

# **EXHIBIT C**

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**FINAL CONFIDENTIAL REPORT TO  
THE AUDIT COMMITTEE OF  
THE BOARD OF DIRECTORS OF  
THE NATIONAL RIFLE ASSOCIATION OF AMERICA**

**MAY 12, 2003**

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1. Introduction and Overview of Conclusions which may be Drawn from the Investigation

On March 25, 2003, the Audit Committee of the Board of Directors of the National Rifle Association of America (“NRA”) engaged this firm, through the undersigned, to conduct a confidential limited investigation into certain transactions in travel and entertainment accounts for the years ended December 31, 2001 and 2002 in connection with the use of an NRA corporate American Express card (“Amex Card”) issued to Mildred Hallow (“Hallow”). The underlying allegation for review was that Hallow used the Amex Card at times for apparent personal purposes, such as clothing, hair salons, automotive repair, and family travel, rather than corporate purposes. A further allegation is that she failed to submit receipts and/or documents to support the business purpose of transactions in connection with her travel for the NRA.

The investigation included, but has not been limited to, a review of relevant documents from and related to these accounts, internal accounting policies and procedures of the NRA, communications between the NRA and PricewaterhouseCoopers LLP (“PWC”), certain of Hallow’s personal financial records, and interviews – informal and formal – of appropriate persons.<sup>1</sup> The terms of the engagement called for the undersigned to report orally any findings and recommendations to the Audit Committee, as specially constituted to consider the issues implicated in this investigation (“Audit Committee”), and to prepare a written Executive Summary. The undersigned reported the preliminary findings orally to the Audit Committee during a telephone conference call on April 8, 2003 and anticipates meeting and discussing more fully with the Audit Committee the findings and recommendations at a time and place convenient to the Audit Committee in the coming weeks.

Upon the suggestion of counsel to the Audit Committee, David Coy, as Chair of the Audit Committee, Stephen Shulman, Esq., as outside counsel to the Board of Directors of the NRA, and PWC, through its Audit Engagement partner, agreed that

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<sup>1</sup> A list of persons interviewed and documents reviewed appears in Appendix “A,” attached hereto.

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an Executive Summary, including preliminary recommendations, and oral reports or debriefings, would satisfactorily constitute the best, and most cost-effective method, for imparting and considering the findings and recommendations. On April 8, 2003, the PWC Risk Management partner articulated a request that counsel issue a report that specifically addresses the presence or absence of findings of violations of law, policy and/or Board of Directors directives by the NRA, officers, directors, management and Hallow. Moreover, the PWC Risk Management partner requested that the Audit Committee waive the attorney-client privilege only as to this Report so that PWC may review it. On April 8, 2003, the Audit Committee agreed that PWC may and shall receive a copy of this report; however, there is no waiver of the attorney-client or attorney work product privilege with respect to the Memoranda of Interview which, at this time, will be available only to the Audit Committee as holder of the attorney-client privilege. Moreover, the Audit Committee has not waived the privilege with respect to any other entity or person. Accordingly, this report, although not a detailed discussion of the facts and analyses, does follow a format of an expanded Executive Summary.

In sum, in connection with the transactions that fell within the scope of this investigation, none of the NRA, its officers, directors or members of senior management, or Hallow violated any statute reviewed as potentially applicable to Hallow's use of the Amex Card.<sup>2</sup> With respect to NRA corporate policy and governing internal controls, the NRA has not formally adopted written policies and procedures to adequately address travel and business expense and reimbursement practices and policies. To the extent that there were prevailing practices which may be deemed policies, the evidence is consistent that Hallow had no intent to violate policies, let alone violate any laws. In further applying a general definition of fraud<sup>3</sup> and theft,<sup>4</sup> there was no evidence of any illegal act or irregularity.<sup>5</sup>

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<sup>2</sup> The statutes reviewed were in Chapter 63 of Title 18, United States Code, related to mail and wire fraud, and in Title 18.2, (Criminal) Code of Virginia, related to theft, and credit card fraud.

<sup>3</sup> The general definition of fraud applied was "dishonest acts intended to deceive, often involving the theft of assets and falsification of accounting records."

<sup>4</sup> The general definition of theft applied was "a taking with the intent to permanently



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The office of the Treasurer, from time to time, did create draft written policies to govern travel. However, the NRA's officers did not adopt the draft policies, nor is it clear that the draft policies evolved such that the Office of the Treasurer submitted the policies for adoption. Had the draft policies been in force and effect, the evidence is indisputable that Hallow would have violated those policies in connection with her use of the Amex Card and failure to submit timely receipts. Additionally, the language of the Statement of Receipt of the NRA Employee Handbook, which employees sign and Hallow signed in June 1995, recognizes that the NRA may exempt employees from the Association's policies and procedures. The evidence is that, at a minimum, Hallow was exempt, albeit tacitly rather than expressly, from the prevailing practices related to corporate travel and use of the Amex Card.

The consensus of those interviewed, including Hallow, is that she may have, at times, exercised questionable judgment in her use of the Amex Card; however, she believed, with few exceptions, that her charges to the Amex Card served a legitimate business purpose for the NRA. Senior management does not dispute Hallow's view, and, in fact, saw benefit to the NRA from the results of most of her expenditures as positively affecting her public relations activities. Moreover, Hallow concedes that her failure to submit timely receipts was "sloppy," as some have characterized it, but she always intended and expected to provide the necessary support for the charges to the Amex Card. Nor did anyone interviewed believe otherwise. Thus, the non-existence of an enforceable benchmark against which to measure her conduct, specifically enforceable and governing written corporate policies, is the overriding reason for the inability to reach an independent

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deprive."

<sup>5</sup> The definition of "illegal act" applied was "an act or omission that violates any law, or any rule or regulation having the force of law. 15 U.S.C. §78jA(f). This definition is consistent with Statement on Auditing Standards (SAS) No. 54, "Illegal Acts by Clients." See AICPA Codification of Statements on Auditing Standards (AU) section 317.02; AICPA Audit and Accounting Guide, Not-For-Profit Organizations (with conforming changes as of May 1, 2001), sections 2.27 - 2.30. The definition of "irregularities" applied was "intentional misstatements or omissions of amounts or disclosures in financial statements." SAS 53, AU § 316.03.

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conclusion of an intentional violation or override of NRA policy. Also, although Hallow used the Amex Card, in part, for expenses that, under current interpretations of federal tax law, may have federal or state income tax implications for her personally and/or for the NRA, the tax issues are beyond the scope of this inquiry and Report.<sup>6</sup>

From the auditors' perspective, the investigation necessarily addressed two additional issues with respect to the transactions at issue. First, did any member of NRA management, or employee, override the organization's system of internal controls in connection with Hallow's use of the Amex Card or payment of the charges to American Express? Second, may the auditors rely on the representations made by management to the auditors in connection with PWC's audit of the financial statements for the year ended December 31, 2002? The evidence developed is that there was no override of internal controls in connection with the use of the card, because of, in large part, the non-existence of relevant adopted and enforceable governing policies and procedures. Moreover, there was, at a minimum, a tacit exemption from the prevailing recordkeeping practices for Hallow. In connection with payments to American Express, specifically as to the statements for the year ended December 31, 2002, the Office of the Treasurer did adhere to existing internal controls.<sup>7</sup> As to representations of management, although there was lax enforcement of prevailing practices at the NRA with respect to Hallow and an air of expedience to ensure timely completion of job-related duties, there still was an environment of insistence on compliance with all laws and obvious thought to the quality of and issues covered by management's representations to PWC. As a result, there is no evidence that PWC cannot rely on management's representations.

The investigation certainly revealed a failure to implement an adequate

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<sup>6</sup> PWC, NRA management and Hallow are aware of the existence of the income tax issues. Additionally, there is no evidence of intent on NRA's or Hallow's part not to comply with federal or state income tax laws.

<sup>7</sup> "Approval Requirements for Purchases," Procurement Policy and Procedures Manual Policy No. 2.02 (requiring, in substance, two signatures for disbursements exceeding \$50,000).



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system of policies and controls governing travel and expense reimbursement. To that end, the recommendations arising out of this investigation, as discussed generally below, necessarily reflect an immediate need for the NRA to direct management to resolve expeditiously all outstanding issues with Hallow related to her use of the Amex Card, formally adopt and enforce travel and business expense policies and procedures, and, from a “good governance perspective,” include recommendations related to corporate compliance and corporate governance.

Viewing the instant conduct through the traditional independent investigator’s and auditor’s prism applicable to publicly-held companies with securities registered with the Securities and Exchange Commission pursuant to 15 U.S.C. § 781(g), the evidence developed likely would have included an analysis of possible violations of 15 U.S.C. §78m(b)(2)(B). However, that prism does not apply to a not-for-profit corporation. Instead, the prism applied in this investigation reflected the same level of deference to the Board of Directors’ and management’s decisions concerning how the NRA should discharge its duties to its constituent members as that articulated in the auditing standards for not-for-profit organizations.<sup>8</sup> Nevertheless, the absence of a violation of law or express policy neither means that there was no “fault” nor that the NRA should not enhance internal controls and procedures in order to eliminate any ambiguities in policies and expectations and to ensure the highest standards of corporate governance.

Finally, the evidence developed was overwhelming and entirely consistent in the benefit that Hallow has brought to the NRA through the discharge of her duties. Wayne LaPierre (“LaPierre”) was effusive in his praise of Hallow’s work and accomplishments, attributing to her efforts, in large part, the movement in the perception of the NRA from an extremist organization to the mainstream and the significant in-roads that the organization has achieved in the past six to seven years with conservative organizations, high donor circles and African-American and Hispanic groups. Interviewees acknowledged the significant benefit to the NRA of Hallow’s networking to help realize the NRA’s political and legislative goals.

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<sup>8</sup> AICPA Audit and Accounting Guide, Not-For-Profit Organizations (with conforming changes as of May 1, 2001), sections 2.07 - 2.20.

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During more than 10 hours of interviews in this investigation, Hallow articulated with clarity and specificity her work in effecting new levels of political and social access for senior NRA officials and creating multiple media opportunities as a result of LaPierre's radio show and her extensive personal media connections. Also noteworthy are the absence of concealment of any Amex Card charges, her timely cooperation, as well as the NRA staff's cooperation, throughout the investigation, and the instrumental role she played in resolving many of the factual questions presented.

## **II. The Investigation**

Reports of investigations generally include a detailed background of the discovery of the allegations, description of all persons whose conduct or activities fall within the scope of the investigation, a review of all evidence examined and a detailed analysis of the law. As noted previously, this Report, by agreement, is in the form of an expanded Executive Summary; accordingly, the Report highlights information critical to reaching the conclusions articulated above and that form the basis for the recommendations.

### **A. Professional Standards Applicable to Conducting the Investigation**

The most important professional standards governing internal or forensic investigations are those mandating independence, objectivity, impartiality and confidentiality. The overriding and uniform standards governing such investigations, and those applied in the instant inquiry, are those promulgated by the Association of Certified Fraud Examiners ("ACFE"), an international 25,000 member professional organization which accredits certified fraud examiners in the conduct of forensic and similar investigations. Principally, compliance with these standards requires maintaining independence in attitude and experience, approaching and conducting a fraud examination in an objective and unbiased manner, and assuring that participants to the investigation are free from impairments to independence.<sup>9</sup> Additionally, reports with respect to fraud

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<sup>9</sup> Association of Certified Fraud Examiners, Professional Standards and Practices for



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investigations should not reflect express judgments on the guilt or innocence of any person or party, regardless of the examiner's opinion of the preponderance of the evidence.<sup>10</sup> Accordingly, conclusions herein reflect conclusions that may be drawn from the evidence, and the recommendations are those in the writer's professional judgment that warrant consideration and implementation, in substance, to ensure an effective system of internal controls and tighter corporate governance standards going forward.

**B. Persons Within the Scope of the Investigation**

Mildred Hallow, age 55, is the Special Assistant to the Executive Vice President, Wayne LaPierre. She is not a member of management, nor does she supervise directly any NRA employees. She was born in the Philippines and grew up in California, where her parents were farmers. She has an extensive background in Washington special interest projects, Republican party politics and the arts. Prior to joining the staff of the NRA on June 12, 1995, Hallow was an elementary school teacher at St. Pius Elementary school in Bowie, Maryland. Over the past seven to eight years, her job has evolved from assisting LaPierre with his book tour and producing his radio show to assuming a central role in public relations and goodwill on behalf of the NRA. She has cultivated relationships so as to open doors for the NRA with such organizations as the American Conservative Union, Republican party national committee members, the Council of National Policy, members of the National Foundation for Women Legislators, as well as with

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Certified Fraud Examiners, "Independence and Objectivity," General Standard I.A. Neither undersigned counsel conducting the investigation nor Smith, Gambrell & Russell, LLP has served as counsel to the NRA or any committee thereof, any member of the Audit Committee, Hallow, any of the interviewees or any person considered as a potential interviewee. Further, undersigned counsel is not a member of the NRA and has not expressed publicly his views or those of any other person concerning issues central to the objectives and mission of the NRA, except as may possibly have been necessary in factual arguments discharging his duties as an Assistant District Attorney for Orleans Parish (city of New Orleans), Louisiana (1985-1988), in closing arguments to criminal petit juries.

<sup>10</sup> Id., "Fraud Examinations, Reporting," Specific Standard II.C.4.



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leaders in the African-American and Hispanic communities. Those interviewed during the investigation who are familiar with her accomplishments on behalf of the NRA heralded her work.

Wayne R. LaPierre, Jr. is the Executive Vice President of the NRA. Wilson H. Phillips, Jr. is the Treasurer and Chief Financial Officer (“CFO”) of the NRA. LaPierre’s position is the equivalent of the Chief Executive Officer of the NRA. Although LaPierre is Hallow’s immediate supervisor, Phillips essentially assumed responsibility for reminding Hallow to submit receipts for NRA record keeping. Yet, there is no direct reporting relationship between Phillips and Hallow. Phillips, as CFO, has ultimate responsibility for the internal controls of NRA. Hallow’s Amex Card was part of Phillips’ Amex card and governed by his authorization limits.

**C. Travel and Expectation of Submission of Receipts at the NRA**

Throughout the period of Hallow’s use of the Amex Card, NRA did not have in effect written and approved policies and procedures governing travel, use of the corporate American Express card or submission of receipts related to travel. In June 1970, NRA adopted two travel and entertainment related policies. There is no evidence that NRA disseminated these policies in recent memory, as they are not part of the NRA Employee Handbook, no interviewee was specifically familiar with the existence of the policies, and no interviewee had seen the policies previously.

The first policy from June 1970, titled “Reimbursements – Staff Members for Out of Pocket Work Related Expenses,” required, among other things, that staff members use an “Expense Voucher for Official Travel” to claim reimbursement for properly authorized expenses incurred while on NRA official business, obtain advance authorization for travel by “official notice,” receive “specific approval” before amounts are charged to the NRA, and submit claims within ninety days. The policy did establish the expectation of the use of an expense voucher. But, there is no requirement of “prior” approval with respect to “specific approval.” Further, although employee travel “must be authorized in advance,” there is no requirement that the authorization be in writing. LaPierre and/or Phillips were aware of, and

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effectively, if not expressly, approved Hallow's travel. Also, although "claims must be submitted within ninety days," where an employee does not seek reimbursement, there is no requirement of a submission.

The second policy from June 1970, titled "Reporting Procedure for Official Staff Travel and Other Absences from NRA Headquarters," specifically addresses and clearly contemplates the use of a "Travel Authorization" for all staff travel. Another section of the policy provides submission of travel authorizations for travel on short notice "should be ... as soon as possible after the need for official travel on short notice has been determined." There is no evidence that Hallow used a Travel Authorization form in connection with any of her travel for NRA in the years examined. Similarly, the travel records of the Executive Director of Publications revealed no use of Travel Authorization forms for the period January through July, 2002.<sup>11</sup>

On February 6, 1996, the Treasurer's Office first promulgated a more comprehensive Travel and Entertainment Policy.<sup>12</sup> This 13-page document, issued in draft but never adopted by the NRA, outlined travel expense reimbursement and entertainment expense procedures for reporting consistency and control, applicable to employees and board members traveling on behalf of the NRA. The policy expressly provided that an expense, to qualify for reimbursement, "must be incurred for NRA-related business, in turn defined as "those activities which are necessary to meet organizational objectives." The policy further provided that NRA corporate credit cards "are for business purposes only and are **not** to be used for personal transactions."<sup>13</sup> (emphasis in original) In fact, two specific provisions related to use

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<sup>11</sup> The decision to review the travel records of the Executive Director of Publications was to compare the documentation and reimbursement practices of a similarly situated employee – one at a comparable level within the NRA and with a heavy volume of corporate travel.

<sup>12</sup> Rick Tedrick, Managing Director of Finance, believes that Beth Cunnigan, who previously held the position Managing Director, Financial Services Division, and was responsible, in part, for the accounts payable and receivable functions, began the process of developing a formal travel and business expense reimbursement policy.

<sup>13</sup> This is consistent with the stipulation in the credit card agreement between Amex and



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of the corporate credit card would have applied to the conduct and transactions at issue. One is that “[c]harges appearing on credit card statements will not be paid until the corresponding expenses are reported and confirmed by the employee.” The other is that “should an employee fail to report expenses in a timely manner, any resulting finance charges will be passed on to the employee and deducted from their next pay check.” Moreover, the policy required employees “to file Expense Reports promptly to ensure that charges to the cards are properly recorded and payments are made on a timely basis.” The substance of these policies carried forward into two later iterations of draft Travel and Business Expense Reimbursement Guidelines, one dated July 31, 1998, the other dated February 25, 2002. But, NRA never adopted or formally implemented any of these “draft” policies and procedures.

Although there were, at most, inadequate, and arguably no, written and established governing policies and procedures, there are, by inference and practice, certain requirements that did govern NRA’s travel practices. Phillips, during his interview, stated that there was a policy and procedure, and established practice in the organization, requiring use of Travel Authorization forms and submission of receipts. In addition to the Travel Authorization forms, NRA had available an expense report form, with instructions for employees to complete in connection with travel. Moreover, although NRA Employee Handbook does not contain a travel and business entertainment expense reimbursement policy, or reference to such a policy, the section governing “Overtime Travel and Meal Provisions” references a required “properly completed, authorized expense report” as a prerequisite to receiving reimbursement. Thus, the Employee Handbook specifically contemplates use of an expense report.

Additionally, Phillips and Rick Tedrick (“Tedrick”), Managing Director of Finance, sent a memorandum to each corporate cardholder monthly reminding them, in part, to review a relevant portion of the master copy of the corporate credit card bill and annotate relevant charges with the business purpose, persons attending and cost center to charge. During the period 1996 until some time in 2001, Hallow

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the cardholder that “[y]ou agree that you will use the Card for commercial or business purposes.”

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received these monthly reminder memoranda, but did not act on them. Hallow acknowledged receiving the monthly written memoranda. File records as old as December 23, 1996 evidence that staff of the Treasurer's office delivered to her the corporate credit card bill to annotate. Lisa Supernaugh ("Supernaugh"), Phillips' Executive Administrative Assistant, delivered these monthly statements to Hallow during the period 1998 until the beginning of 2001. Supernaugh, from time to time, delivered the monthly statement to Hallow by putting them in her chair and by placing the statement in her hands. Hallow took the statements, but Supernaugh did not recall ever receiving back any reconciliations of charges or receipts. Although there is no question that she received the memoranda, the written reminders were just that – reminders to annotate the credit card bill and submit receipts – and did not carry the weight of a formal written policy or procedure.

Hallow acknowledged that there were some policies and procedures applicable to her travel, and, at some point, she would need to dig out her receipts governing use of the Amex Card. She asserted that she was unaware of specific policies; instead, she had both a general knowledge and expectation that she was responsible for documenting her business expenses. She never received any briefing about travel and entertainment policies and procedures. There is no evidence that she received the two policies adopted in 1970 or any of the more formal draft Travel and Business Expense Reimbursement policies. Because of her ongoing discourse with Phillips, and others, that she would need to provide support for her use of the Amex Card, she felt that this would occur rather than sensing the existence of problem. Phillips and Hallow scheduled meetings to discuss "settling up" for her use of the Amex Card, but the meetings did not occur because of scheduling conflicts. There was no evidence, nor did anyone believe, that Hallow at any time sought to circumvent or intentionally failed to comply with express or implied policies relating to travel and entertainment or use of the Amex Card.

**D. Authority to Exempt from Policies**

Hallow received an Employee Handbook which reflected NRA's expectation that employees follow NRA's policies, practices and procedures. The Employee Handbook, except as already discussed above concerning the contemplated use of



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expense reports for overtime travel and meals, does not include specific travel expense and reimbursement guidelines. On June 19, 1995, Hallow signed the Employee Handbook Statement of Receipt. Two provisions in that Statement bear on the analysis of Hallow's use of the Amex Card and non-submission of receipts. One is that "[t]he policies, practices, procedures and benefits discussed herein are guidelines for the NRA *but are not required to be followed in all circumstances.*" (emphasis added). The other provides that "nor does the Handbook create a duty on the part of the NRA to comply with any policy, practice, procedure or benefit."

Whether express or implied, Hallow effectively was exempt from the policies governing travel and entertainment and use of the Amex card. At a minimum, the exemption was tacit, as evidenced by LaPierre's and Phillips' awareness of Hallow's practices. LaPierre, during his interview, stated his belief that there was no travel and entertainment policy in effect "for the entire building." In fact, to the extent that any may have existed, LaPierre certainly believed that Hallow was exempt from any governing policy, and the type of activity in which Hallow engaged for NRA historically was exempt from such policies.<sup>14</sup> Phillips' view of an exemption was different, believing that Hallow was not formally exempt but did have a "de facto" exemption. Phillips did not believe that Hallow could be exempt from the documentation requirements to substantiate her travel. Instead, Hallow received, and Phillips allowed her, considerable "latitude" to accommodate her active and aggressive travel and meeting schedule. Phillips expected that the organization would be able to substantiate a large percentage of her travel-related expenses, settle with her as the NRA did once previously, and receive the documentation that she collected but had not submitted.

**E. The NRA's Governing Ethics Rules**

On June 19, 1995, Hallow signed an acknowledgment that she had read and examined the NRA's requirements relating to Corporate Ethics. Although the

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<sup>14</sup> Nevertheless, LaPierre was aware of neither any reason why records could not be kept in connection with Hallow's activities nor why Hallow could not have kept the records for herself.



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“Statement of Corporate Ethics” does contain language that also may be interpreted to relate to Hallow’s use of the card, she never signed the Statement of Corporate Ethics, and the certification she did sign merely acknowledged that she took no actions “during 1992 and 1993 that [were] at a variance with the requirement or intent of these policies.”<sup>15</sup> Additionally, the Statement of Corporate Ethics is not part of the Employee Handbook.

There are three germane provisions in the Statement of Corporate Ethics. The first, in the “Statement of Policy,” provides that “[NRA] employees shall maintain complete and accurate books, records and documentation in accordance with the accounting rules and controls established by the Association.” The “Statement of Policy” also requires each officer, director, division director or activity supervisor to insure that the policies “are communicated to the employees reporting to them” and to monitor compliance with the policies. As discussed above, it is doubtful that there were any governing policies, and Hallow did retain, but never submitted supporting documentation. LaPierre and Phillips would periodically remind Hallow of the need to submit receipts. LaPierre delegated to Phillips supervision of Hallow’s recordkeeping. Phillips and Hallow concede that the nature and time-sensitivity of her work, weighed against the effectiveness of her efforts, resulted in a degree of latitude that, in essence, perpetuated rather than remedied the problem.

The other two relevant provisions are in the “Use of and Accounting for Association Funds and Assets.” One provision strictly prohibits the “use of association funds or assets for any unlawful or improper purpose.” The other provides that “appropriate employees of the Association will make and keep books, records, and accounts, in reasonable detail, sufficient to reflect accurately and fairly all financial transactions and the disposition of funds and assets.” The investigation

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<sup>15</sup> The date limitations in the form that Hallow signed rendered it irrelevant to the conduct at issue. In fact, Hallow was not an employee in 1992 or 1993. At most, the form stands for the proposition that, approximately eight years ago, she read and examined the NRA’s Statement of Corporate Ethics.

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revealed the absence of evidence of a violation of federal or Virginia criminal law.<sup>16</sup> Although there may be some federal and state civil tax implications to the NRA, in connection with the income reported on her W-2, and to Hallow, personally, in connection with her federal and state income tax returns, there was no evidence of intent to file incorrect information with relevant income tax authorities.<sup>17</sup> Although Hallow kept some receipts, which she did not submit timely, and did not keep detailed records, her practice of charging all activities on the Amex Card enabled NRA to view, in reasonable detail, the vendors, timing and general nature of Hallow's expenditures.

**F. Review of Mildred Hallow's Role and Use of the NRA Amex Card**

Wayne LaPierre, whose function at the NRA can be best-compared to that of an organization's Chief Executive Officer, is Hallow's immediate supervisor. As such, and given his responsibility for the image, direction and financial health of the NRA, LaPierre is best-positioned to explain Hallow's responsibilities and characterize her contribution to the NRA. LaPierre describes Hallow's job as working the Washington social networks, including socializing with the donor base of the Republican Party and conservative organizations. In addition to her own well-established contacts and networks in Washington and California, Hallow's husband, Ralph, is the Senior National Correspondent, at the Washington Times, her son, Ian, is the Communications Director for the American Conservative Union, and her former husband, Colin Walters, is the Book Editor of the Washington Times. LaPierre recognizes that Hallow is "great" at cultivating relationships for the NRA and floats effectively within the networks she establishes and maintains.

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<sup>16</sup> As noted above, the federal mail and wire fraud statutes considered were in Chapter 63 of Title 18, United States Code, and the theft and credit card fraud statutes contemplated were in Title 18.2, (Criminal) Code of Virginia.

<sup>17</sup> Neither the mandate for nor the scope of this investigation included an analysis in detail of the federal, state or local tax implications, if any, in connection with the nature of certain charges to the Amex Card. Should the NRA need to file amended W-2s for Hallow, federal and state tax authorities could assess a nominal fine. Similarly, any adjustment to Hallow's income could result in additional personal income tax liability.



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LaPierre perceives that Hallow has “worked” the social base of the Republican Party as “no one ever has” and opened doors in Washington and other social networks for the NRA to be understood as carrying a meaningful and constructive message.

LaPierre describes four components to measuring the organization’s effectiveness and success – whether the “good name” of the NRA is intact, “winning” from a legislative and political perspective, financially making the budget, and keeping faith with members that the NRA is fighting effectively for the organization’s cause. LaPierre believes that Hallow has benefitted the organization considerably in each of these four areas. LaPierre credits Hallow’s work over the past seven years as significantly effecting the turning of conservative and high-dollar contributor and social circles from “anti” NRA to a neutral or “pro” NRA posture. He perceives that, unlike before, the NRA now has the potential to receive high-dollar conservative and social money. He summarizes her successes in four parts – stopping the gossip about the NRA and the gun control issue; stopping the whispering in Senators’ and Congressmen’s ears about NRA issues; laying the groundwork for new people to join and contribute to the NRA; and making a high-end social circle understand the NRA’s issues, thereby enabling the organization to operate freely within new circles. Mary Corrigan (“Corrigan”), NRA’s Chief of Staff, acknowledges that Hallow’s job is “flat out” networking, and meets NRA’s organizational objectives by advancing NRA’s political-legislative goals.<sup>18</sup>

Based on LaPierre’s more than 20 years with NRA, the first ten with the Institute of Legislative Affairs (“ILA”), he believes that it would not be out of line, in Washington, for an organization with the constant legislative challenges confronting NRA, to pay someone with Hallow’s access and effectiveness an annual salary of \$500,000. LaPierre noted that Hallow has considerable access to high level Republican members of the United States Government and other potential influential supporters. Moreover, she has, at a minimum, facilitated access

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<sup>18</sup> Corrigan sees how Hallow’s work can help the NRA because of the importance of access. She deferred to LaPierre to assess Hallow’s impact, stating that whether “the juice is worth the squeeze is a [LaPierre] evaluation.”

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to and/or fostered relationships with the Republican National Committee's Team 100, the Conservative Political Action Committee, the National Football League, the National Foundation for Women Legislators, and the Congress of Racial Equality. Also, Hallow has deep rooted contacts in, is well-respected by and is warmly-received in the Hispanic and African-American communities. In 2002, Hallow received a (W-2 reported) salary of approximately \$143,000.

As the nature of Hallow's duties involved considerable travel, the NRA issued to her a corporate credit card. The draft 1996 Travel and Reimbursement policy recognized the need for the issuance of a corporate card to those employees with considerable official travel and business expenses. Hallow not only would charge her expenses, but she also, from time to time, incurred expenses on the card issued to her on behalf of other NRA officers and directors. In addition to these recognized business expenses, such as airline tickets, hotel rooms, ground transportation and meals, Hallow incurred other expenses the business purpose of which became a matter of concern to PWC and management, and is within the scope of this investigation. These expenses included, among other things, some family travel, clothing, cosmetics, household accessories and automotive repairs.

When PWC, during the audit, identified one employee's use of the corporate credit card in an amount exceeding \$500,000, PWC understandably and responsibly inquired. The corporate card at issue was Hallow's, under Phillips' account. The charges on Hallow's card fall into three general categories – business expenses, expenses taxable to Hallow for which LaPierre and/or Phillips acknowledge a bona fide business purpose, and Hallow's personal expenses warranting dollar-for-dollar reimbursement to the NRA.<sup>19</sup> The recognized business expenses include travel,

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<sup>19</sup> In connection with Phillips' efforts to assist Hallow with the reconciliation of charges on the Amex Card, Phillips prepared separate spreadsheets for 2001 and 2002. Phillips' spreadsheets tie into the Amex Card bill and reflect each entry on the bill. The categories of expenditures discussed herein relate directly to the corresponding categories on the spreadsheets. The references to charges for 2001 are for charges incurred between approximately December 14, 2000 and December 14, 2001. The references to charges for 2002 are for charges incurred between approximately December 10, 2001 and December 13, 2002. The amounts discussed herein as taxable to Hallow and/or her purely personal expenses may change depending on the outcome of meetings between Phillips and Hallow to review and discuss the charges on the



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tickets for entertainment, other entertainment expenses, flowers and other gifts. The most prominent expense taxable to Hallow for which LaPierre, Phillips and Hallow consistently contend represents not only a legitimate business purpose but also advances the objectives associated with her activities on behalf of NRA is the purchase of clothing.<sup>20</sup> The personal expenses at issue are select family travel, car repairs, grocery store charges, drugstore charges, electronics and other household goods.

PWC focused on Hallow's Amex Card charges for 2002, which totaled \$538,279.17.<sup>21</sup> Of that sum, the Phillips spreadsheet reflects that approximately \$79,000 may be taxable to Hallow and another \$3,000 may represent entirely personal expenses. Hallow's Amex Card charges for 2001 totaled \$563,065.03. Of that sum, the Phillips spreadsheet reflects that approximately \$76,000 may be taxable to Hallow and another \$11,000 may represent entirely personal expenses. The principal component of the expenses taxable to Hallow is clothing. LaPierre believes that Hallow's clothing expenses are job-related, and that NRA Treasurer's office would settle with her at some point. Phillips accepted this view and balanced the continuing benefit to the organization of Hallow's work against the expectation that he would reconcile the expenses with her.<sup>22</sup> Hallow's explanation for the

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Amex Card.

<sup>20</sup> As noted previously, this Report does not undertake to address, let alone analyze, the tax issues. Outside counsel to NRA, Stephen Shulman, in a memorandum to PWC, wrote that the test for whether the purchase of clothes is taxable to the person rather than a business expense is whether the clothes are otherwise suitable for wearing, not whether the clothes are otherwise worn. LaPierre and Phillips believe that these charges for clothing may well be necessary for Hallow, based on the intensity of her travel schedule and the social circles in which she works on behalf of NRA. Hallow contends that not only are these clothes necessary for the image she projects for NRA, but she also, from time to time, makes clothing purchases while visiting, and shopping, with the wives of public officials or donors who the NRA may be courting.

<sup>21</sup> This investigation focused on charges in 2001 and 2002.

<sup>22</sup> Phillips saw that NRA was "getting a really good return off her efforts." He weighed the investment in Hallow against, for example, the cost of advertising, which may well have been \$5000 for a one-page newspaper advertisement to run on only one day in five major newspapers.



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purely personal charges was that she used the Amex Card as a card of convenience, rather than as a personal card. She too believed that she would sit down with Phillips and settle any outstanding amounts, by paying outstanding sums due to the organization.

As noted above, there was no evidence that Hallow sought to defraud NRA. Nor was there evidence of any intent to violate federal or state law or NRA policies. Nevertheless, some of the expenditures on the Amex Card may be interpreted to reflect unwise decisionmaking by Hallow, and she readily concedes that some of the charges reflected poor on-the-spot judgment.<sup>23</sup> Charges to the Amex Card that may be considered entirely personal in nature would include, in 2001 for example, seven charges for auto repair or service at County Chrysler- Jeep, Marlboro, Maryland totaling approximately \$5,000; one charge for down comforters (bath accessories) at Macy's in Fairfield, California totaling \$1,129.08; multiple charges at area Nordstrom stores for such items as handbags, sleepwear; in-room movies at various hotels;<sup>24</sup> a charge at the Bose store for electronics in the amount of \$1,172.73; multiple charges for gasoline; payment of a Comcast (cable television) bill in the amount of \$271.28; payment on a note to Meridian Financial in the amount of \$1,255.02; multiple charges to Giant Food for groceries; charges at various local restaurants – local in relation to her principal residence – such as Jaspers in Crofton, Maryland, Outback Steakhouse in Bowie, Maryland and Sakura in Bowie, Maryland; and a charge of \$139.61 at the Andre Chreky Salon.

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<sup>23</sup> When Corrigan was responsible for reviewing Hallow's expenses in approximately 1997 and 1998, she noted then Hallow's penchant for using the NRA corporate card for personal expenses. She recounted that, after Hallow purchased a home, she purchased furniture using the corporate credit card. Given that Corrigan was extremely upset with Hallow's personal use of the credit card, Phillips took over responsibility for reviewing Hallow's card use. In connection with Hallow's previous personal use of the corporate card, Phillips and Hallow once before reconciled the personal and business uses, and Hallow caused to be paid to NRA the entirety of a bonus to cover the personal expenses.

<sup>24</sup> The Draft Travel and Business Expense policy dated February 2002 identifies haircuts and hotel in-room movies as examples of expenses of a personal nature not considered reimbursable.

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Additionally, Hallow obtained cash advances in 2001 and 2002 from several hotels, including the Mandarin Oriental Hotel in San Francisco and the Lowell Hotel in New York, charged to her hotel bill, thus, in turn, charged to the Amex Card. LaPierre, Phillips and Hallow each reported Hallow's use of cash to tip, on occasion handsomely, limousine drivers and other service providers. Yet, the absence of contemporaneous recordkeeping for the tips, such as handwritten annotations on the limousine receipts, suggests an opportunity for abuse, although no evidence of abuse arose.

Because of the cash advances received at some of the hotels and some sizeable charges to local vendors (*e.g.*, the car dealership in Marlboro, Maryland), the investigation included a review of Hallow's personal bank statements. Hallow stated that she and her husband maintain one banking relationship, that is with Bank of America where they maintain a checking and savings account.<sup>25</sup> Hallow voluntarily, and without reservation, provided original bank statements and original canceled checks for inspection.<sup>26</sup> A review of her accounts revealed that there were no unusual cash deposits, or deposits of other sums, that were out of the ordinary. In fact, short of direct deposit of her and her husband's paychecks, there were few deposits into the accounts.<sup>27</sup>

One set of charges that were of particular note related to Hallow's travel in December 2001 with her family to Puerto Rico. On December 5, 2001, Hallow

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<sup>25</sup> During the interview, in response to questions concerning the identity of all financial institutions, including banks, savings and loans, credit unions, and securities brokerage firms, where there were accounts in which she had a direct or indirect beneficial ownership interest or over which she exercised any form of discretionary control, Hallow identified the Bank of America as the only such financial institution.

<sup>26</sup> Where Hallow was unable to locate an original bank statement, she ordered and provided a replacement copy from the Bank.

<sup>27</sup> Periodically, the Hallows would transfer funds between the savings and checking accounts.



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charged four airplane tickets, each costing \$1,169.10, to Puerto Rico to the Amex Card for travel for herself, her husband, her son and her son's girlfriend. Hallow advised that the trip was for a planning conference for the next Republican National Committee Northeast regional conference, ultimately held in St. Croix. Although there was a substantive purpose originally for the travel, the December planning conference unraveled with numerous last-minute cancellations. A senior official in the Puerto Rican Republican Party had encouraged the scheduling of the interim planning conference and wanted to introduce Hallow to other influential persons during the December 2001 trip. Hallow was certain that she did not initiate the idea of the Puerto Rico trip because of her concern that the participants might have expected that the NRA should have paid for their travel. By the time other attendees advised of their decision not to attend, according to Hallow, the no-refund cancellation date had passed. Hallow felt that there was a justifiable business purpose for her husband, as the original and principal connection to the RNC, and her son, in the absence of David Keene (Chairman of the American Conservative Union and member of NRA Board) to attend at the expense of NRA. She concedes, however, that Jessica [REDACTED], Hallow's son's girlfriend, was an afterthought, and that her travel should be considered personal. Hallow further concedes that taking the trip, in light of the cancellations, was "not great judgment." However, she did not hide the plans for or the purpose of the trip, and contends that the trip was not organized for the purpose of a vacation.

Hallow's characterization of the travel to Puerto Rico as not reflecting "great judgment" highlights the importance of implementing strict guidelines – organization-wide – governing travel. Beyond the scope of this investigation, but clearly noticeable from the expenses, were questions about organizational parameters governing classes of travel and methods of procuring services, such as uses of ticket brokers. The report will address these issues in the recommendations. However, as Corrigan correctly described the uniquely external nature of Hallow's position, Hallow's conduct reflected more of an absence of discipline in connection with the use of the card. But, with no policies in effect against which to measure whether policies were violated, and absent evidence of a violation of law, the focus remains on the need to adopt effective procedures and administratively enforce compliance with the procedures.

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**G. PWC Appropriately Raised Concerns About Hallow's Travel**

During the audit of NRA's financial statements for the year ended December 31, 2002, PWC became aware of the absence of receipts in the NRA's records to support Hallow's travel and the possible use of the Amex Card for personal purposes. Upon detecting, what it believed may be an irregularity, PWC promptly, timely and correctly, according to applicable auditing standards, communicated its concern to appropriate persons in NRA. PWC properly directed its notification to a level of management above that level at which it suspected the irregularity may have occurred. PWC acted entirely consistent with the auditing standards by reporting the suspected irregularity to the Audit Committee of the Board. PWC's concerns gave rise to this investigation, from which the evidence has not revealed any irregularity. PWC advised that it has since completed additional internal controls testing of transactions subject to approval of senior management and found compliance with NRA policies and procedures, including appropriate authorization for the transactions. Notwithstanding this finding, PWC independently recommends the establishment of a strict internal controls regimen related to travel, use of corporate credit cards, and business expense reimbursement, including the immediate adoption of governing policies and procedures.

**III. RECOMMENDATIONS**

The following recommendations fall into two categories – (1) travel and expense reimbursement, some general and some specific to Hallow, and (2) corporate compliance and corporate governance. The recommendations are as follows:

**1. Adopt and implement formal policies and procedures governing travel and entertainment expenses and reimbursement.** As discussed above, the two governing policies came into effect in 1970. Although there are practices that NRA attempts to follow, they presently do not have the force of organization policy. The Board of Directors of NRA should adopt and implement the policies with urgency, not later than 60 days from the date of this report. To date, NRA has characterized



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practices related to travel and entertainment as “guidelines.” The adopted practices and procedures should be policies, and NRA should include them in the Employee Handbook disseminated to all employees. Moreover, although these recommendations are not intended to address the content of the travel and entertainment policy, the Audit Committee nevertheless should consider requiring the Treasurer’s Office to establish class of service travel restrictions, including for airlines and hotels, as part of the policy in order to control costs, and rules governing payment for spouse and family travel.

**2. Any new travel and entertainment policies should discourage a provision for exceptions, and any exceptions should require advance written sign-off by a direct supervisor and a senior member of the staff of the Office of the Treasurer.** Exceptions to any policy and procedure should be just that – an exception. Lack of notice and urgency, such as a necessary side trip while on travel or other special circumstances, not expedience, should govern consideration and approval of an exception. The Office of the Treasurer should designate one or two members of its senior staff with authority to counter-sign an exception approval. In the event that the exception may relate to an expense of a member of senior management, then the sign off should be by any two of the Treasurer, the Chief of Staff and the Executive Vice President. Exception reports should be prepared and provided quarterly to the Audit Committee for review.

**3. NRA should train the employees in the requirements of and enforce the travel and entertainment policy.** Application Note 1 to Section 8A.1.1 of the United States Sentencing Guidelines (“USSG”) reflects that an organization includes associations and non-profit organizations.<sup>28</sup> The Commentary to USSG Section 8A.1.2, in describing an effective compliance program, delineates that “[t]he organization must have taken steps to communicate effectively its standards and procedures to all employees and other agents, e.g., by requiring participation in training programs or by disseminating publications that explain in a practical manner what is required.”<sup>29</sup> The dissemination of information about the travel and

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<sup>28</sup> USSG §8A1.1 Application Note 1) (2002).

<sup>29</sup> The United States Sentencing Guidelines identify seven minimum requirements for an



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entertainment policy should be by notice on bulletin boards and/or via the Employee Newsletter. The recommendation is that NRA should conduct formal oral training in travel and entertainment policies, particularly documentation procedures, cost and spending parameters, and gift and gratuities prohibitions. Moreover, after initial training, there should be an annual “refresher” or review at which attendance also should be required. NRA should require all attendees to sign a certificate of attendance, and that certificate of attendance should be made a part of the employee’s permanent personnel record.

**4. Any new travel and entertainment policy should require that a holder of an NRA corporate credit card sign a statement agreeing that use of the card is exclusively for corporate business purposes.**

**5. The Audit Committee should direct the Office of the Treasurer, in consultation with the Executive Vice President, to resolve all outstanding issues related to use of the Amex Card by June 1, 2003.** During the Audit Committee teleconference meeting of April 8, 2003, the Audit Committee directed Phillips to settle the outstanding account with Hallow by June 1<sup>st</sup>. Although the principal focus has been on calendar years 2001 and 2002, the investigation revealed that settlement pre-dating January 1, 2001 is necessary. Without expanding the scope of the investigation, it was not possible to determine with specificity the date back to which resolution is necessary. Should it be impossible to settle the account prior to January 1, 2001, the Audit Committee should require a report from the Treasurer advising as to the amount at issue and the reason for the

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“effective [corporate compliance] program to prevent and detect violations of law” – (1) establish compliance standards and procedures “reasonably capable of reducing the prospect of criminal conduct;” (2) assign high-level personnel to oversee the compliance program; (3) use due care not to delegate “substantial discretionary authority” to persons with the propensity to engage in illegal activities; (4) communicate the “standards and procedures to all employees and other agents” by requiring participation in training and/or distributing clear and explanatory publications about the standards; (5) monitor and audit the compliance program and maintain a system for internal reporting of apparent violations; (6) enforce the program consistently and appropriately; and (7) respond reasonably to detected offenses and modify the program as necessary to prevent and detect future offenses. USSG §8A1.2 Application Note 3(k) (2002).

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inability to resolve the prior balance. The Audit Committee should accept, approve or reject the report of the Treasurer so as to bring closure to the outstanding balance with Hallow. Additionally, the Audit Committee should designate an independent party, specifically someone who is not in the organizational hierarchy under the direct or indirect supervision of LaPierre or Phillips, to review the detailed reconciliation to ensure that a proper business purpose has been established for each transaction deemed chargeable to NRA.<sup>30</sup>

**6. The Audit Committee should direct the Office of the Treasurer, in consultation with the Office of the Executive Vice President, to set an expense allowance for Hallow.** An expense allowance would enable Hallow to incur expenses that she deems necessary for the discharge of her duties. One possible formulation for determining the expense allowance is to deduct 25% off the highest personal but business related expense month that she experienced in 2002. In order to afford her maximum flexibility, she could have the authority to exceed that monthly allowance any two months out of the calendar year, and would have the authority in those months to exceed the allowance by 100% of the total allowance without prior approval. Otherwise, any use of the expense allowance in excess of the monthly ceiling should require prior approval of any two of the Treasurer, the Chief of Staff and the Executive Vice President. The documentation requirements for the expense account should be the same as for all business expense reimbursements.

**7. The facts developed during the investigation do not give rise to a basis for finding a violation of law or policy; accordingly, there is no recommendation about discipline that may follow from the investigation.** The framework for discussing the findings is set forth above, and the range of

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<sup>30</sup> This recommendation is based, in part, on some expenses that already have been designated appropriate business expenses. For example, Item 54 on the January 14, 2001 Amex statement (corresponding to line 21, page 1, Phillips spreadsheet for 2001), is a charge reflected on the monthly statement for \$435.75 with Oxford Executive Services (“Oxford”) for general merchandise. NRA treats the charge as “travel” because Oxford provides limousine (car) service. The inconsistency between Oxford’s description of the transaction and its actual purpose highlights the need for some level of review.



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documents and materials reviewed and interviews conducted are set forth in Appendix A. The Audit Committee, in considering whether to recommend discipline, should weigh the benefits that Hallow has brought to NRA, including the views of LaPierre, Phillips and others, against the effect of her use of the Amex Card and non-submission of receipts in the absence of a written policy. The absence of discipline need not be framed as an endorsement of the practices at issue.

**8. This report does not recommend or review the considerations attendant to whether Hallow could best continue to service NRA as an employee or an independent contractor.** Any decision about Hallow's going-forward relationship should be made in consultation with and in consideration of the recommendations of LaPierre, Phillips and Kayne Robinson. If the Audit Committee were to consider making a recommendation to change Hallow's status to that of a consultant, it should consider what impact, if any, such a recommendation would have on the message delivered by and perception of Hallow when she represents NRA. The mention of evaluating the relationship between NRA and Hallow does not mean that Hallow should perform her duties differently or that NRA should change her responsibilities.

**9. The Audit Committee should require the Office of the Treasurer to obtain advice from its tax advisers, whether outside corporate counsel and/or the independent auditors, concerning any federal and state tax implications related to the resolution and settlement from Hallow's use of the Amex Card.**

**10. The Audit Committee should create, in some form, an internal audit function.** It is well recognized that the establishment of an Internal Audit function in organizations, particularly not-for-profit corporations, can be cost-prohibitive and redirect funds needed to communicate an organization's message. Nevertheless, an internal audit function is an extremely important component in ensuring the proper functioning of an organization's internal controls and procedures. The Audit Committee should consider, at a minimum, designating members of the Audit Committee to conduct periodic confidential interviews with members of the Accounting staff about systems, controls, procedures and concerns,



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if any, about financial recordkeeping practices.

**11. The Audit Committee should recommend that any new travel and reimbursement policy, as well as any revised Employee Handbook under consideration by the Office of the Chief of Staff, be reviewed by an independent outside counsel or expert to ensure compliance with prevailing laws and regulations, as well as compliance with the guidance of the USSG and the United States Department of Justice.**

**12. The Audit Committee should recommend the adoption of a Board of Directors Policy Book.** Good governance practices of organizations involved in legislative advocacy have policies governing the conduct of directors as well as employees. Given that corporate liability, civil and criminal, may derive from the acts or omissions of officers, directors, employees and agents, the adoption of a Directors' Policy Book, similar to the Employee Handbook, is recommended.

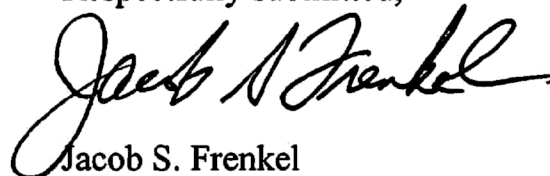
#### **IV. CONCLUSION**

As summarized in the Overview of Conclusions, Section I (above), and discussed generally above, NRA did not have in effect policies and procedures to adequately cover Hallow's use of the Amex Card and non-submission of receipts within a reasonable period of the completion of her travel. And, to the extent that there were prevailing practices in effect, management effectively exempted her from those practices. The investigation revealed no violation of law or express policy. Hallow has represented that she now uses her personal credit card for business travel and submits documentation to support her travel and expenses. Further, Hallow's full cooperation and production of records revealed that there were no "back door" transfers or deposits of cash to her Bank of America account. Additionally, senior management articulated clearly its recognition of the valuable contribution that Hallow has made to NRA's image and cause and the importance they place upon her ability to accomplish her responsibilities effectively. The Audit Committee, as well as senior management, should, as a result of this investigation, establish additional controls, policies and procedures to ensure that NRA maintains

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and follows a system of strict internal controls and best practices for corporate governance.

Respectfully submitted,



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## **APPENDIX A**

### **PERSONS INTERVIEWED AND DOCUMENTS REVIEWED**

#### **Persons Interviewed Formally**

- Wayne R. LaPierre, Jr., Executive Vice President
- Wilson H. Phillips, Jr., Treasurer and Chief Financial Officer
- Mary Corrigan, Chief of Staff
- Debra Dickenson, Managing Director, Financial Services Division
- Rick Tedrick, Managing Director-Finance, Office of the Treasurer
- Mildred Hallow, Special Assistant to the Executive Vice President
- Lisa Supernaugh, Executive Administrative Assistant to the Treasurer

#### **Persons Interviewed Informally (discussions not for Memoranda of Interview)**

- Kayne B. Robinson, First Vice President
- Wilson H. Phillips, Jr., Treasurer and Chief Financial Officer
- Rick Tedrick, Managing Director-Finance, Office of the Treasurer
- Stephen N. Shulman, Esq., O'Connor & Hannan, LLP
- Karl R. Sening, Audit Partner, PriceWaterhouseCoopers LLP
- Greg Del Real, Audit Manager, PriceWaterhouseCoopers LLP

#### **NRA and Mildred Hallow Relevant Documents Reviewed**

- NRA Employee Handbook (copy received from Human Resources)
- NRA Employee Handbook Statement of Receipt for Mildred Hallow (June 19, 1995)
- National Rifle Association of America Statement of Corporate Ethics
- National Rifle Association of America Statement of Corporate Ethics (Statement of Receipt) for Mildred Hallow (June 19, 1995)
- NRA Organizational Chart (February 2000)
- NRA Procurement Policy and Procedures Manual Policy No. 2.02: "Approval Requirements for Purchases"



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- AMEX Corporate Card materials, including Agreement Among Company and Small Business Corporate Card Member
- ILA Employee agreement to/acknowledgment of conditions of use of NRA-issued corporate credit card
- “Travel Authorization & Request for Advance” 6-ply form
- June 1970 policy titled “Reimbursements – Staff Members for Out of Pocket Work Related Expenses”
- June 1970 policy titled “Reporting Procedure for Official Staff Travel and Other Absences from NRA Headquarters”
- February 6, 1996 Draft Travel Expense Reimbursement Guidelines
- July 31, 1998 Draft Travel and Business Expense Reimbursement Guidelines
- February 25, 2002 Draft Travel and Business Expense Reimbursement Guidelines
- National Rifle Association of America Expense Report (form)
- Management memorandum effective March 13, 2003 titled “Millie’s Credit Card Charges”
- Payment Coupon page for Gold Corporate Card issued to Woody Phillips with payment authorization sign-offs
- Timeline related to Mildred Hallow American Express charges prepared by Woody Phillips
- Mildred Hallow American Express Statements and receipts for 2001 and 2002 and related Spreadsheet prepared by Woody Phillips
- Millie Hallow American Express charges summary for December 1999 through November 2000
- Select 12-page detail receipts and information relating to Mildred Hallow travel in 2001 and 2002
- Joe H. Graham, Executive Director Publications, American Express Statements and receipts for first six months of 2002
- Wayne LaPierre, Executive Vice President, 6 sample travel reimbursement submissions
- December 23, 1996 Memorandum from Woody Phillips to “American Express Corporate Cardholders” accompanying American Express Bill with annotation of distribution list

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- January 27, 2003 Memorandum from Rick Tedrick to “American Express Corporate Cardholders” accompanying American Express Bill
- March 25, 2003 e-mail from Rick Tedrick to Mike Marcelin subject “[ ] American Express bill” accompanying downloaded American Express Bill with Excel spreadsheet
- Mildred Hallow’s calendars and calendar notes 2001 and 2002, including separate files for the Inauguration and the NRA Annual Board meeting in 2001
- Invoices from County Chrysler-Jeep, Inc., Upper Marlboro, Maryland, 2002
- Mildred Hallow’s personal bank account statements (joint checking and savings account with husband Ralph Hallow) for 2001 (months provided) and 2002
- Mildred Hallow salary and bonus schedule from date of hire through present
- Mildred Hallow W-2 Wage and Tax Statements for 2000, 2001 and 2002
- Mildred Hallow State of Maryland income tax refund advices for tax years 1999 and 2000
- Draft PWC Report to Management dated March 19, 2003 in connection with audit for year ended December 31, 2002
- PWC Report to Management dated March 19, 2002 in connection with audit for year ended December 31, 2001
- PWC Report to Management dated March 24, 2001 in connection with audit for year ended December 31, 2000, including Reports to the Board of Trustees of the NRA Foundation, Inc. and the Board of Trustees of NRA Special Contribution Fund
- NRA Management Rep Letter to PWC for NRA and affiliates in connection with audit for year ended December 31, 2002 and 2001
- NRA Management Rep Letter to PWC for NRA and affiliates in connection with audit for year ended December 31, 2001 and 2000
- NRA Management Rep Letter to PWC for NRA and affiliates in connection with audit for year ended December 31, 2000 and 1999
- Audit Committee agenda for meeting of March 19, 2003
- PWC Presentation to the Audit Committee, March 19, 2003
- Audit Committee Minutes of February 1, 2001, April 17, 2001, December 19, 2001, March 19, 2002, April 25, 2002, December 19, 2002, and March 19, 2003
- Reports of the Audit Committee to the Board of Directors of May 21-22, 2001

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and April 29-30, 2002

- Reports of the Finance Committee to the Board of Directors of February 3-4, 2001, May 21-22, 2001, November 3-4, 2001, January 12-13, 2002, April 29-30, 2002, September 14-15, 2002, January 18-19, 2003
- Draft NRA Consolidated Financial Statements as of December 31, 2002 and 2001 and Report Thereon
- Draft NRA and Affiliates Consolidated Financial Statements as of December 31, 2002 and 2001 and Report Thereon
- 2001 NRA Annual Report
- NRA Financial Statements as of December 31, 2001 and 2000 and Report Thereon
- NRA and Affiliates Financial Statements as of December 31, 2001 and 2000 and Report Thereon
- Excerpts from meetings of Board of Directors concerning Attendance at Official Meetings
- Proposed Audit Committee Charter, National Rifle Association of America