

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

***MINUTES***

October 9<sup>th</sup>, 2008

Mr. Jerry Manning, Board Chairperson, called the October 9<sup>th</sup>, 2008 meeting of the Audit Review Committee of the AACS, Inc. Board of Directors to order at 12:10 p.m.

***Members Present (2):***

Mr. Frank Craig \*

Mr. Jerry Manning

Mr. M. Douglas Smith

\* Alternate present with Member

***Staff Present (4):***

Ms. Cheryl Gatton, HR Director

Mr. Ronald Logsdon, Executive Director

Ms. Denise Marcum, Executive Assistant

Ms. Maryanne Mountain, *Acting* CFO

***Guest Present:***

Ms. Jennifer Estes, CPA, Alexander & Company

***NEW BUSINESS.***

**Preparation of Financial Statements—*Consultative Services.*** Ms. Mountain informed the Committee that the auditable financial statements in Alexander & Company's required format were being compiled. This was being done as a joint effort between AACS Finance Department staff and BKD, LLP. These are being prepared according to formulas included in Excel spreadsheets provided by Alexander & Company. The staff is running reports to obtain and plug in the raw data, while the review, analysis and finalization of the financials will be done by CPA's from BKD.

Ms. Estes stated that BKD has a compatible program and that Alexander and Company will review the financials once the statements are finished. Ms. Estes also stated that what Ms. Mountain is doing will help the agency in the future prepare those financials according to her company's standards.

Mr. Logsdon stated that he had received a contract for services from BKD but no time frame nor projected dollar figures were provided, so he had deferred signing the BKD contract. Mr. Manning asked if AACS could put a cap on the cost of BKD's services. Ms. Estes replied by saying there would have to be a negotiation. Ms. Mountain stated that Becky Whitehead from BKD had said that her firm would be passing the work it could on to lower paid staff at their office in order to help keep the costs down.

Mr. Manning asked how long the agency would be in the contract. Mr. Logsdon stated that it would be only for the duration. Ms. Estes informed the members that the Finance department would have to do the financial statements on their own next year. Mr. Logsdon said that he would need figures before the 2008 *Annual Report* comes out in December 2008.

**FY2008 Audit Status.** Ms. Estes stated that she and her associates at the independent auditing firm were presently engaged in required "testings" of major programs and any areas of concern where the former CFO might have had opportunities for mischief. It was established that the aforementioned financials needed to reach her by late November 2008 in order to have at least a draft audit and IRS "990's" by the February 2009 Board of Directors meeting.

**Restitution from Mr. Terry Payne.** Mr. Logsdon said that he had been advised by the Board attorney, Mr. Jesse Mountjoy, that there had been **no response** from Mr. Payne on his “demand letter” for restitution for the additional five incidents of fraud involving \$7,747.34.

Mr. Logsdon also told the Committee that he had received word that the former CFO has retained a “criminal defense” attorney, Mr. Pat Flaherty. Also, it’s been stated to him that Mr. Payne had offered to meet with the criminal investigators on what he did and how he did it. Ms. Estes stated that she had also been advised that Mr. Payne claims and admits only to three of the six now documented instances of fraudulent activity. Mr. Logsdon stated that one of the credit card companies that Mr. Payne paid (using AACS’ funds) had declined a subpoena.

Concerning the method Mr. Payne used in his fraudulent acts, Ms. Estes suggested that the agency would need to review its specific internal control to prevent this or any other incident wherein the agency’s accounts and routings to electronically draw funds are provided to a credit card company. Ms. Mountain stated that the incident that brought his misdeeds to light was a journal entry *not* made to cover his tracks, and that’s how Mr. Payne got caught.

**CFO Interviews.** Mr. Logsdon asked the Committee for their opinions on the two (2) candidates that were interviewed earlier that morning for the CFO position, Ms. Donna Risley and Mr. Byron Mayes.

Each member and interviewer expressed his/her opinion and what they felt about each candidate. No firm decision was made during the meeting, but a general consensus was achieved. A majority of the members leaned toward hiring Mr. Byron Mayes as AACS’ new CFO. The executive director’s decision was deferred until after lunch and further private consultation with the Audit Review Committee members.

Mr. Manning asked if there were any more questions or issues. There were none.

## ***ADJOURNMENT***

There being no further business,

*The meeting was adjourned at 12:45 p.m.*

Mr. Jerry Manning  
Committee Chairperson