

Audubon Area Community Services, Inc.
Administrative Support Committee
MINUTES
May 28, 2009

Following lunch, Committee Vice Chairperson Mr. M. Douglas Smith called the Administrative Support Committee to order at 12:05 p.m. in the Board Room of the agency's new office building at Fifth and Foust in Owensboro.

Members Present:

Ms. Joanne Kendall	Mr. Thomas Platt	<i>Mr. Keith Sanders</i>
Rev. Jerry Manning	Ms. Betty Rucker	Mr. David Scott, Deputy Judge Executive **
Mr. Jesse Mountjoy, Board Counsel		Mr. M. Douglas Smith

Italics = Ex-Officio

*** Representing Committee Chair Judge Larry Whitaker*

Alternate Present:

Mr. Frank Craig

Staff Present:

Ms. Cheryl Gatton, HR Director	Ms. Denise Marcum, Executive Assistant
Mr. Dennis Hagan, IT Director	Mr. Byron Mayes, Chief Financial Officer
Mr. Ronald Logsdon, Executive Director	

Due to Deputy Judge Executive David Scott for attending the first time and filling in for Judge Larry Whitaker, Mr. M. Douglas Smith asked everyone to introduce themselves.

OLD BUSINESS.

March 30, 2009 Meeting Minutes. The minutes of the previous Committee meeting were in the mailed handout. There were no questions or discussion.

Ms. Rucker made a motion to approve the March 30, 2009 Administrative Committee minutes. Rev. Manning seconded the motion. Motion approved.

FY2009 Indirect Budget Review. Mr. Mayes stated that the current AACS fiscal year ends June 30, 2009. As of April 30th, the agency year is approximately 83% complete, and the FY2009 budget utilization is right on target at 76%, although the FY2008 audit billing is not yet in. Mr. Mayes stated that he looks at the overall situation in assessing the year's budget. Mr. Mayes stated that anyone is welcome to ask questions. The FY2009 budget review was looked over and there were no questions or discussion.

Ms. Rucker made a motion to recommend Board approval of the proposed FY2010 Indirect Budget. Ms. Kendall seconded the motion. Motion approved.

NEW BUSINESS.

New CSBG-funded “ARRA” Positions — Revised Hourly and Salaried Position Classification Charts. Mr. Logsdon informed the Committee this item has to do with four (4) new positions — *jobs* is a major focus of the “stimulus” act — that are being created under the American Recovery and Reinvestment Act of 2009 (ARRA) funding. All of these happen to be funded out of the CSBG grant of roughly \$775,925. AACS is going to be sharing most of the CSBG “stimulus” money with other community partners such as the Boulware Center, Green River Health Department and a couple other major recipients. But AACS is creating these four new positions. Mostly, they are to help coordinate all of the ARRA funding that AACS has. These positions include: a Fiscal Support Manager position in Finance, a IT Support Specialist in the “IT” Department, a “one-stop” Community Resources Coordinator within the CSBG program, and a CSBG Program Assistant position.

Mr. Logsdon asked Ms. Gatton to further explain the four new positions.

Ms. Gatton stated the position for Finance will be “focusing on the ARRA numbers” and the intensive reporting required under the ARRA. Mr. Logsdon stated that all of the ARRA money is accounted for and reported separately from anything and everything else the agency does! Ms. Gatton also stated the Finance and IT positions will also be assisting and managing the ARRA subcontracts and making sure that the sub-recipients are staying in line with ARRA requirements — and helping them report their financial and service information in a timely and appropriate way. The IT Support Specialist’s work concerns pulling together a lot of ARRA data and information, including pulling out from whatever ARRA information there may be in agency databases the other subcontractors’ data files as well. The staff person will assist all AACS ARRA departments/operations in pulling out ARRA information, putting it in required time-sensitive reports, and updating the AACS website’s ARRA reporting pages each month.

The Community Resources Coordinator will function like a “one-stop shop” and will be getting and providing information from other non-profits; in addition the staff person will assist with application taking for the central CSBG site. The program assistant will be helping with any clerical assistance.

Mr. Logsdon stated the fiscal support position will be operating under Mr. Mayes’ control and supervision. The IT support specialist will be under Mr. Hagan’s.

The agency’s position classification charts (included in the handout packet) shows the proposed gradings of the respective new positions: Fiscal Support Manager, Grade 30, Salaried; IT Support Specialist, Grade 26, Salaried; Community Resource Coordinator, Grade 17, Hourly; and Program Assistant, Grade 10 (existing), Hourly. The Board generally approves agency positions’ grading on the respective classification charts, said Mr. Logsdon.

Rev. Jerry Manning made a motion to recommend Board approval for the four new “ARRA” Positions and the revised Hourly and Salaried Position Classification Charts that classify them as stated in the staff presentation. Ms. Kendall seconded the motion. Motion passed.

Mr. Hagan said he wanted to point out the clarification of the “target skills” needed for the IT position, that it would be a combination of “Web skills,” of information and database familiarity. Mr. Logsdon added this position would be collecting information and assisting the program directors in generating their ARRA reports and posting that information on its **audubon-area.com** website so that the agency can show publicly and continually what is being done with the ARRA money.

FY2010 Indirect Cost Pool Budget. Mr. Logsdon said that Mr. Mayes has done extensive work on the FY2010 Indirect Cost Pool budget. The proposed \$1,788,400 budget provides a comparison to the

current year (FY2009) \$1,650,000 budget. The budget's revenue projections show how Mr. Mayes projects the FY2010 Indirect budget revenues to be generated through the respective AACS programs. He projects a total AACS salary base of \$11,280,000. Mr. Mayes applied the current-year Indirect Cost Rate of 15.5% to come up with the projected FY2010 revenues.

Mr. Mayes said the only thing he wanted to point out was that he put a percentage change column down the projected FY2010 expenditure line items to compare to what AACS had budgeted for last year and what he expects the agency is looking at for this coming year, beginning July 1, 2009. The revenues will go up a little, he said, because of the "stimulus" money AACS is projecting. With the GRITS increase and with Head Start-funded employees receiving COLA increases in their wages/salaries, the agency's Indirect budget will benefit from that. Mr. Mayes noted that he stayed with the *current* Indirect rate of 15.5%, but he said that the FY2010 rate is still under review by the DHHS Division of Cost Allocation, so the agency may get a new rate. AACS' Indirect Cost Proposal requested 16.5%, but he expects the negotiated rate to be pretty close to the current year rate.

Rev. Manning stated that a concern that the line item for next year's unemployment insurance was only half the prior year's. Mr. Mayes and Ms. Gattton noted that the agency's FY2010 UI tax rate had dropped nearly 50%. It went from 2.4% to 1.8%. Mr. Mayes added that the agency has had employee personnel changes; for example, the custodian at the former Central Office has been transferred to CSBG — but she will still be cleaning the "old" building and the GRITS office. Mr. Logsdon said a cleaning service was being used at the new office building. Mr. Mayes added that the cleaning service provides the cleaning supplies for the building.

Mr. Platt made a motion to recommend Board approval of the FY2010 Indirect Cost Pool Budget. Ms. Rucker seconded the motion. Motion passed.

FY2009 IRS "990". Mr. Logsdon informed the Committee this form has been submitted. The numbers are right out of the audit. This particular one is done on the "old" 990 form. It didn't require prior Board approval, but next year AACS will not be permitted to submit its 990, which will then be required on the new and expanded report form, until it gets prior Board approval.

Rev. Manning said for those of you who didn't know what the "990" was, it was the annual IRS government reporting form for non-profits. The new format, which AACS will submit next year, has been expanded from nine questions to thirty-one. The 2009 Form 990 (for the AACS fiscal year ending June 30, 2008) has already been submitted to the IRS for this year, said Mr. Logsdon. That was done on May 15, 2009.

Rev. Manning made a motion to recommend Board acceptance the 2009 IRS Form "990". Ms. Kendall seconded the motion. Motion passed.

Presidents Place Limited Partnership Agreement. Mr. Logsdon said Mr. Mountjoy had received a Limited Partnership Agreement on Presidents Place yesterday from Wabuck's attorney. Mr. Logsdon added that included in the handout packet was a Presidents Place "flowchart" drawn up by Mr. Mountjoy to illustrate all the "players," funding and key relationships concerning this tax credit project. Mr. Mountjoy said the Presidents Place flowchart was his own interpretation, based upon of what he knew as of January 2009. But Mr. Mountjoy also said that Mr. Logsdon sent him the confirming letters today with respect to the Federal Home Loan Bank of Cincinnati (FHLB) grant and the Kentucky Housing Corporation (KHC) grant.

Mr. Mountjoy stated that in order to begin to understand these tax credit projects, one really has to distinguish between the facility *and* the operation with those other players. In the middle of the flowchart page, there is something called Presidents Place, Limited. That is a Kentucky limited partnership which is now, according to the Limited Partnership Agreement now in hand, "Presidents Place LLLP." That

“LLLP” stands for a *new* “animal” that David Vickery, attorney for Gary Watkins, who is the developer, calls a “limited liability limited partnership.” What exactly does it mean? In the old days, a limited partnership had to consist of *two* partners – a general partner and a limited partner. You could have a million limited partners, you could have a lot of other general partners, but you always had to have a general partner and a limited partner. The reason for that was that the limited partners’ liability was limited. And you normally saw this with oil and gas partnerships. That was the typical thing where the entrepreneur would be the general partner and your “add-alls” as they use to call them. The limited partners would come in and invest their money. For example, Mr. Mountjoy would put in \$5,000 and get *a unit* of limited partnership. If anything bad happened in that facility or at that partnership level, Mr. Mountjoy, as a limited partner, my liability was limited to the \$5,000 that I put in. No more, no less. Everybody would look toward the general partner, so to speak.

The change in the law with a “limited liability limited partnership” is that now the general partner, even this Audubon Presidents Place, Inc., has to some extent *new* limited liability by reason of this LLLP. Audubon Presidents Place, Inc., a wholly owned subsidiary of AACS in which AACS owns 100% of the stock of this subsidiary — and Mr. Logsdon is the sole director, and as president and he controls what the general partner does; but he is, of course, subject to full control by AACS Board of Directors as to what he does. That is a long explanation as to why you may see LLLP.

Mr. Mountjoy stated the reason he and Mr. Logsdon were looking at this is that the Limited Partnership Agreement (LPA) received yesterday shows the beginning of a “skeleton” limited partnership. There’s not that much money yet in the partnership, he said. Audubon Presidents Place, Inc. is shown as having a .01% interest, which is 100th of 1% interest, with the “limited partner” having 99.99%. The LPA presently lists Mr. Watkins individually as the limited partner. Mr. Mountjoy said he has not talked to Mr. David Vickery, who is the attorney for Mr. Watkins, but did advise Mr. Logsdon based on what he had seen in the past as far as getting limited partnership started this is what is in the works through this LPA. The fact that the developer, Mr. Watkins, is the currently stated limited partner does not mean that he will remain so. Mr. Watkins is not going to hang on to that interest very long because that interest will be sold to Boston Capital in exchange for its equity infusion to fund the development.

Mr. Logsdon said **that** *limited partner* entity is ultimately going to come forward with something like \$7 million dollars. Mr. Logsdon stated that Mr. Watkins and his staff were working primarily with Boston Capital on the equity.

Mr. Mountjoy stated the bottom-line plan is that one way or another the development is going for the needed \$7.4 million in equity funding. Boston Capital is going to say “what exactly do we get for \$7.4 million?” and the assumption is that Mr. Watkins, with the advice of the general partners, will say, “You get the entire limited partnership interest for your \$7.4 million”. Mr. Mountjoy also stated that he and Mr. Logsdon spoke briefly about the fact that there is *no commitment* on anybody’s part at this point. This limited partnership is worth \$730,000 right now, adding together the FHLB commitment and KHC’s Affordable Housing Trust Fund grant. That is how much the partnership owns if it were dissolved right now and if nothing else was done, said Mr. Mountjoy.

Mr. Mountjoy said AACS received from KHC \$130,000 that the agency didn’t have to begin with. It was targeted for Presidents Place, but the legal owner was AACS, and AACS contributed it to its subsidiary, Presidents Place, and Presidents Place. What if things go bad? Then who gets the 130,000? Right now, Mr. Watkins gets it; he is the 99.99% owner. That’s the bottom line. Mr. Logsdon stated, though, that this was a KHC grant and he couldn’t imagine that if the whole Presidents Place project went sour that KHC wouldn’t pull the grant back, since they’ve not yet actually expended the grant funds to the development.

Mr. Mountjoy said the formal part of this Agreement is that you always have to have a limited partner. What Mr. Vickery would say based on what they've done before is that Mr. Watkins is just in there as a "warm body" so that AACCS has a limited partner, because a "limited partnership" always has to have a limited partner and a general partner. AACCS *could* be a limited partner but it has to be a greater interest, he said.

Mr. Logsdon said his only concern was when he first read it was that the agency is used to seeing the equity provider listed as the limited partner. In this case, it wasn't. It was Wabuck Development and Mr. Watkins. Mr. Mountjoy suggested going back to earlier agreements — the Learning Villa may be one, he said. Mr. Mountjoy stated he was here to give a commercial legal interpretation. Mr. Logsdon also said the long and the short of it is the Wabuck people want him to sign the Agreement and get it back to them so they can submit it to Boston Capital.

Mr. Smith asked if this was basically the same kind of fiduciary responsibility AACCS has had in the past. Mr. Mountjoy said yes. Ultimately, you're going to see Audubon Presidents Place, generally acting like they acted either alone or with a co-general partner, like in the case of Owensboro Regional Recovery, where Lighthouse Recovery is the co-general partner. Normally, AACCS is the general partner and it will also have all of these other service contracts that you'll see.

Mr. Mountjoy asked if anything has changed from the tax-credit delivery guaranty agreement from Wabuck Development. Mr. Logsdon said no. Mr. Mountjoy said that was the important part. AACCS is sitting there as a general partner and even if there was some liability that would flow to Presidents Place, it as yet has no money, and no assets.

Mr. Logsdon explained for newcomer Mr. David Scott's benefit that AACCS has done several affordable tax credit projects in the past year. This Presidents Place is the only one AACCS is working this year; it will be a 60-unit senior housing development behind The Springs on Highway 54 East. This facility will also have a large community center, and attached to that will be what being called the Community Non-profit Resource Center, which will be a home to a number of community non-profits.

Mr. Mountjoy asked if there had been any other talk with Christian Care Communities. Mr. Logsdon said he met them last week. AACCS has a standing Option agreement that can be executed between now and August 31 to acquire their 11.9 acres for about \$320,000. Mr. Mountjoy said AACCS has the option, once the agency gets funding, the agency would be assigning their option to the limited partnership which would then use \$320,000 to buy the property upon which Presidents Place will be constructed.

Mr. Logsdon said he is sure they want to get the Presidents Place equity provider lined up as soon as possible because right now there is not enough money in partnership even to exercise its land purchase option. Mr. Mountjoy said there is money standing "outside the pot" in the form of grants. He assumes it could be the \$130,000 KHC is not going to get to a limited partnership until the private capitalization is done. On that basis, there is a few "t's" to cross but overall he doesn't see the partnership agreement being that unusual and there's really not that much at risk at this point. Mr. Mountjoy also said he's sure Boston Capital needs a fully formed limited partnership with a limited partner and a general partner before it buys in.

Ms. Kendall made a motion to authorize Mr. Logsdon to sign the contract agreement for Presidents Place Limited Partnership Agreement. Ms. Rucker seconded the motion. Motion passed.

Building Projects Update. Mr. Logsdon provided the Committee an overview of the status of AACCS' ongoing building projects at this time:

Fifth and Foust Office Building. Mr. Logsdon stated there were but very few things that need to be done to completely finish the work on the building. Some ceiling tiles are still missing, there a few door locks yet to be installed, and there may be some other minor items.

St. Elizabeth Street Parking Garage. Mr. Logsdon said this ARRA project was becoming a comedy. The new president and Congress rushed to get the “stimulus” bill passed in mid-February, but little had happened since then. The federal bureaucracy have gotten control of all of it.

The parking garage is the perfect example of delayed action. AACS finally got FTA federal approval on Phase II of the parking garage construction — \$3.4 million for completing the three-level, 290-slot parking garage. AACS actually got a contract from the Kentucky Transportation Cabinet (which was in the April Board booklet and reviewed it at that meeting in April). Subsequent to that meeting, some bureaucrats said, “Wait a minute, they’re proposing a \$3.4 million change order. Sounds like something of that magnitude should to go out to bid”. The matter was shifted back to FTA to see if they’re okay with that. Mr. Logsdon stated he is hoping for some word on that decision to come any day now, whether yes or no. Mr. Logsdon also stated he calls GRITS manager Mr. Lanham every day.

Owensboro Regional Recovery Center. Mr. Logsdon said there was a press conference that was held on May 19, 2009 and this project was progressing very nicely now. Construction is projected to be completed by the end of 2009.

Independence Heights/Horizon Place. Independence Heights is fully leased up. Horizon Place is at the point of completion, but is not fully leased up yet.

ADMINISTRATIVE STAFF REPORTS.

Management and General.

American Recovery and Reinvestment Act, 2009. Mr. Logsdon said the agency is looking forward to getting some “stimulus” money pretty soon. The Head Start money is ready to flow. The CSBG state plan was due to be submitted on May 29th. The feds have to approve everything before any money can flow. Mr. Logsdon also said he thinks what the federal and state governments will do is put out 10% of the ARRA money up front, and then after a short period of time, they’re going to put out 40% more of the money; then the remaining 50% of the ARRA funding is going to be subject to work, progress, and all of the reports that will have to go in.

Head Start Triennial Review, April 26 – May 1 Update. Mr. Logsdon stated AACS had its triennial federal review the last week of April 2009. It was pretty favorable, although there were three findings. One finding had to do with the agency’s bank reconciliations, as was reported in the audit. Bank reconciliations have been an issue for two years running now and they were in arrears this year as well. They were still in arrears when the federal review team came in April. That is a finding and AACS will be getting a review report any day now; he expects it to state that AACS has 120 days to get its reconciliations caught up.

Mr. Logsdon stated the agency is already working hard on that in advance of the report coming in. Mr. Logsdon said he met with Ms. Mountain early that morning and she has primary responsibility of the bank reconciliations. There is a very limited window to get all of those caught up. The payables account is totally caught up and the payroll account is getting somewhere near being caught up. It is the consolidated account that is giving the agency the problem. One of the things AACS is doing to help resolve that is the use of a third party operating in conjunction with BB&T is being eliminated. We are doing all of the number-crunching work ourselves, he said.

Mr. Logsdon said the other finding had to do with Mr. Mayes' criminal record check not being done on a timely basis. Ms. Gatton stated the other finding had to do with playground equipment and that was taken care of while the reviewers were here.

WellPoint Stock Portfolio/Investment Report. Mr. Logsdon said AACS started out with \$40,258 shares of WellPoint stock and has been selling some of its stock. The agency sold 13,000 shares in order to get the \$.5 million that was needed to apply toward Phase I of the GRITS parking garage. That money is still deposited in a reserve account at BB&T. There has not yet been a call for that money, he said.

The Investment/Oversight Committee approved in April the parameters that said that AACS would make a one-time sale of 5,000 shares of stock if the stock dipped to \$40 a share or if it reached \$60 a share. The stock did at one point dip to or just slightly below \$40 a share, so an automatic sale occurred. There are now 22,058 shares of WellPoint stock remaining, he said. Everyone can see from the report in the handout packet what the agency got for those 5,000 shares. It didn't sell for exactly \$40, because when that mark is hit they go out into the market and sell it for the best price they can. What AACS actually garnered from the sale is \$198,867.33. In addition to the 22,058 remaining shares of WellPoint stock, which are currently valued at slightly over \$1,038,270, AACS also has in reserve/investment accounts the \$501,000 it got from selling the \$13,000 plus shares. Thus, there's a total of about \$700,000 in cash and just over \$1 million in stock in the agency's investment account, so the agency's investment account is presently worth about \$1.7 million, he said.

Judge Larry B. Whitaker, Committee Chair. Mr. Logsdon stated he had talked with Judge Whitaker, chair of this Committee, last week and Judge Whitaker said he was going to be in Boston soon for a week's tests and treatment. It could be weeks or maybe some months before he comes back.

Mr. David Scott said Judge Whitaker would be leaving Sunday and will be gone for four days for consultation. He gets some kind of treatment in Owensboro every day, dialysis every other day and chemo on the opposite days. Judge Whitaker is coming to work but he could possibly go back to Boston Hospital for about a 95% chance of an extended stay. Mr. Scott also said he has heard anywhere from one month to five weeks. The doctors will determine that. Unfortunately, Judge Whitaker has an extremely rare disease that only 240 cases have been reported in the history of the United States. It looks and feels like cancer but it's not. Mr. Scott stated he is Judge Whitaker's deputy and is a retired business man. Mr. Scott also stated he is filling in the best that he can and learning "crash course". Mr. Logsdon thanked Mr. Scott for attending and Mr. Smith asked for everyone to take a moment of silent prayer for Judge Whitaker.

Homiak v. AACS, Inc. – Christian Circuit Court. Mr. Logsdon told the Committee AACS was sued in Christian Circuit Court by a former employee alleging wrongful termination. There is an e-mail from the attorney that represents AACS, Ms. Catherine Wright. She made a presentation before the Circuit Court and asked for the suit to be dismissed. There has not been any word back from that yet. Ms. Wright gave an optimistic report.

Terry Payne Update. Mr. Logsdon informed the Committee he included Mr. Mountjoy's e-mail that the Commonwealth's attorney is asking for more information. A follow up was done with Mr. Tony Byrne from Alexander and Company and they will use their billing records. They will channel information through Mr. Mountjoy.

Mr. Mountjoy said that Commonwealth's Attorney Mr. Kuegel continues to be non-committal. Mr. Mountjoy also said he was assuming if the Commonwealth's Attorney was asking for all of this detail that it means there is a very good chance to convince Mr. Pat Flaherty, Mr. Payne's defense attorney, to pay all or substantial part of Mr. Payne's diversion and plea agreement. The law says that if a person is tried and convicted, Mr. Payne would owe \$7,500 because that's the yet unpaid amount he took. The law is

not requiring a convicted person absent an affirmative act on his own to repay any cost that the agency incurred or suffered as a result of getting to the bottom of Mr. Payne's fraud.

There is a good chance in a plea agreement, said Mr. Mountjoy. Mr. Payne would voluntarily as part of getting soft on the sentence with the judge agree to pay back something in addition to the \$7,500. As you know it is almost an additional \$32,000. Mr. Mountjoy said that's what Mr. Kuegel wants him to provide. Mr. Mountjoy also said the only question he has with any respect to any professional fees is wanting to make sure that AACS can redact what other matters are either relevant or prejudicial to AACS so that no one can see what AACS would be doing. All they need to look at is what Alexander and Company spent so many hours on a certain day getting to the bottom of what Mr. Payne did.

Finance.

Management Letter, Alexander & Company. Mr. Mayes advised everyone that the Management Letter was attached in the handout packet, and most of the language is standard. On the second sheet are the auditors' findings during the course of the audit and their recommendations. These Management Letter "findings" are what Alexander and Company reports to AACS' Board and management, but which are not of significant deficiencies whereby they would have to be reported to the regular audit report findings.

Payroll Procedures. As far as what the auditors found in the payroll procedures, there were some late tax deposit payments that incurred a fine of up to \$10,000 — which since that time have been monitored rather closely. Payroll is now using a deadline checklist. This audit year was difficult and challenging because it involved someone during that whole fiscal year. The reports we have to compile, they do not necessarily come out of the accounting system. AACS fiscal staff has to take its numbers from the accounting system and put it in the format the auditors dictate in order to begin their review. Mr. Mayes stated his long term goal is for the system to produce the financials. This year's audit should go better.

Mr. M. Douglas Smith asked if the internal auditor was helping out. Mr. Mayes said yes and he reviews all of the processes. He is constantly reviewing documents in Finance and making sure everyone is following the manual. Mr. Mayes also said that Mr. Trivett keeps Mr. Logsdon and himself abreast of what is going on and of what he finds.

Approval Documentation of Travel and Food Expenses. Mr. Logsdon explained this was primarily related to credit card purchases for food that didn't have enough explanation as to what the business purpose of that meeting was, who was there, and a timely submission of the charge. There was some question of, "Who's approving all of this?" Mr. Logsdon said he would be talking with the Senior Staff at their June 1st meeting. The Management Letter will be shared with them and basically "reading the riot act" to Senior Staff about the documentation requirements as they're properly stated in the Financial Policies and Procedures Manual and how AACS is going to be policing this.

Mr. M. Douglas Smith asked if this will pertain to the accountability factor. Mr. Mayes said yes. This takes more than just a receipt. Something like this you have to explain it.

Fund Balance Transaction Postings. Mr. Mayes stated the fund balance is essentially retained earnings. Those monies carry over from last year such as income or loss. Mr. Mayes also stated he thinks the former CFO had made some "re-class" errors. He wasn't exactly sure if Mr. Payne was trying to close out a program. There wasn't enough documentation supporting that program so Mr. Mayes reversed those journals. The auditors approved this in order to correct it. The monthly closings were reviewed of activity and all of the accounts including the fund balance accounts will be performed. Mr. Mayes said he would be monitoring those on a monthly basis.

Senior Management's Financial Involvement. AACS has a new Grant Management Process (Section 10.7, Financial Policies and Procedures Manual) that was approved by the Board that now directs certain senior management engagement in grants management. There were a lot of notations or suggestions that the program directors would become more involved. Mr. Mayes also said part of his challenge is to help Senior Staff better understand the financial side of their program.

FY2009 Indirect Cost Proposal. Mr. Mayes told the Committee this report had mostly been based on the FY2008 audit report. The annual proposal is submitted to the Division of Cost Allocation, Department of Health and Human Services (DHHS). Mr. Mayes had mentioned before the Indirect Cost Rate of 15.5%. This fluctuating rate is what the agency uses each year to generate and budget its general overhead/administrative costs. DHHS approves those rates. Mr. Mayes stated he had submitted the 2009 proposal to DHHS on May 8, 2009.

Mr. Logsdon said even though the proposal went in *requesting* a 16.5% rate, there was a negotiation that will occur with the Division of Cost Allocation. Basically, the way that usually works out is they challenge some of the things that AACS has been in the pool. They'll throw this out and that out but ultimately the approved rate comes down below the proposed rate — a 16.5% rate that was proposed. Mr. Logsdon also said his hope is that it doesn't come down below the current rate which is 15.5%.

Mr. Logsdon also said he had a discussion with senior staff and assured them that regardless of what the rate comes in at and if it comes in above 15.5% the agency is going to charge it at 15.5% because there are other serious budget issues that are going on that have an impact — for example, the increased CERS retirement costs, increased health care costs, and a lot of other employee benefits costs that are going up.

FY2010 Special District Budget Report. Mr. Mayes stated this was a required state report that he was working on. It is basically a summary of an overview of where the organization stands as a whole with respect to its annual projections of revenues and expenditures. Mr. Mayes stated this report is due June 1, 2009.

Mr. Logsdon noted to the Committee this was a serious report because one of the few things which Mr. Mountjoy just did a study and a report on the Special District status where there are some things AACS is subject to and some things AACS is not. With respect to this annual budget submission, there is a very definitive law that if a Special District like AACS does *not* file this report, any county attorney can come in and say, "We are shutting you down".

Information Technologies.

Mr. Hagan reported his department is 99% finished with its migration of IT services into the new Fifth and Foust building. The other programs have been very gracious in expressing their compliments and impressed with what IT has done concerning the move. Mr. Hagan said there will be another move going into the "old" central office building. His department is beginning the staging process for that.

Mr. Hagan stated he has been having daily conversations with Ms. Kim Melhiser in Finance about apportioning and documenting all of the communication circuits, who is using them and canceling services the agency is not using. There has already been \$300-\$400 a month in savings found and hoping to find additional funds and to make sure that those charges are going to who are getting their service.

Mr. Hagan also stated it has taken his department a lot longer than he would have liked, but they are making some headway. It will probably be close to July for completion of all of the office moves. Those are the primary focus points.

Human Resources.

Ms. Gatton stated that a couple of weeks ago there was a GRITS employee who had passed away on his lunch. The next week, there was another employee who had a massive heart attack. But the good news is he is back to work. Ms. Gatton also stated her department has been busy with the move. One person in the department had been out on medical leave for about a month and it has been tough.

ADJOURNMENT.

There being no further business,

Ms. Kendall made a motion to adjourn the meeting at 1:25 p.m. Ms. Rucker seconded the motion. Motion carried.

Mr. M. Douglas Smith
Acting Committee Chairperson