

Audit Committee Meeting – Questions for Staff

The Audit Committee is charged with reviewing and making appropriate inquiry regarding the anonymous letter that BOD members received prior to the April 2007 NRA Annual Meeting. Pursuant to this charge, following is a series of questions derived from the letter. These inquiries are arranged in paragraph-by-paragraph order, starting at the beginning of the letter.

Paragraph 1: This paragraph alleges that the whistle-blowing procedures currently in place are inadequate. Please review the policy for the committee, and the protection contained in the policy for whistleblowers. Has the policy been adequately publicized to NRA employees? How has it been publicized? What are the pros-and cons of establishing a whistle-blowing “hotline” administered by an outside third party? What would the out-of-pocket costs be for NRA to contract for such a service?

Paragraph 2: Does NRA have appropriate personnel policies in place regarding employee terminations and resignations? Are these policies being followed? Are personnel situations properly documented in accordance with these policies? Are the financial assets of NRA at risk due to any improper terminations of employees?

Paragraph 3: Have NRA’s expenditures for promotional activities and for consultants been properly documented and approved in accordance with NRA policies? Have prior expenditures for promotional activities and consultants been properly budgeted, and subjected to review during this process? Have the results derived from the use of these monies been discussed with the Finance Committee?

Paragraph 4: What are the financial arrangements associated with the annual cruises? Are all expenditures for such activities properly budgeted for and approved in accordance with NRA policies? What is the business purpose behind these events? Is NRA in compliance with IRS regulations concerning the expenditure of funds on such events?

Paragraph 5: What is the reference to “I.I. and I.S.”? Have the vendors NRA uses to book travel arrangements and rental cars been properly approved? Have all travel expenditures been properly documented and approved? Have expenditures for entertainment expenses been properly documented in accordance with NRA policies and IRS regulations? Have such expenditures been properly budgeted and reviewed with the Finance Committee? Have these expenditures been within NRA and IRS limits?

Paragraph 6: Please review the findings of Jacob Frenkel’s report on these expenditures, and the disposition of the several aspects of this situation. Please advise the committee regarding the procedures NRA put into place subsequent to this report. Are these procedures being followed? Have there been any recent modifications or enhancements to these procedures? Did the anonymous letter of complaint identify any expenditures of monies that were not reviewed by Jacob Frenkel? If so, what were these items?

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Paragraph 7: Are salaries and wages to NRA employees being paid in accordance with NRA policies? Is NRA's wage and salary scale being followed? Are the wages being paid by NRA for various positions in the organization appropriate? Does NRA have sufficient and proper documentation in employee files for all payroll related activities?

Paragraph 8: Who is "Survival Inc.?" What is the business purpose for expenditures to them? Has this vendor been properly approved in accordance with NRA policies? In general, are all vendors and suppliers to NRA properly approved? Is the business case analysis process and the RFP schedule being followed for all vendors? Are exceptions to these policies properly documented? Are the procedures established by NRA's Purchasing Procedures Manual being followed with all of our vendors?

Paragraph 9: The matter of salaries and wages and related documentation was asked with regard to paragraph 7 of the letter. Regarding NRA's American Express accounts, in whose name were these accounts established? What was the business purpose for this choice? Is this arrangement subject to the RFP process? Are there any benefits (frequent flyer miles, etc.) for the NRA American Express accounts? If so, what use is made of these benefits?

Paragraph 10: Have Ackerman and PM Consulting been properly approved as vendors? Are expenditures to these firms properly documented in all respects? Is business with these vendors at "arms length"? Are the procedures established by NRA's Purchasing Procedures Manual being followed with all of our consultants?

Paragraph 11: Please review for the committee the Palladium Press situation (in brief, but also from its inception up to its current status). Please also speak to the aggregate (cumulative) net cash flow from this situation.

Paragraph 12: Final paragraph – nothing in this section raises any issues for the Audit Committee.