

Audubon Area Community Services, Inc.
Administrative Support Committee
MINUTES
July 24, 2009

Committee Vice Chairperson M. Douglas Smith called the Administrative Support Committee to order at 12:00 p.m. in the agency's 1700 West Fifth Street Board Room in Owensboro following lunch.

Members Present.

Rev. Jerry Manning

Mr. Thomas Platt
Mr. David Scott

Mr. M. Douglas Smith

Alternates Present.

Mr. Frank Craig

Ms. Jeanette Manning

Staff Present.

Ms. Cheryl Gatton, HR Director

Mr. Dennis Hagan, IT Director

Mr. Ronald Logsdon, Executive Director

Ms. Denise Marcum, Executive Assistant

Mr. Byron Mayes, Chief Financial Officer

OLD BUSINESS

Minutes of May 28th Committee Meeting. The minutes of the May 28th Committee meeting were in the meeting handout.

Mr. Scott made a motion to approve the May 28, 2009 Administrative Committee minutes. Mr. Platt seconded the motion. Motion approved.

Indirect Budget Review – May 31, 2009. CFO Mr. Mayes stated that his department was still working on the June 30th numbers. The closing period has been extended for June 30th to insure that all of the outstanding transactions were captured. Just looking at the performance report, the bottom line shows a pretty decent gain in looking at the June 30th numbers, he said. Mr. Mayes said he anticipates around \$45,000 in overall FY2009 Indirect fund balance and a much stronger FY2010 year with the new ARRA funding.

Rev. Manning asked of how much the agency's cash reserve was at present. Mr. Mayes said he didn't have the balance sheet items on this report but would be more than happy to get it for him. Mr. Logsdon acknowledged that the agency's reserves were tight right now because of GRITS' modest FY2009 over-expenditure situation this year, but not anywhere near like last year's. Plus, the amount of \$128,000 of its own money had to be transferred out to the Green River Regional Dental Clinic group when they decided to take over their own finances. AACS was their fiscal agent and the Dental Clinic was accumulating their funds within AACS' account. Head Start is spending down their program income that had been generated over three to four years, that total amounting to around a million dollars. Head Start got Regional Office guidance that they needed to do that, so Head Start is spending that program income now. This time last year AACS had more money in the bank than now, he said. The October 2008 Senior Staff retreat, on the heels of the worldwide economic collapse and AACS' substantial decline in investment portfolio value, worked on strategies for the agency to rebuild its reserves.

Mr. Mayes stated that a new budget review process had been initiated with GRITS. Rev. Manning asked if GRITS was in a position now to start putting money back into the agency. Mr. Mayes said yes, and

with Indirect, he anticipates FY2010 to be a good year. Mr. Scott asked if Mr. Mayes could give a ballpark figure on the agency's cash reserves. Mr. Mayes said as far as cash is concerned, at any given time there is \$1 to \$5 million in the AACS bank account. Mr. Mayes stated he doesn't know how much of that is sitting out there that's "not touched" upon on normal day to day transactions. Mr. Logsdon said the reason for that is most of the agency's contracts is reimbursements. AACS has to spend its money and then wait for reimbursement from the state, which offers no advancements and, thus, gets to collect interest on its federal pass-through deposits while contractors pay first.

Mr. Mayes noted that the ARRA funds are also reimbursement programs, so there will be somewhat of a cash drain initially until reimbursements come in. Looking at the June 30th numbers, it looks favorable compared to last year, he said, as the previous year (FY2008) AACS netted an overall loss in fund balance.

Rev. Manning made a motion to receive the Indirect Budget report as of May 31, 2009.

Mr. Craig seconded the motion. Motion passed.

NEW BUSINESS.

FY2010 Low-Income Home Energy Program (LIHEAP) Contract. Mr. Logsdon told the Committee that this was the earliest AACS has ever received a LIHEAP renewal contract. That has to do, he thought, with the fact that the Weatherization Assistance Program (WAP) had been transferred from the Cabinet for Health and Families to Kentucky Housing Corporation (KHC), and the Cabinet elected to retain about \$4-5 million out of last year's LIHEAP contract, which would have ordinarily been transferred to Weatherization. There is a 15% transfer allowance in the LIHEAP appropriations law. Thus, it's quite likely that these are last year's (FY2009) monies that are being contracted, he said.

Mr. Logsdon noted to the Committee that AACS is getting \$390,058 in this FY2010 LIHEAP subcontract. When all is said and done next year, AACS will likely have around \$2 million in its FY2010 LIHEAP program. This is sort of like an initial contract amount, he believed. There will be additional amendments that will come through the year that will substantially move that up.

The Community Action Kentucky subcontract contains the familiar Vendor Disclosure Statement. Each individual AACS Board member has to sign one of these disclosure statements every year. These need to be collected from every single AACS Board member. It is in state regulations that this must be done, he said. The main thing the Committee needs to do is to recommend approval to the Board the "Board Statement of Vendor Selection Approval." This certifies that the agency has written procurement procedures and processes that have been approved by the Board, and that if any changes have been made those are so noted to the contracting authority. These procedures are stated in the agency's Financial Policies and Procedures Manual as approved October 21, 2008. There have been two subsequent revisions to the Manual, but not changes in the procurement policies, procedures or processes, he said. Nor is the staff proposing to make any changes. Every year, the Board Chair has to sign and submit this certification to the contracting entity.

Rev. Manning made a motion to recommend to the Board that the FY2010 Low-Income Home Energy Program Contract be signed. Mr. Scott seconded the motion. Motion passed.

Lincolnshire Apartments, Inc. and Lincolnshire North Apartments, Inc. By-Laws Amendments. Mr. Logsdon noted the next two items were each identically the same except for the property's title and reference throughout each set of By-Laws. The text of the proposed amendments was sent out so that each Committee member would have a chance to look at it. Mr. Logsdon said the cover letter with that submittal was sent out stating some changes that he was recommending for this draft text, which had been

prepared by AACS housing attorney, Charles Kamuf II. After the Committee mailing was sent out, Board Counsel Mr. Mountjoy had also submitted his comments to the recommendations via e-mail, and those were included in the meeting's handout. Mr. Mountjoy stated that AACS could combine the Secretary/Treasurer, but he didn't recommend it. Mr. Logsdon said that for forty years the Board's then Secretary/Treasurer has been combined with no problem noted. However, Mr. Logsdon referred the Committee to the language Mr. Mountjoy thought should go in the By-Laws to specify what the different positions would actually do, to be stated in Sections 8, 9, and 10 in each set of By-Laws.

Mr. Logsdon requested that the Committee make its recommendation to the Board to approve the new By-Laws for Lincolnshire and Lincolnshire North. Mr. Logsdon said that with the Committee's permission he would be happy to put together a draft of the recommendations to include certain of his recommended changes and Mr. Mountjoy's "position descriptions."

On Section II.G, Mr. Logsdon suggested to indicate the "rent subsidy year" because it's different from the properties' fiscal year. Section IV.A he suggested that the properties' Annual Meeting be in October each year rather than September, as it is shown in the draft, because it gives time to get the properties' annual audits completed and reviewed at their Annual Meetings. Section VI.A.3 talks about combining the Secretary/Treasurer, which due to these being six-member boards and thereby only three (3) members of each would be officers. Otherwise, four of the six board members are going to be officers. Mr. Logsdon said the By-Laws could add Mr. Mountjoy's text with respect to what the Lincolnshires' boards' positions would actually do.

In Section VIII, a paragraph should be added, said Mr. Logsdon, to specify and clearly state that each of the Lincolnshires' boards, which are subsidiary organizations to the AACS, Inc. is subject to the oversight and concurrence of the Owner, which is the AACS Board of Directors. Mr. Logsdon stated he didn't want either or both Lincolnshire boards to be in the position of doing things that the AACS Board would not ultimately approve them doing. The AACS Board could, thus, always overrule the Lincolnshire/Lincolnshire North boards.

Mr. M. Douglas Smith asked what the function of the treasurer was. Mr. Logsdon stated this position doesn't have any *real* function at all. Both the Secretary and Treasurer serve *with staff support*, which should be stated in the By-Laws. Mr. Logsdon noted that Mr. Mountjoy has written verbiage that the secretary position was to keep the minutes and the treasurer was to keep the funds and securities. The staff does that. These board-level positions actually don't do any work. The staff does all of the work. Mr. M. Douglas Smith said the Secretary/Treasurer doesn't handle any money so he would prefer to eliminate the title of Treasurer. Rev. Manning stated that he didn't think the title needed to be eliminated, but he suggested retaining the position/title and enacting Mr. Logsdon's recommendation, that is combining the two.

Mr. Logsdon told the Committee that HUD had required AACS to create these two "single asset entities" for each HUD-subsidized property. That was the only reason those corporations and their boards existed. Rev. Manning said that somebody somewhere has a reason for doing that ... even though they don't appear to actually *do* anything. He didn't want to pose any "flag" with HUD that AACS was not complying with its requirements or AACS' contract with HUD.

Rev. Manning made a motion to recommend Board approval of the amended Lincolnshire and Lincolnshire North By-Laws with changes in the draft By-Laws as listed with Mr. Logsdon's statements (from his pre-meeting memo) and to leave Mr. Mountjoy's recommended position description text out until the next AACS Board meeting can consider whether to include that as well. Mr. Craig seconded the motion. Motion passed.

2009 United Way Fundings and 2010 Contracts. Mr. Logsdon referred the Committee to the meeting handout that contained the Senior Service Corps' (SSC) funding recommendations from the two local United Ways. The first one was from the United Way of the Ohio Valley (Owensboro). It combined all three of the SSC programs they fund, Foster Grandparent Program (FGP), Senior Companion Program (SCP), and Retired and Senior Volunteer Program (RSVP). That United Way recommended amounts that it was going to provide:

- Foster Grandparent Program (FGP) — \$21,500 (up from \$19,695 in FY 2009)
- Senior Companion Program (SCP) — \$25,800 (up from \$23,700 in FY 2009)
- Retired and Senior Volunteer Program (RSVP) — \$12,650 for FY 2010 (a 2% increase from 2009)

RSVP is an Owensboro city-funded agency; the City's funding is administered through the United Way of the Ohio Valley.

The Management Letter and 2010 Contract from the United Way of the Ohio Valley was accepted by consensus and the Committee recommends to the full Board of Directors its approval/ ratification at its August 18, 2009 meeting.

The United Way of Henderson wrote two separate letters for FGP and SCP. Attached to each of was a contract. The United Way of Henderson indicated what it planned to fund as well in 2010.

- Foster Grandparent Program \$25,000 (up from \$24,000 in FY 2009)
- Senior Companion Program \$16,000 (down from \$25,000 in FY 2009)

The Senior Companion Program allocation panel cited a campaign shortfall during the site visit with SCP staff. A slight reduction was, thus, made in SCP's 2010 allocation.

Mr. Logsdon said he was asking the Committee to recommend to the Board for approval of the two United Way of Henderson contracts.

Mr. Scott made a motion to recommend Board approval of the FGP and SCP 2010 United Way contracts as written. Ms. Manning seconded the motion. Motion passed.

FY2010 Strategic Thinking – Board Input. Mr. Logsdon informed that he and the Senior Staff were getting ready to go into their FY2010 strategic planning process. Mr. Logsdon said he would like to get some input from the Board on their visions for the agency, some “envisioned future” possibilities, maybe dealing with some problems that the Board feels need to be dealt with, and what the Board sees three years out in AACS' future. The Board's input would help create a target for the Senior Staff to work on. These are Board members' visions, hopes, and expectations for the agency as everyone looks down the road of what that vision might be and how the Board thinks AACS might get there. Mr. Logsdon reminded the Committee that in three years he would be retiring. As the agency is looking down the road, that has to be part of the *transition to new leadership* and how AACS is going to do it.

Rev. Manning said he had been wondering if now was the time to start setting up a search committee, what the procedure should be, and what the Board expects to look for. Mr. Logsdon reminded the Committee that the Board has in fact already approved two Succession Plans, one for a planned and scheduled departure of a senior executive and one for “emergency” action should a senior executive be suddenly lost. But, he said, the Board hasn't done any work to sort out and get in mind of what the next executive director's skills, abilities and credentials should be. Rev. Manning asked if the Board looks within the organization or looks outside the agency. Mr. Logsdon noted that the agency's policy was clear on *not* giving an in-house “preference.” AACS seeks to hire the best qualified person that it can. If all things were equal when it came down to looking at two candidates, though (and the policy does not require it), the Board would likely lean toward somebody inside. Mr. Logsdon also noted that AACS isn't an organization that limited its possibilities only to people inside within the agency.

Ms. Gatton said that the executive director's position description needed to be reworked. Mr. Logsdon said that was somewhat being looked at now by a staff committee reworking results oriented position descriptions to transition them in line with the Board's newer performance appraisal policies. AACS actually has *two* performance appraisal policies/systems going in tandem within the agency; transitioning completely to the new policy/system is all dependent on getting *all* of the agency's job descriptions re-written. Right now, some positions are on the old method and using their yet unrevised job descriptions (that have not been re-written to the new standard). There are newer provisions in the Personnel Manual for those whose positions that have been re-written. Mr. Logsdon also said he has been "begging" the staff committee for about a year to begin work on his position description, but they have not gotten around to it. The job description needs to be re-written along the performance appraisal piece that goes with it. When rewriting his position description and performance appraisal gets done, he said, AACS will be in a better position to start focusing in on some of the other things the Board might put in the position notice/advertisements concerning the person the Board is seeking.

Rev. Manning asked if there was an organization the Board can go to in order for help, as far as ideas, brochures and steps needing to be taken in order to find the right next executive director. Mr. Logsdon suggested the web. There are a lot of organizations that specialize in non-profit board governance and key staff succession, he said. There is a lot of guidance out there on the Internet, and it's free. A search company could be hired, but Mr. Logsdon said he wouldn't advise that. The Board is capable of doing all of the work that is necessary, he said. One thing the Board does need to understand, though, is when it comes time to hire the next executive director that is not an activity it should delegate to staff or anyone else; the Board itself would have to do that work! Mr. Logsdon said he would do everything he could to assist the Board in that function, but would never recommend to the Board anybody to be his successor, for he feels that is 1) inappropriate and 2) that the Board alone should do the hard work of finding and selecting its own right person to conduct it day-in, day-out bidding, agency management and accountability to the Board.

Rev. Manning noted that in one more year's time his own service on the AACS Board would expire. Within some two and a half years, about January 2012, the Board will need to hire someone as the successor "CEO." Mr. Logsdon said he expected perhaps a three to four month overlap in the two directors in order to help orientate the new executive director and effect a smooth and effective transition.

Mr. M. Douglas Smith asked if the staff committee working on the job description had any Board members on it. Mr. Logsdon stated it was a staff committee right now, but adding some Board members for the redrafting of the CEO's position description might well be the way to go. Part of the reason that the committee is structured with staff only is that the Board doesn't write the job descriptions of the agency; that has always been a staff function. The Board *grades* the positions, but the job descriptions need to be flexible fairly flexible instruments that change with changing job requirements and responsibilities. Actually, most of the agency's job descriptions are in pretty good shape, he thought, except for that of the executive director.

Rev. Jerry Manning moved to have the executive director's job description begin to be revised by February 2010 and be finished by July 2010. Mr. Craig seconded the motion. Motion passed.

Mr. Logsdon asked the Committee what they saw for AACS in three years. The Triennial Federal Review monitoring report just received cites untimely bank reconciliations as an issue that need to be corrected. Rev. Manning said he wants to make sure that the agency has something in place that all of the reports, all of the required tax deposits are made on a timely basis so as to assure the agency being in compliance. Paying things like fines and penalties for late deposits that grant money cannot cover is something the agency should be watching really close. Mr. Logsdon assured that this was being done.

Rev. Manning suggested that he would like to see some new progress made to expand the funding base in each and every department of the agency. Rev. Manning said he wants the agency to grow and he believes it can be done. Mr. Logsdon also pointed out that AACS has some perhaps unique opportunities along that line. Looking at what the Kentucky Chamber of Commerce (and others) is doing looking at the state budget, Mr. Logsdon said he thinks the state is going to do more outsourcing of contracts. The state bureaucracy is likely to be pared back. Too, affordable housing is a key opportunity area. Last year was a great year for AACS pertaining to its affordable housing tax credit projects, he noted.

Mr. Logsdon mentioned AACS slated to receive (courtesy of Representatives Brett Guthrie and Ed Whitfield) an earmark appropriation of \$1.35 million for a bus maintenance facility. They say it is going to zoom through the senate. Even though AACS has had a hard time financially turning GRITS around for a number of years — and AACS is still losing money because last year it had to invest a lot of money to put the Human Services Transportation Delivery (HSTD) Medicaid brokerage back underway, historically, transportation has been a moneymaker for AACS. AACS accumulated nearly \$1 million over its first fifteen to twenty years it had that program. There were opportunities to grow the agency, and he felt that the agency was certainly already on an upswing in that regard.

GENERAL REPORTS

The Learning Villa — *Land Use Restrictive Covenants.* Mr. Logsdon said Kentucky Housing Corporation (KHC) had just recently sent AACS its Land Use Restrictive Covenants agreement. Basically, it says we have to continue to use them as *affordable housing* developments, he said. The required Agreement was reviewed by Mr. Mountjoy, signed by Mr. Logsdon and returned to KHC.

Owensboro Regional Recovery (ORR) Center — *Progress Update.* Mr. Logsdon told the Committee ORR was now about 50% complete. There will be a progress meeting Monday morning, August 10th. Mr. Logsdon said he received a draw request of \$371,962 by the builder, PDC Companies, Little Rock, Arkansas, earlier that morning; this draw request will be approved at the Monday morning meeting. The ORR project is moving right along, he said. It will probably be completed by either December 31, 2009 (the projected date) or no later than January 31, 2010.

WellPoint Stock Portfolio/Investment Report. The WellPoint (WLP) stock was up to \$52.00 per share. The AACS has 22,058 WLP shares left in its portfolio. AACS started out with over 40,000 but has been selling it in blocks of 5,000 shares. The Investment/Oversight Committee has been directing that. There is about \$700,000-\$750,000 in the investment portfolio's cash account, although Mr. Mayes has drawn a bit against it. Mr. Mayes said the drawdown was \$118,000, as of June 30, 2009 from the BIDA account. In the money market account there was a balance of \$666,000, he said.

Mr. Logsdon informed the Committee that at the close of business yesterday the agency's WellPoint shares were valued at \$1,147,000. So there was presently about \$1.7 million total in the investments portfolio account at BB&T. He noted that there are some articles in the Committee's handout about President Obama's health insurance initiative. A lot of people were fighting against the reforms, and WellPoint/Anthem is certainly one of the groups of people fighting against it. The last thing in the world they want is a single payer system where the government is the single payer, he said. Right now, the reform efforts don't seem to be having any negative effect on the value of the WellPoint stock, but staff are watching that closely.

He said he will probably have the Investment/Oversight Committee come together rather soon and meet with BB&T Asset management again about their management proposal that was looked at back in April or May. Where we're going from here with the money that AACS has both in stocks and cash from the stock that has been cashed out is moving toward diversification of the agency's investments portfolio. At one point, the portfolio's value was down to about \$1 million but that's appreciated to about \$1.7 million

this year. Mr. Scott asked if the money was earned or donated. Mr. Logsdon said the Anthem (WellPoint) shares were received through the Anthem demutualization (conversion from a non-profit to a publicly traded company) and AACS' subsequent arbitration with the Kentucky Association for Community Action, now Community Action Kentucky.

AmeriCorps*VISTA Monitoring Report. Mr. Logsdon said the VISTA monitoring report was in the handout material. The only significant thing was that the Corporation for National and Community Service (CNCS) told AACS it could not charge Indirect cost against the \$15,000 they provided for staff support. Mr. Logsdon said AACS no longer wants that CNCS money because that's how the administration of this agency is funded, through Indirect costs. AACS cannot use sources of money in the agency is not allowed to charge Indirect cost against. That \$15,000 portion of Ms. Lamar's salary will be put into CSBG, which AACS will be able to charge the Indirect cost on. It was not a substantial amount of money, he said, but more a matter of principle. CNCS has been so notified.

IRS Form 990's Required Written Policies. Mr. Logsdon showed the Committee a checklist of required written policies. Those are all policies were cited at the CAPLAW conference in Seattle as being required by the *new* "990." AACS has not done a *new* "990" yet. IRS specifically asks agencies to checklist which policies it has and doesn't have; the message is, you're supposed to have it. AACS' internal auditor has gone through and analyzed what cited/required policies the agency has. The ones that we don't have and need to develop were listed. One, for example, was "Participation in a Joint Venture." Mr. Logsdon said he thinks this is something that relates to the agency's tax credit projects, as an example. AACS is in joint ventures with Wabuck Development Company, which is a for-profit company. It's just a *potential* red flag to the IRS when you're partnering with a for-profit. AACS needs a policy statement that spells out how that relationship works to demonstrate that the for-profit is not getting into the non-profit in some way to shield taxable revenues. AACS is in the process of working on a policy draft for that. "Donor Advised Funds" is another question; this is when someone gives AACS money, but even after they have given it they still tell you what you can or can't do with it. That is a no-no as well. Basically, AACS' policy is going to be on that it doesn't accept donor advised funds.

KHC's Emergency Shelter Grant Recapture. Mr. Logsdon informed the Committee that these monies (\$11,258) had to be returned to KHC. The grant was for Independence Heights; it was given to AACS to help *juveniles* that were going to be in that project. As it turned out, there was such a rush to lease up, so AACS did not receive referrals from the state on juveniles eligible for Independence Heights. So AACS just never used the KHC money. Since AACS didn't use the money, KHC asked for it back.

Lincolnshire/Lincolnshire North FY2010 Approved Rents. Mr. Logsdon mentioned that the 2009-2010 project rents went up slightly, which is what usually happens annually.

Head Start/AACS Triennial Review Report. Mr. Logsdon said this was the report from the late April Triennial Federal Review. The Office of Head Start came back with some areas of non-compliance, none of which are of any surprise. Mr. Logsdon suggested going to the last page of the report where the financial management systems were discussed. AACS hadn't done most FY2009 bank reconciliations when the team came in to do its review. They're now giving AACS 120 days to get those caught up.

Mr. Mayes said AACS was still on track to have all FY2009 reconciliations completed by the end of July, as he had stated in the last (June) Board meeting. His staff has made substantial progress on the last of the five or six accounts. All are completed and up to date except for one, the consolidated account. That should be completed next week. In the monthly closing process, his staff is reconciling major balance sheet accounts to bank statements, and this will only strengthen the processes going forward. Mr. Mayes said he anticipates a substantially improved FY2009 audit performance this year as opposed to last year.

Mr. Logsdon said that at the last three Senior Staff meetings, discussion has been about wrapping up the FY2009 fiscal year and performing "audit prep" with all of the things that are needed to get done to get

ready for this year's audit. Clearly, a lot of the problems that were cited last year came about not only due to the fraud and sudden (August 11th) departure of the then CFO, but because AACS' remaining staff were not prepared for the audit. The previous CFO hadn't wrapped everything up in readiness for the audit. AACS then had to temporarily put someone in that position, and the shorthanded staff was doing all it could just to keep up with the basic day-to-day operations.

Mr. Mayes also noted that the same person that filled that supervisory void was also doing the bank reconciliations and the cash reconciliations, so there were a lot of things going on at one time. The last audit was a struggle. Besides the reconciliation processes, what is more important is the communication with the department heads, he said. Mr. Mayes said he is working with each department head to ensure that there is a flawless close to the 2009 fiscal year.

Helen D. Sears Feature in the *Messenger-Inquirer*. AACS Board member Helen Sears was featured on the front page of the morning's *Messenger-Inquirer* Regional section concerning her work as a tutor.

STAFF REPORTS

Finance — FY2007 Audit Amendment. Mr. Mayes pointed out a letter in response to the Department of Health and Human Services Audit Center inquiry on the agency's 2007 fiscal year audit. They review that audit and had questions for AACS' response. They mentioned a "finding" with *how the audit report was presented*. What they required was for the independent auditors, Alexander & Company, to go back and make a correction to the report. And the agency must assert that the finding has been corrected.

Mr. Mayes said Mr. Byrne included a note as referencing through this HHS review. He indicates where the changes can be found in the audit report. In addition to that, Mr. Mayes said, there was a letter from him produced last week to complete their inquiry. The DHHS Audit Center also had questions about the FY2007 Management Letter. Mr. Mayes also said he has prepared responses to each of those comments. In most cases, he was able to point back to the Financial Accounting and Procedures Manual, stating where AACS now is, what had been done, and what AACS is now doing.

FY2009 Audit Preparation. Too, he reported that the auditors were now beginning to gather some of their work for the FY2009 audit report.

Needed Financial Manual Update. Mr. Logsdon said he just learned this week that AACS is going to have to make a change to the Financial Manual. Because the Weatherization program now allows up to \$6500 per home, the Weatherization program has now exceeded the "\$2,000 exemption" that was in the Davis-Bacon Act. The agency is now going to have to pay Davis-Bacon Act wages for covered work under that program. The Davis-Bacon Act also requires that employers *pay weekly* to anybody who is receiving Davis-Bacon covered wages. AACS is going to have to amend its Financial Manual to add a provision that if Davis-Bacon applies it will pay those wages weekly.

ARRA CSBG Go-ahead Awaited. Mr. Mayes mentioned the ARRA funds for CSBG and that he anticipates receiving a provisional letter soon — today or early next week, and AACS will immediately begin rolling out that project.

Information Technologies. *Operating System Upgrade and Office 2007 Migration.* Mr. Hagan said he wanted to go back to the strategic planning. He also said the Committee really didn't have an opportunity to discuss one issue that could have fairly major consequences and that has to do with moving ahead with the adoption of the new Microsoft operating system and/or switching as an agency over to Office 2007. It is something that is a big deal, will have a long term impact, and will cost a lot of money, he said. Mr. Hagan also said he expects that to be talked about in the strategic planning section because it is such a significant project. Mr. Hagan stated he didn't know if this committee had any perspective on it

and if anyone had anything to add. Mr. Hagan also stated he thought this was too large of an issue for the Board meeting, and thought the Committee might have some perspective.

Rev. Manning said his thought was that if the agency is going to do a 10% expansion this next year and being aggressive in it, and with technology changing every eighteen months, then AACS needed to upgrade with the technology. Mr. Hagan said it becomes somewhat slower in the Microsoft arena but we have actually skipped the Microsoft VISTA, which was about a two and a half to three year roll out. The agency is still running the Microsoft XP, a 2002 operating system product.

Mr. Scott said he thinks justification has to be made for what that does for you functionally as opposed to just saying we want the latest and greatest, because Bill Gates is not a multi billionaire by accident. Having multiple releases and changes and updates and everybody thinks they have to have it is the reason he made a lot of money. AACS needs to justify what that does for this organization. Mr. Hagan said he strongly resisted to switching to Microsoft VISTA for many of the reasons indicated. Mr. Hagan also said his thought was of supporting it if at this time is going to be an influx of resources into the agency that might be part of the reason to switch.

Mr. Logsdon noted the agency being a Head Start grantee meant that AACS got the most attractive Microsoft pricing that is available — educational pricing. Mr. M. Douglas Smith asked Mr. Hagan to get the advantages of switching over to Microsoft Office 2007. Mr. Hagan suggested this to be the time to bring this issue up with the Committee to discuss but then has hesitated to mention it. Mr. Scott said that it has to be advised and then tell the Committee why to change over.

Additional Server Room Air Conditioning. Mr. Logsdon informed the Committee that when the 1700 West Fifth Street building was being put together, the engineers “missed it” on the cooling requirements for the server room in the “IT” suite. What AACS has now is completely inadequate, he said. Staff has gone back to the builder and they have provided a proposal to add a second air conditioner unit in the server room at the price of \$14,635. Right now, the existing unit is able only to cool the room down to 80 degrees, and that is with the surrounding air conditioners working. When the surrounding air conditioners are down, it shoots up in the high 80’s. Mr Hagan said there had already been one incident where one server had shut down. Safety measures to cause this are built into servers now.

Mr. Logsdon mentioned that he asked Mr. Hagan to get with the builder on this issue. He authorized the added cost cited by the builder (negotiated downward from an original \$20,000 cost), and Mr. Hagan is authorized to take the project from here. Mr. Logsdon then asked Mr. Hagan if he has been given any time line. Mr. Hagan said no, but had met earlier that day. The builder proposed two different models; AACS is going to go with a less expensive ceiling model. It will be a six foot wide air conditioner in the corner of the walls. Mr. Logsdon asked if they have guaranteed it to cool it down to what degree. Mr. Hagan said the air conditioner is an *additional* 3-ton unit. The original requirements given to them were that four tons of air conditioning would be needed. Mr. Hagan also said his meeting with them earlier pertained to the selection of the final equipment and where it would go.

Fourth Street to Fifth Street Central Office Server Moves. By the end of the day, said Mr. Hagan, all the agency’s servers will have been moved over from the former Central Office to the new. One of the delays in that was because there were some AT&T long distance issues. When everyone moved into the new building, “IT” wasn’t able to port the numbers correctly. As of the past Wednesday, that process had been completed. Now, “IT” is moving ahead with the last two remaining servers. There is a fully enclosed rack that is being removed because it will fit into the plan with the Fifth Street “IT” suite servers.

Data Backup Systems. Rev. Manning asked if there was a process in place to back up everything offsite. Mr. Hagan said yes, though he is never satisfied in that arena. The current process is a backup to the disc system and then the process is to duplicate that disc system to tapes and take the tapes offsite. AACS is

partially in a situation where the back up to disk is offsite. Mr. Hagan also said where he would like to get to is where AACS is 100% backed-up-to-disc offsite. So even if something happened before staff could get it moved over to tape, then it would still be completely offsite. The tape backup system continues to be very expensive and high maintenance, he said. AACS has invested in the disc space technology with faster transfers and faster recovery. He said the system is not complete from the standpoint of implementing 100% disc space off site processes. Mr. M. Douglas Smith asked if the disc he was referring to was a CD. Mr. Hagan said no. They are physical hard drives.

Mr. Logsdon asked when the GRITS parking garage was finished whether everything was going to be mirrored on both sites. Mr. Hagan said the two sites will be interconnected at high speed — and they already were to some extent. There will be two production systems, one at the 1700 West Fifth office building and one at the GRITS parking garage. They will be operating real time. The backups for each production system will be disc to disc to the opposite location and will give “IT” the ability to do a real-time recovery.

Emergency Electrical Backup. Mr. M. Douglas Smith asked if AACS had its electrical backup generator now. Mr. Logsdon said Mr. Lanham is putting the bid specs for that unit together. Mr. Hagan noted the bid process was still going on. What AACS does have is a hookup at 1700 West Fifth Street where a generator can be attached in case of an electrical outage emergency.

Human Resources — Homiak Suit Dismissal. Ms. Gatton informed the Committee of an update on the Homiak case pertaining to a lawsuit against the agency. The Judge dismissed all of the wrongful termination charges. Homiak’s lawyer stated that there are still open records. The Judge said this was already settled. There is still a chance they will try to run with the open records. We went ahead and created a timeline just to show. At this point we think it is pretty much done. There is a chance that the open records will go back in front of the same judge.

Mr. Logsdon read from the AACS attorney’s letter to the Committee. Mr. Logsdon said that effectively AACS’ liability in this case is over. Ms. Homiak was still an introductory employee and she never finished her “probationary” period. AACS had videotape documentation of what she had done and she still filed a lawsuit against the agency.

OTHER INQUIRIES & REPORTS

Credit Card Usage. Rev. Manning brought up that this had been on the news and in the paper about the credit card use by a particular public official. He asked if the agency had in place a good credit card use policy. Mr. Logsdon said that in accordance with the Head Start reauthorization act of December 2007 that AACS now makes a monthly reporting of its credit card use. The Federal law requires a monthly accounting of all credit card expenses “to the governing board.” It’s really unclear what that means, so the responsibility was assigned to the Board Committee that oversees Head Start, where the requirement originated.

The Board’s Child and Family Committee received the agency’s *Purchasing Card* report. (Purchasing Cards are *not* credit cards in the usual sense.) Board members can find a reference to that monthly report and review in their Child and Family Committee meeting minutes. That procedure/review can be and may need to be broadened, advised Mr. Logsdon, if the Administrative Committee wishes to have the same review.

An electronic distribution of the monthly Purchasing Card billing is also provided to senior management staff or their designee(s) for additional staff review and oversight. Mr. Logsdon said what he may need to do is add the Board Chair and perhaps others where they, too, get the electronic Purchasing Card billing

report. We're watching it closely. The internal auditor has done an internal study on Purchasing Card use within the agency, and has offered a few recommendations now under consideration.

Rev. Manning mentioned that official responses to egregious abuses in the news would eventually filter down to AACS and other agencies as well. Mr. Logsdon noted his agreement, saying that the State Auditor has already issued a seven-page set of recommendations for any and all non-profit organizations.

Mr. Scott asked why any AACS staff person would have a company credit card. Mr. Logsdon said that it would be very difficult for AACS to operate across its thirty-four (34) counties and the kinds of services it offers without "credit cards." Ms. Gatton noted the fact that AACS has ninety-one (91) different service and operational locations. However, what the agency uses, advised Mr. Logsdon, is a *BB&T Purchasing Card*. Purchasing Cards are very different from typical credit cards. Purchasing Cards have controls, restrictions and limits to what can be purchased, when and where allowable items can be purchased and according to each user's authorized limits.

ADJOURNMENT

There being no further business,

Rev. Jerry Manning made a motion to adjourn the meeting at 1:35 p.m. Mr. David Scott seconded the motion.

Mr. M. Douglas Smith
Committee Vice Chairperson