

EMPLOYMENT POLICY AND COMPENSATION COMMITTEE REPORT

Submitted to: Libertarian National Committee, Feb. 15, 2016

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The members of the Employment Policy and Compensation Committee (EPCC) are Brett Bittner, Joshua Katz, and Jim Lark. The members were appointed to the Committee by Nick Sarwark on Nov. 15, 2014.

1) At this time, the EPCC is preparing various motions concerning issues of staff performance, many of which were raised in the report of the Audit Committee. In particular, the EPCC is preparing motions regarding vacation policy and related issues, “snow days” when local governments declare a state of emergency, leases and capital expenditures, segregation of duties (e.g., separation of accounting and depositing tasks), and contractual provisions concerning moving expenses.

The EPCC will distribute these motions to the LNC as soon as possible. If the motions are distributed in time for careful consideration prior to the upcoming meeting, and if some of the motions clearly enjoy strong support as of the call to order, the EPCC will request consideration of those strongly-supported motions during the meeting.

2) Section 2.03.06 of the LNC Policy Manual reads as follows:

Fixed Assets

Staff shall maintain a listing of fixed assets and update it monthly to record any additions or disposals. Depreciation shall be recorded monthly on a straight-line basis over the estimated useful lives of the related assets.

In the review of the LNC’s internal financial controls, the auditor noted in its discussion of “best practices” that the staff has not maintained the listing of fixed assets in the manner required by the Policy Manual.

The EPCC recommends that the LNC consider what action (if any) to take in this matter.

3) In the review of the LNC’s internal financial controls, the auditor noted in its discussion of “significant deficiencies” that as of the end of 2013, the LNC’s FEC Policies and Procedures Manual had not been updated since 2006.

The EPCC recommends that the LNC establish a special committee to prepare an updated version of this manual. In addition, the LNC should develop a process for the regular review and updating of this manual.

4) In the review of the LNC's internal financial controls, the auditor noted in its discussion of "significant deficiencies" that the LNC has not established a document retention/destruction policy, and recommended that such a policy be established.

The EPCC recommends that the LNC establish a special committee to prepare such a policy.

5) Section 2.03.07 of the LNC Policy Manual reads as follows:

Time Sheets and Expense Allocation

Each employee shall submit a timesheet at least once per pay period to reflect the number of hours worked, allocating such time to corresponding categories specified in the annual budget. Time sheets shall be reviewed and approved prior to employee time being entered in the payroll system. Payroll costs for each employee shall be allocated to expense categories in proportion with approved time. Separate general ledger accounts shall be used for allocated payroll costs.

Where appropriate, an expense shall be allocated to one category. Expenses that benefit more than one category or that are general administrative in nature shall be allocated to a general administrative account in the general ledger. Those expenses shall then be allocated on a monthly basis to expense categories in proportion to the allocation of payroll costs. Separate general ledger accounts shall be used for allocated general administrative costs.

Monthly financial statements shall separately report allocations of payroll and overhead to corresponding categories.

In the review of the LNC's internal financial controls, the auditor noted in its discussion of "best practices" that employee timesheets do not reflect the actual time spent in each functional area. In addition, the auditor noted that there was no evidence of review and approval of timesheets. The auditor recommended that in order to allocate more accurately the time charged to projects, employees should complete timesheets that reflect actual hours worked on the various programs and/or supporting services functions.

After receiving the auditor's statements and the report of the Audit Committee, questions have been raised by staff concerning the particulars of how the timesheets should be completed. Mr. Benedict requested that the EPCC conduct research concerning how other organizations handled timesheets and functional allocation of expenses.

After consideration of this matter, the EPCC recommends that the LNC evaluate its requirements for such information from staff, and that it provide clear guidelines to the staff concerning the reporting of such information.