

**Audubon Area Community Services, Inc.  
Board of Directors Meeting**

**MINUTES**  
August 19, 2008

The AACCS, Inc. Board of Directors gathered at 5:15 p.m. on Tuesday, August 19, 2008, at the Central Office in Owensboro. At 6:08p.m., following dinner, AACCS, Inc. Board Chairperson Mr. Manning called the meeting to order and welcomed the Board, and staff.

**Members Present** (18 Members/ 12 Voting):

Ms. Dee Berry *	<b>Mr. Marshall Hatfield</b>	<b>Ms. Betty Rucker</b>
Rev. David Combs *	<b>Ms. Donna Howard</b>	<i>Mr. Keith Sanders</i>
<i>Ms. Michele Edelen</i>	<b>Mr. Paul Lashbrook</b>	<i>Mr. Doug Smith</i>
<b>Ms. Stephanie Hagan</b>	<b>Mr. Jerry Manning</b>	<b>Mr. M. Douglas Smith</b>
<b>Hon. Reid Haire</b>	Ms. Debbie McClanahan *	<b>Ms. Vicki Tinsley</b>
<b>Mr. Paul Hart</b>	<b>Mr. Thomas Platt</b>	<b>Mr. Larry Whitaker</b>

Key: **Bold** = Officer/Executive Committee Member    *Italics* = Ex-Officio Member  
\*Alternate – Member not present                      \*\*New Board Member

**Alternates Present with Member** (4):

Mr. Frank Craig	Ms. Jeanette Manning
Ms. Sandra Obilade	Mr. Hugh Smith

**Staff Present :**

Ms. Carrie Blackham, CCAP & KWP Director	Mr. Ronald Logsdon, Executive Director
Ms. Sheila Boling, Housing Services Director	Ms. Denise Marcum, Executive Assistant
Ms. Cheryl Gatton, HR Director	Ms. Robyn Mattingly, SSC Director
Mr. Dan Lanham, GRITS Director	Ms. Maryanne Mountain, Acting CFO
	Mr. Aubrey Nehring, Head Start Director

**Guests Present:**

Mr. Jesse Mountjoy, Board Attorney, Sullivan Mountjoy Stainback and Miller, PSC  
Mr. Tony Byrne, CPA, Supervising Auditor, Alexander and Company  
Dariush Shafa, Reporter, *Messenger-Inquirer* Newspaper  
Ms. Anna Winkler, Chairperson, Head Start Policy Council

Chairman Manning thanked everyone for attending and gave Mr. Logsdon the floor. Mr. Logsdon announced that new Board Members Joanne Kendall and new Alternate Michael Walker will be replacing Dr. Ronald King and Mr. Glen Calhoun. Both were unable to attend the meeting. He thanked Mr. Platt for representing the Henderson branch. Mr. Logsdon announced the resignation of Ms. Jamie Daniel Rafferty, who turned in her letter of resignation after only a few months of service due to conflicts in scheduling.

**CONSENT AGENDA**

Mr. Logsdon advised the Board of the customary items always on the Consent Agenda:

- The June 24<sup>th</sup> Board meeting minutes, and
- The monthly (July 2008) financial statement

Mr. Logsdon noted the “Old Business” of ratification of the June 24<sup>th</sup> Board Actions, which should be included in Board action in the August minutes. He explained that he had discovered there hadn’t been

the requisite fourteen (14) voting members at the June meeting, so the Board would need to vote to ratify all actions taken at the June meeting.

Mr. Logsdon asked Chairman Manning for a vote on the Consent Agenda and the ratification of the June 24<sup>th</sup> Board Actions.

*Mr. M. Douglas Smith made a motion to approve the Consent Agenda, including Board ratification of the June 24<sup>th</sup> Board Actions. Mr. Paul Hart seconded the motion. Motion carried.*

## **NEW BUSINESS**

**Dismissal of the Chief Financial Officer.** Mr. Logsdon informed the Board that Chairman Manning received word on August 6, 2008 from the independent auditors (through their risk management assessments) that they had come across an inappropriate transaction involving the chief financial officer (CFO), which was later explained to him. Chairman Manning then talked with Vice Chair Reid Haire. They agreed to arrange for the auditor to meet with and to advise the executive director of the finding early the following Monday morning, August 11<sup>th</sup>, upon his return from his daughter's marriage in Florida.

Mr. Logsdon reported to the Board that "the wheels have been really moving since that time." Mr. Logsdon explained that he had that Monday morning received from the auditor supporting documentation from Mr. Tony Byrne of Alexander and Company of the assertion involving the CFO. Mr. Logsdon said that he then did confront the CFO with the evidence; at that time the CFO admitted responsibility for committing the fraudulent act. Mr. Logsdon provided the Board a written report in which the bullet points in the handout said everything that needed to be said about the matter. The executive director met in an afternoon-long meeting with the auditors, Mr. Tony Byrne and Ms. Jennifer Estes, Board Chair Jerry Manning and the board attorney Jesse Mountjoy. The group met for a couple of hours, made some decisions, and began putting security steps in order by about 3:30 that day.

The Agency was locked down for about three days, Logsdon reported. Mr. Logsdon pointed out that as stated in the second bullet of the aforementioned handout, it was not Audubon's policy to disclose details in respect of employment termination matters. However, the agency was prepared to confirm that there were irregularities resulting in the dismissal of the CFO. After the executive director's afternoon-long meeting, Mr. Logsdon said he returned to the agency and advised the CFO that he would not be retained. In response to that advice the CFO turned in his resignation, effective at the close of business on Monday, August 11<sup>th</sup>, 2008. Mr. Logsdon said that he accepted the resignation in lieu of involuntary termination.

Mr. Logsdon announced that Ms. Maryanne Mountain has been named Acting CFO and she had taken hold very quickly. He had notified all agency grantors by certified mail, return receipt requested, and all Board Members with e-mail addresses of the dismissal of the CFO and that a fraudulent act was the reason, with basic detail provided to all. At least one person with e-mail had responded back to the executive director and asked what the agency is going to do. At that time, Mr. Logsdon gave the floor to Mr. Jesse Mountjoy.

Mr. Mountjoy advised the Board that full restitution had been made for the amount known at the present time and that the agency seemed to be secure with its financial integrity intact. He explained that the agency management, its counsel and Board leadership had taken it upon themselves to be proactive. He also reported that he and Mr. Logsdon had met with Mr. Bruce Kuegel, Commonwealth Attorney, to disclose all information to him.

He further explained that it wasn't now his, Mr. Logsdon's, or anyone associated with the agency the responsibility to make any judgments as to whether a crime was committed. That's the job of the legal and investigative authorities to whom the matter has now been turned over. The agency will be

forthcoming with absolutely all facts in relation to the matter. Mr. Kuegel was, he said, appreciative of the cooperation and indicated that his inclination would be since federal and/or state funds could be involved, he would immediately contact the Attorney General's Office, who may or may not wish to take action. It is out of the agency's hands at this point, other than providing resources at the staff level. The agency will continue to protect its financial integrity and have instructed the auditors to continue to investigate.

Mr. Mountjoy reminded everyone that it was *not* appropriate for anybody to speculate about the possibility of prosecution and said the Board Members would be kept up-to-date on the further development with this matter. He asked whether there were any questions for himself or Mr. Logsdon.

The reporter from the *Messenger-Inquirer* requested to ask some questions, and he was obliged. The reporter asked if Mr. Payne was the only employee involved, and Mr. Mountjoy confirmed that he was. Next, the reporter asked if there are any other matters of financial improprieties that they are currently investigating. Mr. Mountjoy stated that they have given Alexander and Company the green light to continue pursuing any matters that they feel the need to investigate further and to dig as deep as possible. The reporter thanked Mr. Mountjoy for answering his questions.

Mr. Mountjoy asked if there were any other questions. There were none. He stated that the Audit Review Committee had made a recommendation that Mr. Logsdon be given the necessary authority to get to the bottom of the investigation. There was no vote required for the recommendation, and Mr. Logsdon stated that the full investigation had been turned over to the authorities.

Chairman Manning added that the Board Members could be asked questions about the matter once the newspaper article came out, and he asked that any questions be referred to Mr. Logsdon. Mr. Logsdon said that he is the *only* person authorized by the Board to speak about the matter at this time, and anything beyond his knowledge would be referred to Mr. Mountjoy.

Ms. Tinsley asked if there was any resolution as to the other issue mentioned in the e-mail that was sent out. Mr. Logsdon said that it is being thoroughly investigated but has no conclusion at this time.

Ms. Drury said that she had learned that the former CFO had at one point previously filed for bankruptcy. She asked if they were aware of this and if it is a risk factor. Mr. Logsdon said he had just heard about that news earlier that day, and, yes, that would have been considered a risk factor had it been known earlier. He then referenced the Financial Procedures Manual that the staff and Board had been working on for months. A good deal of risk management practice was built into the new manual.

**Personnel Manual Revisions.** Mr. Logsdon stated that the auditor raised a question about AACCS' policy with regard to limitations, which could be found in one of the handouts. During a risk assessment interview, someone had made an allegation to the auditor and the auditor suggested that a stronger agency policy may have encouraged that employee to do so much earlier.

**“Employee Limitations,” Section 1.8.** Mr. Logsdon said this policy, as written, had to do with *personnel* matters of the agency. However, he was proposing to add the paragraph (in bold on the handout) which clarifies that this staff limitation policy has nothing to do with suspected fraud, waste, and abuse. Rather, it now emphasizes that employees should refer to Section 10.2 when he/she suspects any instance of fraud, waste or abuse. He stated that *everyone* has an affirmative responsibility to report these issues, as stated in the manual and as required in Section 10.2. The proposed addition will clarify both policies that the **limitation** *doesn't* apply in cases of suspected fraud, waste, and abuse, he said.

**“Preventing Fraud, Waste and Abuse,” Section 10.2.** Mr. Logsdon stated that the new whistleblower federal law came up for discussion in the meeting with the auditors, so he feels that a

provision needs to be added to Section 10.2 as well. The new provision (paragraph (4)), which is shown in bold on the handout, states that any employee who raises allegations of fraud, waste or abuse will be protected by the whistleblower protections provided under the Sarbanes-Oxley Act. With this provision, AACS' policies will re-affirm what is already federal law, and it will encourage staff to report any suspected fraud, waste, or abuse with no fear of repercussions, he said.

Hon. Reid Haire said the focus has mainly been on the financial aspect and observed that "inappropriate conduct" isn't stated in the policy. Mr. Logsdon said it can easily be added. Judge Haire stated that there should be an avenue for anyone that gets in this type of situation. Ms. Gatton said that it is covered under a standard of conduct located in a different section of the manual. Judge Haire stated that he would be satisfied as long as it allowed an employee to go to a Board member. Mr. M. Douglas Smith said he thought it would be appropriate to add to the policies, and Judge Haire added that a Board member should have that latitude. Mr. Hart asked if it could say "verifiable inappropriate." Mr. Logsdon suggested asking the human resources director to look at adding it in Section 1.8 instead of the financial section. Ms. Gatton acknowledged the request.

**Credit Reports/Credit Check Policy.** Mr. Logsdon said that the Senior Staff had had quite a discussion about a possible new policy concerning credit reports. The senior management was concerned that such a policy, while perhaps useful, was also fraught with potential dangers, and should therefore be considered and researched quite thoughtfully before the Board would adopt such a policy.

Mr. Logsdon said another issue that came up during the meeting with the auditor was about getting pre-employment credit reports, which led to a suggestion that credit reports should be obtained for existing Senior Staff as well. He presented it to the previous Senior Staff meeting and had a policy drafted. The Senior Staff felt like it was a knee jerk reaction without specific parameters spelled out. Mr. Logsdon acknowledged that some people don't have much credit because they operate on a cash economy. He said they need to be more thoughtful about how the policy is going to look and will most likely revisit the issue during the October Board meeting.

Hon. Reid saw no reason for the policy to apply to a person who had no authority in making financial dealings of the agency, and he stated that it wouldn't serve a purpose with those people who don't sign checks. Mr. Logsdon said they were talking strictly about those line managers who do have that kind of authority.

In the last Audit Review Committee meeting, Rev. Combs made a specific request that Mr. Logsdon bring back some cost figures. Mr. Logsdon stated that consumer credit reports are \$13.05 a piece as shown on the provided handout from KROLL. We are already doing criminal record checks through this organization, and the HR Director suggested staying with them for the credit reports once all the details are worked out. At the previous Senior Staff meeting the staff had agreed unanimously (all nine remaining Senior Staff members) to have a credit report obtained on each one of them should the Board deem it appropriate to do so. The Board can then decide what to do with the reports.

Mr. Whitaker, acknowledging Mr. Mountjoy's report that the funds in question had been paid back, asked if they really should have not been and if AACS requires a personal bond for employees that have access to cash, make deposits, etc. Mr. Logsdon answered that the agency does have a universal employee dishonesty bond that covers every single employee in the agency. Mr. Whitaker then asked if it is for a specific amount, and Mr. Logsdon said he wasn't sure of the amount and that he could check into it. He added that the agency has had the bond for thirty or more years and has never made a claim on it. Mr. Whitaker said it could even apply to the lowest level of workers who handle cash and/or have access to funds. He did not know if the bond handled that, but wanted to recommend it. Mr. Logsdon will inquire with E.M. Ford & Company, who has the agency's insurance, to obtain a

report for the next meeting. Mr. Mountjoy advised that we should do a protective notification to the bond company, as you would with any insurance.

Judge Haire cautioned the Board that access to credit checks should be extremely limited. Sharing that information is risky business and needs to be shared on a need-to-know basis. Judge Haire said he just signed signature cards and if AACS pulled a credit report on him, he's not sure of sharing it with the Board.

Rev. David Combs asked if the background security checks were locked up and recommended the credit reports be locked up as well. Ms. Gattton replied that these are kept in double locked doors. Ms. Tinsley asked why pull credit reports until the agency knows what they are going to do with them. Mr. Logsdon said it was a show of good faith on part of the Senior Staff and they were unanimously willing to do that. Judge Haire stated that he agreed with Ms. Tinsley.

Mr. Manning suggested that pulling credit reports on the Senior Staff be put on hold until the Administrative Support Committee has met and make a determination of what will be done with the credit reports, how they're going to be used and so forth.

*Judge Whitaker made a motion to accept the Employee Limitations, Section 1.8 and Preventing Fraud, Waste, and Abuse, Section 10.2. Mr. M. Douglas Smith seconded the motion. Motion passed.*

*Mr. Paul Hart made a motion to not pull the Senior Staff credit reports until the Administrative Support Committee meets. Mr. M. Douglas Smith seconded the motion. Motion approved.*

**Bank Account Signatories.** Mr. Logsdon informed the Board that the next item had to do with the signature cards being redone due to what happened last week. The three (3) resolutions have to do with who's authorized to actually set up accounts in the agency. Five (5) people have been designated to be on AACS' accounts: the Board Chairman, Board Vice Chairman, the executive director, the CFO (now acting), and the Head Start director. There are two (2) subsidiary agency accounts, Lincolnshire and Lincolnshire North, those signature cards have been redone as well along with adding one (1) additional person which would be the housing services director. Mr. Logsdon asked the Board to authorize the resolution.

Judge Haire asked about the people being listed on the signature cards if that would be for deposit or withdrawal. Mr. Logsdon said this would be only for setting up and deleting accounts. Judge Haire asked if one (1) signature was required to do that. Ms. Mountain, acting CFO, said that she believed it was just one (1) signature. Judge Haire then asked Mr. Byrne if that was sufficient enough to have one (1) signature. Mr. Byrne replied that it is common practice to have one (1) signature.

*Mr. Marshall Hatfield made the motion to have five (5) names listed on the signature cards which are Chairman Mr. Jerry Manning, Vice Chairman Judge Reid Haire, Executive Director Ron Logsdon, CFO/Acting CFO Ms. Maryanne Mountain and Head Start Director Mr. Aubrey Nehring. Mr. M. Douglas Smith seconded the motion. Motion passed.*

**Presidents Place — Project Description and Resolution.** Mr. Logsdon informed the developer, Wabuck Development Company, simply asked the Board to authorize the executive director to sign whatever documents are necessary for this new project being put together, called "Presidents Place". Presidents Place would be built immediately behind The Springs in southeastern Owensboro ... and behind Garden Grace Apartments. It is located in the eastern part of Owensboro near where Highway 54 and the Wendell Ford belt-line come together. Mr. Logsdon pointed out the description of the project to the Board of the handout. Presidents Place is a 60-unit project for the elderly. It will include something

near 6,500 square foot facility. Mr. Logsdon stated that the reason why it was named "Presidents Place" is that next year the nation is going to celebrate the 200<sup>th</sup> anniversary of President Abraham Lincoln's birth.

Presidents Place will also include the Community Non-profit Resource Center. Mr. Logsdon reminded the Board that AACS is a fiscal agent for about a dozen other non-profits already. There are a lot more small nonprofits in the community that don't have a home. This facility would provide a home for them. They have a very minimal office space. They would have Internet access, clerical support, filing, meeting space, and all of this will be built in to that Community Non-profit Resource Center. This idea originated with John Hager of the Public Life Foundation and Mr. Logsdon stated he had been working with them as well on this project. In connection with this new affordable housing project, the developers are going to build the resource center around it.

This is going to be a nice addition to the community. They have indicated how it is going to be financed and they think that's it going to help the project win Kentucky Housing Corporation (KHC) approval. This will be one more project with Wabuck, and the good thing about working with Wabuck as opposed to some of the other entities AACS is working with, said Mr. Logsdon, AACS doesn't have to assume the liability for the project. Wabuck is taking the tax-credit liabilities on themselves. Mr. Logsdon stated that AACS is going to be the general partner for fifteen (15) years with this project. After that, the agency will be able to acquire the property outright.

Judge Haire asked if the project will be rent free or if AACS anticipates charging a specific rent amount. Mr. Logsdon said the rents haven't yet been determined. Mr. Logsdon invited everyone to join in on the discussion that would be taking place the next morning at 11:30 a.m. There will be people coming in from Wabuck, Hager Foundation, Public Life Foundation and AACS. Judge Whitaker asked with the building being 6,500 square foot community building/office space and if it was going to be integrated into the housing complex. Mr. Logsdon said it was both.

Mr. Mountjoy stated he had not yet been able to read the Resolution thoroughly. He's not exactly sure why Wabuck wants the resolution, but it says only that the Board gives signatory authority to the executive director. Mr. Mountjoy stated that what AACS has done before is in the early stages of the low income housing tax credit development partnerships with Wabuck. It gives Mr. Logsdon authority to sign Presidents Place documents, subject to further Board approval of specific project agreements such as the binding Limited Partnership Agreement for the project, but that will come further down the road.

Mr. Mountjoy stated that Wabuck wants AACS to go forward on the basis of a subsidiary corporation that they call Audubon Presidents Place Corporation, which is like Learning Villa subsidiary. Ms. Tinsley asked how this was different from Horizon Place. Ms. Boling stated there would be a small computer room. Tenants can use the community rooms ... and there would be some offices.

Mr. Logsdon stated this is going to be more oriented toward the Community Non-profit Resource Center approach as an integral part of having the elderly housing. Christian Care Community, which has provided an option on the 12.7 acre plot upon which the project will be built, also has its own nearby senior housing. Mr. Mountjoy mentioned that there *could* be a possibility that Christian Care Community will be AACS' co-general partner. Mr. Logsdon informed the Board there is going to be a 2:00 p.m. or 3:00 p.m. conference call on Thursday. Interestingly, he said, Ms. Nelda Barnett, ex-officio vice chair for Senior Service on this Board, is also on the Christian Care Community Board.

Judge Haire asked about the special needs. Ms. Boling stated that per Kentucky Housing Corporation (KHC) regulations special needs are disability, physical, mental, homelessness, and substance abuse.

Mr. Logsdon mentioned to the Board that an action for a Presidents Place resolution was needed just to say that he's authorized to sign certain KHC application documents that will be developed for this project.

Mr. Manning asked Mr. Mountjoy if what he meant was to research and prepare the Presidents Place documents like the previous ones in partnership with Wabuck. Mr. Mountjoy said yes and that the Board could do a resolution right now. Mr. Mountjoy stated that the resolution would say, "It would generally be resolved that Mr. Logsdon, on behalf of the Board, be authorized to execute all preliminary documents in respect of the Presidents Place Limited ... as well as the subject to approval of the Board".

Mr. Logsdon asked if that would be on the limited partnership agreement. Mr. Mountjoy stated that he thinks Ms. Glasscock wants various documents to be executed. Mr. Manning asked if there were any questions. There were none.

*Mr. M. Douglas Smith made a motion to authorize the executive director to authorize and/or execute all preliminary documents pertaining to Presidents Place, but be subject to final approval of the Board. Mr. Hart seconded the motion. Motion passed.*

### **Administrative Support Committee Recommendations.**

Mr. Logsdon pointed out to the Board several items the Administrative Support Committee approved and recommended.

At this point, Mr. Logsdon asked Mr. Nehring to make a brief presentation on the first item, the new Financial Manual.

**Accounting and Financial Policies and Procedures Manual.** Mr. Nehring suggested to the Board to turn to the page in the handout and read the e-mail/memo on the back side. There was a summary to sort of give everyone an overview of what the Administrative Support Committee had already approved and what would be the recommendations of the Board to approve.

Mr. Nehring stated he has been involved in this process from the very beginning and in working with Ms. Blackham and Mr. Payne in the development of the procedures. The last review, there were actually some comments from the reviewers indicating there were some procedures that AACCS did not have in writing. They were in other pieces of documents. The reviewers were able to accept that. Mr. Nehring stated he was really concerned at that point because the agency needed to make sure that these were incorporated in to a document that had been approved and became a policy of the agency. Also, the other thing that has developed especially for Head Start, the agency is anticipating the review that will be this year, is that the reviewers have instituted a whole list of risk management questions discussed earlier.

A lot of what the staff and Administrative Support Committee have done is address questions that will be asked about the agency's financial policies, procedures and practices and whether there are *written* policies in these specific areas. Mr. Nehring pointed out that the document that everyone had tonight has grown in size because of that. The original document that the agency has operated under for years was called the Financial Policy, being thirty-five pages in narrative. This new document represents about 175 pages; it is much more comprehensive.

One of the things about the procedures, and Mr. Nehring said he thinks it is very important that these policies are being set up exactly like AACCS currently does with its personnel policies and procedures. That manual is set up into sections. Each section is noted in the page so that if there are needed changes, and just like today, the Board has made changes to two (2) pages or two (2) sections of the personnel policies and procedures. Mr. Nehring stated that as the Committee works through the document, as we train and implement, there are going to be changes that will need to be made. The Committee will be bringing to the Board or as the Senior Staff will review these and if there are changes that need to be made, these will be recommendations to the Board. That's very important.

Mr. Nehring pointed out in the handout there are the major sections of the manual. These are the provisions of the manual in which there are policies and procedures under each of these.

Mr. Nehring informed the Board that the new financial manual was not developed from scratch. Mr. Nehring advised the Board that he, Mr. Payne and Mr. Logsdon had attended and has the auditors have in the past, been participating with financial consultant Howard Gesbeck, JD, CPA. Mr. Gesbeck is a noted accountant, trainer and lawyer. He does training extensively across the country and has worked extensively with Head Start programs and non-profits. He developed a template for financial procedures for non-profits.

The purpose of the template was to insure that nonprofits addressed all of the necessary requirements that AACS should have in writing for the organization. The purpose of the template was to take that model, look at this agency, draft appropriate policies and procedures, making sure all pertinent needs and issues are addressed. That is what has been done with this document. This document is not just a template but AACS needs have also been incorporated into it.

For many years, there was a series of AACS “operational memorandums” that dealt with many different financial things such as travel reimbursement and many other financially related things. All of those have now been incorporated into this manual. Those procedures have been put in to the format of the manual and in sections of this manual so that they are incorporated *within* the financial procedures, not external to it. Members will also find in sections referring to the various committees of the Board: the Audit Committee, Administrative Committee and their functions and how they relate to the procedures.

The other main thing to keep in mind, said Mr. Nehring, is that the main focus of this particular document is designed to address and minimize risk. One of the main features that has been emphasized from the federal level on down is the importance of internal controls and having those processes in place and in writing that the agency follows to ensure that procedures in the processes where finances are addressed appropriately. Those are incorporated through out this document. Members will not find a section that says “internal controls,” but you will find in every section of expenses, assets, anything dealing with cash disbursements, there are specific procedures that spell out the internal controls that the agency is using and will continue to use and are codified in this document as part of our process.

Mr. Nehring advised the Board at the very bottom of the handout, some of those sections are entirely new sections. They were not in any of the previous procedures though they may have been addressed. Some of them were addressed in personnel policies relating to employees but did not specifically address issues relating to finance. There are sub sections such as conflicts of interest, policies of suspected misconduct, security features, technology features relating to electronic communication, some modifications in purchasing policies and procedures, and a whole section on credit cards which is actually just on the side line in Head Start legislation that was passed for Head Start which actually was a requirement that this kind of information be reported and that you have procedures on and then there’s specific relating to the annual audit.

Mr. Nehring stated there are things in there that will probably have to be changed. The point being is the Board is adopting a comprehensive set of policies that will be in consistent to the agency and will drive the financial procedures and will modify them as necessary in the future. The Board will be approving a comprehensive set of policies as the Board, and in the future any revisions will be done individually to specific sections.

Mr. Logsdon suggested this be done as a separate motion because part of the Head Start review is that the reviewers want documented evidence that the Board has specifically approved this or a financial manual.

Judge Whitaker asked about Section 17.9, under #3 purchases over \$10,000, if the Board could amend that to \$20,000? Mr. Nehring stated that the federal regulations governing Head Start do require that any

orders over \$10,000 that formal bids must be obtained. Judge Whitaker pointed out that this is the policy for all of AACS procurements. Is there a particular federal policy that is more limiting? Maybe that \$10,000 has been ancient, he said.

*Judge Whitaker made a motion to amend the document under Section 17.9, under #3, that the amount of \$10,000 to be changed to \$20,000 shall be bid unless restricted. Mr. M. Douglas Smith seconded the motion. Motion passed.*

*Mr. Hatfield made a motion to accept the document. Mr. Paul Hart seconded the motion. Motion passed.*

*Judge Haire stated that as a Board member, he has a problem with approving anything that he hasn't read first and apologized if some of the Board members have read it and no offense. Judge Haire also stated that he couldn't vote on it without reading it first. Mr. Logsdon said the Board could approve it provisionally until the next Board meeting. Judge Whitaker suggested this could go through the Administrative Support Committee and can be brought back for a recommendation.*

Mr. Nehring informed the Board that this needs to be targeted for the October Board meeting. The review will be coming up and it will be scheduled after October. Mr. Nehring suggested to work on this between now and then. Judge Whitaker once again suggested that it comes back to the Administrative Support Committee and the notations being noted tonight then recommend to the Board meeting in October. Mr. Manning advised the Board members to read the document and be prepared for the October Board meeting.

**Approval of Newly Appointed Board Members – Joanne Kendall, Michael A. Walker.** Mr. Logsdon stated the Administrative Committee has the responsibility to oversee Board composition. That Committee has reviewed the letters of request from the Owensboro Branch NAACP and have approved the new members. The AACS By-Laws are written in such a way that the Administrative Support Committee actually has the responsibility, he said.

**United Way 2008/2009 Contracts.** Mr. Logsdon told the Board there are four (4) United Way agencies under AACS' umbrella: Foster Grandparent Program (FGP), Senior Companion Program (SCP), Helen D. Sears Family Development Center and West End Day Care Center. Mr. Logsdon stated that the agency has to have contracts with the two (2) respective United Way's — United Way of Henderson and United Way of the Ohio Valley — on all of those subsequent year contracts. These were recommended to be approved; Chairman Manning had provisionally signed them on recommendation from the Committee.

**Group Benefits/Health & Wellness, Section 4.2, Personnel Policy & Procedures.** Mr. Logsdon advised the Board an employee benefit has been requested by the Senior Staff to be added, that being a health and wellness benefit. This policy would permit the agency to reimburse employees up to \$33.00 a month for their participation in a health club or any health and wellness related facilities. This request originated from staff in Mr. Nehring's department. This was considered by the Senior Staff and then was presented to the Administrative Support Committee, which now recommends the policy for Board approval.

**GRITS Line of Credit – Emergency Vehicle Purchases/\$300k BB&T Loan.** Mr. Logsdon explained that when the Bowling Green taxi service went out of business suddenly, the newspaper stated that AACS had put them out of business in three (3) weeks. Over a weekend, Mr. Lanham had to gear up with purchasing extra vehicles and hiring new staff. AACS/GRITS acquired ten (10) vehicles over a weekend and hired the requisite staff. Mr. Logsdon stated that GRITS had heard about the taxi company's closing at the close of business on Friday. There were dozens of (280) rides scheduled with

that taxi service early on Monday morning. There was no way GRITS could provide the service unless the agency did what had to be done, and it was done under Mr. Lanham's leadership and direction.

After all of this was done, AACS had incurred a \$300,000 liability, so it's now wanting to gather the vehicle certificates and take them to BB&T and say, "Here's what we got, we paid for all of these but we would like for you to buy them back from us or give us a loan on all of this to reimburse us for it".

Mr. Logsdon told the Board that last Thursday he had signed a \$300,000 note and attached to that are all of these vehicle certificates. The Administrative Support Committee directed the agency to pay back at \$9,000 a month and to be paid off in no more than three (3) years.

Judge Haire asked what the interest rate was. Ms. Mountain stated prime plus \$0, maybe. Rev. Combs asked if there was a provision that allows things like this to be done. Rev. Combs said he knows it was an emergency situation at \$300,000, how does that go with what was just talked about and the \$20,000. Mr. Logsdon stated this matter was done with Administrative Support Committee support.

Mr. Lanham stated there were only two (2) vehicles that had cost \$20,000. And one cost \$21,000. That \$10,000 limit would have been a problem in that situation if that had been applied. However, this was vehicles in need of emergency down there. The situation could very well be because of a natural disaster, fire, tornado or flood to where the agency may need to expand funds in excess of \$20,000.

Judge Haire stated that the state auditor would look at this transaction as *a project*. The entire project was over \$20,000. Judge Whitaker mentioned that an emergency would be a natural disaster beyond the agency's control. Rev. Combs stated he was not questioning what was done and was just simply saying that implementing of this policy, the Board needs to realize that this has happened and could happen in the future. Mr. Lanham mentioned without the ability to do this, GRITS would have had 280 people not having a ride Monday morning.

Judge Whitaker advised the Board that the Administrative Support Committee looked at this the next day of the policy and approval of the Committee to recommend to the Board. The steps that the Committee went through were very well in place. Judge Whitaker asked if the agency was going to bid on the rest of the taxi cabs. Mr. Logsdon stated that he didn't think so. Mr. Lanham stated the licenses are totally separate from AACS. Mr. Lanham also stated that if the Board was looking for a recommendation for the taxis, then he doesn't think this is something the agency wants to be in.

Judge Haire asked how each price was determined for each vehicle. Mr. Lanham stated the vehicles were not new. The majority of the vehicles were purchased through one (1) vendor. Mr. Manning asked if GRITS had all of the vehicles that were needed. Mr. Lanham stated that he thought so and that GRITS in Bowling Green, started off with 280 rides and had 4 vehicles and three drivers. It was a difficult challenge. They are serving 1,500 - 2,000 people a day. The first two (2) weeks were bad. Thanks to the staff the clients were able to get most of them where they needed to be. Mr. Lanham also stated that he feels pretty confident of what they have now.

*Judge Whitaker made a motion to accept the newly appointed Board members – Joanne Kendall and Michael A. Walker; to approve the United Way 2008/2009 Contracts, to approve the new Group Benefits/Health & Wellness, Section 4.2 (PP&P); and approve AACS' GRITS \$300k line of credit (vehicle purchases with a BB&T Loan). Judge Haire seconded the motion. Motion passed.*

## **Community Support Committee.**

**GRITS' State Discretionary Grant Funding Request.** Mr. Lanham informed the Board that the state got awarded \$4.5 million dollars on the state discretionary grant fund from the Federal

Transportation Administration (FTA) to purchase the vehicles and other equipment. Mr. Lanham said that AACS applied for camera equipment to put in all of GRITS' vehicles because there are no cameras in the vehicles now. Mr. Lanham told of an accident that happened back in early spring, one of the vehicles was struck by another vehicle that did have camera equipment and saw how an asset that was. Occasionally, there is a little struggle on the bus and it's great to have cameras so you can sort out where the problem came from.

Mr. Lanham said the agency applied to eliminate the rear loading mini vans and there are some concerns about the safety of them. Mr. Lanham also said that GRITS has about five (5) of them and would like to eliminate those. The agency also applied for money to eliminate some very high mileage vehicles that GRITS has. The total request came up to about \$907,000. Mr. Lanham stated that he heard earlier today that not many people applied and he doesn't have any idea of what GRITS will get. Mr. Hatfield praised Mr. Lanham and the GRITS crew of a job well done.

*Mr. Hatfield made a motion to accept the GRITS State Discretionary Grant Funding Request. Mr. M. Douglas Smith seconded the motion. Motion passed.*

## ***NEW BUSINESS***

**Owensboro Regional Recovery — Update.** Mr. Logsdon informed the Board there were three (3) pages of listing of documents that are necessary to wrap up the limited partnership agreement that was talked about. Mr. Logsdon stated he is optimistic that the agency is going to be able to close that by the end of the month. Mr. Logsdon advised there was also a memo in the handout from Mr. David Howard. He is the representative from the equity provider, National City Bank. There was a brand new housing bailout law that was passed in July which has really benefited the Owensboro Regional Recovery project. Rather than getting tax credit equity funded at 8.1%, the new rate under the new law is set at 9%. This increases the equity that will be coming from the bank; this will also increase the tax credit returns over the next fifteen (15) years. Now, the agency's expected equity contribution is up over \$5 million dollars.

Judge Haire asked if that meant the projected shortfall to be less. Mr. Logsdon stated there are now no projected shortfalls with the 9% rate. Ms. Mountain mentioned that the agency does not have the final rate. They are still recording documents, but Mr. Howard did give information about the payment due dates.

**LIHEAP – Vendor Disclosure Statements.** Mr. Logsdon reminded the members that this procedure is done every year and then turned it over to Ms. Lamar. Ms. Lamar explained to the Board the sheets that were passed out earlier were the statement of confidentiality which talks about all Board members and all staff. The LIHEAP program requires all Board members and staff to sign the confidentiality agreement required by the Cabinet for Health and Families. Ms. Lamar stated that once everyone had signed it, to please turn it in to her after the meeting.

**Weatherization.** Ms. Boling stated that she would like to apply and submit a proposal to KHC for tenant-based assistance. She also stated that she would have to have a Board resolution approving it. There is only \$750,000 available for the entire state.

*Ms. Rucker made a motion for AACS to apply to KHC for the tenant-based assistance grant. Ms. Tinsley seconded the motion. Motion passed.*

## ***REPORTS***

**1700 Fifth Street Building/GRITS Parking Garage.** Mr. Logsdon advised the Board to look in the back of the handout where there are pictures of the buildings going up. Mr. Logsdon said he wanted

the Board members to see the progress that was being made on each project. One picture shows where there is a lot of steel going up across the street, that has mostly all happened in the last seven to ten (7-10) days.

Mr. Logsdon pointed out on another picture of the GRITS parking garage, which is a picture of Owensboro, and the bare spot is the GRITS parking garage. The construction company, Hartz, had been pouring concrete in the ground for two (2) months and the parking garage still is not yet above the surface of the ground. Mr. Logsdon stated that he was told that it won't be until October. Both of these projects will be completed in the spring of next year. Judge Haire asked about the height of the parking garage. Mr. Lanham said he wasn't for sure and that it really needs to be in the next 30 days. Judge Haire stated we would like to increase the size of that from fiscal court.

**Pathways 2008 Self Study Feedback.** Mr. Logsdon reminded the Board that last August AACS decided to do an organization-wide self study called *Kentucky Pathways 2008*. A 55-page study was submitted of the Community Action Partnership in Washington, D.C., and feedback has been received from it. Mr. Logsdon suggested for everyone to be sure and pick up a copy of the Feedback Report upon leaving.

**Blue Ridge Banner.** Mr. Logsdon informed the Board that he has been elected president of the Blue Ridge Institute for Southern Community Service Executives, known as "BRI." BRI is a 14-state entity of southern social services executives from Virginia to Texas. Mr. Logsdon stated he had worked up a summary of this year's Blue Ridge Institute. He then spoke briefly about the challenges and opportunities the Institute will face next year. Mr. Logsdon also stated he would like for everyone to know more about this organization because AACS provides a lot of support to that organization and other non-profits.

Mr. M. Douglas Smith asked about the action of the Administrative Support Committee to recommend \$4,000 funding for the BRI in its 2008-2009 project year. Mr. Logsdon said that yes, the conference site will, after 81 years, be moved to a new location. Mr. Logsdon said that he will be needing assistance in planning next year's conference at the new site. He added that the BRI was also a tax-exempt non-profit entity.

*Mr. M. Douglas Smith made a motion to approve of a conference planner for \$4,000 pertaining to Mr. Logsdon's presidency at Blue Ridge Institute. Ms. Donna Howard seconded the motion. Motion passed.*

**Head Start.** Mr. Nehring advised the Board that several months ago it had authorized a request for a reduction of enrollment because of the financial issues Head Start was facing. There was a letter in the handout that indicated that while AACS Head Start had applied for a 200-slot reduction AACS was allowed to reduce only forty (40) slots. All of the forty slots will be reduced in Daviess County, said Mr. Nehring. The savings in that both the Policy council and the recommendation from the staff that Head Start will apply the savings of that to a 2% cola increase for all of the staff. The agency's actual budget this year had no increase for them at all. This was the best use for these funds, he said.

**GRITS.** Mr. Lanham had nothing to report except that he wanted to pat his staff on the back for all of their tremendous effort and thanked the Board for all of their hard work.

**Human Resources.** Ms. Gatton mentioned that there will be an employee health fair on October 24 and everyone is more than welcome to participate from 10 a.m. to 3 p.m. This will be held at the Sportscenter.

**Finance.** Ms. Mountain stated she wanted to assure everyone that the finance staff is moving forward and doing everything they can to take care of all matters and have very capable staff.

Mr. Logsdon added that two (2) consultants are being looked at to assist Ms. Mountain and the agency — one from River Valley Behavioral Health and one with the BKD accounting firm. Ms. Mountain stated that both agencies have been contacted. Finance is going to be hiring temporary staff to make sure there is separation of duties and to make sure this situation doesn't occur again. Mr. Logsdon stated that he wants to make sure that Ms. Mountain has the help she needs while she is acting CFO.

Mr. Logsdon also stated that Chairman Manning asked him about the internal auditor that was approved at the June Board meeting. Mr. Logsdon explained that nothing has been done on that so when "the incident" broke last week that was the first position he put out in the newspaper. Mr. Logsdon mentioned that he changed the recording lines to where the internal auditor, even though will be working in the finance department, is accountable to him. Mr. Logsdon also mentioned that Ms. Jennifer Estes asked him about the CFO position and why that ad had not been run yet. He explained that he didn't want to advertise it before telling all of the Board members and that the ad will go out later this week.

**SCP, FGP, SSC.** Ms. Mattingly informed the Board that everyone will be receiving an invitation about celebrating the volunteer efforts in Henderson, Union and Webster, and then Daviess, Hancock, Ohio and McLean counties with their annual recognition events. For the eastern side of the district that will be on October 22<sup>nd</sup> at Our Lady of Lourdes Parish Hall for the Daviess, Hancock, Ohio and McLean counties. On October 30<sup>th</sup>, the recognition event for the Henderson, Union and Webster counties will be held at Wolfe's banquet and convention center.

**Officers and Directors Liability Insurance.** Mr. Logsdon mentioned one final item from the packet, the directors and officer's liability insurance renewal. He noted that the 2008-2009 application was included in the evening's handout packet, near the back. Following the 2008-2009 application that will go in the next day, a copy of the existing current year policy provides the members' insurance protection was provided for each member's reference.

## ***ADJOURNMENT***

Mr. Manning asked if there were any questions. There were none.

*Mr. Paul Hart made a motion to adjourn the August Board meeting...*

*Without objection, the meeting adjourned at 7:40 p.m.*

Mr. Jerry Manning  
Chairperson of the Board