

Unapproved minutes of the September 13th, 2001 Board of Directors Meeting.

HOUSTON AREA LEAGUE OF PC USERS
MINUTES OF September 13th, 2001
BOARD OF DIRECTORS MEETING
4543 Post Oak Place
Houston, Texas

Any corrections, changes, additions to these minutes will be noted in the next month's minutes when the minutes are approved by the Board.

ATTENDEES:

Officers

President Robert Gunn
First Vice President - SIGs Mike Mashburn
Vice President - Communications Jay Thomas
Vice President - Programs Josie Duffey
Treasurer Wes Leggett
Membership Secretary Marvin Kaiser
Recording Secretary Anne Sipes

Directors:

Michelle Annis
Norman Blaylock
Bret Branon Absent
Joe A. Brown
John P. Chambers
Stephen Cravey
Scott Doctor
William A Goetschius
Monte Goodman
Robert P Grefe
Donald McGowan
Joseph E Morris Jr Absent
Mike Novominsky
Sharon O'Fiel
David R. Pausky
Brian Sadler

Parliamentarian: Marilyn Gore

1 **I. CALL TO ORDER AT 7:00 PM**

2 The Board observed a moment of silence in recognition of all the people who were
3 killed or injured in the September 11th, 2001 tragedies.

4 The President asked Carla Cawlfeld, past President of HAL-PC, to say a few words.
5 Carla Cawlfeld spoke of HAL-PC members who had lost family or friends in the
6 destruction of the twin towers. She stated that this incident was closer to home than
7 we might realize. She passed around a letter of condolence to be signed by members
8 of the Board.

9 Mike Mashburn made a motion (**Motion 090101**) to table the approval of the
10 minutes of the August 30th, 2001 Board of Directors Meeting

11 The motion passed.

12 The Recording Secretary requested that Board Members plan to take a 10 minute
13 break once an hour since this was going to be a long Board Meeting. There were no
14 objections.

15 **II. REPORTS**

16 Aubrey Farb, Chairperson of the Audit Committee, presented his credentials
17 (**Attachment 1**) and his Report (**Attachment 2**).

18 Aubrey Farb stated that the previous auditor had lost his case against HAL-PC and
19 that it was his opinion that the previous auditor should also loose his license. He
20 stated that the previous auditor had made a sworn statement that he had destroyed his
21 working papers. He said that without the previous auditors working papers the new
22 auditor did not have anything to start with to do this years audit. He stated that
23 reputable auditors do not destroy working papers. He said that further legal action
24 against the previous auditor would be appropriate. He said that it was his opinion that
25 the previous auditor did not actually do any audits.

26 Mr. Farb also spoke about separation of responsibilities. When asked if the person
27 who sent out invoices should also be the person receiving payments and opening the
28 bank statement he said that this was something we would have to fix. He said that the
29 bank statement should be handed to the President unopened.

30 Monte Goodman made a motion (**Motion 090102**) to modify the agenda. He asked
31 that we move new business item number nine to item number one.
32 The motion passed.

33 The Treasurer read the letters of engagement from Blasenek and Vetterling.

34 Mike Novominsky made a motion (**Motion 090103**) that we accept the letter of
35 engagement and authorize the payment to Blazek & Vetterling.

36 Aubrey Farb detailed the problems that we have with a 2001 audit because of the
37 failure of the previous auditor to maintain working papers. He also stated that we had
38 failed to file a 990T with the IRS. He said that for Blazek & Vetterling to research
39 this is extremely important. He said that we need to get the new auditors started. He
40 said that it was his recommendation that we not have an audit for the year 2001. He
41 said that we should be able to get an audited balance sheet for 2002. He said that we
42 had been severely damaged by Mr. Sockley (our previous auditor) and again

43 recommended legal action against Mr. Sockley. He said that our books have not been
44 kept in the manner required of a non-profit. He stated that we have no idea what this
45 man has done to us.

46 The motion passed.

47 Aubrey Farb recommended that we put a motion on our next Agenda to waive that
48 provision of the bylaws that calls for an audit for 2001 due to extenuating
49 circumstances beyond the control of HAL-PC.

50 Several members of the Board explained that we could not overrule the bylaws. The
51 matter could be referred to the Rules Committee.

52 Presidents Report (**Robert Gunn**)

53 The President reported that he, Michelle Annis, Mike Novominsky, Aubry Farb, Wes
54 Leggett and Jay Thomas had spent Monday in court. He said that it became clear
55 when Michelle Annis took over the bookkeeping that Mr. Sockley was not doing an
56 audit. He said that when we had paid Mr. Sockley's fee of \$3500 he had started
57 asking for an additional payment of \$1500. He stated that Mr. Sockley had been taped
58 making this request. He said that the District Attorney had thought that the IRS and
59 the Texas Board of Accountancy might be interested in hearing this. Our attorney,
60 Tim Burgess did not think that this was someone that we wanted to be doing business
61 with.

62 We had attempted to terminate our contract with Mr. Sockley and had asked him to
63 provide our new auditor with his working papers. Mr. Sockley maintained that he had
64 a contract with us and he sued us. He perjured himself in court. The judge
65 interrupted the proceedings around 11 am and awarded our attorney the maximum in
66 attorneys fees and suggested further action against Mr. Sockley.

67 The President reported that we have a bill from Blazek & Vetterling from their work
68 on this case. There were also a couple of other related expenses.

69 Mike Novominsky made a motion (**Motion 090104**) that we authorize the payment
70 of the expenses related to the legal action involving the auditor.

71 The motion passed.

72 The President asked Carla Cawfield to speak to the smoking issue.

73 Carla Calfield stated that she had been the head of the Real Estate Committee. She
74 said that she had tried to make our building a non-smoking building. She said that we
75 could not make rules that superceed the building rules.

76 She said that this is an old building. She said that it was built before the current laws
77 that can make a building non-smoking. She said that this building itself can not be
78 declared a non-smoking building. She was asked if the motion could be amended to
79 only refer areas controlled by HAL-PC. Carla stated that the areas used by HAL-PC
80 for HAL-PC business are already non-smoking. She stated that we were trying to pass

81 a motion that is not enforceable. Joe Brown, the building management liaison, stated
82 that the current building management did have a provision against smoking. Carla
83 Cawlfild stated that current management may or may not have the authority to
84 enforce rules that are predated by our lease. Josie Duffey stated that she had
85 informed the board that building management had a policy against smoking months
86 ago. Joe Brown stated that we are bound by the terms of the lease. They have
87 changed the rules. He stated that it is non-issue. How we live with the rules is
88 internal to us and the good will of everybody involved. He stated that if the
89 Management Company comes in and sees people smoking then they can determine
90 that we are in default of our lease. David Pausky asked if we would consider a
91 notification to our members stating that we did not allow smoking on HAL-PC
92 property. Carla Cawlfild recommended that we look at the laws and binding legal
93 agreements that are already in place.

94 Membership Secretary (**Marvin Kaiser**)

95 The Membership Secretary invited all of the Board Members to attend the ribbon
96 cutting on September 14th, 2001.

97 Michelle Annis reported that we have 11,029 members.

98 Vice President - Programs (**Josie Duffey**)

99 Josie Duffey stated that the AARP would come to our location and offer a Defensive
100 Driving Course for \$10 per person. She thought this might be something good to
101 offer to members.

102 Vice President - Communications (**Jay Thomas**)(Attachment 3)

103 **III. UNFINISHED BUSINESS**

104 **IV. NEW BUSINESS**

105 Josie Duffey made a motion (**Motion 090105**) to enforce no smoking in the building
106 and install smoke detectors and no smoking signs due to the continued complaints
107 from members. The board will support this and it will apply to all rooms in the suite
108 and notifications to this affect shall go out.

109 Stephen Cravey amended the motion.

110 Scott Doctor amended the motion.

111 John Chambers amended the motion.

112 Sharon O'Fiel amended the motion.

113 Stephen Cravey amended the motion.

114 Norman Blaylock amended the motion.

115 Josie Duffey amended the motion several times.

116 Joe Brown stated that we should get legal council on this issue.

117 Scott Doctor stated that this was not a Board issue, this is a building rule issue.

118 Jay Thomas reported that the building already has smoke detectors installed.

119 Joe Brown stated that we should abide by applicable building rules.

120 John Chambers amended the motion.

121 Sharon O'Feil amended the motion.
122 Stephen Cravey amended the motion.
123 There were also additional amendments to the motion.

124 Joe Brown asked Marilyn Gore for an opinion. He stated that there are leases, there
125 are sub-leases and there are rules. If there is something in a sub-lease that superceeds
126 the rules then the rules have been superceeded. It doesn't matter what motions we
127 pass if we are bound by a contractual agreement.

128 Marilyn Gore stated that if we agreed to obey the rules in our lease and our sub-
129 leasers agreed to follow the rules in their leases then a motion to do something that we
130 have already agreed to do is redundant.

131 Joe Brown stated that he had not seen the sub-leases.
132 Mike Mashburn read the Aldridge Company sub-lease.
133 Norman Blaylock amended the motion.
134 Josie Duffey rejected the amended motion.
135 John Chambers amended the motion.
136 Josie Duffey stated that we need to examine our sub-leases.
137 Marilyn Gore agreed that we need to examine the sub-leases. She stated that if all the
138 sub-leases grandfather in all the building rules then we don't need to take the action of
139 making rules. If they don't then we will need to see if we have the authority to make
140 rules.
141 Joe Brown offered to look at the sub-leases and try to get some legal council.
142 Joe Brown made a motion to table the motion.
143 The motion to table the motion passed.

144 John Chambers made a motion (**Motion 090106**):

145 Be it resolved that the secretary shall immediately give to all members of
146 the Board of Directors of HAL-PC a copy of all conflict of interest
147 statements and any revisions to them. Be it further resolved that the
148 secretary shall give to members in their meeting packets and also changes or
149 revisions to the conflict of interest statements. Be it further resolved
150 that the meeting chairman shall call for a show of hands after a motion has
151 been made and seconded of anyone that has a conflict of interest. Be it
152 further resolved that if the chairman neglects to call for the show of hands
153 that any member having a conflict will bring it to the attention of the
154 other board members. Be it further resolved, that if a board member knows of
155 a conflict of interest by him/her or another board member, that has not been
156 brought to the attention of the board, that member will bring it to the
157 attention of the board.

158 The motion passed.

159 John Chambers made the following motions:

160 Motion that the HAL-PC Board of directors at this meeting develop a clear
161 and concise organizational and management chart delineating clear lines of
162 authority and methods of reporting information to the Board.

163 Be it resolved that all office operations, such as membership lists,
164 accounts, inventories, all bookkeeping administration, etc. be done in the
165 front office under the office manager. Be it further resolved that all
166 HAL-PC checks shall require 2 signatures, that the officers of the
167 corporation shall and are authorized to change bank and other records to
168 reflect this. Be it further resolved that this shall take place within 5
169 working days of the passing of this motion. Be it further resolved that the
170 signatory on these checks consist of the 1 of the following; the President,
171 or The First Vice- and that 1 of the signatures be either the office manager
172 or the treasurer. Be it further resolved that HALNET and other operational
173 entities of HAL shall send required information on billing, accounts,
174 membership, etc. to the HAL office in a timely manner as specified by the
175 office, and further that they shall be submitted in a form requested by the
176 office.

177 Be it resolved that the product committees immediately develop a method to
178 take inventory of all fixed assets of HAL. Be it further resolved that all
179 employees, officers, SIG leaders, or members of HAL shall transmit a list of
180 any HAL equipment that they have in their possession to the chair of the
181 committee within 7 days. Be it further resolved that HAL employees will
182 assist the committee in taking inventory of the fixed assets.

183 Be it resolved that a committee is formed to recommend to the board measures
184 for improvement of the management and organization of HAL. Be it further
185 resolved that the committee shall propose to the HAL board prior to the
186 October 2001 meeting of the board an organizational chart delineating how
187 the affairs of HAL are to be handled and designating clear lines of
188 authority. This committee shall continue to examine all aspects of HAL's
189 operations and periodically make recommendations to the board.

190 Be it resolved that all contracts to which HAL is a party be approved by the
191 Board of Directors and that any person entering into a contract on behalf of
192 HAL have specific authority from the Board to enter into that contract.

193 Be it resolved that any purchase made by HAL, that are not specifically
194 included as a named item in the budget, above \$100 be approved by the HAL
195 Board. This shall not include normal day to day operational needs specified
196 in gross in the budget such as office supplies, computer supplies etc.,
197 however, if these purchase exceed \$500 they must then be approved. Be it
198 further resolved that if there exists an emergency need to replace an item
199 it may be purchased by getting the immediate email approval of half of the
200 members of the board of directors.

201 There was a great deal of discussion on these motions. The Board generally agreed
202 that the Audit Committee should be empowered to address these issues.

203 Joe Brown made a motion (**Motion 090107**):

204 Be it hereby resolved that we accept the report of the Audit Committee and its
205 recommendations and empower the Audit Committee to implement recommendations

206 1,3,4,5 and 6.

207 Be it further resolved that recommendation 2 be referred to the Rules Committee and
208 that the Rules Committee draft a revision to the bylaws that would implement it.

209 Be it further resolved that all contracts HAL-PC enters into must in writing and be
210 approved in form by the Board.

211 Be it further resolved that the Audit Committee shall make a monthly report to the
212 board as to it's progress.

213 The motion passed.

214 John Chambers made a motion (**Motion 090108**) Be it resolved that HALNET is to
215 develop a plan for creating an Internet HAL-PC member community. The community
216 shall consist of a chat room, newsgroup, and mail list for each SIG and class, and
217 some general chat rooms, and additional newsgroups, such as tech support categories
218 for the entire membership and available only to members. HALNET staff shall report
219 back to the board with specific recommendations at the October 2001 Board
220 meeting.

221 Jeff Hupp offered to investigate the hardware, software and time required to
222 implement this motion and to report back to the Board at it's November Board of
223 Directors Meeting.

224 John Chambers accepted.

225 **V. ADJOURN**

226 Bob Grefe made a motion (**Motion 090107**) to adjourn.

227 The September 13th, 2001 Board of Directors Meeting adjourned at 11:24 pm.

228 Respectfully Submitted,
229 Anne Sipes
Recording Secretary

Attachment 1

FARB, AUBREY M. : B.A. with distinction Rice Institute (now Rice University), PBK '42; M. S. (Accounting) Columbia University, Beta Gamma Sigma and received award as outstanding student in class from New York Society of C.P.A.'s. C.P.A. in several states 1947 to present (now retired).

Formerly: Navy Japanese Language School, University of Colorado; commissioned as officer in the U. S. Marine Corps , 1943-46, served as combat interpreter at invasions of Guam and Iwo Jima and the occupation of Japan.

Managing partner Farb, Miller & Beerman C.P.A.'s (and predecessors) 1949-67; managing partner Houston office, Grant Thornton & Co. 1967-71.

Instructor and later associate professor of accounting, auditing, and Federal taxation, University of Houston, 1947-52; visiting professor of accounting, auditing, and Federal taxation, Rice University, 1962-70.

Published numerous articles on tax subjects; lecturer and discussion leader at courses sponsored by the American Institute of C .P.A.'s, the Texas Society of C.P.A.'s and the Houston Chapter of C.P.A.'s; designed and wrote special professional development courses for C.P.A.'s and other professional organizations; lectured at tax institutes in Texas and Louisiana.

Senior vice president, Century Development Company, 1971-73; president, Travel Associates, Inc., 1971-83; Certified Travel Consultant, 1981; president, Craft, Inc., 1971-present; managing partner Lots-O-Lots, Ltd.,1993-present.

Wrote weekly editorial column for the Jewish Herald Voice of Houston, 1992-93. Member of the executive committee of the Harris County Democratic Party 1992-present. Member: and former member of boards of Congregation Emanu El, American Jewish Committee, Jewish Community Council of Houston, Houston Symphony Society, the Aubrey and Sylvia Farb Community Service Fund of Congregation Emanu El, S.E.A.R.C.H. (day care center for the homeless), Child Development Center, Houston Advocates for Mentally Ill Children, Phi Beta Kappa Alumni Association of Greater Houston, San Jacinto Council of Girl Scouts, Boys and Girls Clubs of Greater Houston, and Israel Bonds.

Past President of Memorial Lodge of B'nai B'rith, Vocational Guidance Service, and Phi Beta Kappa Alumni.

From September 26,1997 to present has served as the National President of the Phi Beta Kappa Alumni. Term ends in September 2003.

. Received Savvy Award at citywide dinner in recognition of outstanding community service.

Nows serving second three year term as National President of the Phi Beta Kappa Alumni.

BronzeLife Master Duplicate Bridge, Accredited Bridge Instructor by the American Contract Bridge League, and ClubLevel Bridge Director.

Born in Galveston, Texas on September 26, 1922. Resident of Houston, Texas since July 1928. Graduated from San Jacinto High School and confirmed at Congregation Beth Israel in May 1938 by Rabbi Robert I. Kahn. Married Sylvia Lensky May 26, 1948. Father /grandfather of Helene Scolnick and Leslie and Jonathan, Roberta Colton and Evan and Julia, Susan Morris and Hannah and Shara, and Loretta Farb.

Attachment 2

Report of Hal-Pc Audit Committee September 13,2001

To: Board of Directors of Houston Area League of Personal Computer Users, Inc.
From: Aubrey M. Farb, Chairman

The Audit Committee ("COMMITTEE") has had two meetings. In addition two subcommittees have also had meetings with HAL personnel.

Your Chair was recruited for his position by your President, Robert Gunn, based on my statements to him, his predecessor Ray Morris, and others about my grave concerns about the lack of management, internal organization, and accounting controls within HAL. I also expressed strong reservations about the capabilities of your previous independent CPA, whose audit reports seemed to be poorly presented by him. (Incidentally I have worked closely with Tim Burgess, your attorney, in preparation for the defense of the lawsuit brought against HAL by its prior CPA, Philip Sachli.)

I chose the members of the COMMITTEE. They are:

Michael Mashburn, VP of HAL
Sam Merwin, CPA, Member of HAL
Michael Novominsky, CPA, Board Member
Alan Woodbury, CPA, Member of HAL

The urgency of the COMMITTEE'S work has been over the concern of officers, directors, and office personnel over the failure to bill HAL's commercial accounts.

A subcommittee of Mike Mashburn and Mike Novominsky was appointed by me to interview President Gunn to learn more about this problem. I also discussed certain aspects of the problem with Mr. Gunn. A copy of the subcommittee's report is attached.

I have interviewed numerous officers, board members, a former treasurer, and others to learn more about the history of HAL and its past financial and technical activities.

CONCLUSIONS:

- 1. HAL HAS BECOME A LARGE OPERATION THAT HAS DEVELOPED WITH ALMOST NO ORGANIZATIONAL AND/OR FINANCIAL CONTROLS.**
- 2. HAL IS URGENTLY IN NEED OF PROFESSIONAL INDEPENDENT MANAGEMENT ACCOUNTABLE TO THE BOARD**
- 3. HAL'S BOARD IS TOO LARGE, UNFOCUSED, UNWEILDY, AND UNRESPONSIVE AND ACCOUNTABLE TO ITS GENERAL MEMBERSHIP.**
- 4. HAL'S BOARD HAS ATTEMPTED TO MICRO MANAGE HAL'S OPERATIONS AND HAS FAILED IN ITS TRADITIONAL FUNCTION AS A BOARD TO PROVIDE OVERSIGHT AND LONG RANGE PLANNING, WHICH ARE THE NORMAL FUNCTION OF A BOARD OF DIRECTORS.**

Recommendations:

1. At the suggestion of Board Member Joe Brown, HAL should immediately engage the United Way's Management Assistance Program (MAP). This program has been set up by the United Way to assist non-profit (501 c organizations such as HAL to improve their internal management.
2. HAL should immediately revise its by-laws to provide for a smaller board of 15 members, each of whom would serve for staggered three-year terms. Each board member would be elected to a designated position such as technical, accounting and finance, professional development and training, programming, and advertising and public relations. This would eliminate the overload of technical members on the board. No employee of HAL would be permitted to serve on the board. The paid manager of HAL would serve on the board in an ex-officio capacity and would not be allowed to vote.
3. Together with the new auditors, Blazek and Vetterling CPA's, the COMMITTEE would develop a PROCEDURES MANUAL. In this manual all internal procedures of the organization would be outlined to ensure that its activities are carried out within the policies approved by the BOARD OF DIRECTORS.
4. Together with the auditors, a system of internal accounting and operating controls. Would be developed. This will safeguard the integrity of HAL's operations and would enable the auditors to rely on the system of internal control. This is essential to allow the auditors to complete their work without unreasonable financial cost to HAL. It would also give assurance and comfort to the board and ultimately to the members that the organization is being properly run and that its assets are properly safeguarded.
5. As a temporary measure, the following procedure for billing commercial accounts be adopted:

The Committee Chair and Mike Mashburn will meet with president Gunn and work out a plan whereby with reasonable assurance we can be comfortable that all commercial accounts are being properly billed. We will ask that;

 - a) All commercial accounts have signed contracts.
 - b) A list of standard charges be developed and made available to the office, Mike Mashburn, and the COMMITTEE
 - c) A member of the technical group that handles commercial operations be designated to approve all commercial accounts that he/she does not supervise.
 - d) No billing for services other than by HAL be billed by HAL
 - e) All invoices will be reviewed by Mike Mashburn and/ Michelle Annis to determine that Sales Tax has been properly computed.
 - f) Billing by the technical group will be entered into the computer in a manner that is accessible to the accounting department
 - g) All cash receipts will go through the accounting department.
 - h) The accounting department will forward to the technical group an aging of commercial accounts receivables that are unpaid no later than the 25th of each month.
6. Control will be instituted to make sure that all advertising contracts are in writing, that all advertising is properly billed, and that someone has the responsibility to see that advertising receivables are collected
7. All contracts that HAL enters must be in writing and approved by the board. No exchanges of services shall be allowed.

Your COMMITTEE has found no evidence of misapplication of HAL'S resources; however, due to the lack of any meaningful financial and/or operating controls it is difficult to state that none have occurred.

There is an appearance that fraud is possible. The failure to document agreements in writing, the manner in which the technical group is compensated by a sham contract with the Aldridge company, the many instances of quid pro quo's all contribute to an environment that causes distrust apprehension and concern among various board members and individual members.

Your committee has undertaken this task without any preconceived conclusions that anyone is culpable. Our sole purpose is for the betterment of HAL and its members. Any assistance you can give the committee will be greatly appreciated. We are not on a witch-hunt. None of us (with the exception of Mike Mashburn, whom we feel has the highest degree of integrity) has any desire to serve HAL other than as a member of this committee. The COMMITTEE will respect your privacy and will not divulge its sources if a member so desires.

Respectfully submitted,

AUBREY M. FARB

Chair

Attachment 3

Internet

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Great progress has been made in preparing the necessary information for billing our commercial users. A list of HALNet's commercial customers with contact information and monthly billing amounts for each account is available.

I feel it necessary to provide some explanation and history regarding HALNet's resources to the Board of Directors. In order to provide quality service to our member/users, it is necessary for us to have on "tap" the necessary resources, in the form of sufficient dial-in lines, terminal server ports, and connection bandwidth to The Internet to meet actual peak demands. As we have traditionally served the individual home user, our peak demand for these resources typically occurs between the hours of 7:30PM and 10:30PM. The initial effort to make more balanced use of these resources was to offer "7 to 7" accounts which were only functional during our non-peak hours, from 7:00AM to 7:00PM to qualifying non-profit and educational organizations where a HAL-PC member was available and willing to sponsor the account and take responsibility for its appropriate use. As the reliability and quality of HALNet's service came to be known, HAL-PC members would occasionally wish to make use of HALNet at their place of business. As this would also be a use that would not contribute to the peak demands (and consequently the costs) of HALNet infrastructure, permission was sought and obtained from the Board of Directors (prior to the Vote2000 election) to seek commercial users for HALNet. The rest, as they say, is history. The providing of accurate and timely billing with comprehensible statements remained the final hurdle.

The Magazine

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I am advised by the Magazine publisher, Meredith Foster, that national advertising from Adobe is not a "lost cause" as had been thought at one time. Adobe's long-time user group coordinator

has had her tenure extended, a move which had not been anticipated. The HAL-PC Magazine continues to be produced with 100% volunteer labor and, as always, welcomes your submissions of articles on subjects likely to be of interest to fellow HAL-PC members.

Advertising

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No new advertising for HAL-PC has been placed since our last meeting.

Respectfully submitted,
Jay Thomas / Vice-President Communications