

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

September 29<sup>th</sup>, 2008

At 12:15 p.m., following lunch, Judge Whitaker called to order the September 29<sup>th</sup> 2008, meeting of the Administrative Support Committee of the AACS, Inc. Board of Directors.

**Members Present** (6 Members/5 Voting):

Mr. Frank Craig *	Ms. Betty Rucker	Mr. M. Douglas Smith
Mr. Jerry Manning	<i>Mr. Doug Smith</i>	Hon. Larry Whitaker

\*Alternate present with member

*Ex-officio*

**Staff Present:**

Ms. Cheryl Gatton, HR Director	Ms. Denise Marcum, Executive Assistant
Mr. Dennis Hagan, IT Director	Ms. Maryanne Mountain, <i>Acting</i> CFO
Mr. Ronald Logsdon, Executive Director	

**OLD BUSINESS.**

**July 28<sup>th</sup>, 2008, Committee Minutes.** Mr. Whitaker thanked everyone for attending the meeting and asked if there were any questions or additions pertaining to the minutes. There were none.

*Mr. M. Douglas Smith made a motion to accept the minutes from the July 28<sup>th</sup>, 2008 Administrative Support meeting. Mr. Manning seconded the motion. Motion approved.*

**Follow-up Inquiries.** Judge Whitaker inquired about a couple items from the previous Committee meeting.

**Alternative Work Schedule.** Mr. Logsdon informed the Committee that nothing is happening agency wide and that he did approve a four day work schedule for GRITS because a case was made that allowed the agency to save money on overtime costs. Mr. Logsdon stated he has not gotten anything beyond that and doesn't have any plans.

**GRITS' HSTD Gear-up in Region 5 (Bowling Green).** Judge Whitaker asked about the Medicaid "brokerage" service delivery situation in Bowling Green. Mr. Logsdon stated that AACS (GRITS) had gotten the \$300,000 loan from BB&T. Mr. Logsdon asked Ms. Mountain if the check had been received to pay for the newly acquired vehicles. Ms. Mountain stated that she was not sure the check had actually been received, but GRITS had furnished BB&T all the titles for the vehicles; everything has been negotiated and every required document had been signed. Mr. Logsdon told the Committee that if it was yet to be received that this infusion of cash would certainly help on the agency's cash flow. Mr. Logsdon stated that GRITS' management says that GRITS is actually better off operating the services directly.

**NEW BUSINESS.**

**Accounting and Financial Policies and Procedures Manual.** Mr. Logsdon reminded the Committee members that the *draft* manual was reviewed on July 28<sup>th</sup>, 2008. The Committee approved recommending it to the August Board meeting. But one Board member, Judge Reid Haire, had some concerns about approving a document that he had not been able to fully review, so the Board deferred

action on the manual until its October meeting. Subsequently, Judge Haire, Mr. Nehring and Ms. Mountain met. Any concerns that Judge Haire had have all been resolved. In Section 3.1 – *Practices of Ethical Behavior*, Judge Haire commented in particular about some things that were overly subjective provisions in the original document. Those were taken out.

Mr. Logsdon pointed out that Mr. Nehring had put together a Summary of Revisions sheet to let everyone know where the changes and revisions were. Mr. Logsdon stated that out of the Senior Staff Retreat from last week, additional changes had been made. Mr. Logsdon also stated that he feels the manual is a good solid document.

Mr. Logsdon informed the Committee that there were statements in the Financial Manual that gave sole undue authority to the Audit Review Committee, subverting the authority of the Board itself, so those provisions have been modified to maintain the Board's ultimate authority in all matters. It's inappropriate for any group of members on the Board, regardless of what high level group it is, to basically be in the position to supplanting the authority of the Board itself, he said. The way it was originally written, the Audit Review Committee was given so much authority that it would have had the effect of those few members supplanting the role and authority of the Board itself. This has been changed and has been put in its proper context and perspective.

A lot of work has been done to the *conflict of interest* policies, and that section has been improved quite a bit, Logsdon said. The processes and procedures have been clarified as to how the agency resolves those conflicts if they are known. Another thing that came from Judge Haire was in Section 5.8, which referenced to closed meetings and that was clarified with direct reference to Kentucky Revised Statutes (KRS). The purchase documentation requirements have been rewritten. The section on the use of positive pay that came out of the Grant Funded Programs model manual that Mr. Payne was using were deleted. That was deleted because it is not a current practice within the agency. Procedures on the preparation of time sheets and correcting time sheets were clarified.

Mr. Logsdon stated that the By-Laws and the Financial Manual sometimes dealt with the same thing and that both documents needed to be close as possible to each other in their requirements; they now do. The roles and responsibilities of the Board Chair and the Executive Director have been clarified. Additional information has been added with respect to journal entries. Under the previous draft language in the manual that work was basically being done at the CFO level rather than being managed and verified through the system by more than one person. Everyone's work has to be reviewed and approved by somebody. There has also been some clarification on the cell phone policy with respect to unauthorized charges, he said.

In addition to being consistent with the By-Laws, the language and provisions of the Financial Manual, where it applies, are now consistent with the Personnel Manual as well. There was a clarification of the responsibilities of the Investment/Oversight Committee and how it fits in with both the Board and the Administrative Support Committee. There have been changes in Section 43.1 of the Records Retention Policy, with respect to employment applications and records of terminated employees. Mr. Logsdon informed the Committee that these are not large scale changes, but it is now a document for approval and recommendation to the Board.

Mr. Manning reminded everyone that the Board was being asked to approve these changes at its October Board meeting.

Mr. Logsdon asked Ms. Mountain and Ms. Gatton if they wanted to speak about the changes to the manuals. Ms. Mountain stated there has been quite of bit of looking over the document and making sure it is saying what the agency wants it to say and not tailor to what the agency does but what the agency *needs* to do. Judge Whitaker asked if there were any questions.

Mr. Hagan suggested more focus needs to be on the technology side. Mr. Hagan stated that he had read the document and it does reflect what the agency *should* be doing, but doesn't reflect what the agency *is* doing. Mr. Logsdon stated the Financial Manual first went from a document with very few, i.e., 35, pages and was *not* extensive and comprehensive. This is the way AACS is going to do financial procedures when the Board approves it.

Ms. Mountain informed the Committee that AACS has hired an internal auditor, Mr. Brad Trivett. The internal auditor will be training Senior Staff and line managers on the current policies and the procedures that need to be followed versus what is done now. Ms. Mountain also stated that Mr. Trivett will fit in well. Finance is going to be fully utilizing the internal auditor, she said. Ms. Mountain also said that Mr. Trivett will work with her for training the broad scope of program staff.

Mr. Hagan stated the only specific concern he had was about the use of the cell phones. Mr. Logsdon noted that this was talked about a couple years ago when the personnel policy on cell phone use was adopted by the Board. It's been further reviewed in Senior Staff meetings with a view toward IRS regulations. Mr. Hagan also stated his opinion that that the policy doesn't clearly specify the policy on agency cell phone usage.

Mr. Logsdon asked Mr. Hagan to be specific as to what his concern was about. Mr. Hagan mentioned that the city's (Owensboro) policy was that employees review their bills and identify all their personal usage, and that was to be reimbursed. Mr. Logsdon informed the Committee that this same discussion had been done at the Board level when the agency was dealing with the policy in the Personnel Manual. There was a lot of thought on the Board not to be overly restrictive on that. A certain limited amount of that was going to occur, and that would be alright, the Board had agreed.

Judge Whitaker asked Mr. Hagan what the Committee should do. Mr. Hagan stated that the policy should rather than identify what could be asserted against the individual employee of identifying to be abusing the policy. Judge Whitaker asked if that should be left to the discretion of the CFO. Ms. Mountain said no, it would rather more likely be up to the department director or the executive director.

Judge Whitaker stated that a phone bill is received and whoever pays the cell phone bill in that department will see that someone has downloaded three ring tones for \$2.95, he would hope that that department head would be responsible enough to take it to the employee. Mr. Logsdon said this incident was done just last week because an individual had downloaded \$90.00 worth of ring tones and AACS' management immediately went back to that employee and assessed their reimbursement to the agency.

Judge Whitaker asked Mr. Hagan if that was sufficient in itself as far as the policy or if there was something else. Mr. Hagan stated that his concern was the consistency of the application of a policy. Ms. Mountain said that all of the senior directors and program directors need to be responsible for reviewing their employees' agency cell phone bills. Mr. Hagan said that as a program director, he never gets to see the bill. Ms. Mountain told him that in the future under the new policy manual that he would.

Mr. Hagan once again said that the overall point that he makes is that as the Board approves this to make sure there is training ... and identifying the weaknesses. Judge Whitaker stated that whether this will be for cell phones or any other provisions within the financial policy to call out areas of weakness and not for the Board itself, but through Mr. Logsdon and the Senior Staff to make sure it happens. Judge Whitaker also stated that he doesn't want the policy to have within this policy to reprint everything for cell phones. The internal audit standards should say here is how you handle purchases. Period. AACS would have difficulty breaking out purchases of various types. The department heads or program staff have to look at all charges under their purview, and now you know that you will be getting a printout of cell phone charges management staff should be able to do that.

Mr. Logsdon stated that the bottom line is that under the provisions of the new Financial Manual the procedures will be a lot tighter. Ms. Mountain stated that the internal auditor, an ex-Marine, is strongly committed to what he calls “SOP’s” (Standard Operating Procedures). He is working with those areas within the Finance Department and will subsequently go out into the respective agency departments and help with each of those also develop the SOP’s to follow.

Judge Whitaker stated that within each department and each level of accountability at AACS, the fact is that there’s now a very comprehensive document that sets higher-than-ever minimum standards for the agency. Departments can still have deeper and more comprehensive procedures as to the internal operations within the department or sub-department, and that’s not necessarily reflected here. Mr. Logsdon asked for approval of the Financial Policies and Procedures Manual and for recommendation to the Board.

*Mr. M. Douglas Smith made a motion to approve the revisions made to the Financial Manual since the August Board meeting and to recommend the newly revised and updated manual to the Board for approval at its October meeting. Mr. Manning seconded the motion. Motion approved.*

**AACS Board By-Laws – Revised.** Mr. Logsdon stated that the By-Laws were still being worked on by the Committee. Essentially, the work group has made but few substantive changes thus far. There has been some discussion regarding Board composition in terms of making a transition over the next couple of years. The work group stuck one sentence – “Representatives shall not be elected on the Sabbath Day”, which is listed in Article 4, Section B, Sub-section 2. Under the Consumer Sector election procedures the work group recommends adding a clarifying statement relating to the *possible* appointment of an election review board only *when necessary*. The work group has changed the statements regarding the role of the secretary to make it conform to what he/she *actually* does rather than the several specific provisions that were previously stated.

Mr. Logsdon stated that one change he was going to ask for was in Article 7—Committees of the Board, go to Sub-section 2—Board Committee for Child and Family Services. The second sentence relates to Head Start Performance Standards, and PRISM (Program Review Instrument for Systems Monitoring); the Board needs to strike out that whole sentence and insert in its place “the improving Head Start for School Readiness Act of 2007 (Public Law 110-134)” The By-Law language then picks up the rest of the sentence. This references the new and current law that was just passed by Congress and then signed by the President on December 12<sup>th</sup>, 2007. That same language will be inserted and repeated for the Community Services and Community Support Committees because it is deleting something that no longer applies and inserting what does apply. The work group also agreed to add a new Article 10—Conflict of Interest, and that language will largely be taken from the Financial Manual. The new article will renumber the current Article 10 to Article 11 and renumber current Article 11 to Article 12. Then there will be changes and will add some definitions on the last page, he said.

Judge Whitaker asked if the work group could continue working on some of the others because this will take quite some time. He also stated that for changing or removing sentences for at least addressing and informing the Board that the next phase is up to whatever page the work group gets to. Mr. Logsdon said yes and asked to be allowed to make the change that he just asked for. Judge Whitaker asked the Committee for approval.

*Mr. M. Douglas Smith made a motion to change Article 7—Committees of the Board, Sub-section 2; renumber Article 10—Conflict of Interest to Article 11, renumber Article 11 to Article 12 and make any other changes noted in the foregoing review and recommend the revised By-Laws for approval at the October Board meeting. Ms. Betty Rucker seconded the motion. Motion approved.*

## STAFF REPORTS.

**Management & General. *President's Place–Wabuck Development.*** Mr. Logsdon advised the Committee of a letter from Wabuck and then several small Presidents Place agreements in the Committee's handout packet. Mr. Logsdon informed the Committee that he just received those items that morning; therefore he hadn't put them in the "action" section for the meeting. AACS is working on the new project called President's Place, which will be located behind The Springs on Highway 54. Mr. Logsdon stated he would like to get the Board attorney to look them over, advise him, and then proceed with them. Mr. Logsdon also stated that these agreements will be on the agenda for the October Board meeting.

***The Learning Villa and Independence Heights.*** Mr. Logsdon stated there was a grand opening for The Learning Villa that past Monday and there was a wonderful article in the *Messenger-Inquirer* newspaper about it. There was also a very good article on Independence Heights. That project will possibly be completed in early 2009.

**Demand Letter for Restitution – *Terry Payne.*** Mr. Logsdon reminded the Committee that the Audit Review Committee had met on this matter the last time and asked the attorney to write a demand letter to Mr. Payne for additional funds owed to the agency. These fraudulently taken funds had been documented as taken through the same method for the previous \$7,411.71. Mr. Payne was asked to make restitution on the newly documented balance, which is an additional \$7,747.34. The total amount that has been documented and was taken from the agency is \$15,159. The auditors continue "digging deep," he said.

**WellPoint Stock Report.** Mr. Logsdon stated that with the market being where it was that day, AACS' WellPoint portfolio, which was up to about \$2.3 million when it was last reported to the Board, now the agency has lost \$1.5 million dollars again. The current portfolio balance was just under \$1.9 million. Mr. Logsdon also stated that he hopes that the bailout bill in Congress would pass. It is supposed to be a closed vote, though. He hoped it would stabilize the market. Mr. Logsdon informed the Committee that he had a nice conversation with the portfolio manager at BB&T. The portfolio manager is ready and willing to meet with the Investment/Oversight Committee to talk about diversification.

**Parking Garage Construction Update.** Mr. Logsdon informed the Committee that AACS is working with the County Judge/Executive and one County Commissioner, Bruce Kunze to get some numbers together on what it might take to finish the full-scale parking garage. This construction project is also related to WellPoint, he said, because AACS has committed for \$500,000- \$600,000 from the sale of stock toward the phase I costs on the project. AACS has to either take it out of reduced portfolio value that the agency now has or, hopefully, a much increased future value to cover AACS' obligation. Around April or May 2009, the agency will have to sell some stock in order to come up with that commitment.

Something that may or may not happen is the expansion of the garage for the phases II and III. Some phases II and III numbers from Hartz Construction Corporation were in the Committee's handout. Mr. Logsdon said he talked to Mr. Lanham about them and Mr. Lanham thinks that Hartz is way out of line on its phase II and III estimates. AACS will continue to work with Hartz and the County Judge. What AACS is hoping to do is make a case that regardless of how bad the numbers are they would be a lot worse one year or two years down the road. If the job ceases, and if there will be a phase II or III to start sometime later on, if there's a break there, this will cost at least ½ million dollars just for the break. AACS is trying to put together a good case so that public officials can use to justify some action by the fiscal court. Mr. Logsdon stated that it is incumbent on the agency to put the case together for them.

**Fifth Street Building Update.** Mr. Logsdon informed the Committee on the new building behind central office that is coming along nicely. He anticipates the agency to occupy the building about March 2009, no later than April 2009.

**FY2009 Continuing Resolution.** Mr. Logsdon stated that Congress did approve a continuing resolution through March 6, 2009. It basically means that Congress is not going to deal with any appropriation bills for FY2009. All of the agency's programs will be funded under a continuing resolution but the good thing is they have added a great deal more money for the LIHEAP and Weatherization program. They think this is veto proof. This might double the Weatherization and LIHEAP programs.

**Finance.** Ms. Mountain gave the Committee an update and progress concerning the FY2008 audit as far as contracting with BKD to prepare the auditors' financial statements. Ms. Mountain stated that she would be meeting with them this week to finalize in preparation for that. BKD has asked AACS to provide staff for the "brunt accounting work" to do data entry. We have shifted some duties within the finance department to make it more streamlined. This will free up one staff person. Ms. Mountain also stated that finance is continuing to work with Alexander and Company to close the fiscal year audit. The audit has been fine tuned and has been behind schedule, but that will be made up.

Mr. Manning suggested that when the FY2008 IRS 990 is due it must now be presented to the Board at least no later than the February 2009 Board meeting to get Board approval prior to submission to IRS.

**Information Technologies.** Mr. Hagan stated that the large-scale project with GRITS is wrapping up. The major emphasis is on server consolidation and migration off of Windows 2000 Office that was set up and along with that will be a consolidation process from a security standpoint where everyone is authenticated through the same mechanism and that the policy is in place to make sure that the new password policy is enforced.

Judge Whitaker asked about the levels of access the agency allows between a street employee and someone in an office Hopkinsville or Owensboro pertaining to financial information. Ms. Mountain stated this is controlled by the finance department. Any requests for access come through the finance department and employees are given rights and controls. Employees won't see anything the agency doesn't want them to see.

Judge Whitaker asked if an employee in a satellite office somewhere has any type of access. Mr. Logsdon stated that unless they are a line manager they probably don't have any access. Ms. Mountain stated that the only access that she can currently think of is the people in Head Start doing purchase orders, but they can only view or print. Any requests or changes for employees have to go through their program director.

Mr. Hagan said that in terms of access within the application it is controlled by the Finance Department. But if you're questioning about whether people have access to the system from a remote location, then yes. People do have access through the system through the Internet.

Judge Whitaker said he was just looking at it from a financial perspective. Then he asked if there were opportunities that would exist beyond the senior staff. Ms. Mountain stated the banking information may be a little of the setup process. There is only one person in the Finance Department who has security setup access.

Mr. Manning asked Mr. Hagan asked about hackers. Mr. Hagan said the vast majority of violations are done within an organization. Security that is being utilized by the agency's financial system is very much keeping with that used by credit card company. It is a very highly managed risk that is in place. Ms. Mountain asked if that is from the actual *Logos.net* side as well as the Audubon side. Mr. Hagan stated it is primarily through the *Logos* side and he has some additional measures requiring VPN (virtual private

network) access to AACS before allowing access to *Logos*. AACS doesn't currently do, but can always do more. From a general standpoint, that is being managed, he said.

Mr. M. Douglas Smith asked if the agency has someone in place who makes sure of withholding tax payments. Ms. Mountain stated that Finance has just come up with a better solution to monitoring that.

**Human Resources.** Ms. Gatton reminded everyone that the agency's Health Fair will be held on October 24<sup>th</sup>, 2008 at the Sportscenter. The United Way pledge cards are due September 30<sup>th</sup>. The Corporate Challenge had very good attendance.

Mr. Logsdon stated that the CFO interviews will be starting on October 9<sup>th</sup>.

**Annual Board Meeting.** Mr. Logsdon informed the Committee of the December Annual Board meeting to be held at Owensboro Christian Church in their community room on December 16<sup>th</sup>, 2008.

Judge Whitaker asked if there were any questions. There were none. He also thanked everyone for their involvement, taking notes and for attending the Committee meeting.

### ***ADJOURNMENT***

There being no further business,

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

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

Hon. Larry Whitaker  
Committee Chairperson