

Audit Report • Final • September 2024

Purpose: This Audit committee was imposed on us due to the following motions/amendments that were passed to address multiple concerns by the membership. At the TAD Special Meeting on 15 June 2024 at San Antonio.

Motion #1 - Jose-Ovi Velasquez: “I move that **TAD** would appoint 3 of their own auditors and **SaveTxADNow** team would also appoint 3 of their own auditors to work together.”

A. Seconded by Charles Graves

B. Motion Passed.

Motion #2 - Wes Singleton: “I move that TAD shall freeze financial activities until the audit is completed”

A. Seconded by Rachel Bailey

B. Amendment #1- Randy Pituk: “I move to insert freeze except shall pay any bills.”

C. Seconded by Charlene Kennedy

D. Amendment #1 Motion passed.

E. Amendment #2- Charlene Kennedy: “I move to insert to completed by September 1st, 2024.”

F. Seconded by Angela Trahan

H. Amendment #2 Motion passed.

I. Main Motion passed.

The Save Texas Now Group has chosen the following:

Dr. Stephen C. Baldwin
Joanne Brininstool
Paul Rutowski

TAD has chosen the following:

Dana Stoddard
Ira Hendon III
Mary Lacy

We the auditing team would like to remind everyone that we are volunteers and not professional auditors. We do not hold certifications in accounting or law. Our work is guided by common sense and the general standards and expectations that any organization should uphold.

Note: For more details not listed on this final report, refer to the 28 August Preliminary Report and our 15 September responses to Randy's report.

Recognition to Our Current TAD Board:

Before we proceed with our report, we want to stress that our findings are not a reflection of the current TAD Board. We acknowledge the hard work they have put in to uphold TAD's values, and we believe they deserve more support from the community.

The audit team sincerely appreciate the dedication of the current board—our hats off to you—and hope that our final report helps pave the way for recovery.

One of the reasons we are hesitant to extend the audit for another three months is that it would only create more turmoil for the current board, something they certainly do not deserve.

If you are reading this audit report, we encourage you to contribute to TAD rather than criticize from the sidelines. Be an active participant, consider joining the board, or even host fundraisers for TAD. They are short on manpower, and it's clear that TAD needs all the financial support it can get.

The auditing team is acutely aware of the current trends affecting volunteerism and the challenges state associations face in securing quality leaders. We recognize that many organizations, including TAD, are grappling with a decline in volunteer engagement and leadership participation due to various factors. These factors may include the increasing demands on individuals' time, the growing complexity of managing nonprofit organizations, and the evolving expectations of leadership roles in a rapidly changing environment. With those given factors in mind, unqualified and unscrupulous officers, board members and members-at-large would take the opportunity to corrupt the association.

However, while we acknowledge these difficulties, we believe that they underscore the importance of maintaining strong leadership, transparent decision-making, and adherence to established protocols. It is crucial that TAD address these challenges proactively to ensure the organization's long-term sustainability and to uphold the trust of its members and its bylaws.

Considering these issues, we emphasize the need for clear communication, accountability, and a commitment to finding innovative solutions to overcome the obstacles facing TAD and similar state organizations. The auditing team remains dedicated to supporting TAD in this effort and to helping foster a culture of transparency and excellence in leadership.

All findings, reports and submissions to the TAD Board and members have been reviewed and approved by all 6 auditors.

Auditors Request made in June 2024: We request the TAD Board to provide comprehensive documentation on TAD letterhead detailing Dan Stoddard's roles (treasurer, investment manager, etc.) during the unaudited period from 2018 to 2023. This documentation is necessary to ensure neutrality and transparency. This request does not reflect Dan's abilities, as we recognize his qualifications and expertise. It is solely for record-keeping purposes to assist in our review.

Auditors Final Report: *To date, TAD has not provided any official information regarding the matter.*

Auditors Request made in June 2024: All monthly TAD bank statements from 2018 through 2023.

Completed and received, *although some copies were scanned manually instead of being provided as direct PDF copies from the bank.*

1. **Auditors Request made in June 2024:** All Kramer Financial monthly statements from 2018 through 2023.

Completed and Received

2. **Auditors Request made in June 2024:** All meeting minutes from 2018 through 2023.

Incomplete. *We have some, but not all.*

Audit Team: *The delay in providing the requested documents was unexpected, particularly for such a straightforward request. It is concerning that such recent meeting minutes are not readily available.*

TAD has been searching for minutes during this 6-year period, relying on former board members' emails, files, and other resources. There is the risk of revoking the TAD Non-Profit status if such documentation is not readily available per the Texas Franchise Tax office.

In Texas, nonprofit organizations are required to maintain proper records, including meeting minutes, as part of their compliance with both state and federal laws. Missing or incomplete meeting minutes can raise concerns, especially in cases where those minutes are needed to demonstrate adherence to bylaws, decisions made by the board, and compliance with legal and tax obligations.

The Texas Franchise Tax Office, which oversees nonprofit status, could potentially revoke a nonprofit's status for failure to meet compliance standards. Missing minutes could be

a sign of broader issues such as poor record-keeping, mismanagement, or lack of transparency, all of which could put the organization at risk.

Auditors Final Recommendation: *This situation highlights a significant shortfall in systematic record-keeping practices. The difficulty in retrieving these essential documents underscores the urgent need for more robust and standardized documentation procedures. We strongly recommend implementing a reliable system for organizing and preserving meeting minutes to prevent similar issues in the future.*

Auditors Request made in June 2024: All TAD financial reports from 2018 through 2023.

Audit team: Incomplete. *TAD is unable to provide any comprehensive and transparent financial reports for the period of 2018 through 2023. We have observed that several financial reports from 2018 through 2023 are either missing or were never completed.*

We concur with former Treasurer Randal Pituk's assessment that the available financial reports are flawed and inaccurate.

Despite efforts to retrieve these records, TAD has been unable to provide a complete set of financial reports from this period. This situation raises serious concerns about the organization's financial record-keeping and reporting processes. The inability to locate or produce these critical documents not only hampers the auditing process but also reflects a broader issue of insufficient financial oversight. It is imperative that immediate steps be taken to identify the root causes of these gaps and to establish more rigorous procedures for documenting and preserving financial records moving forward. We recommend a thorough review and overhaul of the current financial management system to ensure that all necessary reports are completed accurately and are readily accessible for future audits and assessments.

Auditor's Final Recommendation: *We will cease further pursuit of these reports and are compelled to assume that there may have been instances of abuse, misuse, broken protocols, and even potential embezzlement. The responsibility to provide evidence to the contrary now rests with TAD.*

Auditors Request made in June 2024: All correspondence between TAD and Kramer, including fund withdrawals and rationales, supported by matching meeting minutes.

Audit Team: *We have received all correspondence between TAD and Kramer, including fund withdrawals and the accompanying rationales. However, we have not yet received the corresponding meeting minutes which will show membership approval(s), which*

remain outstanding.

Auditors Request made in June 2024: List of all officers and administrators from 2018 to present, including positions such as President, Vice President, Treasurer, Secretary, and Regional Board Members.

Audit Team: *We have received the list of all officers and administrators from 2018 to the present, including positions such as President, Vice President, Treasurer, Secretary, and Regional Board Members. While we are uncertain if this list is entirely accurate, we appreciate the effort made in compiling it.*

Auditors Request made in June 2024: List of all chairs and significant contributors to TAD's symposiums and conferences from 2018-2023, including detailed expenses and revenues.

The Audit Team: *Incomplete, as TAD has provided limited documentation.*

Regarding the 2019 Conference – Grapevine Financial report. *(Refer to Preliminary Audit report for details)*

Note: *We have received a 2019 unsigned 1 September Conference Committee letter suggesting that a comprehensive financial report may no longer be feasible. We have since asked the TAD Board to confirm whether this is the case. Due to Randy's untimely resignation, the auditing team has concluded that the current TAD Board and members may never have access to a complete, transparent, and thorough financial report for the **2019 Conference in Grapevine.***

In addition, former Treasurer Randy Pituk has provided a comprehensive timeline of the events from the 2019 conference, and we believe this information is sufficient to include in the final report. Currently, we have no plans to pursue the matter further.

Auditor's final report: *The auditing team has lost confidence that such a report will ever come to light. This issue is now handed off to the TAD Board and Members for further action.*

Concern: *In the 15 June meeting minutes, Mike Swoboda claimed that a lawsuit might occur if the hotel expenses were not paid.*

Auditor's final report: *The audit team does not believe this to be a true and accurate account. Typically, hotels do not pursue lawsuits over unpaid invoices but instead impose late payment fees and offer alternative payment options. We must assume that these viable alternatives were not fully explored.*

While we have received Randy's 15 Sept report on the matter, we still consider this to

be, at best, a case of mismanagement. There was a clear lack of communication between the board and the committee, leading to an avoidable misunderstanding between the hotel and TAD.

This included a violation of bylaws 9.1 by taking funds from Kramer without membership approval.

Concern: Additionally, in the 15 June meeting minutes, Mike Swoboda claimed that there was a financial loss caused by the 2019 TAD Conference Chairperson's misuse of funds for personal purposes.

Auditor's findings: If this statement is accurate, was any action taken in response? The auditors have no information regarding this matter.

We will pass this on to TAD Board and members for further action.

Concern: TAD highlighted several underlying reasons for the necessity of withdrawing investment funds, including a lack of membership recruitment, member involvement and participation, member support and collaboration with board members, and the absence of legislative initiatives.

Auditor's final report: The audit team does not accept these rationales, noting that TAD should have sought member approval before withdrawing funds from the Kramer funds. Furthermore, board members and regional representatives took an oath to safeguard our bylaws with honor and sincerity to the best of their abilities.

Auditors Request: Copies of all TAD tax returns from 2018 to the present.

Completed and Received except for 2021 and 2023.

Auditors Request: Memorandum of Understanding (MOU) between TAD and Hands On Texas, which is based in Hurst, Texas.

Auditor's final report: Completed and received, we pass this MOU to the TAD Board and Membership for further review.

Auditors Request made in June 2024: Please provide the original correspondence (Email/Letter, etc.) from the TAD Board to Sweeten CPA Services regarding the scope of work. This should include supporting documentation, such as

the Board vote or approval, and any related materials. Additionally, we seek an explanation for choosing Sweeten CPA Services for the audit instead of the traditional auditing method that TAD has used for many years. This questionable move appeared to take place after the TAD members requested for a 6-year audit. Was there a specific reason why CPA Boles who is very familiar with TAD was not utilized for this audit?

Auditors Final Report: *There appears to be no evidence that the TAD Board approved the expense of over \$3,000 for engaging Sweeten CPA services. We will leave it to the TAD Board and its members to determine how to address this matter and identify who is responsible for authorizing this expense.*

In addition, the auditors do not accept Mike Swoboda's comments that the Sweeten CPA "audit" is considered a legitimate and significant endorsement of the financial integrity of the Texas Association of the Deaf. This statement is grossly misleading and false to the audit team.

Auditors Request: Authorization for the Audit Committee to have full access to:

- Danny Lacey at Kramer
- Claudia Boles, CPA
- Sweeten, CPA

Auditor's Final Report: *This request came as incomplete and not given full authority by TAD; however, the audit team has not found any reason to reach out to those directly involved at this time.*

The Three Resolutions:

The audit team has reviewed the three resolutions (2019, 2020 and 2023) that indorsed TAD to draw from Kramer funds, which are typically reserved for emergency situations only.

Unfortunately, after reviewing all three resolutions, the Auditing team has concluded that there has been a clear and intentional abuse of the 9.1 bylaws, marked by evident malicious intent and inadequate justifications.

ARTICLE 9 – FINANCIAL STEWARDSHIP

9.1 Financial Stewardship - TAD is prohibited from touching association funds in stocks/market accounts if the balance is below \$100,000. If the association funds in the stocks/market accounts are above \$100,000, the TAD board cannot take out more than \$5,000 or more without the approval of the members.

Auditor's Final Report:

There is clear evidence of intent to deceive, as demonstrated by the fraudulent and misleading use of the "Resolution" process, which ultimately misled and evidently disillusioned the members of TAD.

What is most distressing to the audit team is that the TAD Boards responsible for these actions failed to plan appropriately by not seeking a member vote beforehand. We find this rationale totally incomprehensible. There is absolutely no excuse for bypassing this crucial step in the decision-making process.

The commitment to conduct multiple fundraising efforts to address the unauthorized withdrawals and recover funds taken from the emergency fund has yet to yield any results.

Despite these promises, the anticipated fundraising initiatives have not materialized, leaving the issue unresolved and raising serious concerns about the follow-through on these plans. This failure further calls into question the leadership team's decision-making and accountability during this period.

We do not accept the claims that 'there was not enough time to gather member votes' or similar justifications. TAD has not only violated the bylaws once but has done so multiple times.

Mysterious cash withdrawals: *Another concerning pattern we have identified involves cash withdrawals. For instance, in October 2023, after the \$15,000 illegal deposit from Kramer on the 17th, there were cash withdrawals of \$706.52 on the 13th, \$700 on the 26th, and \$300 on the 19th. In November, there were withdrawals of \$700 on the 1st and \$300 on the 6th. Additionally, there was a withdrawal of \$700 on the day after Christmas and a withdrawal of \$890 on April 20, 2022. Can TAD provide clear justification, explanation, and rationale for these cash withdrawals?*

Auditors Final Report: *If TAD cannot provide such documentation, we will have to consider these funds as potentially embezzled.*

Unsolicited Concern: *The audit team has received unsolicited concerns from the membership body regarding the behaviors of individual board members at past conferences and in public settings that may have violated the TAD code of conduct. While we are not actively pursuing these matters at this time, if TAD wishes to promote transparency and accountability, the TAD Board and Members can choose to do so.*

Travel Expense Concern: *The Audit team has also noted questionable expenses related to TAD Board travel, including stays at Airbnb's, excessive meal*

expenses, and other travel costs, despite the organization's awareness of limited available funds.

Final notes:

There seems to be some confusion and concern regarding the auditing team's decision to present our 28 August preliminary report to both the TAD Board and the members. The auditing team firmly believes that our work and findings belong to all members of TAD, not just the board. We were falsely accused of granting "privileges to the members," a claim we do not understand. If we were to submit our report solely to the board, wouldn't they be the ones receiving special privileges over the members?

The auditing team believes that the SaveTxADNow (STN) group consists of equal members. Recent events indicate that the members lost faith and trust among the previous TAD Boards (not the current one) due to its lack of transparency, failure to respond to at least three certified letters, lack of due processes, along with the six unaudited years. This led to the members' request for the establishment of STN as an "ad hoc watchdog group," resulting in various actions, including the initiation of this audit process.

Once this process is complete, we hope that the STN will no longer be necessary and can be dissolved.

Given this history, the auditing team felt that the most transparent course of action was to submit our findings to both the TAD Board and the membership, ensuring full transparency for everyone involved.

The auditing team were wrongfully accused of omitting information presented by the former treasurer. While we received a note on August 26th indicating that additional information would be forthcoming, this became a timing issue. We were asked to submit our "final report" by September 1st, but we received the notification on August 26th, without the new information, just before the Labor Day weekend.

Any information provided after August 29th (the day after we submitted our preliminary report) was unlikely to be included in the final report. The auditing team had prior commitments over the long weekend, making it impossible to process and approve any new details before the September 1st deadline. This is why we labeled our submission as "preliminary" —to allow for the inclusion of any new information following our August 28th report. For some reason, the former treasurer believes the auditing team ignored his request, which is not the case. We also want to remind everyone that the auditing team has the discretion to determine the timing of our submissions to the TAD Board and members, not the other way around.

Final Recommendations:

Recommendation 1: *File a claim with TAD's insurance for fraudulent losses resulting from multiple instances of fund misuse and abuse. If TAD has a qualifying policy, the insurance carrier will likely appoint their own auditors to review TAD's financial records and procedures. This audit would be entirely neutral and likely more thorough than the one conducted by our team. Addressing this matter should be TAD's top priority. Our final report can serve as a foundational document for the insurance auditors to reference.*

If an insurance claim is not feasible, we recommend requesting an investigation by the state Attorney General's office.

By doing this, this will allow our current TAD Board to proceed and try to restore the integrity of the TAD organization.

Recommendation 2: *Engage in an open and honest discussion about the future of the Texas Association of the Deaf, addressing key concerns such as declining membership, a lack of strong leadership in the pipeline, decreasing interest from the current generation of deaf individuals in the organization's value, and challenges in fulfilling fiduciary responsibilities while maintaining commitment to volunteerism.*

Recommendation 3: *Develop a recovery plan that includes, but is not limited to, the following action items:*

- *Come up with ways to make the people accountable for their past wrongdoings so that the current TAD Board can move forward.*
- *Conduct a thorough organizational reset.*
- *Organize and streamline internal affairs.*
- *Overhaul the bylaws to ensure they align with current needs and best practices.*
- *Assign key stakeholders to lead critical areas.*
- *Establish clear measures for tracking progress and ensuring transparency.*
- *Increase member dues.*

TAD Matters!

Respectfully Submitted by the Audit Team on 16 September 2024:

/s/ Dana Stoddard

/s/ Dr. Stephen C. Baldwin

/s/ Ira Hendon III

/s/ Joanne Brininstool

/s/ Mary Lacy

/s/ Paul Rutowski