

Incident Report

Testimony of Financial Controller Regarding Possible Misconduct Involving the GM (Youssef Amrani)

Date: August 30, 2024

Purpose:

This report serves to document serious concerns raised by Patricia Mizuki, our Financial Controller, during today's Strategy Committee meeting.

Context:

This report does not draw conclusions but aims to accurately record Patricia's account.

It's important to note that:

1. This report represents one perspective shared in the meeting, specifically that of the Financial Controller.
2. A report providing Youssef's account will also be shared with the team.
3. Structured conversations with all involved parties are underway to gather a comprehensive understanding of the situation.
4. No definitive conclusions have been drawn at this time, pending further review and corroboration of the concerns and allegations.
5. The purpose of this document is to serve as a formal record of the concerns raised and to alert the contributor team that I have initiated a review process.

The potential violations delineated herein are presented to demonstrate the severity of the concerns and to emphasize the exigency for thorough review. The primary objectives of the review are:

1. Ascertain the veracity of the claims presented;
2. Evaluate the substantive merit of the concerns raised;
3. If warranted, recommend appropriate remedial measures and corrective actions.

These behaviors, if accurate, represent a pattern of misconduct that goes beyond a simple mistake or misunderstanding. They suggest a systematic attempt to undermine proper oversight, governance, transparency, and accountability within the DAO. Such actions typically warrant more than a warning in most organizational contexts.

The severity and persistence of these issues, particularly the alleged combination of abusive compensation practices, managerial misconduct, interference with oversight, and intimidation of those trying to perform their duties, lean more towards grounds for consequences rather than a warning.

I will do my best to adhere to principles of procedural fairness while the internal protocols for review remain rudimentary at best.

Summary of Patricia's Testimony:

During the meeting, Patricia shared several concerns regarding AADAO's governance and financial management:

1. Excessive compensation for the General Manager (GM), which she viewed as "potentially abusive".
2. Resistance and alleged intimidation from the GM when attempting to discuss these concerns with another oversight member.
3. Accusations of "lacking integrity" and "overstepping her role" when raising these issues.
4. Involvement of the GM's spouse, a non-DAO contributor, in compensation structure discussions.
5. Pressure to approve contested bonus methodologies.
6. Exclusion from financial discussions after voicing concerns.

Detailed Account of Interactions:

Initial Concerns Regarding Compensation:

Patricia, identified potentially excessive compensation for the GM. She states, "I assess your [Youssef's] salary, your total compensation being extremely abusive."

Consultation with Oversight Coordinator:

Seeking a second opinion, Patricia approached Damien (former Oversight Coordinator): "I reached out to Damien, and I said Damien, this is extremely confidential. I want to share this file with you and I want to have your inputs on it." Damien's reaction corroborated Patricia's concerns: "He was shocked. He was like, oh my God. That's not okay."

Research and Confirmation:

Damien conducted further research, comparing salaries and industry standards. Patricia notes, "He start making some research. How much your salary is supposed to be? Everybody's salaries and we came to the conclusion that was really abusive."

Raising Concerns and GM's Response:

When Patricia questioned the retention bonus methodology, the GM responded defensively: "Patricia you're not acting with integrity. You're overstepping a role and you have to stop there."

Inappropriate Involvement of GM's Wife:

Patricia recounts a heated discussion with the GM's wife (a non-DAO contributor) about the retention bonus: "I had a discussion, Youssef, with your wife... about the retention bonus... she [was] screaming on the phone with me, that [it] was... the most stupid idea she ever heard."

Dismissal of Oversight Input:

The GM's wife reacted aggressively to suggestions from Oversight: "And she has, who this came from? I said Damien brought it up, but I supported that idea. Okay. And she was like stupid Damien, that's so stupid."

Exclusion from Financial Discussions:

Following her raised concerns, Patricia found herself excluded from bonus discussions: "So, I was not involved in the bonus discussion anymore."

Pressure to Approve Contested Methodology:

Patricia reports being pressured to approve the bonus methodology without proper involvement: "I think was in July mid-july, you reach out to me, saying Patricia, please sign off on the methodology, your oversight is to approve the methodology and I was not okay with that."

This sequence of events illustrates a pattern of:

- Attempts to sideline oversight functions
- Inappropriate involvement of non-DAO members in financial and policy matters
- Inappropriate exertion of authority and intimidation against an oversight member
- Pressure to approve contested methodologies without proper scrutiny
- Potential misrepresentation of the oversight role
- Exclusion of key personnel from critical discussions

Areas of Potential Misconduct and Mismanagement:

These points outline the material issues of potential violations in behavior and business practices, if the provided testimony is true.

1. Abuse of Compensation Structures:

- Excessive and potentially "abusive" compensation practices
- Lack of transparency and disclosure regarding total monthly compensation
- Unreasonable 81% increase in the GM's base salary from the previous fiscal year
- Improper utilization of retention bonuses to inflate compensation
- Absence of proper oversight and controls on determinations of total compensation and bonus schemes

2. Interference with Oversight Functions:

- Alleged obstruction of oversight duties
- Potential intimidation and coercion of oversight committee member/s (Patricia, Damian)

- Undue influence on oversight processes and decision-making
- Manipulation of oversight personnel to suppress inquiries and concerns

3. Inappropriate External Interference:

- Unauthorized involvement of non-DAO personnel in internal financial, accounting, and governance matters
- Improper influence exerted by external individuals on internal DAO operations
- Violation of professional boundaries and disregard for COIs and internal controls

4. Creation of a Hostile Work Environment:

- Alleged verbal abuse and intimidation of oversight personnel
- Retaliatory threats against employees performing diligence
- Suppression of legitimate inquiries through aggressive verbal threats and gatekeeping behavior

5. Fiduciary Duty and Lack of Transparency:

- Willful withholding of pertinent financial information from oversight members
- Resistance to legitimate inquiries regarding compensation methodologies
- Directing obfuscation of financial data to evade scrutiny

6. Subversion of Oversight Mechanisms:

- Potential rendering of oversight functions as merely perfunctory
- Manipulation and compromise of established oversight processes
- Breach of fair governance principles and internal control mechanisms

7. Conflicts of Interest:

- Singular and unchecked discretion and control in defining and distributing bonus allocations affecting himself and other contributors
- Lack of sufficient checks and balances in compensation related decision-making processes
- Potential self-dealing in the determination of one's own compensation and bonus benefits
- Unauthorized and inappropriate involvement of spouse in DAO financial matters, creating a conflict between personal and organizational interests
- Alleged use of retention bonuses to disproportionately benefit self, potentially at the expense of other contributors' possible total compensation
- Alleged pressure on oversight members to approve financial methodologies that disproportionately benefit self
- Potential misuse of DAO resources and/or role for personal benefit
- Alleged creation of a governance structure that centralizes power and decision-making authority; potentially compromising organizational checks and balances

Implications for Bonus Frameworks and Methodologies:

These allegations cast a shadow over the bonus frameworks and methodologies the team has been developing. They raise critical questions about:

- The true intent and application of your bonus structures and associated methodologies
- The fairness and transparency of your compensation structures
- The effectiveness of your governance model in preventing abuses

Implications for Hiring of the Oversight Coordinator Role

Given the serious allegations of misconduct and my own direct experiences with Youssef's disregard for the oversight function, it is imperative that his ability to influence the hiring process for the Oversight Coordinator role be immediately suspended. The integrity and independence of the oversight function are paramount to proper governance, and allowing an individual accused of undermining this function to have a key role in selecting its Coordinator would severely compromise its effectiveness.

Therefore, until a full review is completed and the results considered by all contributors, Youssef should be recused from any involvement in the hiring process for the Oversight Coordinator position. This pause in his vetting/hiring authority for this role is necessary and should take effect immediately.

I respectfully ask members of the Strategy Committee to formally authorize this recommendation.

Next steps include:

1. Comprehensive interviews with all relevant parties to gather essential and additional information.
2. Perform review of AADAO's governance structures, policies, and internal control mechanisms to identify weaknesses or areas for improvement.
3. Evaluate and recommend appropriate courses of action, which may include but are not limited to:
 - Proposing amendments to existing governance structures
 - Implementing enhanced oversight mechanisms
4. Address and rectify any instances of unauthorized involvement by non-DAO members in financial/policy discussions and decision-making processes.
5. If allegations against the GM are substantiated, develop and implement appropriate disciplinary measures and/or structural changes to address the misconduct; and prevent future misconduct.
6. Establish a timeline for the completion of these steps and provide update to contributors on the progress of the review process.

