

**Audubon Area Community Service, Inc.**  
***Audit Review Committee Meeting***

***MINUTES***

May 23<sup>rd</sup>, 2008

Board Chairperson Rev. Jerry Manning called the May 23<sup>rd</sup>, 2008 meeting of the Audit Review Committee of the AACS, Inc. Board of Directors to order at 11:19 a.m.

***Members Present (4):***

Rev. David Combs

Rev. Jerry Manning

Mr. M. Douglas Smith

***Staff Present (3):***

Mr. Ronald Logsdon, Executive Director

Ms. Denise Marcum, Executive Assistant

Mr. Terry Payne, Chief Financial Officer (CFO)

**Prior Audit Review Committee Minutes.**

Rev. Jerry Manning asked for a motion to approve the minutes from the May 9, 2008 Audit Review Committee meeting.

*Mr. Smith made a motion to accept as written the minutes from the previous Audit Review Committee meeting from May 9<sup>th</sup>, 2008. Rev. Combs seconded the motion. Motion approved.*

***NEW BUSINESS.***

**FY2008 Audit Services Decision.**

Rev. Manning advised to the Committee of a letter that Mr. Payne had suggested to give to Alexander and Company and asked CFO Mr. Payne to refresh everybody on what was decided at the last Audit Review Committee meeting:

Mr. Payne stated that the letter as drafted stated that AACS would accept Alexander & Company's bid prices, which are: \$57,800 for the FY2008 AACS organization-wide audit, \$5,450 for Lincolnshire audit and \$6,550 for Lincolnshire North audit. Each member was provided a copy of the letter drafted by the CFO for Chairman Manning's signature. Mr. Payne reviewed the contents of the letter:

Alexander and Company will be required to meet the deadlines set forth in the 2008 RFP. Alexander & Company has never had a problem complying with the Lincolnshire/Lincolnshire North due dates, he said. The deadline that AACS is requiring for the FY2008 organization-wide audit is to receive a *draft* copy by October 31<sup>st</sup>, which is according to the 2008 RFP. Then AACS will expect a full, final audit by the end of November 2008.

Rev. Combs asked he reason that Alexander & Company gave for charges far in excess of its FY2006 bid. Mr. Payne stated that what Alexander and Company had expressed was that a big part of it was "misunderstanding." The proposal upon which Alexander & Company gave its last bid price was done by Mr. Payne's predecessor as CFO, Mr. Kevin Rock. Mr. Payne also stated there was some "confusion and non-communication" when he was hired as to what AACS had committed to provide the firm and what was actually provided to Alexander and Company in terms of information. The firm contends that the

AACS Finance Department didn't provide all of the information that they were anticipating to getting from the bid, nor in the format that Alexander & Company wanted or needed it. But Mr. Payne said that what Alexander and Company should have done was the first time they *didn't* get from him what they were expecting, they should have called and said, "This is not what we thought we were suppose to get. Here's what we want." They did not communicate any such issues or concerns either to him or to the executive director.

Rev. Combs asked if the FY2007 audit bill had been submitted to AACS. Mr. Payne said no, but the last two years he has paid it late in the fiscal year — the year before it was on June 27<sup>th</sup> and last year it was paid on June 28<sup>th</sup>. When it gets down to the end of the year, Mr. Payne stated that he has to call Alexander & Company and say that he *has* to have the bill so that he can get it in the correct fiscal year.

Mr. Payne advised the Committee that at the now-required progress meetings, if Alexander & Company is not getting the information that they think they're suppose to be getting, if Mr. Payne isn't, or if the AACS Finance Department is not giving them the right information or timely information, that's the time for either party to say, "We're not getting the information."

Another point in the letter has to do with additional charges — and if they do encounter any additional charges, they must update AACS at the progress meetings. The audit adjustments in the past, typically they have just waited until the very end. What really needs to happen is when they find the additional charges that week or that day, they need to run them by Mr. Payne. Then AACS can make a decision as to whether to record them or not. If they're not *material* adjustments, AACS doesn't have to put them on the books. Several of them the agency won't enter because expenses often cannot be recorded back into a previous year because AACS can't bill for them. All of those years are closed. Then AACS end up not being able to bill the state for them and then AACS ends up losing money!

The letter emphasizes that if Alexander & Company has any problems, issues or concerns, with the processes or internal controls — anything that they have, the agency wants to know about them at the earliest possible meeting.

Rev. Combs asked about the progress meetings, if that was going to be spelled out anywhere about the meetings being monthly. Mr. Payne said yes. There will need to be monthly. The letter specifies each month. Then, the letter lets Alexander & Company know that AACS wants to schedule a planning meeting as soon as possible. We're already late in the year in terms of preparing for the FY2008 audit, he said.

Mr. Logsdon asked if AACS was to have an engagement letter by the end of month. Mr. Payne said yes, but one was actually needed a while ago. Mr. Payne stated that he would hand deliver the letter to Alexander & Company that afternoon. Mr. Logsdon advised Mr. Payne that it since Rev. Manning was present perhaps he needed to sign it before leaving for his return trip home. Mr. Payne stated that he needed to fax the Alexander & Company engagement letter to the monitor that was in his office the previous day; she had said she needed a copy.

Mr. Payne read aloud the last point which concerned the number compilation process. In the past, Alexander and Company has taken all of the data and consolidated all the numbers down to the financial statements, and there is a lot of that information Mr. Payne said that he doesn't have. Mr. Payne stated that he wants to meet with them and have Alexander and Company give him that information.

Mr. M. Douglas Smith expressed his opinion and said that he wants AACS to go with Alexander & Company, but if they can't meet these requirements, Mr. Smith thinks AACS needs to look very seriously at Chilton & Medley. If Alexander and Company can't comply with what AACS needs and now specifies then the agency needs to look elsewhere, which it has already been doing.

Mr. Payne stated that he has tried to make it plain that AACCS is engaging Alexander & Company for one (1) year and that he would also communicate that to them. Rev. Manning asked if there were any questions for Mr. Payne. There were none.

*Mr. M. Douglas Smith made a motion to recommend to the Board that, pursuant to the terms specified in the Audit Review Committee's letter of terms and conditions, Alexander and Company be engaged as the FY2008 independent auditor. Rev. Combs seconded the motion. Motion carried.*

## **ADJOURNMENT.**

There being no further business,

*The meeting was adjourned at 11:30 a.m.*

Rev. Jerry Manning  
Board Chairperson