unexpected items) are separately reviewed and approved. The Treasurer also has online access to the bank accounts to review transactions.

11. Staff payroll should be processed online, and by someone other than the Executive Director. By way of example, ADP provides an online service to process payroll, and the fee is very reasonable. The process takes about ten (10) minutes, and ADP handles all the payroll reporting required by law.

The NNPDF currently uses QuickBooks payroll and paychecks are direct deposited to the employee's bank accounts monthly. The payroll taxes are computed by QuickBooks and automatically drafted from the NNPDF bank account for payment to the taxing authorities. The payroll reporting requirements required by law are completed by the QuickBooks service.

12. Do not allow the Executive Director to be involved in any process, including the voting process, associated with the Executive Director's compensation.

It was an oversight by the Chair and the Board. The results of the vote are printed for verification. This will not occur in the future. The Executive Director has no voting privileges and only tabulated the on-line voting results. Only current members of the Board have voting rights.