

EMPLOYMENT POLICY AND COMPENSATION COMMITTEE REPORT

Submitted to: Libertarian National Committee, May 23, 2016

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Chair, Employment Policy and Compensation Committee

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) The EPCC has prepared motions concerning leases and capital expenditures and contractual provisions concerning moving expenses. The motions are included in an appendix to this report.

Items 2-5 below were included in the EPCC report of Feb. 15, 2016. Since the LNC has not taken action on these items, the EPCC has included them again in this report.

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.

APPENDIX

1. Motion concerning leases and capital expenditures

Motion: Amend Section 2.03 of the Policy Manual by adding the following language immediately after Section 2.03.17:

18. Debt and Capital Leases

The LNC and its staff may not incur debt, with the exception of trade payables, in excess of \$2,000, except with a $\frac{2}{3}$ vote of the National Committee. This includes entering into binding lease agreements with aggregate payments totaling more than \$2,000.

2. Motion concerning payment of moving expenses for LPHQ employees

Motion: Amend Section 2.01.03 of the Policy Manual as follows:

Add the following language immediately after the conclusion of the fifth paragraph:

Employment agreements shall include information about any obligations by the LNC to pay moving and moving-related expenses. A maximum on the total amount of such expenses to be paid shall be specified. In addition, the specific expenses must be approved by the LNC chair.

NOTE: Should the motion be approved, Section 2.01.03 will read as follows:

Section 2.01 OBLIGATIONS AMONG BOARD MEMBERS AND STAFF

3) Employment Terms

Employment agreements shall require adherence to the Bylaws and policies adopted by the LNC as a condition of employment.

Employment agreements shall specify in writing that registering as delegate to any national party convention constitutes an immediate resignation of employment.

Employment agreements with bonus provisions must make the bonuses contingent on objectively-measured achievements.

Employment agreements with bonus provisions based on revenues shall exclude convention and bequest revenues.

Employment agreements with bonuses based on achievements during a period of time shall require that the employee be an employee of the Party on every day of that time period to be eligible for the bonus.

Employment agreements shall include information about any obligations by the LNC to pay moving and moving-related expenses. A maximum on the total amount of such expenses to be paid shall be specified. In addition, the specific expenses must be approved by the LNC chair.

No employee of the Party shall be a member or alternate of the LNC or any Bylaws specified committee.³⁷ Any person employed by the Party shall be terminated immediately upon his or her acceptance of election or appointment to the LNC or any Bylaws-specified committee.

Except as otherwise authorized in this Policy Manual, no employee of the Party shall endorse, support, or contribute any money, use his or her title or position, or work as a volunteer, employee, or contractor to aid:

- any candidate for public office prior to nomination, or
- any candidate for Party office

This shall not preclude any Party employee from being a candidate for public office.