

Civil Air Patrol Board of Governors - Minutes

2 December 2003 – 10:30 a.m.
Alexandria Room
Marriott Crystal Gateway
Washington DC

Members Present

Brigadier General Paul M. Bergman, CAP
Member-at-Large

Colonel Robert C. Bess, CAP
Chairman, Civil Air Patrol Board of Governors

Major General Richard L. Bowling, CAP
Civil Air Patrol National Commander

Mister Michael L. Dominguez
Assistant Secretary of the Air Force

Lieutenant General Nicholas B. Kehoe, USAF (Ret)
Vice Chairman, Civil Air Patrol Board of Governors

Lieutenant General Ronald E. Keys, USAF
Headquarters, United States Air Force Deputy Chief of Staff, Plans & Operations

Lieutenant General Donald A. Lamontagne, USAF
Commander, Air University, Maxwell Air Force Base, Alabama

Brigadier General Dwight H. Wheless, CAP
Civil Air Patrol National Vice Commander

Mister Bruce N. Whitman, President
Flight Safety International Incorporated

Members Absent

Mister Bruce P. Baughman
Director, Alabama Emergency Management Agency

Doctor Benjamin F. Payton, President
Tuskegee University

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Opening

CALL TO ORDER. Colonel Robert Bess, CAP, Chairman, Civil Air Patrol Board of Governors, called the meeting to order. He welcomed all the members of the BoG present for this meeting. Lt Gen Nicholas B. Kehoe, USAF (Ret), Vice Chairman, Civil Air Patrol Board of Governors, led the group in reciting the Pledge of Allegiance. Mr. Al Allenback, Executive Secretary, called the roll and noted there was a quorum.

THE CHAIRMAN also welcomed the members of Civil Air Patrol and other guests attending the meeting of the Board of Governors. He introduced special guests Ms. Traci Williams, House Select Committee on Homeland Security; Brig Gen Dave Clary, USAF, Director of Air Force Homeland Security; Colonel George Sciss, USAF, Chief of Air Force Homeland Security Auxiliary Branch; and Ms. Maribeth Tyler, Air Education & Training Command Grants Officer. He also recognized Brig Gen Paul M. Bergman, CAP, who replaced Col Michael P. Pannone, CAP, as a CAP member-at-large.

THE CHAIRMAN also extended congratulations to Mr. Bruce Whitman on his promotion to President, Flight Safety International Incorporated.

THE CHAIRMAN announced that he had received a letter of resignation from Dr. Benjamin F. Payton, President, Tuskegee Institute, effective 10 November 2003. He stated that replacements for this position and for other members, whose terms will expire February 2004, are under consideration.

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AGENDA ITEM

1. Approval of Previous Meeting Minutes

Issue:

Approval of the 3 June 2003 Board of Governors meeting minutes.

Action:

MAJ GEN BOWLING, CAP, made the following correction: Agenda Item 2, first paragraph, under Discussion—delete the word “Auxiliary.”

BRIG GEN WHELESS, CAP, moved and MAJ GEN BOWLING, CAP, seconded a motion to table this item for the consideration of some minor corrections until the conclusion of Other Business.

THE MOTION CARRIED UNANIMOUSLY

Later in the meeting, this item was brought back from the table for discussion.

LT GEN KEHOE, USAF (RET), stated that he had reviewed and agreed with the corrections submitted by Gen Wheless and offered another correction on page 28, last paragraph, line two: add the word “not” between “was” and “prepared.”

LT GEN KEYS, USAF, moved and LT GEN LAMONTAGNE, USAF, seconded a motion that the BoG approve the minutes of the previous meeting, as corrected.

THE MOTION CARRIED UNANIMOUSLY

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AGENDA ITEM

2. National Commander's Report

Issue:

Maj Gen Richard L. Bowling, CAP, discussed the following Civil Air Patrol issues.
See APPENDIX A.

a. Items referred to the BoG by CAP's Nov 03 National Executive Committee meeting.

1. Constitution & Bylaw changes. The Aug 03 National Board endorsed two changes to the Constitution. These changes were due to changes in office symbols at CAP Headquarters.

2. Membership Action Review Board (MARB) appointment. Maj Gen Bowling will nominate a CAP member for the vacant position on the MARB.

b. Process for removal of CAP appointed members-at-large to the BoG.

Under agenda item 2 of the 3 Jun 03 BoG meeting, the BoG tasked the NEC with developing:

1. A process for review and consultation with the member of the BoG as to the NEC's rationale for its proposed action to remove the member from the BoG.

2. A process for advance consultation with the BoG explaining its intent and rationale therefore.

3. The principles and performance standards that would constitute acceptable grounds for removal.

Action:

a. Items referred to the BoG by CAP’s Nov 03 National Executive Committee meeting.

1. Constitution & Bylaw changes

LT GEN KEYS, USAF, moved and LT GEN KEHOE, USAF (RET), seconded a motion that the BoG approve the recommended changes to the CAP Constitution to delete “Director of Personnel (DP)” and add “Director of Leadership Development and Membership Services (LM)” on the Membership Action Review Board and the Constitution and Bylaws Committee. The changes read as follows:

ART XVI—Membership Action Review Board

3. The Membership Action Review Board shall be chaired by the National Legal Officer (or his/her designee) and shall consist of the National Director of Leadership Development and Membership Services-ex officio . . .

Section 18—Constitution and Bylaws Committee

18.1. A National Constitution and Bylaws Committee is established and shall consist of the following members . . .

c. The CAP National Director of Leadership Development and Membership Services-ex officio

THE MOTION CARRIED UNANIMOUSLY

2. Membership Action Review Board (MARB) appointments

There was clarification that the current Membership Action Review Board consists of the National Legal Officer, Chairman, two ex-officio members (Director of Personnel and Vice Commander, CAP-USAF), and two at-large members appointed by a process in which the National Executive Committee submits a list of nominees for the National Commander’s selection, subject to approval of the Board of Governors.

There was discussion about whether a vice commander, who might be perceived by some members as being in the chain of command, should be considered eligible to serve on the MARB. There was agreement that the MARB needs to be a completely independent group so that everyone feels comfortable that a member has received an honest review and that the response is credible and has integrity.

MR. DOMINGUEZ moved and MR. WHITMAN seconded a motion expressing the sense of the Board that the restriction found in paragraph 3 of Section XVI of the Constitution (“not currently in the command of a region or wing”), and the policy statement found in paragraph 1.a. of CAPR 35-8 (“The Membership Action Review Board is independent from the Civil Air Patrol volunteer chain of command”) restricts the national vice commander or a vice commander of a region or wing from being a member of the Membership Action Review Board.

THE MOTION CARRIED

Follow On Action: The Constitution and CAPR 35-8 will be amended to reflect this change.

MAJ GEN BOWLING, CAP, reported to the BoG that he had received three nominations from the NEC for the vacant position on the Membership Action Review Board. Gen Bowling appointed Col Charles R. Davenport, CAP, to fill the current vacant position on the Membership Action Review Board.

LT GEN KEHOE, USAF (USAF), moved and LT GEN KEYS, USAF, seconded a motion that the BoG confirm Colonel Charles R. Davenport, CAP, as a member of the Membership Action Review Board.

THE MOTION CARRIED UNANIMOUSLY

The BoG took note that Col Andrew Skiba, CAP, a member of the MARB, had recently been appointed vice commander of the Southeast Region and could not maintain both positions. Following the conclusion of the BoG meeting Col Skiba was contacted and elected to resign from the MARB. General Bowling appointed Col Frederic K. Weiss, CAP, one of the three persons nominated by the NEC, to fill the vacancy on the MARB. The BoG confirmed Col Weiss by unanimous fax vote.

b. Process for removal of CAP appointed members-at-large to the BoG.

Following a presentation of the NEC response to the BoG request for a process to handle removal of CAP appointed members-at-large to the BoG, there was discussion on the need for further specificity of reasons for starting the process for removal. Additionally, there was discussion that the proposal lacked a definition of what might cause the NEC to want to remove a member at large from the BoG.

THE CHAIRMAN stated that he, as an at-large member, had been given input on this subject from some wing commanders that may help with the language in rewriting the proposal. He added that some of the commanders feel that, since the members-at-large represent the membership, they would like to have input into the selection and removal of members-at-large.

MAJ GEN BOWLING, CAP, stated that the region and wing commanders are the members' representatives from the field and input should be forwarded to the National Board or the NEC.

Opinions were expressed that, since the BoG tasked the NEC to look at the removal process and bring it back, that tasking should not be expanded.

MR. DOMINGUEZ moved and MAJ GEN BOWLING, CAP, seconded a motion to table until a change is written for the NEC response.

THE MOTION CARRIED UNANIMOUSLY

Later in the meeting, this item was brought back from the table for discussion.

COL PALERMO, CAP, stated that he, Col Leibowitz, HQ CAP/GC, and Gen Kehoe, USAF, rewrote the NEC proposal, as discussed earlier in the meeting. It reads:

“The CAP members appointed to the two Members-at-Large seats on the CAP Board of Governors represent the entire membership of Civil Air Patrol. They are expected to keep abreast of the needs and concerns of the membership by maintaining dialogue with the wing and region commanders.

“A Member-at-Large has the same duties towards Civil Air Patrol as all other members of the Board of Governors. These duties include the duty of care, the duty of loyalty, the duty to avoid conflicts of interest, and the duty of confidentiality.

“A Member-at-Large may be removed from that position by two-thirds vote of the National Executive Committee for the following:

- 1. Loss of Confidence in the member’s ability to represent the interests of the volunteer members of CAP;**
- 2. Personal misconduct involving moral turpitude which creates an appearance of serious impropriety to the public or which may discredit or embarrass the Civil Air Patrol or the United States Air Force; or**
- 3. If there is an automatic loss of the member’s membership due to failure to renew membership, voluntary resignation of membership, or failure to maintain initial membership eligibility criteria.**

“Removal Procedures: The National Executive Committee, by majority vote, may set a date not less than twenty days there from at which it will meet to review the continued fitness of a Civil Air Patrol Board of Governors at-large member to serve on the Board.

“Notice of the date, time, and location of the meeting shall be mailed to the member’s last known address by Registered or Certified United States Postal Service mail, Return Receipt Requested.

“The notice shall notify the member that he/she may appear and address the issue or may submit written comments.

“The member shall be considered to have been given adequate notice upon mailing of the same.

“A copy of the notice shall be mailed to the Board of Governors through the Executive Director of Civil Air Patrol in his/her capacity as Secretary to the Board of Governors.

“No Civil Air Patrol at-large member may be removed from the Board of Governors except by 2/3rds or greater vote of the National Executive Committee membership.

“In the event of such a removal by the National Executive Committee, a report shall be sent to the Executive Director of Civil Air Patrol in his/her capacity as Secretary to the Board of Governors setting forth the action taken and a summary of the reasons.”

LT GEN KEHOE, USAF (RET), moved and MAJ GEN BOWLING, CAP, seconded a motion that the BoG approve the amended NEC proposal.

THE MOTION CARRIED

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AGENDA ITEM

3. Board of Governors Audit Committee Report

Issue:

Mr. Dominguez chaired a meeting of the BoG Audit Committee.

Action:

MR. DOMINGUEZ (chair) gave an update on events preceding the 3 December 2003 meeting: (1) the audit committee selected (through electronic communications) the independent auditor for the 2003 financial audit. (2) Mr. Dominguez spent a day at HQ CAP and while in Montgomery, Alabama, visited the independent auditor, learning about the approach to the audit and their expertise in this area. He complimented Mr. Allenback and the auditor selected, the CPA firm of Wilson, Price, Barranco, Blankenship & Billingsley.

MR. DOMINGUEZ gave the following report of the audit committee meeting of 2 Dec 03:

The meeting was noteworthy in that observers, who were helpful, included the Grants Officer who manages the AETC Cooperative Agreement with Civil Air Patrol and the Defense Contract Audit Agency (DCAA) auditor, who is a partner in the single audit with the CPA firm doing the financial audits. He stated that the DCAA audits certain aspects of reporting and internal controls, which when taken together with the audit of the financial statements, comprise the OMB required single audit.

A major portion of the meeting was devoted to a discussion of the fiscal year 2002 single audit. The 2002 single audit report was late and the audit committee recognized that late audit reports are unacceptable. The committee noted that we are on a path to get to an acceptable level of performance. Mr. Dominguez added that we all need to recognize how far Civil Air Patrol and its relationship with these audit agencies has come. The financial aspects of this audit are extraordinarily complex with the coordination of the two audit agencies, each region and wing requiring an independent audit, and some states imposing their own audit requirements. However, the National Commander and Executive Director have mapped out an audit process to make effective use of our CPA firm in performing the audits of regions and most wings. He noted that we don't anticipate a final completion of the

2002 single audit, which includes the financials, until April 2004. The committee established the goal that all future audits be completed by March 31 of the following year.

The second major issue the committee addressed was the repeat write-up of “material weaknesses” in internal controls and processes, and several “reportable conditions”. Mr. Dominguez assured the BoG that the committee was on course to get those corrected. He emphasized that management recognized and accepted the findings of the auditors and has agreed on a course of action to correct each material weakness and reportable condition.

The next issue addressed is that the auditor’s opinion on the 2002 financial statements will be “qualified”, meaning the auditor can’t state with confidence, without reservation, that the accounts are correct. He expressed that the reason for the qualified opinion is that there are 1700 units below wing level that handle cash but are not audited. While recognizing that this is a difficult issue, the committee tasked our CPA firm to lead an effort to develop possible alternatives to enable them to issue an unqualified opinion. The committee suggested that the BoG think about the role that the CAP and CAP-USAF Inspectors General might play to help get us to an unqualified audit opinion. The committee asked that alternatives, along with a cost benefit analysis be brought back to the audit committee in June 2004; and ideally, the committee will be able to present its recommendations to the BoG if they represent a significant investment or a significant change in how the CAP is structured.

The next issue discussed was the charter for the audit committee. Consistent with the tasking from the last meeting, the auditor prepared a draft charter, which the committee had intended to distribute to the BoG for review and comments. However, because of the scope of potential recommendations regarding the qualified audit opinion, the committee proposes to wait until after we see the plan and then rework the charter so that it is consistent with how the BoG decides to implement that plan.

The committee was informed that, in reviewing the fiscal year 2001 audit report, the Grants Officer had some concerns about CAP’s investments – how investments are managed, investment policies, and investment activity. Mr. Dominquez will ask the Air Force Auditor General to review Civil Air Patrol’s investment policies and make appropriate recommendations.

Mr. Dominguez commented about some things he learned from his visit to Maxwell AFB and CAP HQ. First, it is clear the management team understands the importance of the internal controls and the financial integrity process of the accounting system. CAP HQ is making a superb effort to get CAP into the green in that area. These efforts include an extraordinary level of commitment to obtaining professional training and staff development to understand the rules and ramifications of CAP’s relationship with the Air Force under a cooperative agreement.

Second is the importance of true internal controls and how financial integrity is the result of clear, unequivocal statements from the leadership of the organization about the importance of values and integrity. Mr. Dominguez noted that, although there are Civil Air Patrol publications about core values, the BoG has not issued a policy statement. Mr. Dominguez remarked that maybe Gen Bowling should think about issuing such a statement, and the BoG should consider undertaking a communication to the organization about our values and integrity, and set the tone at the top.

Mr. Dominguez noted the only action item is whether the BoG desires to make a statement setting the tone at the top, reinforcing the Civil Air Patrol core values and their importance to the members, to CAP's role as a public entity, and to the maintenance of the excellent relationship CAP has with the Air Force.

MAJ GEN BOWLING, CAP, suggested that this statement be worked at the National Commander level with a report back to the BoG for approval.

LT GEN KEHOE, USAF (RET), suggested that a strong statement on the importance of integrity and accountability from the National Commander, the duly elected leader of this volunteer organization, to the members of Civil Air Patrol should suffice, as opposed to a statement from the BoG.

MR. WHITMAN commented that the BoG should embrace such a statement.

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AGENDA ITEM

4. Executive Director's Update

Issue:

Col Al Allenback updated the BoG on the following items (**See APPENDIX B**):

- a. CAP Financial Report
- b. Membership
- c. National Headquarters' Transformation Results
- d. FY04 Business Plans
- e. CAP Litigation Update
- f. CAP "Cadet Week" Initiative
- g. Cooperative Agreement "Program Narrative" Initiative
- h. Aircraft Purchases
- i. "ARCHER" Hyperspectral Imaging Program Update

Action

Discussion:

- a. CAP Financial Report

MR. ALLENBACK recommended approval of the BoG to go forward with the FY06-10 POM.

LT GEN LAMONTAGNE, USAF, commented on the unfunded portion of the total budget. He said that the land mobile radios (LMR) are "unfunded" because the Air Force has chosen not to fund them separate from the other programs that are funded inside Civil Air Patrol. He added that the Air Force has to outfit its force with the same radios for the same exact requirement. He stated that, in his opinion, CAP shouldn't include this as an added requirement because the Air Force won't get an extra Table of Allowance for this

requirement. He also expressed concern about the manner in which the POM was done. He repeated from the last meeting a concern that there is a \$42M requirement of which \$25M is funded. There are 25,000 to 30,000 cadets in CAP which is the reason the United States Air Force is in this program—for CAP cadets. He noted that very little money is spent on cadet programs. He expressed concern that CAP is getting more involved and spending money in the homeland security area and CAP needs to be a little more conscious of where it is spending the money.

MAJ GEN BOWLING, CAP, responded that one of the reasons CAP was enacted in 1941 was to support a homeland security need and that the cadet program is a product of the operational aspect of CAP. He added that air operations and exposure to the active duty component are big draws for cadets.

There was further discussion on the lack of an established requirement for CAP to become involved in homeland security, but that Civil Air Patrol is positioning itself to be ready to assist in homeland security efforts when the call comes. There was clarification that homeland security customers of CAP will reimburse expenses as outlined in the Memorandum of Understanding.

MR. DOMINGUEZ added that what is uncertain is the effect on CAP programs if CAP does not get the unfunded portion of the POM and has to finance the radios themselves. The homeland security effort is a legitimate concern but the BoG hasn't endorsed capitalizing the operational aspect of CAP in anticipation of customers coming to fund CAP's operation. Maybe that is the right move, but the Air Force is the source of that capital and it may not be able to recoup that investment. He felt that there are two issues here: (1) the unfunded land mobile radios, and (2) the need for a POM discussion organized around what it is we want the organization to achieve.

LT GEN KEYS, USAF, agreed that cadets want to be involved in flying, but commented that it is a matter of balance. He added that when reading the congressionally chartered purposes of CAP, there is more balance than what is being discussed today. He emphasized that no one is going to get a 25 percent increase in the budget no matter how badly it is needed, so some decisions will have to be made.

BRIG GEN WHELESS, CAP, commented that this is the type of policy consideration that he hoped the Board of Governors would at some point discuss. He also commented on the cadet program and raised the question about when CAP has enough cadets. After discussing the ratio of cadets to senior members involved in the cadet program, he concluded that as the nation handles the homeland security crisis we think it will look to us to help. Later, we can go back and say 'now is the time we can divert some of these funds back into getting more adult leadership for cadets specifically.' He continued that then you can potentially grow the program to 50,000, but that right now is not the time.

LT GEN KEHOE, USAF (RET), referred to the three legislative missions of CAP—emergency services, cadet programs, and aerospace education—and stated there is a balance established over a long period of time. He asked if there had been a significant shift in the resources allocated to each program.

BRIG GEN WHELESS, CAP, responded that 14.1 percent of our appropriated money and 7.1 percent of our corporate money is spent on cadet programs. About 2 years ago, 14 percent of the corporate money was spent on cadet programs. He attributed the decrease to the loss of corporate income from the ROTC program.

MR. DOMINGUEZ commented that the board needed to give guidance on the POM and the board needs to discuss how it gets to closure on this very important discussion.

There was clarification that the POM has already been submitted to Air University and it is moving forward.

MR. DOMINGUEZ suggested that the Executive Director be asked to look at how CAP would reprogram to absorb the LMR requirement. The Executive Director responded that he would cut the money out of flying.

MR. DOMINGUEZ reiterated the need for the board to have a carefully structured discussion about the allocation of resources across the mission areas, the outcome sought, the goals within each mission area and the strategies in getting to those goals. He stated that this would lead to where you put the money and how much the Air Force should fund.

MAJ GEN BOWLING, CAP, stated that when the BoG was formed, it was to be an advocate for CAP. He further stated that it was difficult to figure out how to proceed in the homeland security area without an MOU with Homeland Security or First Air Force, and without clear direction from the Air Staff.

LT GEN KEYS, USAF, responded that the two organizations need to sit down and have a discussion and a handshake on what the future of CAP is and how it is going to be used. He continued that if there is a problem with the MOUs, then there needs to be a working group to sit down and resolve the differences. He added that he wanted to be involved in the oversight of what gets put in the MOU.

MR. DOMINGUEZ suggested that the BoG commission a working group to include the National Commander, Executive Director and staff, a representative of XO, Gen Clary, and a representative of AU, and this task force gather to discuss a strategic direction that is outcome based.

There was discussion on the Concept of Operations (CONOPS) and its status. There was clarification that the CONOPS that went forward was a statement of capabilities, not necessarily a concept of how CAP is going to operate.

LT GEN KEHOE, USAF (RET), recognized that the Chief of Staff and the Secretary of the Air Force invited CAP to submit the CONOPS. He added that it might have been the cart before the horse. What is being debated cannot be solved today, since the government itself is not clear on how it sorts out homeland security. A top-down, clear-cut requirement has not been identified.

COL ALLENBACK offered to adjust the POM to remove the \$4M for HLS and have it ready for discussion at the next meeting. He stated that the POM briefing was really for information and the request for approval was really for the kind of discussion that happened today to determine if the POM submission is going in the right direction. He stated that his staff had

begun to work very closely with the Air Force and that he wanted to make sure the POM was done well. He also wants the board members to independently have an opportunity to assimilate the information so that it can be approved at the June 2004 meeting.

THE EXECUTIVE DIRECTOR'S UPDATE CONTINUED

LT GEN LAMONTAGNE, USAF, moved and LT GEN KEHOE, USAF (RET), seconded a motion that the BoG approve the CAP FY04 budget adjustments, as presented.

THE MOTION CARRIED UNANIMOUSLY

LT GEN LAMONTAGNE, USAF, moved and LT GEN KEHOE, USAF (RET), seconded a motion that the BoG approve a 3 percent CAP HQ 2004 Cost of Living Adjustment.

THE MOTION CARRIED UNANIMOUSLY

- b. Membership. No discussion (See Appendix B)
- c. National Headquarters Transformation Results. No discussion (See Appendix B)
- d. FY04 Business Plans. No discussion (See Appendix B)
- e. CAP Litigation Update. No discussion (See Appendix B)
- f. CAP "Cadet Week" Initiative. No discussion (See Appendix B)
- g. Cooperative Agreement "Program Narrative" Initiative.

Discussion:

BRIG GEN WHELESS, CAP, commented on the statement that the Program Narrative is used by federal agencies in conjunction with grants and cooperative agreements and asked if there were examples.

COL LEIBOWITZ, CAP, HQ CAP/GC, responded that a program narrative is used by virtually all of them, and just recently the Office of Management and Budget issued a directive dealing with standard elements and government-wide guidance for grants and cooperative agreements.

BRIG GEN WHELESS, CAP, asked if there were any down sides as opposed to what CAP is presently doing with the Statement of Work.

COL LEIBOWITZ, CAP, responded that he could see none.

- h. Aircraft Purchases. No discussion (See Appendix B)
- i. "ARCHER" Hyperspectral Imaging Program. No discussion (See Appendix B)

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5. Any Other Business

Action

a. Line of Credit for Civil Air Patrol

Discussion:

COL ALLENBACK stated that the prior documentation authorizing a Line of Credit with Regions Bank has expired and the recommended action will fulfill a request from Regions Bank.

LT GEN LAMONTAGNE, USAF moved and LT GEN KEYS, USAF, seconded a motion that the Board of Governors grants the National Commander or the Executive Director the authority to sign a Line of Credit with Regions Bank.

THE MOTION CARRIED UNANIMOUSLY

b. Constitution of Membership Action Review Board (MARB) – Col Buschmann Case

Issue: THE CHAIRMAN presented a letter from Col David N. Simmons, CAP, Personal Representative of Col John R. Buschmann, CAP, to the Board of Governors, dated 30 November 2003, RE: Constitution of Membership Action Review Board.

Discussion:

COL BESS, CAP, stated that Col Simmons, CAP, called into question the qualifications of the members appointed and whether the MARB was duly constituted under the regulations at the time Col Buschmann's case was decided. There was a request for review of this issue by the Board of Governors.

COL LEIBOWITZ, CAP, HQ CAP/GC, explained that Col Simmons, CAP, alleges the action of the MARB may not be valid because of the following status of the membership:

Brig Gen Wheless, CAP, not eligible because the Constitution says members of the MARB need to be in the rank of colonel—after his promotion to brig gen, he was no longer qualified under the Constitution.

There were two vacancies on the MARB until this meeting. One was the Director of Personnel, ex officio—the position no longer exists. The second was the CAP-USAF vice commander, ex officio—vacant position.

There were only two remaining voting members eligible to make the decision: The National Legal Officer (chairman), and Col Andrew Skiba, CAP.

MAJ GEN BOWLING, CAP, expressed an opinion that the MARB rendered a good, solid decision and the sitting members demonstrated independence and integrity.

BRIG GEN WHELESS, CAP, asked HQ CAP/GC and the National Legal Officer (NLO) if they, in their respective positions, had had an adequate opportunity to review the request from Col Simmons, CAP.

COL LEIBOWITZ, HQ CAP/GC, stated that he first saw the letter shortly before the meeting today.

COL PALERMO/NLO stated that he had also had just seen the letter. He questioned whether the MARB had a quorum with Brig Gen Wheless disqualified, and whether or not it would result in harmless error. He expressed an opinion that Col Buschmann, CAP, has a right to ask for a rehearing by the MARB.

BRIG GEN BERGMAN, CAP moved and LT GEN KEHOE, USAF, seconded a motion that the BoG take no action and that the BoG send this matter back to the MARB for appropriate action.

THE MOTION CARRIED UNANIMOUSLY

NOTE: Col Vogt, USAF, CAP-USAF/CC noted that due to an Air Force decision with regard to the CAP-USAF vice commander serving on the MARB, he would propose a change to the Constitution at a subsequent meeting.

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6. Next Meeting

Issue:

Col Al Allenback, Board of Governors executive secretary, recommended that the next meeting of the BoG be held on Tuesday, 1 June 2004 in the Washington DC area.

Action

BRIG GEN BERGMAN, CAP, stated that he is an elected county official with meetings held on Mondays, and, if possible, he would appreciate BoG meetings not being scheduled so close to Mondays.

LT GEN KEHOE, USAF (RET) moved and MAJ GEN BOWLING, CAP, seconded a motion that the BoG accepts the recommendation.

THE MOTION CARRIED UNANIMOUSLY

THE MEETING ADJOURNED AT 2:45 PM, TUESDAY, 2 DECEMBER 2003

Appendix A

National Commander's

Report



CAP Activities

- ◆ **HLS Exercises: TOPOFF2, AF Doctrine Center HLS Wargame, Determined Promise**
- ◆ **Major Missions: Imperial Valley (on-going) ,Columbia Recovery, Falcon Virgo (on-going), Vigilant Partner**
- ◆ **HLS CONEMP**
- ◆ **Fielding Satellite Digital Imaging system**
- ◆ **\$1.6 million in AF Training Funds to field**
- ◆ **Accident rate down from 7.37 (FY02) to 3.55 (FY03)**
- ◆ **140 saves during FY03**

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Cadet Activities

Completed Jun – Nov 03

- ◆ National Cadet Activities (32 total, 1012 cadets)
 - ◆ Flight Academies: 5 powered; 2 glider
 - ◆ Air Force Career Explorations: 6
 - ◆ Leadership Activities: 19
- ◆ Over 5000 cadets participated in Region/Wing encampments
- ◆ International Air Cadet Exchange
 - ◆ 81 cadets traveled abroad; 87 International cadets visited US
- ◆ National Cadet Competition at Wright Patterson AFB
 - ◆ 168 competed drill, color guard, academics, fitness
- ◆ Cadet Orientation Flights
 - ◆ 6,516 flights (powered & glider)
 - ◆ Over 10,000 cadets flown
- ◆ Texas A&M Corps of Cadets Scholarship Finalized
 - ◆ 10 Scholarships: Total value \$80,000

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Awards and Recognition

- ◆ American Society of Association
Executives Summit Award

- ◆ National Aeronautical Association
"Champion of Public Benefit Flying"

- ◆ Communication Concepts, Inc
APEX Awards for Publication
Excellence for *Presentense*, *CAP News* and the *2002 Annual Report to Congress*.

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CAP Constitution Changes

- ◆ August 2003 National Board recommended two changes to CAP Constitution
 - ◆ Resulted from office symbol changes at CAP HQ
 - ◆ Do not change nature or intent of Constitution
- ◆ Director of Personnel (DP) on two Committees – MARB and Constitution & Bylaws
- ◆ DP abolished and replaced by Director of Leadership Development and Membership Services (LM)
- ◆ LM replaces DP in the Constitution

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CAP Constitution Changes

- ◆ ART XVI – Membership Action Review Board
 - 3. The Membership Action Review Board shall be chaired by the National Legal Officer (or his/her designee) and shall consist of the National Director of ~~Personnel~~ Leadership Development and Membership Services . . .
- ◆ Section 18 – Constitution And Bylaws Committee
 - 18.1 A National Constitution and Bylaws Committee is established which shall consist of the following members . . .
 - ..
 - c. The CAP National Director of ~~Personnel~~ Leadership Development and Membership Services-ex officio

Recommend approval by the BoG

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MARB Member

- ◆ Opening on MARB board
- ◆ Maj Gen Bowling to nominate a replacement

Recommend approval by BoG

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BoG Request

(3 Jun 03 BoG Meeting)

-
- ◆ A process for review and consultation with the member of the BoG as to the NEC's rationale for its proposed action.
 - ◆ A process for advance consultation with the BoG explaining its intent and rationale therefore.
 - ◆ The principles and performance standards that would constitute acceptable grounds for removal.

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NEC Response

-
- ◆ NEC gives member minimum 20 days notice of meeting to review the continued fitness of a CAP BoG at-large member to serve on the Board
 - ◆ Member may appear or submit written documents to NEC
 - ◆ Copy of notice sent to EX as Secretary to BoG
 - ◆ In event of removal by NEC, a report shall be sent to EX as Secretary to BoG setting forth the action taken and a summary of the reasons

Recommend approval by the BoG

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Appendix B

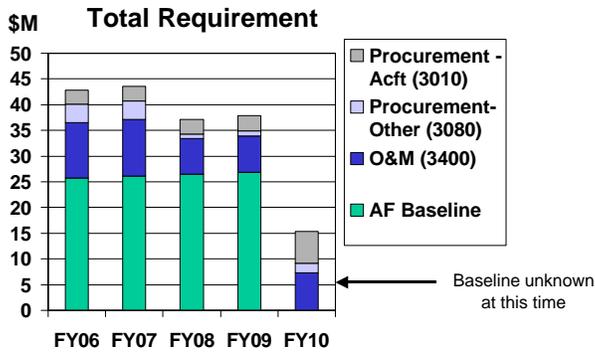
Executive Director's Update

FY06 – 10 POM Calendar

Nov 03	AU/XP scrubs inputs
Jan 04	AU/CC approves input to AETC
Feb 04	FY05 President's Budget released - Forms Baseline for POM
Mar 04	AETC/CC approves input to AF
Jun 04	AF Board approves POM
Jul 04	CSAF/SECAF approve POM

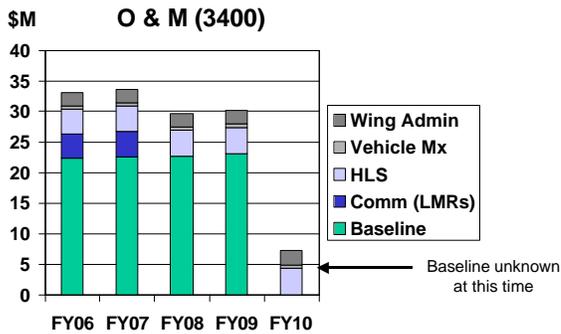
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FY06 – 10 POM CAP's Submission



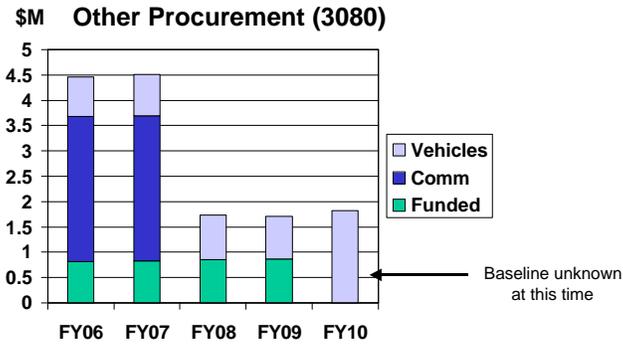
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FY06 – 10 POM CAP's Submission



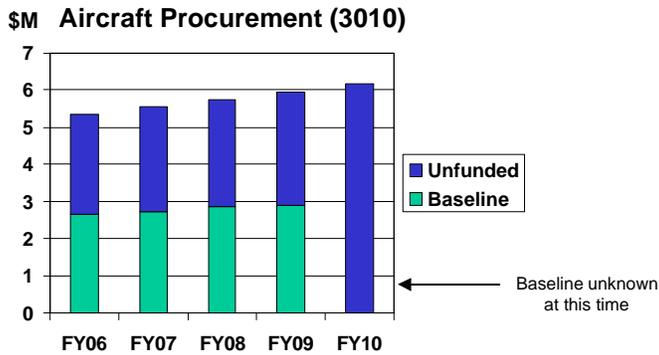
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FY06 – 10 POM
CAP's Submission



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FY06 – 10 POM
CAP's Submission



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Reasons for Adjustments

FY04 Corporate Budget modified to reflect :

◆ AFROTC income loss	\$72,150
◆ Expenses not in original budget	
Hawk Mountain facility maintenance	80,000
Retirement award	42,100
Postage for corporate programs	4,000
NB travel for legislative consultant	1,500
Salary allocation (OMB requirement)	<u>61,500</u>
	\$261,250

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Corporate Budget Totals

	<u>Original</u>	<u>Revised</u>
Income/		
Cash Flow	\$3,800,175	\$3,759,775
Expenditures	\$3,800,175	\$3,759,775

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FY03 Execution Report

CORPORATE

<u>Revenue Projection</u>	<u>Actual Revenue</u>
\$6,723,226	\$5,327,610
<u>Budgeted Expenses</u>	<u>Actual Expenses</u>
\$6,723,226	\$5,933,126

APPROPRIATED

<u>Budget</u>		<u>Executed</u>	<u>%</u>
O&M	\$21,810,000	\$21,039,018	96
Aircraft (3yr)	\$5,183,000	0	0
Vehicle (3yr)	\$787,000	\$787,000	100
Program Income	\$31,560	\$31,560	100

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CAP FY 04 Appropriated Budget

O&M Target

	<u>Target</u>	<u>Revised</u>
O&M	21,983,000 (- 551,000)	21,432,000

Procurement

Aircraft	2,540,000	10,540,000
Vehicles	<u>786,000</u>	<u>786,000</u>
	3,326,000	11,326,000
FY 04 Total	25,309,000	32,758,000

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Funding Impact

- ◆ **\$551,000** cuts in O&M across FYDP
 - ◆ 10% staff reduction
 - ◆ Reduced supplies (\$35K)
 - ◆ Reduce SAR/DR flying by 1,000 hours (\$98K)
 - ◆ Communications equipment (\$50K)
 - ◆ Cadet and other programs insulated

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Line of Credit

<u>Borrowed</u>	<u>Repaid</u>
01 Aug 2003 \$ 350,000 LMR Purchase	9 Sept 2003 \$200,061
27 Sept 2003 \$ 500,000 Insurance	12 Nov 2003 \$501,166
21 Nov 2003 \$1,500,000 Cessna	

Letter requesting DCAA audit of financial system has been sent to Grants Officer.

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Investments

(as of 31 October 2003)

	<u>Cost</u>	<u>Market Value</u>	<u>% Change</u>
CAP Res. Funds	\$1,453,120	\$1,800,326	1.87%
CAP Unres. Funds	\$2,881,653	\$2,995,992	2.58%
Donor Res. Funds	\$149,434	\$160,749	7.57%
Totals	\$4,484,208	\$4,597,068	2.52%

\$1,500,000 was liquidated for NASCAR.

\$42,381 was liquidated for Cadet Scholarships.

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CY04 Cost of Living Adjustment Comparisons

William Mercer HR Consulting -- Nationwide >3.5%

Active Duty average -- 4.15%

Federal Civil Service -- 4.15%

South Region CPI -- 2.4% all urban consumers

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Health Insurance

- ◆ Nationwide average increases – 15.5%
- ◆ Blue Cross + Blue Shield initial increase 17.7%
- ◆ Elected higher co-pay plan changes reduced increase to 12.6%
- ◆ Employees asked to bear higher monthly premiums and increased co-pays
 - ◆ Single plan increased by \$20 (\$60 monthly)
 - ◆ Family plan increased by \$30 (\$194 monthly)

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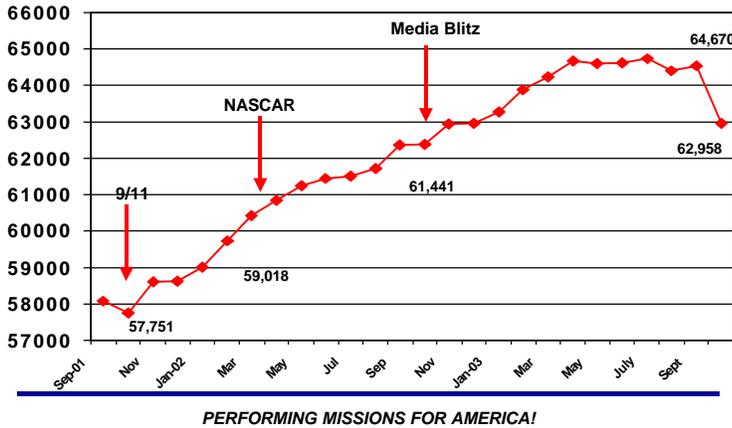
Cost of Living Adjustment

<u>Category</u>	<u>3% COLA</u>	<u>Health</u>	<u>Net Effect</u>	<u>Region</u>
2A Single	+\$673	-\$240	1.9%	2.4%
2A Family	+\$673	-\$360	1.4%	
6A Single	+\$1,081	-\$240	2.3%	2.0%
6A Family	+\$1,081	-\$360	2.0%	
8A Single	+\$1,348	-\$240	2.5%	2.2%
8A Family	+\$1,348	-\$360	2.2%	

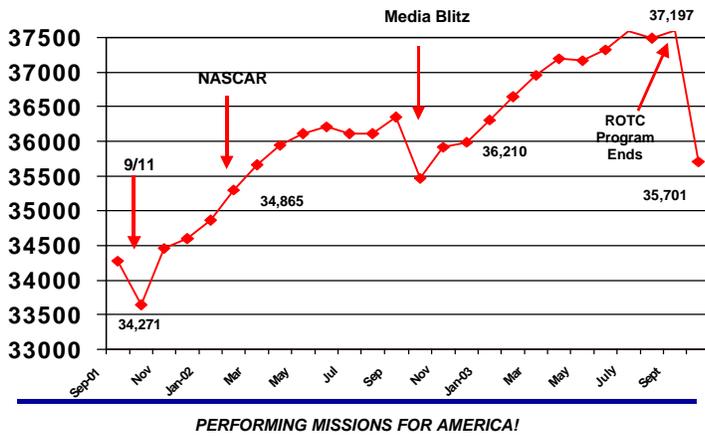
Recommendation: 3% COLA for CY2004

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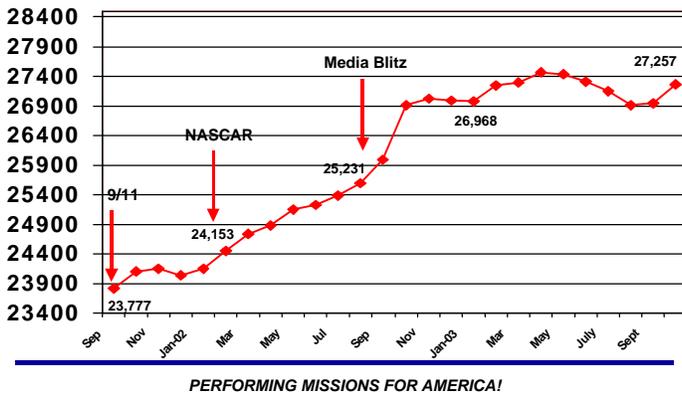
Membership Tracking



Senior Membership



Cadet Membership



HQ Transformation Results

- ◆ **Headquarters Transformation**
 - ◆ **Reorganized from 9 to 6 directorates**
 - ◆ **Staff reduced from 193 in September 2002 to 153 in January 2004**
 - ◆ **Estimated \$1.8 million in payroll reduction**
 - ◆ **Moving toward “resiliency”**

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U.S. AIR FORCE AUXILIARY

CAPMart

? www.capmart.org



New www.cap.gov site ?

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Member Litigation

- ◆ **Allen v. CAP:** Filed 2/15/00. Defamation case by member. In discovery phase.
- ◆ **Nazzaro v. CAP:** Filed 4/12/02. Damages from accident at Ft. Dix obstacle course. Awaiting ruling on motion to dismiss.
- ◆ **Porco v. CAP:** Filed 12/17/02. Nuisance claim plus demand to inspect books. Motion to dismiss, with sanctions, pending.

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Corporate Litigation

- ◆ **CAP v. Black Label Aviation:** Filed 9/10/98. CAP aircraft destroyed in hangar fire. Partial settlement against FBO. Suit still outstanding against owner of building.
- ◆ **Campbell & Shaw v. CAP:** Filed 1/4/99. Wrongful employee termination case. Judge dismissed 12 of 13 counts. CAP won jury trial on remaining count. Plaintiffs filed appeal 9/11/02. Decision vacated and remanded for further proceedings.

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Cadet Week

- ◆ **Concept: Chief of Staff proclaims CAP Cadet Week**
 - ◆ Invitation to visit AF bases
 - ◆ Strengthens ties between base and local CAP units
 - ◆ Insight into USAF career opportunities
- ◆ **Dates: July 4-11**
 - ◆ Coincides with National Cadet Competition
 - ◆ Annual event
- ◆ **Suggested Activities: Showcase USAF capabilities**
 - ◆ Static Display/Simulator
 - ◆ Base Honor Guard demonstrations and instruction
 - ◆ Facility tours
- ◆ **NEC endorsed the program**

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Background

- ◆ 22 Aug 97 – SAF/GCQ advised SAF/MIR that a Grant or a Cooperative Agreement is the appropriate document to establish the USAF – CAP relationship
- ◆ 11 Jun 99 – OMB advised SAF/GC that CAP relationship with USAF qualifies as either a grant or a cooperative agreement under Federal Grants and Cooperative Agreement Act of 1977 (FGCAA)
- ◆ 10 Jul 00 – CAP and USAF enter into Cooperative Agreement effective 1 Oct 00

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- ◆ **Characterizes relationship between Government and recipients**
 - ◆ For acquisition of property and services
 - ◆ For furnishing of assistance by the Government
 - ◆ To help eliminate unnecessary administrative requirements on recipients
- ◆ **Establishes Government-wide criteria for selection of appropriate legal instruments for**
 - ◆ **Uniformity**
 - ◆ **Clear definition of the relationships**
 - ◆ **Better understanding of the responsibilities of the parties**

P.L. 95-224

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- ◆ **Procurement Contract**
 - ◆ When the principal purpose is the acquisition of property or services for the direct benefit or use of the Federal Government
- ◆ **Grant Agreement**
 - ◆ When the principal purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal Statute
- ◆ **Cooperative Agreement**
 - ◆ Grant with substantial involvement between the executive agency and the recipient

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Statement of Work (Attachment to Cooperative Agreement)

- ◆ **Limitations in Statement of Work**
 - ◆ Best “fix” at the time to correct GAO, DoD/IG findings
 - ◆ Processes now institutionalized
 - ◆ Statement of Work more closely associated with procurement contracts
 - ◆ AF not buying a “Service” but promoting a “Purpose”
 - ◆ “Program” not defined – difficult to audit
 - ◆ Doesn’t capture full scope of CAP’s mission
 - ◆ Doesn’t address how CAP accomplishes the “program”
 - ◆ Areas of significant AF involvement not identified

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Program Narrative

- ◆ Program Narrative Advantages
 - ◆ Used by federal agencies in conjunction with grants/cooperative agreements
 - ◆ OMB Policy Directive dated 6/23/03 requires "...program narrative..." for grant application
 - ◆ Better defines "substantial involvement" between CAP and AF
 - ◆ Establishes objectives, activities, goals and metrics
 - ◆ Simplifies AF's ability to measure CAP performance
 - ◆ The logical next step as AF relationship matures

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Aircraft Purchases

Cessna 182 - \$277,493 each

- ◆ 15 on contract FY01 \$4.1m
 - ◆ 18 Nov 03 delivery
- ◆ 27 to be ordered FY02 \$7.5m
(with Garmon 1000 Glass cockpits)

GA-8 - \$394,937 each

- ◆ Four on order
- ◆ \$2.4m FY03 funds available
- ◆ \$2.8m of FY03 remaining for other aircraft procurement

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Partnership Support

- ◆ Air Force Research Lab (AFRL)

- ◆ Naval Research Lab (NRL)

- ◆ Army Communications and Electronics Command (CECOM)

- ◆ U.S. Coast Guard R&D Center

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HSI – Spectral Technologies

Hyperspectral technology will:

- ◆ Discriminate between materials based on physical properties (manner in which light is reflected or emitted)
- ◆ Detect man-made materials on various backgrounds
- ◆ Identify different plant species by spectral signature
- ◆ Capable of specific material ID or detection of material smaller than pixel size

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CAP Mission Examples

- ◆ Search and Rescue: pieces of downed aircraft
- ◆ Counterdrug: marijuana spotting
- ◆ Disaster Relief: chemical spills, oil slicks, etc.
- ◆ Homeland Security: border and coastal patrol reconnaissance

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“ARCHER” Program Includes

Airborne Real-time Cueing Hyperspectral Enhanced Recon

- ◆ 15 complete turnkey systems
 - ◆ Airborne Unit
 - ◆ Dual-sensor optical system with real time processing
 - ◆ Ability to record/store mission data for 7 + hours
 - ◆ Working to integrate CAP satellite transmission system
 - ◆ Ground Processing Unit (air transportable)
- ◆ Training in every CAP region plus a dedicated training website

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Timeline

- ◆ 29 Oct 03: \$4.2 M contract signed with NOVASOL
- ◆ End of Feb 04: NOVASOL provides first article for operational test and evaluation (OT&E)
- ◆ HSI system to be installed on CAP GA-8 #2
- ◆ Mar- mid Apr: National Test Pilot School (CA) conducts OT&E
 - ◆ CAP together with support from AFRL, NRL, Army, and USCG help evaluate mission effectiveness
- ◆ 14 remaining systems delivered within 270 days of first article approval
- ◆ Extensive Federal and State agency interest

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Opportunities and Challenges

- ◆ CAP will be the first to utilize airborne HSI for SAR, DR, CD and HLS applications
- ◆ NHQ has requested a funds extension for this program
 - ◆ Deliveries will be complete in FY05; Funds currently expire at the end of FY04
- ◆ Will need to procure additional aircraft that are capable of having HSI installed: NEC approved additional GA-8s on 15 Nov
- ◆ Hourly reimbursement rate charged to customers should reflect cost to maintain and refurbish HSI equipment in addition to aircraft cost

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Challenges

- ◆ Unprogrammed \$550k appropriated O&M shortfall
 - ◆ Stabilize CAP's funding baseline through POM and Budget Cycles
- ◆ \$400k cadet uniform shortfall
 - ◆ "Shoeless" cadets
 - ◆ Corporate Partner Program
- ◆ Threats to state funding
 - ◆ Corporate Partner Program, Programs and Grants
 - ◆ "Tiger Team" meets in in Washington 3 December
- ◆ Deputy State Director/Wing Administrator
 - ◆ Partner with AF to meet AF/XO's expectation for implementation of the Wing Administrative Assistant support network
- ◆ "Traction"
 - ◆ AFAB Process, BAR, Program Narrative adoption

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Summary/Key Points

5 Mar 01 briefing to AF Board by BG Rod Bishop, USAF

- ◆ USAF has insulated CAP from Budget drills
- ◆ Tremendous progress made to correct baseline
- ◆ Door open for further adjustments to FY 02 Budget
- ◆ CAP & Air Force committed to working together

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Finance Committee Meeting Minutes
11/13/03
Marriott Waterside Hotel
Tampa, Florida

1. Attendees:

Col Don Angel, Chairman
Col Robinson, Col Pineda, Col Greenhut, Col Todd, Col Meighan, Jr., Members
Col Kauffman, Col Allenback, and Susan Easter, Advisors
Also attending; Col Charles, Col Glasgow, Col Skiba, Col Bergman, Col Bess, Col Groshong, Don Rowland, Stan Leibowitz, and Gina Cone

2. Col Allenback and Col Kauffman discussed the need for a corporate Investment Policy that would implement goals for minimum and maximum amounts to be held in unrestricted investment fund. Also discussed:

- Loss of revenues totaling \$83,000 from AFROTC
- OMB Circulars requirement to allocate estimated \$60,000 in salaries to corporate budget
- Need \$100,000 for Hawk Mountain sewage system (already funded \$20,000)
- Caution issued for CAPMart revenue. P&L statements will be reviewed monthly.
- Decision to migrate CAPMart from Great Planes software to Navision
- Planned giving program – national foundation

3. Committee discussed various options to cut expenses:

- Decrease frequency of CAP News. Discussion of implementing quarterly newspaper with on-line news. Eventual goal is to go to a quarterly magazine. Consensus to go to every other month plus daily e-newsletter. Results in savings of \$144,000.
- Reduce DDR outreach funding (funding membership dues for cadets) – Decrease from 835 cadets to 555 due to budget constraints. Consensus agreement. Results in savings of \$10,000.
- Chairman to discuss decreasing the chaplain's travel budget to mirror funds allocated to region CCs and possibility of hosting 4 chaplain region colleges per year instead of 8 annually. Saves \$14,000 from conference expense and \$2,500 from Dean of Chaplain's travel.
- Decrease Advanced Technology travel from \$25,000 to \$15,000 and educational materials from \$10,000 to \$8,000. Eliminate \$10,000 computer and equipment purchase.
- Defer new CAP Exhibit. Saves \$35,000.
- Increase new senior member dues \$5 to cover initial membership senior packet.

Budget is balanced with proposed changes

4. Col. Allenback briefed a recommendation for a COLA adjustment for National Headquarters employees. Money is already allocated in POM and appropriated budget. Recommendation was made to adopt 3.0% COLA.

5. Susan Easter noted 6 wings/regions are lacking Finance Officers. Goal is to reduce burden and workload on Finance Officers and increase retention. There will be 45 Wings and Regions included under the national audit umbrella. By the end of fiscal 2004 all eligible Wings will be included in the national audit.

- CAWG developed Quicken program for use by squadrons. FLWG will be reviewing for possible implementation in their wing. Committee also suggested testing the process in a small wing.
- Plan to develop volunteer finance advisory committee with representation from each region. Finance Committee concurs agrees.

6. Meeting adjourned at 1815.

Submitted by:

DONALD ANGEL, COL, CAP
Chairman, CAP Finance Committee