

Audubon Area Community Services, Inc.
Administrative Support Committee Meeting
MINUTES

December 4th, 2008

At 12:15 p.m., following lunch, Judge Whitaker called to order the December 4th 2008, meeting of the Administrative Support Committee of the AACS, Inc. Board of Directors.

Members Present:

Rev. Jerry Manning
Ms. Betty Rucker

Mr. Keith Sanders
Mr. Doug Smith

Mr. M. Douglas Smith
Hon. Larry Whitaker

Italics = Ex-Officio

Staff Present:

Ms. Cheryl Gatton, HR Director
Mr. Dennis Hagan, IT Director
Mr. Ronald Logsdon, Executive Director

Ms. Denise Marcum, Executive Assistant
Mr. Byron Mayes, Chief Financial Officer

OLD BUSINESS.

September 29th, 2008, Committee Minutes. Judge Whitaker thanked everyone for attending the meeting and asked if there were any questions or additions pertaining to the minutes. There were none.

Mr. Manning made a motion to accept the minutes from the September 29th, 2008 Administrative Support Committee meeting. Ms. Rucker seconded the motion. Motion approved.

NEW BUSINESS.

Head Start Policy Council By-Laws. Mr. Logsdon informed the Committee that the Head Start Policy Council By-Laws had been approved by the Policy Council and were already recommended for Board approval by the Child and Family Committee. Mr. Logsdon stated that under the new Head Start Act (December 2007) the Head Start Policy Council By-Laws now had to be approved by the Board.

Mr. M. Douglas Smith noted a grammatical correction, a missing period that needed to be added. He then referenced page 7, section 8 about the chairperson-elect not being on the Board. Mr. Smith said it was confusing to him why the chairperson-elect would not be on the Board. Mr. Logsdon pointed out that the chairperson-elect gets elected in May, but their term doesn't actually begin until the following October, so during that period of time their predecessor still serves on the Board.

Mr. M. Douglas Smith also noted on page 9, article 5 the provision that "by-laws may be changed by ...", and then it goes into the three steps. He asked if the By-Law change then has to go to the AACS Board for its approval. Mr. Logsdon said yes, amendments will, under the current law, have to be approved by the governing board.

Mr. M. Douglas Smith made a motion to recommend Board approval of the Head Start Policy Council By-Laws with the grammatical correction and the added Board-approval provision to Article 5. Rev. Manning seconded the motion. Motion approved.

Head Start Dual Language Institute Grant Request. Mr. Logsdon noted this very small grant in the amount of \$7,081, which represents reimbursement for staff members' attendance at the Office of Head

Start (OHS) Dual Language Conference held in Washington, D.C in October. There was no opportunity to get recommendation for Board approval from the Child and Family Committee, he said, so it is coming to this committee for consideration.

Rev. Manning made a motion to approve the Head Start Dual Language Institute grant request and recommend it for Board approval. Mr. M. Douglas Smith seconded the motion. Motion approved.

Internal Auditor Position – Change Position to “Exempt” Status. Mr. Logsdon advised the Committee that, as he had advised the Audit Review Committee earlier in the day, a request had been received to have the Internal Auditor position changed from an hourly position to an “exempt,” salaried position. The rationale was that the internal auditor would be going from facility to facility throughout the agency’s service area, many being quite distant from Owensboro. He noted that HR director, Ms. Gatton, had put together the necessary documentation to change it from hourly to exempt. The position would be posted at Grade 26 on the agency’s Salaried Positions Classification Chart and Salary Schedule. Mr. Logsdon stated that the internal auditor had requested a small salary increase, but that was not part of this action request.

Mr. M. Douglas Smith made a motion to recommend Board approval to change the internal auditor position from an hourly position to an “exempt” position. Ms. Rucker seconded the motion. Motion approved.

2009 Strategic Work Plan. Mr. Logsdon noted the basic elements in the 2009 work plan for the whole agency to work on. Basically, those are the four priority goals that are listed on page 2 of the 2009 Strategic Work Plan. Following that, though, is further explanation of the agency is going to address two of the four priority goals deemed to be “wildly important” ones, 1.1 and 3.1. Then, by department, there are some other goals that will be worked and tracked departmentally throughout the year.

Mr. Logsdon advised that the senior leadership team (Senior Staff) began working on the Plan in September. Board Chair Rev. Manning and Board Secretary Mr. M. Douglas Smith joined in the Senior Staff planning retreat in late September. Mr. Logsdon then presented the working draft of this plan at the Board’s October meeting to solicit additional Board input. This Plan is the final recommendation of the 2009 strategic work plan for Board approval.

Mr. M. Douglas Smith stated that he agreed with everything in the proposed plan except for one thing, which he noted on page 5, under the GRITS section. Mr. Smith said that he would like to add to GRITS’ departmental goal to acquire *hybrid* vehicles if practical and possible. Mr. Logsdon said that achieving that is somewhat limited by GRITS’ capital grant process and the Transportation Cabinet’s vehicle specifications. Mr. Lanham does, though, have one hybrid-specific grant this year and is acquiring three hybrid vehicles under that grant this year, said Mr. Logsdon. He also said that he didn’t think Mr. Lanham would have a problem with that change as a suggested option, but the Committee did need to make that change today if it felt necessary to do so.

Judge Whitaker suggested that maybe it should state not just hybrid vehicles but possible “alternative fuel” vehicles. If the language is limited to just the hybrid vehicles, that might be too limiting; it will probably need to be changed to “fuel efficient” vehicles.

Mr. M. Douglas Smith made a motion to accept the 2009 Strategic Work Plan but change (Page 5, GRITS section) to purchase hybrid vehicles and/or other fuel-efficient vehicles if possible. Rev. Manning seconded the motion. Motion approved.

Approval of 2009 Consumer/Private Board Members. He then reported that the Nominating Committee had met on November 25, 2008. Mr. Logsdon distributed a sheet showing all of the 2009

board members by board sector and by county. Mr. Logsdon advised the Committee that Hancock County Consumer alternate Mr. Wesley Bock (who might have otherwise advanced to Consumer Representative) had because of failing eyesight and not being able to travel to night meetings resigned from the Board.

Hurried work was being done to contact people who might fill the Board vacancy his resignation creates. Confirming feedback has not yet been received from Hancock County. But Mr. Logsdon said that he had been advised that Mr. Dudley Atwell and Mrs. Carol Atwell, his wife, and Mr. Larry Sosh, a county magistrate, has expressed some level of interest in assuming that elected seat on the Board.

Mr. Logsdon also advised that Rev. David Combs had moved up from alternate to Board member because McLean County Ministerial Association Rev. Jesse Johnson had resigned from the Board.

Ms. Rucker made a motion to approve the 2009 Consumer/Private Board Members. Mr. M. Douglas Smith seconded the motion. Motion approved.

Fifth and Foust Retainage – Reduction to 5%. Mr. Logsdon reminded the Committee that AACS was acting as agent for the Daviess County Public Improvement Corporation, which has a contract with Dieg Brothers Lumber Company, to build the new office building at 1700 West Fifth Street. The agency is acting in behalf of the Daviess County Public Improvement Corporation because they designated AACS in their contractual agreements with AACS for that role to be performed by AACS.

The signed architect's standard form construction contract itself has a 10% "retainage" provision in it. Dieg Brothers has now finished more than 50% of the building. And Mr. Logsdon stated that he thinks the current "retainage" number now stands right at \$250,000 that is being held back in payments to Dieg Brothers. What Dieg Brothers is now asking is that the "retainage" stop at the current level and from this point forward through the completion of the contract will pay them their actual costs, thus having the effect of cutting the overall "retainage" through the end of the job to approximately 5%.

This being a substantive contract change issue, Mr. Logsdon said he didn't feel like he could make that decision on his own and needed to consult the AACS Board. Mr. Logsdon said that if the Board doesn't approve, "retainage" will continue to be withheld from Dieg Brothers' payments until it reaches the full \$380,000 or so in their \$3.8 million dollar contract. They're basically asking that the "retainage" stop at the current level.

Dieg officials say that at 50% of construction that the "retainage" customarily falls back to a 5% level, but that provision was not included in the 1700 West Fifth Street project's contract. As the architect explained the day before, he said, all the "retainage" is for is to assure that the work is being done as it was intended to be done — and it is on this job. Mr. Logsdon stated that he and everybody was thrilled with the work that the construction firm is doing.

Judge Whitaker suggested that an amendment be made to the architect's standard form contract agreement.

Rev. Manning made a motion to amend the current Fifth and Foust project's architect's construction contract regarding the "retainage" – to, in effect, reduce the "retaining" provision in that contract with Dieg Brothers to 5%. Ms. Rucker seconded the motion. Motion approved.

Owensboro Regional Recovery – December 5th Closing. Mr. Logsdon told the Committee that at 1:00 p.m., Friday, December 5th, 2008, he, representing AACS, and Lighthouse Recovery officials and the two General Partners' attorneys will meet in Mr. Jesse Mountjoy's office to close the National City Bank

Limited Partnership Agreement and all required closing documents relating to the Owensboro Regional Recovery Center (ORR).

Mr. Logsdon expressed his concern about the agency being boxed in and having to take that action the next day. He noted that Vice Chair Judge Reid Haire had expressed some continuing serious reservations about the state's future funding of the Community Development Block Grant and the counties' suit against the Department of Corrections and whether ORR would be getting the one-third purchase of slots (33) expected from them. And only this very week, the Governor was in Washington along with other governors asking President-elect Obama for a bailout of the states.

Still, he said, this men's substance abuse recovery service is much needed in the area. Work to get to this point on the local "Recovery Kentucky" facility has been going on for nearly four years, and AACS has been involved as a *co-general partner* for the past two years. The Committee took no position on the matter of the impending ORR closing, leaving Mr. Logsdon to proceed ahead.

Independence Heights Resident Site Manager/Services Coordinator. Ms. Gatton presented the tentatively proposed position description and Hourly Positions Classification Chart grading for live-in coordinator at the Independence Heights affordable housing tax credit property designed for youth aging out of the state's foster care system. The property is expected to be ready for occupancy in late January 2009.

The Independence Heights staff person will receive part of their compensation in the form of their rental fee paid or deducted from their paycheck — the specific mechanics of that transaction yet to be determined. The Resident Site Manager/Services Coordinator will, as presently determined, be paid an hourly wage and also to be required to live onsite.

Mr. Logsdon asked if we know how the agency would attribute the manager's income for the apartment, and whether it would be considered taxable income. Ms. Gatton replied that's part of the problem that we're having. Mr. Logsdon stated that this is the agency's first foray with something of this nature, and the agency staff is in a bit of a quandary as to how to handle it. Ms. Gatton stated that, based on advice from the agency's employment law attorneys in Lexington, it was presently thought that this, as proposed, was the way the agency needs to go, but that she would continue on doing more research on the matter.

Mr. Logsdon then asked what kind of a salary AACS was going to pay for this position. Ms. Gatton said this would be an hourly position and start out at or near the minimum wage in actual paid wages. Mr. Logsdon noted to the Committee that AACS was limited by the sum of \$15,000 or so that the developer, Wabuck Development, put in the project's "proforma" budget. The agency is probably going to end up paying that employee less than \$1,000 a month in actual wages, but they'll receive their utilities and rent above that cash compensation, however that actually ends up being handled. Ms. Gatton estimated the value of the resident manager's total compensation at perhaps \$26,000.

Mr. Logsdon stated that Independence Heights should be fully occupied around April 2009, but this position will need to be filled earlier, probably between February and March 2009, perhaps earlier.

Mr. M. Douglas Smith made a motion to recommend Board approval of the Independence Heights Resident Site Manager/Services Coordinator position grading. Ms. Rucker seconded the motion. Motion approved.

STAFF REPORTS.

LKLP Payment Refusal - \$127,863.67 GRITS HSTD Claim. Mr. Logsdon stated that the LKLP Community Action Agency was the broker for this region (Region 3/GRADD) for the past 2½ years.

GRITS was providing Medicaid transportation services to them as a subcontractor. AACS/GRITS' last payment request to LKLP has been denied. LKLP refused to pay AACS \$127,863.67.

The agency is still working on that problem through the Office of Transportation Delivery (OTD), Kentucky Transportation Cabinet. On advice of counsel, Mr. Jesse Mountjoy, AACS is trying (through OTD and the Cabinet) to get a mediation going. If that doesn't work, AACS is likely to seek arbitration, a remedy provided in the contract with LKLP. The contract also says that if AACS decides to sue LKLP, it has to be done in Perry County Circuit Court. Mr. Logsdon stated that AACS doesn't want to do that.

The original request for payment was submitted in July 2008. Mr. Logsdon said he got involved in it in September with a flurry of e-mails and conversations with a key LKLP staff administrator. He then finally wrote a letter to LKLP in late October. LKLP then wrote back and said they were *not* paying. Mr. Sanders asked if LKLP was a sister community action agency. Mr. Logsdon said yes. A discussion then ensued about LKLP and "word on the street" of many other subcontractors it owes. Apparently, LKLP now owes several entities, but AACS is surely their largest creditor, he said.

WellPoint Portfolio, Analysis and News/Parking Garage Subsidy. Mr. Logsdon stated that the stock market had been quite down in recent months, and as a result of that AACS had lost about \$2 million in value in its stock portfolio, which consists of 40,458 shares of WellPoint stock. The particular problem with that is that AACS will have to come forward in two to three months from the portfolio with the Board's \$½ million dollar payment toward the parking garage. That pledge was made when the portfolio, held at BB&T Investments, was valued at \$3.4 million.

Mr. Logsdon noted that the Investment/Oversight Committee had met with BB&T representatives earlier that morning to discuss the market and AACS investments and options. The Committee and BB&T staff will meet again December 19, 2008 to consider some BB&T recommendations and figure out what the agency can do to bolster its portfolio position. Mr. Steve Pierce, investment broker with BB&T Investments said that WellPoint remains a strong stock, so, hopefully, the stock will appreciate again. WellPoint is the nation's largest health insurer. Its price-to-earnings ratio is strong, but it has just gotten caught up in the general decline of the market, which has been especially severe on "financials" and related stocks. Presently, the stock is worth slightly less than when AACS first received the shares from the 2002 Anthem demutualization.

The Committee and its BB&T advisors will be looking at a whole raft of issues, including the agency's fairly immediate capital obligations to work out a plan to help it through this rough spot. Mr. Logsdon stated that he simply wanted the Administrative Support Committee to be advised of the serious portfolio situation with the \$500,000 capital commitment coming at a time when the stock portfolio value is and will likely remain rather low. The Board voted for the capital infusion for the garage to even make it doable within the bids received, but when it was voted on the portfolio was worth \$3.4 million; the portfolio is now worth \$1.4 million.

Logan County Circuit Court Suit (Medicaid rider). Mr. Logsdon noted that a Medicaid rider was on a subcontractor's van. She was on her way to Nashville in a van operated by Adaptive Enterprise-Yellow Cab of Russellville and somehow got thrown out of the vehicle. The lady is suing the subcontractor, AACS and the Transportation Cabinet. The subcontractor's insurance company is defending the case. AACS' insurer has been notified. Mr. Logsdon said he would keep the Committee posted if/as anything further develops.

Leola Hayden Child Care Center — Child Injury Allegation. Mr. Logsdon stated there was a parent's allegation that AACS had injured her child, the injury supposedly occurring at the Leola Hayden Child Care Center. The parent is a resident of The Learning Villa. The child had a brain bleed injury and was sent to Louisville, but the child, reportedly, is ok now. AACS staff thinks the child was injured in her

own home and maybe by her live-in boyfriend, who is not authorized on the lease to be living at The Learning Villa. Mr. Logsdon said he would keep the Committee posted if any further develops.

Terry Payne Fraud Investigation — Update. Mr. Logsdon said he was not aware of any breaking news beyond what was already known and reported on the investigation. The investigator, Sergeant Robert Duvall of the Owensboro Police Department, reported to Mr. Logsdon that he has received all of the subpoenaed information that he was requesting from the banks and credit card companies.

Vista 2009 Reapplication. Mr. Logsdon stated that the agency is reapplying with the Corporation for National Service for its AmeriCorps*VISTA slots. Mr. Logsdon also stated that there will generally be the same level of programming that the agency has on-going, although the 2009-2010 allocation will carry three fewer slots. The Corporation is deleting the three slots among the current ten (10) that were never used.

Senior Companion Program (SCP) – 2009 Grant Proposal Re-write. Mr. Logsdon stated that the Senior Service Corps (SSC)/SCP staff had to totally re-write their 2009 grant proposal. That re-write has gone in to the Corporation for National Service and it now appears that the agency will receive approval on its second submission. Mr. Logsdon said that AACS was told by the Corporation's Kentucky state director that it now appears that the Corporation is considering a move toward "re-competition" of its projects. This exercise was to help AACS/SSC in that eventuality.

GRITS' High Score on "Broker" Survey. Mr. Logsdon mentioned to the Committee an article in *The Curious Journal* of an article on GRITS having scored with highest marks in a recent Office of Transportation Delivery review and assessment.

Kentucky Intensive Services Program (KISP) — Update. Rev. Manning asked about KISP – if the lease was up on the office space in Louisville. Mr. Logsdon stated that AACS has a three-year commitment remaining on that lease and will have to pay \$16,400 for the next three years. AACS is in the process of attempting to sub-lease it, which is allowed in the lease; the leasing company is talking with people in AACS' behalf to get sub-lease tenants into the AACS-leased space. Mr. Logsdon said he hopes the agency's obligation will be covered through and by a sub-lessee. The agency has vacated that building at Third and Liberty in Louisville, he said.

Mr. M. Douglas Smith asked if AACS had any similar obligation in Lexington. Mr. Logsdon said that AACS was "on the hook" there, too, but just for the balance of this fiscal year. That lease required a full sixty-day notice prior to any June 30th to terminate. Due to not being notified by the Department of Juvenile Justice (DJJ) of pending fifty percent (50%) KISP contract reductions as of July 1, 2008, the agency was unable to provide the notice by five days! AACS didn't receive the DJJ notice in time to give the required notice, and the landlord has held AACS to the additional year's lease obligation. Mr. M. Douglas Smith asked if DJJ would help with this obligation. Mr. Logsdon said probably not, but the agency would be submitting its claim for the final year's lease cost in its final invoicing to DJJ. Mr. Mayes stated that he would sit down with Ms. Mountain and get it submitted.

2008 Workers Compensation Audit. Mr. Mayes stated that AACS secures its workers' compensation insurance through the Kentucky League of Cities. Mr. Logsdon explained that the League does its initial projected billing for the coverage at the beginning of the year, then it audits AACS payroll at the end of the year for its final reconciliation of payroll and workers' compensation insurance costs. Mr. Mayes said that as a result of the FY2008 audit it was determined that AACS owed the League an additional \$22,000. Mr. Logsdon explained that this is the way that system works, and this reconciliation and some measure of added cost occurs each and every year.

BB&T collateralization of AACS Accounts. Mr. Mayes briefly commented that BB&T collateralizes AACS' cash accounts. Federal Reserve pledges insure the federal cash in BB&T's custody against loss.

GRITS Fuel Excise Taxes. Mr. Mayes stated that in January 2006, the agency was paying fuel excise taxes on GRITS fuel purchases, then that changed to where GRITS was claiming an exemption from those excise taxes on its Chevron bulk-supply fuel purchases. The bulk supplier was subsequently audited by the IRS. IRS said GRITS was to be taxed, not being eligible for the exemption. Therefore, IRS assessed the supplier for the excise taxes due, with interest. That amount, covering about 2 1/3 years' fuel purchases, came to \$21,404.04, which GRITS has now repaid to the supplier. Mr. Mayes told the Committee that the interest due on the taxes came to about \$1,600.

Mr. Mayes said that he ran the excise tax issue by the Board's attorney. Sullivan, Mountjoy, Stainback and Miller, PSC, did some research and concluded that the agency (GRITS) did indeed owe the tax. Mr. Logsdon said that while the agency's Head Start program *is* legislatively exempted from the federal excise tax on fuel, no other part of the agency is exempt.

BKD, LLP Accounting Services. Mr. Mayes stated that AACS had contracted with BKD, LLP to help complete the agency's financial statements for FY2008 audit purposes. Alexander and Company had always done this in prior years, but as the accounting standards are now so much more strict on independence factors, the independent auditing firm determined that it could no longer do that work and perform the audit.

Mr. Mayes also stated that he is working very close with BKD; he will be having a meeting with both firms on Monday, December 15, to determine current status and needs and to fill in any gaps.

Mr. Mayes stated that to the best of his knowledge most of Alexander & Company's audit work to date had toward the fraud investigations growing out of the previous CFO's improprieties. Mr. Mayes advised he was also working with another firm, Chilton & Medley, Louisville, for them to do a "forensic audit." Chilton & Medley has "fraud alert" software. Chilton & Medley will run AACS-supplied data files from its *Logos* financial accounting system through its software program, which will raise "red flags" on any item the Alexander & Company independent auditors should/may examine more closely. Mr. Mayes also said that Alexander & Company had mentioned during the earlier Audit Review Committee meeting that "everything looks good." No additional fraudulent activity other than that previously documented for Mr. Payne has been found. Mr. Mayes asked if there were any questions. There were none.

Information Technologies. Mr. Hagan stated that several bid requests had gone out for the cabling and card access system for the new office building at Fifth and Foust. Basically, because all of these projects were so large, the agency is having to bid for work that was not included in the original construction project bid. Mr. Hagan said that at 5:00 p.m. this date he would receive back all of the bids. Mr. Hagan said he has received no bids thus far, but had communicated with seven respondents to the bids. On the cabling, he estimated a "ball park" cost figure of about \$60,000. There have been a few people that suggested the bids *might* come in at less than \$60,000, he said.

Mr. Logsdon asked about the specs and bids for the equipment in the new Board Room for that building. Mr. Hagan stated that he expects to have the audio/visual equipment bids out next week. He is currently working on a cabling bid package for the GRITS parking garage/office, because their installation needs to start in January 2009.

Due to the "near disasters" — natural disasters and extended electrical outages — that AACS has had in the past, AACS will install a four-hour Uninterruptable Power Supply (UPS) at the Fifth and Foust office building. Mr. Hagan said that he has also been working with the two building projects' electrical contractors to facilitate a means for electrical generators to be hooked up at the new buildings. Mr. Hagan said this had been a fairly complicated and consuming process. Mr. Hagan told the Committee that a 20 kVA (thousand volt amps) generator would operate all agency "IT" services and telephones. The mobile generator will attach to either the new office building or GRITS garage/office building. Mr. Hagan is

working with Mr. Lanham to pursue a Transportation Cabinet to acquire the mobile generator, which has an estimated price of \$28,000. Mr. M. Douglas Smith asked where the generator would be stationed. Mr. Hagan said it would likely be stationed in Owensboro at the GRITS parking garage.

Human Resources. Ms. Gatton stated her department had been busy with the Anthem health insurance open enrollment. She and her staff are also concluding some other small issues, she said. Ms. Gatton also stated that she would soon be getting started again on outcome-oriented position descriptions and working on an update to the employee handbook.

Judge Whitaker asked if there were any more questions or comments. There were none.

ADJOURNMENT.

There being no further business,

Mr. M. Douglas Smith made a motion to end the Administrative Support Committee meeting. Rev. Manning seconded the motion. Motion approved.

The Committee meeting ended at 1:00 p.m.

Hon. Larry Whitaker
Committee Chairperson