



MSFA Executive Committee Meeting Teleconference Minutes

The teleconference was called to order on Wednesday, September 24, 2008 at 1900 hours by Executive Committee Chairman Craig Moe. In attendance was: President Frank Underwood, Vice President Roger Powell and Doyle Cox, Treasurer Ron Siarnicki, Asst. Treasurer's Bobby Jacobs and Lee Sachs, Financial Secretary Fred Cross, Secretary Jackie Olson and Executive Committee Members: Jim Seavey, John Guntow, Bill Hildebrand, Dan Stevens, Steve Kesner, Doug Alexander, Paul Sterling and Stu Carter.

Executive Chair Craig Moe tuned the teleconference over to Treasurer Ron Siarnicki to discuss the topic of the teleconference which was the Audit of MSFA Funds. Ron and Lee met with the representatives from the Maryland Military Department in regards to the Volunteer Company Assistance Fund (VCAF) and felt it was time to meet with the Executive Committee to discuss their findings.

Several weeks ago, Ron, Lee and Fred met with the Maryland Military Department about concerns they still have about our administration of the monies for the VCAF. They met with John Nickerson in his office and he advised that the Office of Legislative Affairs was considering another audit. Later, John Nickerson contacted Ron and advised that there was going to be another audit.

Since then, we have been trying to work with Nick Moracco and the State to do this review again and what has happened since the very beginning has been a request right away for documents that the MSFA cannot produce. A meeting was held in Baltimore with who we thought would be just Nick Moracco and John Nickerson and it was more than that, as Nick brought his boss, Deputy Chief of the Audit Section of Legislative Affairs. We were advised that they were doing a complete financial review of VCAF and that everything has been transferred to the Maryland Military Department. The deadline for their report is November 1st, 2008. They were under the impression that after the last audit, the recommendations made at that time had been acted upon. They had significant questions of Ron that day as to why the MSFA was still collecting the monies and why they were still acting as the Agent, instead of MEMA on the loans. Ro stated that he felt the auditors are treating us truly as any other department that has eight hour a day employees, five days a week and no different. We are being held to the same timeline standard.

Two weeks ago, Fred was contacted that the auditors were coming out to his audit and suddenly just prior to the visit, Nick Moracco called and cancelled the meeting. The auditors have pulled out of the Military Department and have stopped the audit.

Lee Sachs discussed that everything they have asked of us, we cannot provide as they want it, because we do this as we do everything else, because we are volunteers and not full time accountants. Many of our notes are wrong and much of our recordkeeping is incomplete. We are volunteers who are trying to do a good honest job of it.

Ron discussed that he was bothered that the audit was cancelled so he contacted John Nickerson to ask why? Mr. Nickerson told him that the auditors pulled out because they thought they were wasting their time trying to reconcile the records between MEMA and the MSFA. Also, the Auditors were significantly taken back that we did not transfer all records to MEMA despite the fact that we had agreements. The answer to the agreements was that John Droneburg had no permission to execute any agreements. Also, that a point was made by the Board of Public Works in regards to MSFA changing from 3% to 2% interest rate. Also, the old practice of taking the money out of the old Fire Truck Loan Fund to help with the Widow and Orphans Fund and move those monies around was not proper practice. John Nickerson then told Ron that because the Auditors are required to have a report to the Office of Legislative Affairs by November 1, they are going to do so with a huge hammer. This will probably be a very realistic option. If the report will be public, according to Lee Sachs, we must have an opportunity to reply to the report beforehand.

After looking at all that, we must be prepared for a worst case scenario. The last audit we got slammed on and this will be yet another one again. John Nickerson indicated that we would likely not see any more money from the State in the future or until our house is in order.

A meeting was held with the General of the Maryland Military Department and John Nickerson along with MSFA to discuss how to cure this issue. We must start submitting requests for 2010 budget requests from this point forward, just like everyone else, which includes 2008 Actual, 2009 Budget and a 2010 Proposed.

If you look at our reporting obligation, it relates to the loans made this year. It has no relation or requirement towards collections, nor is a report required on collections over the years.

Lee recommended going to Bradford Bank to handle our collections and all reporting requirements; pursuant to a contract that must be approved by both, the State Government and the MSFA. The Bradford Bank will report to both entities, but will send all monies to the State Government.

Jim Seavey motioned and Stuart Carter seconded that the Finance Team move forward with Asst. Treasurer Sach's recommendation on the VCAF measures as swiftly as possible. This motion passed unanimously.

Ron is scheduling the meeting with the General and MEMA and President Underwood. They will put together a 10 minute or so history of the MSFA and loan fund, where it was

to where it is know and hope they we be given time to discuss solutions, history and procedures. The responsibilities for this are: Steve Kesner will help prepare a 2010 budget, the Trustees will send a report on the \$50,000 increase (how it will be spent, breakdown, etc) and Lee will look over the program from the Governor's presentation.

We still have the trailer and Craig is storing it at Laurel and he has an offer in writing and if anyone else has offers let him know now, as he wants to move this along. We have also found out that the trailer was found to be half owned by MSFA and the MFCA, but the MFCA never paid for any repairs. If they want half of the \$500, they should pay half of the repair costs and then they can have \$500. Ron is working with MFCA to finalize this issue.

Seavey went over the ESF4 ESF9 and ESF13 issue. President Underwood stated that he has appointed Mike Berna to be our contact and that he was appointing Jim Seavey to assist him, as Roger Steger could not serve as Frank had requested. Lengthy discussion!

The teleconference meeting was adjourned at 2015 hours.