**ARRL, Inc.**

**Administration and Finance Committee**

**July 16, 2015**

**Newington, CT**

**ARRL BOARD CONFIDENTIAL**

In attendance were Chairman Greg Widin, K0GW, Directors Jim Pace, K7CEX, Jim Boehner, N2ZZ, Dick Isely, W9GIG, and Rod Blocksome, K0DAS, Vice Director Mike Lee, AA6ML, President Kay Craigie, N3KN, CEO David Sumner, K1ZZ, CFO Barry Shelley, N1VXY, COO Harold Kramer, WJ1B and Controller Diane Middleton, KC1BQF. Also in attendance were Director Tom Frenaye, K1KI, Vice Director Bill Morine, N2COP, and IAVP Jay Bellows, K0QB. Treasurer Rick Niswander, K7GM, was unable to attend in person due to a prior commitment but joined the meeting via teleconference for a time later in the morning.

1. Mr. Widin opened the meeting at 8:25 am, welcoming the Committee and other attendees.

2. Mr. Widin presented the agenda for the meeting noting that there were two additional items. One was the National Park On The Air (NPOTA) proposal that had been sent to the Committee and the second was a proposal by Vice Director John Stratton, N5AUS. He noted that Mr. Niswander would be joining the meeting via teleconference at 9:30 am and that the Committee would be taking the topics relevant to him while he was on the phone. He then asked for additions to the agenda and none were offered.

3. Mr. Widin asked for any corrections to the minutes of the April 11, 2015 meeting.

**Upon the MOTION of Mr. Isely, seconded by Dr. Boehner, the Committee VOTED to APPROVE the minutes of the April 11, 2015 meeting.**

Michael Keane, K1MK, joined the meeting at this point.

4. Mr. Shelley gave a brief history of why GreyCastle Security was engaged and then introduced Brian Didier of GreyCastle. Mr. Didier presented the results of their vulnerability assessment of the ARRL IT infrastructure. He outlined the process they followed in the four areas of assessment. He described the issues identified both external and internal that represented vulnerabilities identified in the assessments noting that the assessment was a “snapshot” in time and that the presentation didn’t cover what improvements have been made so far.

Mr. Didier summarized the overall results as “good” but there were areas for improvement. He also reported that the results were slightly better than average for a company of the size of the ARRL. He praised the ARRL IT staff and the proactive actions taken by them for remediation.

Going into more detail, Mr. Didier noted that all computer certificates were up to date which is not often found. He highlighted as an issue the internal downloads and unsupported software downloads as well as two particular programs, Adobe Flash and Java which are not updated regularly. He reported that in this area, significant improvements could be made with moderate effort.

Continuing, Mr. Didier reported on their assessment of the ARRL’s firewall. He noted that the compliance percentages were close to the benchmark average although there were a few critical hosts that, for business purposes, were lax. He recommended a DMZ be built to further protect the rest of the network.

In summary, Mr. Didier reported that, given the size of ARRL, the assessment was about average. The strongest area was the external assessment. However, he noted that it will take staff and financial resources to increase the security and provided a list of 6 recommendations.

Mr. Isely asked about the resources necessary to establish a DMZ for the network. Mr. Didier responded that it was already in progress at the ARRL. Mr. Keane noted that the construction of a DMZ was already in the 2015 Plan.

Mr. Lee asked how many certificates were discovered by GreyCastle. Mr. Didier responded that were a “handful” of them. Mr. Lee continued, asking if GreyCastle were PCI compliance auditors, the tool used by them in the evaluation and the cost of the tool. Mr. Didier responded that yes, they were PCI compliance auditors, that the software used for the evaluation was Nessus by Tenable Systems and he wasn’t sure of the cost. Mr. Lee offered that the software could be obtained for about $2,000 and Mr. Didier agreed.

Mr. Keane then discussed the actions that had been taken since the assessment to remediate the issues raised by GreyCastle. He provided the Committee with a written list of these actions which is attached to these minutes. He noted that all the internal and external vulnerabilities identified in the assessment had already been remediated and highlighted those items still in progress. He also reported that one of the more noteworthy actions was the software purchased to aid in centralized monitoring and administration of software on the desktops and that currently everything is up to date.

Mrs. Craigie asked a question about moving away from certain software and training for the staff. Mr. Shelley responded, noting that there was a training class being planned for all the staff regarding IT security and procedures.

Mr. Frenaye asked about automated updates and if there is a process to test the updates prior to being deployed. Mr. Keane responded that the IT staff was the testing group for updates before implementation across the network.

Mr. Niswander joined the meeting via teleconference at this point.

**5. Report of the Auditors**

Paul Ballasy of CohnReznick joined the meeting. He distributed a report regarding the 2014 audit results to the Committee. Mr. Ballasy described the process for the audit and the process followed by the auditors. In his remarks he recommended another external review of the Life member reserve in the coming year. Mr. Niswander asked about management letter comments and Mr. Ballasy responded that there were no comments this year. Mr. Niswander noted for the Committee how this was important and a very good thing. Mr. Morine asked about the difference between a current ratio and the “adjusted” current ratio and Mr. Ballasy responded that it was primarily the Life member liability in the calculation.

Mr. Ballasy continued, describing upcoming major changes in the financial reporting requirements for not-for-profit entities.

a. With donor restriction and without donor restrictions will be the way to separate funds.

b. Improve liquidity understanding

c. Reporting of Expenses by function

d. Changing to the direct cash flow method of reporting

Mr. Ballasy then reported that the audited financial statements had been issued and noted that their opinion was an unmodified (unqualified) opinion.

In closing, Mr. Ballasy asked for additional questions and there were none. Mr. Sumner added two points of information. One was that the auditors had approved the financial information in the annual report and it is on the web and secondly, he noted his retirement date in 2016 for the auditors.

Director Vallio joined the meeting during this portion of the meeting.

**6. Treasurer’s Report**

Mr. Niswander referred to his written report that had been distributed prior to the meeting. In his remarks he noted that the investment portfolio mix was weighted on the lower end of equities range and the higher end on the fixed income range. He noted that this was why the portfolio results were slightly less than the benchmarks. Mr. Niswander also discussed economic conditions noting that, while Greece was everyone’s concern at the moment, he felt that China should be a bigger concern. Mr. Sumner asked about the concern regarding China being more the indebtedness of their municipalities and the uncertainty over that than other issues. Mr. Niswander responded that there is a lot of “hidden debt” in the Chinese economy which is the concern because it is unclear if there are cash flows sufficient to repay all the debt.

**7. Operating Reserves/Future Dues**

Mr. Niswander referred to his written reports on these topics that had been distributed prior to the meeting. Mr. Widin asked if he felt that the Committee needed to adopt a motion regarding financial reserves or was he just bringing information to people’s attention. Mr. Niswander responded that there was a need for a motion relative to dues and inflation and likely there was a need to develop a policy regarding operating reserves.

Mr. Widin suggested that Mr. Niswander would be the most appropriate person to lead a subcommittee to come up these policies/recommendations regarding operating reserves. He noted that the working group should be relatively small and that the composition of those sub- committees will be decided off-line and before the end of the Board meeting.

Mr. Niswander asked for questions/comments about the documents. Mr. Pace noted the recommendation regarding future dues increases and recommended that the Committee make it clear to the Board that there is active consideration to align future dues rates with inflation.

**Upon the MOTION of Mr. Pace, seconded by Mr. Isely, it was unanimously APPROVED that the Committee adopt the recommendations in the Treasurer’s reports regarding the annual evaluation of future dues rates relative to inflation.**

**8. Publishing comparison between print and e-books**

Mr. Inderbitzen joined the meeting to present the organization’s strategy regarding electronic publishing (e-books). He noted that this was a relatively new venture for the ARRL and reported that there is a rising tide of interest in electronic publications. He told the Committee that only about 30,000 members buy a print book directly from the ARRL annually. He also reported that there haven’t been enough sales to understand the amount of transfer business that sales of e-books may be generating. Mr. Inderbitzen then presented comparisons of the revenues/costs for two different titles for both print and electronic publishing. He also presented results from the first six months of the year for e-book title sales. He reported that the current strategy is to introduce all new books in print as well as in digital form if appropriate for that medium, noting that what we’ve been doing has been conservative and risk free.

Mrs. Craigie asked about the various models of Kindle and how that impacts the ARRL’s design process? Mr. Kramer responded that the staff is continuing to learn and that Shelly Bloom works with e-publishers to experiment where possible. He noted that we can’t deliver to all versions. Mr. Inderbitzen noted that we haven’t seen much in the way of “returns” on Kindle but initial evidence is good.

Mr. Lee reported that the rest of the publishing industry is in the same place as the ARRL in terms of testing and deciding on strategy in this area.

Dr. Boehner asked why the Amazon Smile program hadn’t been publicized more and why aren’t we marketing it? Mr. Inderbitzen noted that it has been included in certain e-mail marketing campaigns and is on the Member Benefits page. Mr. Kramer reminded the Committee that the organization has to be careful not to promote Amazon too extensively because the traditional dealers are hurt by them.

Mr. Niswander noted that the print vs. e-book publishing analysis is interesting and the approach is appropriate. He opined that it will have significant impact on our margins sometime in the future.

Mr. Lee asked about other publishing in other formats. Mr. Inderbitzen responded that there has been some interest but he doesn’t envision expanding the offerings in the near term. Mr. Lee noted that the margins are significantly better for some other formats.

Mr. Isely observed that there are tremendous dynamics in this market and the ARRL needs to stay involved. Mr. Frenaye asked about the future prospects for Nxtbook. Mr. Kramer responded that he was going to meet with their competitor in the near future to discuss options as Nxtbook seems to be specializing in replica editions. Mr. Lee noted that many people are moving away from NxtBook, some even moving to in-house production. Mr. Sumner reported that he had encountered some concern in the field about the use of Adobe Flash by Nxtbook. Mr. Lee also requested additional statistics on the second and third e-book titles

Mr. Woll joined the meeting and Mr. Bellows rejoined the meeting during this discussion.

**9. CEO Report**

Mr. Sumner referred to his report to the Board and highlighted the attachments related to Development. He noted the results from the recent solicitation for the Spectrum Defense Fund and that the overall results were approaching expectations. He also reminded the Committee of the expectation that annual donations would be impacted by the 2nd Century campaign (SCC). He highlighted the commitments to the SCC, particularly the large 10 year commitment made by DARA at the Dayton event. He reminded the Committee that we’re at the end of the cycle for commitments to the Campaign and, while it didn’t reach the original goal of $10 million, it did garner $7.7 million, approximately one-third of which has been received.

Mr. Sumner continued his report, describing the gift of an Andy Warhol print which, based on estimates, should garner a low-six figure amount for a named portion of the overall endowment.

**10. CFO Report**

Mr. Shelley began by referring to the financial report sent to the entire board prior to the meeting. He noted that the ARRL had experienced a loss from operations for the first six months of the year, roughly comparable to the anticipated loss. Mr. Shelley continued, noting that a loss from operations had been planned for 2015 as the organization considered a dues strategy. He expressed concerns over the fact that revenues were not meeting expectations and detailed the major revenue sources and the outlook for the remainder of the year. He referred to the financial forecast report that had been supplied to the Committee prior to the meeting which indicating that the expected loss from operations for 2015 had grown to $575,000, mostly the result of decreased revenue expectations and the revised results from the Centennial awards.

Mr. Shelley continued by noting that the organization’s cash flow is still good but reported that overall revenues have not been growing while expenses continue to increase. He noted his support for increasing the dues rates as it has become increasingly difficult to provide all the services of the organization with the resources currently available.

**11. Insurance Plans Update**

Mr. Shelley reported that the transfer of the two insurance plans business had included some transition issues but was now complete. He noted that the former plan administrator had even caused issues during the transfer but that the information has been transferred to Risk Strategies and their web site was up and running successfully. There was a short discussion of the limits of the club liability insurance program and Mr. Shelley reported policies could be obtained for $1 million or $2 million of coverage per incident, both with an aggregate total of $2 million.

Mr. Woll noted that there are a few clubs who have held Field Day on town property where a limit of $4 million of coverage had been requested. Mr. Shelley responded that this was an unusual limit in his experience but would inquire to see if coverage at that level could be offered.

**12. Accounting Software Upgrade**

Ms. Middleton reported that the conversion had gone smoothly with less than expected downtime although a couple of small issues are still being worked. As soon as those are completed, we will move to implement the ACH module. She reported that everyone had adapted well to the new versions. Mr. Widin asked about future upgrades and would we be implementing. Ms. Middleton responded that we plan on upgrading with new versions if they are warranted.

**14. PCI Compliance and PayPal Processing**

Mr. Shelley outlined the complexity of becoming compliant for a company of our size and the level of payments processed. He reported that, despite initial concerns about financial penalties which would be imposed, current fees relating to non-compliance totaled $900 annually. While this makes the issue less time critical, it will remain on our agenda for the future.

**15. IT Status Report**

Mr. Keane rejoined the meeting to discuss the Quarterly IT Status report. He highlighted that the AIS Club module had been implemented in addition to the advertising and wholesale book module which made it possible to disable the Siebel/GP bridge, a problematic component of the systems.

Mr. Keane continued noting that the development projects currently underway included the Education Instructor Module, the Field Service project and, if approved by the Board, the National Parks On The Air event will become a priority. Mr. Shelley also reported that a recent FCC announced change for reporting VEC licensing had resulted in a project being added to the schedule. This had been completed but took about 2-3 weeks of development resources as a result.

Mrs. Craigie inquired as to the status of the vacant Logbook programmer. Mr. Shelley responded that we are actively looking for a replacement and Mr. Keane added that resumes from two applicants with promise had been received.

Mr. Pace inquired about the field resource status. Mr. Shelley responded that the development team is taking one report at a time and has just recently completed specifications for the Public Service report. Programming had already begun on this report. Mr. Shelley also noted that the National Parks On The Air event will result in the delay of the Education module by approximately 10 weeks as the same development resource will be used on each project. He also reported that the DXCC project will also be delayed by approval of the NPOTA project as the same developer will work on all three projects.

Committee discussion moved to Logbook of the World (LoTW) and Mr. Widin discussed the concept of allowing other societies or clubs to use LoTW for their awards which will be another way to monetize the program and hopefully bring it closer to at least break-even. He noted that the NPOTA project will be used as the prototype for the app to be developed.

Mr. Sumner expressed that we have made significant progress in writing specifications and keeping a process in place. He also noted that all the projects labeled as high priority far exceed the resources available.

Mr. Lee raised the concept using volunteers to develop software programs. Mr. Keane suggested that because of the complex nature of the current web site, volunteers had declined to work on projects.

Mr. Widin asked if there were currently any discussion on a new web site. Mr. Shelley suggested that this is a significant project and offered that a workgroup should be created to provide input on what would be an appropriate solution. There followed a Committee discussion of the current web site, its shortcomings and cost.

Mr. Lee offered that development projects could be timelier if we used volunteers to help with the process. Mr. Keane noted that the concept isn’t unprecedented in the organization. He noted that we do have some projects where this has occurred but anything within the framework of the current web site developed by Fathom would require a large learning curve on the part of the volunteers. Mr. Lee offered that, if programs were written outside of the website, we would be able to use volunteers and it should be considered.

Mr. Widin asked Mr. Keane to review with the staff what projects could be isolated as stand-alone projects using unique web sites and report back by the November meeting. Mr. Keane noted that he could not only get a list but could actually get some of the work done by November. He used the example of the Field Service projects as an example of one where significant progress would be possible if allowed to be put on a Field Services website. Mr. Lee offered to assist in the process of developing a strategy for using stand-alone web sites for appropriate projects.

**16. New Business – Proposal for a New Fundraising Program**

Mr. Woolweaver and Mr. Stratton joined the meeting to present a proposal for a new fundraising program. Mr. Stratton presented the idea which is to, using vendors in the Amateur Radio industry, capture the “rounding” up of purchases to the nearest dollar, the difference to be sent to the ARRL. He noted that this concept is working in the gun industry and that he has asked certain vendors and they seem interested. He proposed that the ARRL would incur little to no cost with any IT time needed would be provided by the vendors. Mr. Stratton reported that HRO, DX Engineering and others are supportive of this program. He noted that details needed to be developed, including where the donations might be designated, program design, promotion and rollout. He also suggested that the General Counsel should be involved as there may be legal issues.

**Upon the MOTION of Mr. Isely, seconded by Dr. Boehner, it was UNANIMOUSLY APPROVED to form a working group to study the proposed fundraising program, work out the details and report back to the Committee by the November meeting.**

Mr. Lee asked if it was the intention for this program to be implemented only for on-line sales. Mr. Stratton responded that over the counter sales are more difficult because the salespeople need to be motivated to ask for the donation which would not be an easy proposition.

Mr. Morine asked a question about the potential registration requirements for fundraising with the various States. He noted that there is a real question regarding the creation of nexus in the states which would be a major complication. It was agreed that this will need to be researched by the working group in conjunction with the General Counsel.

Mr. Shelley asked if the proposal anticipated the ARRL participating in this program which would entail additional programming on the ARRL’s e-commerce web page. Both Mr. Woolweaver and Mr. Stratton responded that they were not proposing it be implemented as part of the ARRL’s e-commerce web function.

**17. Reports**

**LoTW Study Committee** – Mr. Widin referred to his written report to the Board and noted that most of the significant items has already been discussed in the meeting. Mr. Pace asked where there are bottlenecks and choke points. Mr. Widin responded that the programmer resignation is slowing progress on some aspects. He reported that the remaining development professional is focused on the database and is working well, but it is a complicated application from that perspective. He also noted that the user interface is one of the next areas of emphasis when we find a replacement for the programmer who left.

Mr. Pace also asked about the status of a product manager for LoTW. Mr. Widin responded that he and Mr. Bernstein have been functioning in that role, however, they are not on premise. He also noted that the Committee hasn’t been able to create a business model which would provide funding to pay for the additional resource.

Mr. Lee opined that, based on the size of the organization, it may be better to have resident product managers/business analysts and use outside programming resources than have resident programmers. Mr. Widin offered that this may not be the appropriate approach for LoTW as there are unique knowledge requirements.

Mr. Frenaye asked how LoTW fits in the marketplace, are we losing or gaining market share and do we have an assessment? Mr. Widin noted that others are beginning to offer their own awards and this is why we’re actively developing the API concept. He noted that LoTW is the clear leader in the integrity and security but we don’t want to lose that position.

1. **Updating Levels of Giving for Tiers of Maxim Society**

Mr. Sumner began his remarks by reminding the Committee that, since inception, the entry level for the Maxim Society had not been changed while inflation has, in effect, reduced the level for entry. The question remains, should we increase the minimum level to maintain the quality of the award. He reported that there are currently approximately180 members of the Maxim Society. Mr. Sumner also noted that the various levels are based on actual donations, not pledges or estate bequests. He opined that this is only a concern for those people looking to contribute the minimum ($10,000) to get the recognition. He is not concerned about those members who are routine, annual contributors.

Mrs. Craigie stated that she believed the current minimum level is appropriate and that she would be concerned about the negative perception of raising the minimums.

After some discussion it was the consensus of the Committee not to raise the minimum level of contributions necessary to achieve membership in the Maxim Society.

1. Mr. Widin noted that the November meeting of the Committee will be held on Saturday, November 14th in Newington, CT.

**Upon the MOTION of Dr. Boehner, seconded by Mr. Lee the Committee VOTED to adjourn.**

The meeting was adjourned at 2:30 pm.

**Committee Assignments**

Restructure IT Designs (last paragraph of Minute 15)

 M. Keane

 M. Lee

Operating Reserve Policy

 R. Niswander, Chair

 T. Frenaye

 D. Middleton

 W. Morine

“Roundup” Proposal

 J. Boehner, Chair

 R. Blocksome

 J. Stratton

 D. Jahnke

 D. Woolweaver

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**Response to items identified in GreyCastle Security’s vulnerability assessment**

* All vulnerabilities identified in the external vulnerability scan have been remediated.
	+ .SVN/entries disclosures
	+ HTTP TRACE/TRACK methods
	+ AXFR transfer
	+ Microsoft Exchange Client Access Server information disclosure – No fix from Microsoft available at time of patching
* All vulnerabilities identified in the internal vulnerability scan have been remediated.
	+ Centralized end-point (desktop) management system (Desktop Central) acquired and deployed.
	+ Scans and software updates (patching) being performed on all desktops on a weekly basis
	+ Java has been removed from all desktops unless explicitly allowed
	+ Testing phase of removing administrative rights from desktop users converting them to standard users.
* Issues identified in the System Configuration Assessments are in the process of being addressed
	+ Developing standard deployment scripts with appropriate configuration settings and bundles of applications for specific desktop and server roles
	+ Domain Controllers configuration settings updated to recommended values
* Issues identified in Firewall Configuration Assessment are in the process of being addressed
	+ Dynamic access control lists (ACL) activated on firewall
		- Blocks large subnets based on national subnet blacklists
* McAfee Components
	+ E-mail security deployed
	+ Host Intrusion Prevention deployed in FSR and IT
	+ Web Security in testing
	+ Upgrade to version 5+ in detailed design phase
		- Current plan is to deploy by end of Q3
* Network traffic monitoring
	+ Intrusion detection system (Snort) deployed
	+ Additional monitors and alerts in process of being added
* Penetration testing
	+ Pen testing software (Metasploit) deployed
	+ Tests being run against HQ LAN on a regular basis
	+ Initial run Identified additional vulnerabilities (which were patched)
		- Weak user passwords
		- Network printer vulnerabilities
* WSUS – Windows Server Update Service
	+ No longer necessary
		- Identified as a high priority project in the November 2014 incident response plan.
		- Desktop Central provides the equivalent functionality