

Audubon Area Community Services, Inc.
Audit Review Committee

November 17, 2009

Board Vice Chair M. Douglas Smith called the Audit Review Committee to order in the AACS Board Room at 11:00 a.m. Mr. Logsdon noted that AACS' Board Chair, the Hon. Reid Haire, was on a "Sister City" exchange in Olomouc, Czech Republic. He had asked that the Vice Chair proceed with necessary business in his absence from the country.

Committee Members Present:

Rev. David Combs

Ms. Daisy James

Mr. M. Douglas Smith

Rev. Jerry Manning

Alexander & Company Auditors Present:

Mr. Tony Byrne, Managing Partner

Mr. Pat Mulligan, Onsite Lead Auditor

Staff Present:

Mr. Ronald Logsdon, Executive Director

Mr. Byron Mayes, Chief Financial Officer

Guest Present:

Ms. Alita Wilson-Smith (Mrs. M. Douglas Smith)

March 30, 2009 Audit Review Committee Minutes. The minutes of the Committee's previous meeting were presented.

Ms. Daisy James moved for approval of the March 30th minutes. Rev. Manning seconded. Motion carried.

NEW BUSINESS

General FY2009 Audit Progress Review. Chairman Smith recognized the executive director for introductory comment. Following his statement of purpose for the Committee, the meeting and his introduction of the auditors, Mr. Logsdon deferred to Mr. Byrne who in turn deferred to Mr. Mulligan for his assessment of the status of the FY2009 organization-wide audit progress.

Mr. Mulligan said that the current status of the FY2009 audit was progressing "OK." His team was a little behind where he'd like to be at this time, but that his team also got a little later start than they would have liked.

The auditors, he said, now had all the "odd year-ends," i.e., programs with PYE's other than June 30. They were finished with all of those except for Head Start and child care centers. Those odd-year accounts were going slowly because those accounts were submitted to them not yet "up to date," so the auditors had to do extra work on them. The June 30 trial balances were beginning to come to him, he said, but they had not yet started with their review on those. Still, he was hoping that those would be properly reviewed and corrected when they arrived and that those would go much faster than the odd-year-ends.

A good deal of the problem, he indicated, was that the cash accounts and accounts payable were not posted up to date. Much of what he received was a month behind on postings. At that point there was a brief discussion on the newly instituted closing process, which was only begun in April 2009. In the

future the issue Mr. Mulligan cited should not be a problem, but last year after his October 13, 2008, hiring, the CFO spent virtually all of his time through February 2009 on matters related to the FY2008 audit. Ms. James commended the CFO on his diligence and competence.

The CFO commended Mr. Mulligan and his team for working the audit at AACS' Central Office where he, his staff, the auditors and AACS management staff could efficiently work together on a daily basis. It's a much better process, he said, than the remote-locations-and-e-mail approach employed last year. When there are questions, answers and responses can be provided much more quickly and effectively. Mr. Mulligan agreed that working onsite was the right and best way to do the audit.

Mr. Smith asked for more specificity on the problems the auditors were encountering. Mr. Mulligan said that the problems basically revolved around adjusting entries the auditors had to make to get the accounts in order. Ms. James asked about time limits for completing the audit, whether standard timelines for submission would be met or if time extensions would have to be requested. Mr. Mayes said that the progress on the FY2009 audit was tracking much better than the FY2008 audit.

FY2009 Financial Statements. Mr. Byrne noted that Mr. Mayes had the responsibility to put together the agency's FY2009 financials for the auditors' review. He urged that the executive director do all he could to cut down on any distractions that might delay Mr. Mayes' work on those critical pieces of the audit. He asked if Mr. Mayes had any outside meetings upcoming that might delay the process. Mr. Logsdon said he could control that matter with his required travel authorization responsibility. Mr. Mayes said that the primary complications had to do not with travel but new startups. He advised that the startup of Owensboro Regional Recovery Center scheduled for early 2010 could demand a good deal of his time.

Mr. Mayes said that he and his staff were working on the trial balances. Those would be carefully reviewed and proofed and then the financial statements would be compiled from those. There will be no "going back and forth" between three parties like last year, he said. Mr. Mayes said that with support from the agency's "IT" staff the *Logos* financial accounting software had been upgraded and he was now getting that new *Logos 6.0* system "up to speed." That upgrade, he said, would help out a great deal in terms of the general consolidation of accounting numbers and the production of the financial statements.

ACF "QIP" Verification Visit. Mr. Logsdon noted to the Committee that the late April 2009 Head Start Protocol Review had resulted in one financial finding, that monthly bank reconciliations were then not up to date. A Quality Improvement Plan (QIP) had to be developed and submitted to the Atlanta Regional Office of the Administration for Children and Families (ACF). That was done, as well as a subsequent report to ACF that the QIP had been fully performed and that the bank reconciliations were current.

Ms. Judith Deane, ACF/Head Start Representative, was in the agency November 16-17, 2009, to do a hands-on review and verify that the bank reconciliations were, in fact, current as stated by the agency. She had done her review and had told the CFO that she would file her report that the matter should be closed. Her only recommendation, he said, was that each of the monthly bank reconciliations should include a "date field" to state when the reconciliation was done.

BB&T-USBank Parity Agreement Calculations. Mr. Byrne said that his firm had been working on the required debt service ratios to support a parity agreement being prepared by Daviess County Fiscal Court's bond counsel, Peck Shaffer of Covington, Kentucky. He had done the calculations for FY2007 and FY2008. Now the bond counsel, Mr. Dirk Bedarff, was insisting on FY2009 calculations as well. Obviously, that's more difficult because there are as yet no audited numbers for FY2009, but as of five months after the PYE, which would be November 1, the CFO's numbers (according to the bond issue's related lease agreement with AACS) could be relied upon for those calculations or other bond-related interim submissions. Beyond FY2009 though, the bond counsel also wants "projections" for FY2010 and FY2011.

But according to his close reading of the lease document wherein the “consultant” for those projections was referenced as a “nationally recognized consulting firm,” Mr. Byrne said that he did not think that his firm was qualified to do those projections.

Mr. Byrne said that he had submitted his draft reports to Mr. Befarff. The FY2007 and FY2008 calculations came, respectively, to 2.25:1 and 2.09:1. The bond trustees require only a 1.05:1 ratio to qualify the lessee (AACCS, Inc.) to acquire a parity agreement. Mr. Byrne said that he, Mr. Charles Kamuf, II, AACCS’ attorney for the Daviess County Public Improvement Corporation bond, and Mr. Mayes would have a conference call at 3:00 p.m. that afternoon to discuss where to go from here.

AACCS Internal Auditor. Rev. Combs inquired about the attendance of the agency’s internal auditor. Mr. Logsdon said he would invite Mr. Brad Trivett to subsequent Audit Review Committee meetings.

ADJOURNMENT

There being no further business,

Ms. James moved for adjournment. Rev. Manning seconded.

Without objection, the meeting adjourned at 11:30 a.m.

Mr. M. Douglas Smith
Board Vice Chair
Acting Audit Review Committee Chair