

Review of the Greater New York Regional Service Office (GNYSO) Finances

Report 01-20

Report Date: January 8, 2020

Prepared by: Greater New York Regional Service Committee (GNYSO or RSC) Ad Hoc Committee (Ad Hoc Committee)

Recommended Distribution¹: GNYSO Administrative Committee
GNYSO Regional Committee Members (RCMs)
GNYSO Board of Directors (BOD)

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¹ The Ad Hoc Committee, comprised of NA members of the GNYSO, submits this report in loving service to the GNYSO for review and consideration to execute (or not execute) on any of the observations and recommendations herein.

1. REPORT SUMMARY

1.1 Introduction

The November 2019 GNYRSC session agreed to form an Ad Hoc Committee to conduct a review of the BOD and RSO finances in response to questions arising from: 1) BOD reports and preliminary financial reporting from the GNYR Impossible Dream Convention (GNYRCNA) at the September 2019 RSC session; 2) the subsequent resignation of the BOD Treasurer; and 3) time-sensitive motions being made at the November 2019 RSC session without sufficient information to waive certain GNYRCNA Policy components for items that should be sent to the GNYR Areas for consideration.

The RCMs voted for Paul W. (current RSC Policy Chairperson) and Peter S. (current RSC Brooklyn Area RCM) to co-chair the Ad Hoc Committee. The Co-Chairs invited Lea H. (current BOD nominee) and Kathleen T. (current RSC H&I Chairperson) to participate. In addition, members of the BOD and RSC Administrative Committee participated to the extent their input or direction was needed and requested in the conducting of the Ad Hoc review.

The members of the Ad Hoc Committee have agreed to volunteer their time and confirmed their independence and objectivity in order to complete the directive set forth by the RSC. The Ad Hoc Committee will disband upon the submission of this report and the RSC will determine the appropriate next steps for any suggested recommendations.

1.2 Purpose and Intent

- A. The purpose of the Ad hoc Committee is to:
- Review the BOD and RSO financial transactions for the prior two years (2018-19 approx.)
 - Compile a high-level summary of general findings to the RSC
 - Provide answers to questions that have been raised and recommendations to the RSC and RSO on how to remediate any findings or concerns
- B. The intent is to:
- Identify ways to track and improve the financial stability of the RSO
 - Restore and strengthen the trust and confidence of the GNYR members as a whole

1.3 Report Conclusions

- A. Our review was done to the best of our ability, with the limited time and access to systems, resources and information that we had. The conclusions herein Section 1.3 have been deduced from the information contained in Section 2.1.
- B. We did see evidence of a substantial running debt to NAWS, questionable use of the RSO financial resources, and some mismanagement of the daily RSO operations. However, based on our review of the evidence that we had access to, as well as discussions with many RSC trusted servants that serve/d the RSC, we feel that this is the result of a few contributing factors: little-to-no financial oversight being conducted and/or required; some personal indiscretions; the lack of trusted servants volunteering for service positions/rotation of service; and lack of systems utilization and consistent training.
- In other words: The problems appear to be systemic in nature, a "Cultural Failure". Rather than follow the few Policies and Bylaws that were in place (noting there were no standard operating procedures, which would have helped), they opted to just get things done. It does not appear to be a conspiracy or collusion to commit financial fraud.
- C. We feel that with some modifications and enhancements to certain processes, the full utilization of the systems in place, and more trusted servants stepping up serve the GNYR in some capacity to contribute to the solution, that the BOD and RSO should be able to operate in a financially stable and transparent manner, thus resulting in the renewed trust of the GNYR members.
- D. We also encourage all of the GNYRSC participants (not solely the RCMs) to help filter the information reported at the regional sessions to their respective Areas, and members in general, to help improve the flow of information and foster unity within the GNYR.

2. REPORT FINDINGS

2.1 Key Observations and Recommendations

Item	Ad Hoc Committee Observations	Ad Hoc Committee Recommendations
A. Repayment of RSO Debt to NAWS	<p>This section breaks down the situation chronologically and summarizes it at a high-level to help provide context for what transpired and how we came to our conclusions.</p> <ol style="list-style-type: none"> 1. At the July RSC, the BOD reported that the \$20,000 loan we received from NAWS in 2018², which we had broken into payments of \$1,670.00, had been completed in June and we were paid up. <ol style="list-style-type: none"> a. 7.13.19 BOD Report to the RSC: <i>“We are finished paying off the 20,000 literature “front” loan from NAWS.”</i> b. 7.13.19 Income and Expenses BOD Report to the RSC: <i>“The payment plan w/ NAWS ended on 1 July 2019. NAWS a/o 31 June PAID: 20,000.00 / OWED: \$0”</i> 2. At the September RSC, which was two weeks after the GNYRCNA concluded, the RSC learned that the Executive Committee of the BOD paid \$48,000 to NAWS with the Convention proceeds. This raised questions: 1) why NAWS needed an immediate payment of \$48,000?; 2) why members of the Executive Committee of the BOD made the decision to pay from this account – did they consult first with the other BOD members, or the RSC?; 3) was the payment made in accordance with the financial policy for how to handle GNYRCNA proceeds? <ol style="list-style-type: none"> a. In light of these questions, the RSC agreed for members of the BOD and RSC Steering Committee to form an Ad Hoc Committee to conduct a review as to what had happened and report back at the next RSC in January. 3. Between the September and November RSC meetings, the BOD met and we learned that the BOD Treasurer resigned and removed her resume for consideration for the next term. 4. At the November RSC, two members of the BOD presented a report on the financial situation and sited the BOD Treasurer as the issue, glossing over a few major items. In addition, they requested a motion be made and voted on to waive the GNYRCNA Policy to allow both of these members continue in their role for the GNYRCNA and negotiate contracts with the hotels for the GNYRCNA to occur in Aug 2020 (note: the waiving of the GNYRCNA Policy had just been voted on at the RSC and approved to hold a year sooner than when it was supposed to occur 	<ol style="list-style-type: none"> I. Amend the financial policy section of the GNYRSC Policy to ensure the account with NAWS stays current and we pay invoices in full within 45 days of ordering. II. Provide full NAWS account statements to the BOD and RSC at each of their meetings.

² The 2018 line of credit was separate from and subsequent to the \$50,000 line that NAWS extended to the RSO in 2017. The RSO was set to pay that in 12 equal payments of \$4,167.00, which was done so in March, April, May, and June 2018. However, after that, whatever payments were made to NAWS were lumped together with other payments to cover ongoing literature purchases, and the payments never fully covered the costs of the literature and the debt started to mount.

Item	Ad Hoc Committee Observations	Ad Hoc Committee Recommendations
	<p>due to the success of the GNYRCNA 2019).</p> <ul style="list-style-type: none"> a. The RSC asked questions of these two members of the BOD, and we learned that over the summer, NAWS refused to ship any additional orders to the RSO until the current approximate balance of \$28k was paid. When the two members found out about that, they committed to NAWS that they would pay \$48,000 immediately following the convention (\$28k in debt in addition to the \$20k for a new order that was on hold until our debt was paid). We also learned that the two BOD members guaranteed it personally if it was not available from the GNYRCNA proceeds. <ul style="list-style-type: none"> i. When this came to light, the two BOD members in question confessed to this once confronted. They apologized for their actions and stated that they were unaware of the financial issues until that point and acted quickly in an effort to help the RSO. They subsequently realized their missteps. b. The RSC then: <ul style="list-style-type: none"> i. Called for a re-vote for the waiving of the GNYRCNA Policy and voted to NOT hold the GNYRCNA in 2020, and ii. Approved for a new Ad Hoc Committee to be formed, without the BOD members in question, to look into the situation. <p>5. The new Ad Hoc Committee was formed and began looking into the reason for the debt. What we found was that:</p> <ul style="list-style-type: none"> a. The NAWS account ledger of the RSO payments and purchases for the last two years, shows that the RSO has been carrying a balance with NAWS continuously, despite the \$20k note and repayment plan, until the \$48k payment was made post-GNYRCNA. b. The RSO was ordering more than what we had the funds to pay for at any given time and sending piecemeal payments to NAWS instead of the full payments for each order, thus resulting in a continuously building debt. c. We have emails from NAWS from the last two years requesting payment and the RSO attempted to pay the debts, but it seems that the Treasurer never got caught up. d. It appears to be due to poor financial management as opposed to fraudulent or misappropriation of funds. e. Upon inquiring, it seems that no one else other than the BOD Treasurer was reviewing the NAWS account or was aware of the continued arrears. The BOD Treasurer never provided the full NAWS account statements. f. We are confident that this situation can be resolved if proper mechanisms are implemented and maintained to keep the RSO finances current. 	

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B. 2019 RSO Financial Snapshot	<p>We reviewed the 2019 financial performance of the RSO. The below snapshot shows the monthly and annual P&L for the RSO. We hope this helps to provide insight as to the financial health of the RSO in order to inform any potential discussion on planning for 2020 and beyond.</p> <table border="1" data-bbox="555 331 1424 587"> <thead> <tr> <th>RSO Financials</th> <th>Monthly</th> <th>Year Total</th> </tr> </thead> <tbody> <tr> <td>RSO Overhead</td> <td>-\$4,359.66</td> <td>-\$52,315.91</td> </tr> <tr> <td>NAWS Literature Profit</td> <td>\$1,841.67</td> <td>\$22,100.00</td> </tr> <tr> <td>Non-NAWS Profit</td> <td>\$593.98</td> <td>\$7,127.71</td> </tr> <tr> <td>RSC Rent</td> <td>\$600.00</td> <td>\$7,200.00</td> </tr> <tr> <td>NYC Area Rent</td> <td>\$150.00</td> <td>\$1,800.00</td> </tr> <tr> <td>Total P&L 2019</td> <td>-\$1,174.02</td> <td>-\$14,088.20</td> </tr> </tbody> </table>	RSO Financials	Monthly	Year Total	RSO Overhead	-\$4,359.66	-\$52,315.91	NAWS Literature Profit	\$1,841.67	\$22,100.00	Non-NAWS Profit	\$593.98	\$7,127.71	RSC Rent	\$600.00	\$7,200.00	NYC Area Rent	\$150.00	\$1,800.00	Total P&L 2019	-\$1,174.02	-\$14,088.20	<p>I. Keep this in mind when making financial motions and decisions (i.e., increase RSC and ASC donations to the RSO, implement sales/pricing changes for merchandise, capacity to hire a special worker, etc.)</p>
RSO Financials	Monthly	Year Total																					
RSO Overhead	-\$4,359.66	-\$52,315.91																					
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C. Inventory of RSO Merchandise	<p>A full inventory the RSO merchandise was conducted over the course of a couple of sessions. It was spearheaded by Jesse (BOD) and Paul, and included a number of RSC trusted servants.</p> <ol style="list-style-type: none"> 1. The review was completed on Sunday, November 24 and the numbers were input into Vend. The physical inventory accounted to be \$13k <i>more</i> that what was documented in Vend before the inventory was completed. The discrepancies were due to: <ol style="list-style-type: none"> a. Not using the Vend system consistently to purchase and receive inventory b. The Vend system not being linked to the WooCommerce webstore software c. General lack of time, resources and operating guidelines needed to handle the volume of sales and orders to keep things current 2. Subsequently, actions were taken to remedy the situation, including, but not limited to: <ol style="list-style-type: none"> a. Categorized the products via a tag system in Vend; revised the SKUs and deleted those that we do not need/use b. Created reorder points and order quantities for each SKU so Vend can automatically generate purchase orders based on inventory and not over-order slow-moving items c. Trained the office manager to process orders in the Vend system to accurately reflect the current inventory in the stage between the order being placed, shipped and payment (Parked vs. Layby vs. Closed) 3. There are some items that still need to be addressed: <ol style="list-style-type: none"> a. Renaming how the posters are labeled physically and in Vend b. Integrating WooCommerce and Vend 	<p>II. Develop a written standard operating procedure for the handling of RSO merchandise, inclusive of entering inventory and sales into Vend, and how to segregate types of orders placed through WooCommerce, the online webstore. Paul developed a draft guideline for the use of Vend. If the RSC likes this, we can also draft one for the WooCommerce system.</p>																					

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<p>D. Use and Authority of the RSO Credit Card</p>	<p>A review of the RSO credit card³ statements from March 2018 – September 2019 (less July 2019) (referred to as “the Review Period” herein) was completed. It was spearheaded by Peter, and included the Ad Hoc Committee and other RSC Trusted Servants.</p> <ol style="list-style-type: none"> 1. The initial review of the charges resulted in over \$4k in questionable expenditures. Some appeared legitimate and some appeared to be totally unrelated to NA functions (i.e., travel or general spending, etc.). All charges needed more information. 2. The Ad Hoc Committee sent an email to the four involved BOD members, all of which had some financial responsibilities for the RSO and Convention (inclusive of overseeing the finances or being listed as a signatory on accounts), in an effort to obtain more information on the spending and what/who delegated authority for it. The four BOD members questioned included: <ol style="list-style-type: none"> a. The BOD Treasurer (who also served as the Convention Registration Chair) b. The BOD Vice Treasurer (who also served as the Convention Merchandising Chair) c. The BOD Chair (who also served as the Convention Vice Chair) d. The BOD Vice Chair (who also served as the Convention Treasurer) 3. All four have responded, and what we have learned is: <ol style="list-style-type: none"> a. Facts: <ol style="list-style-type: none"> i. There were two RSO credit cards: one issued to the BOD Treasurer (RSO CC1) and one issued to the BOD Vice Chair (RSO CC2). The BOD Chair and the BOD Vice Treasurer were not issued cards. ii. There is no financial policy in place specifically stating what types of spending the RSO credit cards was approved for use. iii. The RSO credit card statements for both cards were never included as part of the BOD financial reporting to the RSC. iv. The RSO CC1 was used to purchase some apparent GNYRCNA-related items⁴. There was no clear segregation of spend or transparent reporting for whether each of the purchases on the RSO CC1 related to the RSO operations or the GNYRCNA (or other...), nor clear or reconcilable GNYRCNA financial reporting since these statements were never shared. v. The questionable charges for the RSO CC1 were explained to us by the former RSO Treasurer, as summarized below, but the statement for the month of July 2019 remains unseen. vi. RSO CC2 did not show any questionable charges and remains active. 	<ol style="list-style-type: none"> I. Develop a policy for the types of uses the RSO credit card(s) is approved for, inclusive of processes for the review and auditing of that use. II. Include the credit card statements with the financial reporting of the BOD Treasurers reports to the RSC.

³ The RSO credit card in question (ending in 7265) was issued in the name of the BOD Treasurer and was cancelled in October 2019.

⁴ This item was originally part of the explanation for being unable to figure out cash expenditures. It appears that the card was used for GNYRCNA-related items; however it’s unclear if any of the questionable charges are part of that.

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	<p>b. Personal claims in their responses:</p> <ul style="list-style-type: none"> i. <u>BOD Treasurer</u>: states that the use of the RSO CC1 was for the needs of the RSO and the GNYRCNA, or for incidentals related to her service to the RSO, with the exception of one personal use that was done mistakenly. Also states that the BOD members knew of the two RSO credit cards. ii. <u>BOD Vice Treasurer</u>: states no knowledge of the use of the RSO credit cards iii. <u>BOD Chair</u>: states no knowledge of the use of the RSO credit cards and that he never authorized any of the purchases made. He also states that he assumed the BOD Vice Chair and the BOD Vice Treasurer would have been reviewing the statements and had brought any concerns to his attention. iv. <u>BOD Vice Chair</u>: states that he was unaware of the BOD Treasurer use of the card as the statements went to her only and were never shared with him. Upon the BOD Treasurer resignation, he assumed those responsibilities temporarily and learned of the transactions upon review of the statements. He then brought them to the attention of the BOD Chair and the first Ad Hoc Committee that had been formed to review the finances and cancelled the RSO credit card in question. <p>6. Based on the above, the Ad Hoc Committee surmises that:</p> <ul style="list-style-type: none"> a. All four were negligible in their duties and not forthcoming with information, but it appears that only the BOD Treasurer was using RSO funds for questionable non-NA related purchases. b. Proper mechanisms need to be implemented and maintained to manage the use of the RSO credit cards. 	
<p>E. Bank Account Statements, Cash Transactions, and Financial Reporting to the RSC</p>	<ul style="list-style-type: none"> 1. Bank Accounts <ul style="list-style-type: none"> a. The Ad Hoc Committee, along with the new BOD Treasurer, reviewed the statements of all three bank accounts (one for the RSO, one for the GNYRCNA, and one hybrid account) and all funds were accounted for during the Review Period. b. The only issue found was pre-signing checks, which should be prohibited going forward. 2. Cash Transactions <ul style="list-style-type: none"> a. Cash flowed regularly through the RSO during the Review Period. Full reconciliation was difficult due to the overlap of the RSO spend and the GNYRCNA spend. b. There were cash deposits made to the bank, but only some accounted for in Vend. <ul style="list-style-type: none"> i. Vend Reconciliation: Vend cash receipts vs. bank cash deposits showed that total monies deposited equaled the total monies paid, so there were no inconsistencies or items for concern with these funds once reconciled. 	<ul style="list-style-type: none"> I. Amend the applicable policies (e.g., the GNYRSC Policy, GNYRCNA Policy and the BOD Bylaws) to: <ul style="list-style-type: none"> a. prohibit the pre-signing of checks; b. cover the handling of cash and cash transactions; and c. provide reporting of such accounting to the BOD and RSC (inclusive of all monthly bank/credit card statements, NAWS statements, Vend sales by category, check and cash

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	<ul style="list-style-type: none"> ii. Cash Reconciliation: There was an offset for the period before the BOD Treasurer resigned and faulty emend after the resignation. The GNYRCNA Treasurer explained that this was due to many things for the GNYRCNA paid with cash (i.e. shipping costs, convention merchandise reimbursements, etc.), but the receipts for them were not found. However, we do note that the reconciliation for the months following the resignation (Oct – Dec) is generally accounted for. The GNYRCNA Treasurer has confirmed that he has not been using cash to pay for anything for traceability purposes. c. The results of the cash reconciliation are inconclusive at this point. The Ad Hoc Committee did not have the requisite time, or sufficient access to the resources necessitated, to fully audit the books and records and present a sound observation one way or the other. <ul style="list-style-type: none"> i. For clarity, one should not deduce that we are suggesting or implying that there has been intentional theft by one or more persons. An inconclusive observation simply means that there was not enough information to make a determination. <p>3. Financial Reporting</p> <ul style="list-style-type: none"> a. Some GNYRCNA positions held, and responsibilities for, were not done so in accordance with the GNYRCNA Policy (i.e., the GNYRCNA Treasurer is supposed to also Chair the Registration Subcommittee). b. The financial operations/reporting obligations for the RSO and the GNYRCNA are separate in theory, but the reporting to the RSC was often done with overlapping or summary totals that sometimes led to confusion. <ul style="list-style-type: none"> i. For example, an item in the September report from the BOD to the RSC noted the RSO “returned a donation” to the RSC for the 8k that had been advanced for the convention; however, in the absence of the convention financial reporting and the transparency into the monies and what had been spent, questions arose around the convention finances in general. This was directly related to the inquiry that is summarized above in Section A.1.4.a <ul style="list-style-type: none"> a. 9.14.19 BOD Report to the RSC: <i>“The Impossible Dream Convention bolstered the RSO. The RSO returned the \$8,000 donation the RSC made to the convention committee in July. The RSO will be donating a check to the Region after its September BOD meeting.”</i> c. We feel this can be enhanced if the reporting responsibilities for each Treasurer are better understood by the RSC as a whole: 	<p>payments and deposits, and a detailed report of all checks/cash paid and received between sessions, by month).</p> <ul style="list-style-type: none"> II. Amend the applicable policies (e.g., the GNYRSC Policy and the BOD Bylaws) to ensure the segregation of financial responsibilities and reporting for the RSO and the GNYRCNA.

Item	Ad Hoc Committee Observations	Ad Hoc Committee Recommendations
	<p>a. The BOD Treasurer (excerpted from the GNYRSO/BOD Bylaws), or such other person as may be designated from time to time by the Board of Directors, shall: (a) have charge and custody of, and be responsible for all funds and securities of the Corporation, and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; (b) receive, and give receipt for, money due and payable to the Corporation from any source whatsoever; (c) disburse or cause to be disbursed the funds of the Corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursement; (d) keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, and losses; (e) exhibit at all reasonable times the books of account and financial records to any Director of the Corporation, or to his agent or attorney, on request thereof; and more...<i>[see Policy for full list]</i></p> <p>i. The GNYRCNA Treasurer (excerpted from the GNYRCNA Policy) was responsible for: collecting receipts for Committee members' expenses; keeping available originals and copies of all bank statements, for completing accounting and reporting to the GNYRSC and GNYRSO Treasurers of all monies, paying all budgeted expenses directly from account and obtain the GNYRSO approval to write checks for all discretionary spending in excess of \$500.00, advise the committee of cash flow conditions and provide current written monthly financial reports, including copies of bank statements and reconciled register, and more... <i>[see Policy for full list]</i></p>	
<p>F. Communication from the BOD to the RSC and GNYR Member Areas</p>	<p>The bi-monthly BOD reports to the RSC include high-level summaries of information that RCMs may or may not have known the full context of what was being reported on. Questions would sometimes be asked at the RSC meeting, but there is not much on record to elaborate on the context, and thus, information may not be clearly or fully communicated down from the BOD through the RSC to the Areas and respective groups, especially if the Area RCM is not there to hear the discussion, thus leading to confusion and misinformation.</p>	<p>I. Enhance the BOD reports to the RSC, possibly by requesting input from the RCMs about what they need/want to see to better filter info to the Areas without losing context or vital components.</p> <p>II. RCMs participate in the newly enhanced RCM Orientation (being offered before or after the RSC sessions bi-annually) and solicit input from their Areas to see how the flow of information to them can be enhanced.</p>

2.2 General Assessments

This section was completed at the conclusion of the report. The determinations noted below represent the assessment of the current state as of the date of this report.

Key Areas	Assessment ⁱ
A. Financial Operations	
1. Transparency of, and established processes for the Fiduciary Responsibilities of, the BOD and RSO	Unsatisfactory
2. Financial Stability of the RSO	Improvement Needed
B. Independence and Oversight	
1. Transparency of BOD and RSO Responsibilities	Improvement Needed
2. Checks and Balances of BOD and RSO Responsibilities	Improvement Needed
3. BOD/RSO Terms of Reference and GNYRSC Policy	Satisfactory
4. Consistent Communication from the BOD and RSO to the RSC	Improvement Needed
5. Communication from the RSC to the GNYR Member Areas	Improvement Needed
C. Systems and Processes	
1. Effective RSO systems in place and utilized correctly	Satisfactory
2. Tracking of RSO inventory and re-ordering processes	Satisfactory
3. Training for trusted servants on the RSO processes	Improvement Needed

ⁱ Assessment Categories

Satisfactory	There is a control system in place, but action is required to address some minor control deficiencies or to improve the level of compliance with established RSC and RSO policies and procedures.
Improvement Needed	There is a control system in place, but action is required to address some important control deficiencies or to achieve an acceptable level of compliance with established RSC and RSO policies and procedures.
Unsatisfactory	There is an ineffective control environment, giving exposure to material issues or losses through error, misstatement or non-compliance with established RSC and RSO policies and procedures. Immediate action is required by to implement the key recommendations identified.