

Audubon Area Community Services, Inc.
Administrative Support Committee
MINUTES
April 6, 2010

Board Vice Chair Mr. M. Douglas Smith called the Administrative Support Committee to order at 12:00 p.m. in the agency's Board Room in Owensboro following lunch.

Members Present:

Ms. Joanne Kendall
Mr. Jerry Manning

Mr. Jesse Mountjoy, Board Counsel
Mr. Thomas Platt
Ms. Betty Rucker

Mr. Doug Smith
Mr. M. Douglas Smith

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

Staff Present:

Mr. Ronald Logsdon, Executive Director
Ms. Denise Marcum, Executive Assistant
Mr. Byron Mayes, Chief Financial Officer

TRANSACTIONAL REVIEWS

Board Vice Chair M. Douglas Smith, Acting Committee Chair, called upon the Committee to take a moment for silent prayer for McLean County Judge/Executive Larry Whitaker, chair of the Committee.

Minutes of January 28th Administrative Support Committee. The minutes of the immediate previous Committee meeting had been mailed with the meeting notice and agenda. There were no questions or alterations concerning the January minutes.

Without questions or alterations, the Committee unanimously accepted the January 28th Administrative Support Committee minutes.

Financial Reviews. Mr. Mayes noted to the Committee the distribution of the Indirect budget report and the VISA Purchase Card.

Credit Card Review. This review, he noted, is done as ordered by the 2007 Head Start Reauthorization Act. The report he provided is basically what the BB&T Purchase Card website offers. Mr. Mayes said he ran the twelve-month report from March 2009 to March 2010 just to cover a “rolling 12-month” period. If the Board needs more detail, it can be produced down to more in-depth detail, he said. Most of the “credits” noted are for returns, he added.

Mr. Logsdon said there had been a lengthy discussion about the Purchase Cards at the last Senior Staff meeting. There is supervisory approval requirement for all the staff under them with a Purchase Card. AACS is really focusing on getting supervisor reviews and approval on all of those things, he said. One oversight that was noted is that nobody was reviewing the CEO's charges. Mr. Logsdon stated he would make sure that the Board Chair gets his Purchase Card summary for monthly review and approval.

Rev. Manning made a motion to approve the Purchase Card summary report. Ms. Rucker seconded the motion. Motion approved.

Indirect Budget Performance Review. Mr. Mayes noted that AACS feels this year will be a good year for Indirect. Due to increased funding through ARRA (American Recovery and Reinvestment Act of 2009) and other funding increases, it's likely that the agency would build up its cash reserves. Mr. Mayes pointed to the last page of his Indirect summary. The Indirect budget year is 75% complete. FY2010 revenues exceed 75%, and there's more money coming in than going out. Mr. Mayes said he believes the Indirect Cost Pool and agency are in good financial shape.

Mr. M. Douglas Smith asked what "EAP" stands for. Mr. Mayes explained it is the Employee Assistance Program. The overage of expenditure in that category is due to one charge to that account being doubled up. Mr. Mayes said he will get with Payroll, have them correct that expense.

Mr. Thomas Platt made a motion to accept the Indirect Budget Performance Review. Ms. Joanne Kendall seconded the motion. Motion approved.

FY2011 Indirect Cost Proposal. Mr. Logsdon noted that AACS is in the process of negotiating a new Indirect Cost rate. A proposal has been submitted, but there have not yet been any negotiations with the Division of Cost Allocation, Department of Health and Human Services (DHHS), Washington, DC.

NEW BUSINESS.

AACS Personnel Manual Revisions. In the absence of the Human Resources director, Ms. Cheryl Gatton, due to Spring Break vacation, three Personnel Manual revisions were presented by Mr. Logsdon.

Group Insurance "Wellness Program", Section 4.2 (6). Mr. Logsdon said there has been some difficulty on the implementation side with the current policy. Ms. Gatton had cleaned up the policy's language so there can be a better process and better documentation for reimbursing staff for their participation in the Wellness Program. The recommended policy language is, he said, that change that Ms. Gatton believes will enable a better implementation of the "wellness" employee benefit.

Weatherization Assistance Program Crew Positions. Mr. Logsdon told the Committee about a weekly call with the Kentucky Housing Corporation (KHC). Last week, there was also a long call with the Department of Energy, Washington, DC, and they're really putting the heat and pressure on AACS (and all agencies) to increase production. AACS staff decided to bring back Weatherization crews. At this point, the agency is only adding *one* crew, but it was found that AACS needed to have Position Descriptions (the former ones had been deleted) and have the Board grade those positions so that staff can implement them. The proposed Position Description is what's needed to get that done, he said.

AACS may eventually have to hire multiple crews, as it has only one private contractor, Schwartz Heating and Air Conditioning. They do an excellent job, but AACS has more work to be done than one contractor can do. He said that management staff has tried really hard to find additional contractors, but they don't want to deal with the Davis-Bacon wage requirements. In order to work with the Weatherization program, anyone, including AACS, must agree to provide that level of wage and fulfill all of the Department of Labor wage documentation requirements that go with it; most private contractors just don't want to do that. With these new positions, he said he was hopeful that AACS could get production up to required levels. AACS has thus far done some fifty-five to fifty-eight (55-58) ARRA-funded homes, but the agency needs to quickly and greatly increase its ARRA Weatherization production rate, he said.

Personnel Manual Revision: Section 5.1, "Holidays" (Make Good Friday full day holiday). Mr. Logsdon noted the proposed revision in the Committee's handout packet. At a Senior Staff meeting the previous day before, staff expressed that this holiday was the most frustrating one. Many employees applied their personal leave to make this a full day's leave anyway, and for "exempt" staff

the partial day still counted as a full day's work. It was suggested to get rid of the ½ day for Good Friday and make it a full-day holiday instead. The proposed revision simply strikes out the half-day language in the existing policy.

Rev. Manning moved to recommend Board approval of the three Personnel Manual revisions — the Group Insurance “Wellness Program”, Section 4.2(6) amendment, the addition of the two Weatherization positions (Crew Leader/Technician at Hourly Grade 10 and Technician Assistant at Hourly Grade 8), and the Personnel Manual revision to Section 5.1, “Holidays,” making Good Friday a full day holiday. Ms. Rucker seconded the motion. Motion passed.

President's Place, LLLP Resolutions. Mr. Logsdon noted that the mailed out packet contained the wrong Resolution, as that one is signed by the CEO. The handout packet contains the Board Resolution. Behind those items in the handout material there are other informative Presidents Place reference materials, including a letter from the developer's attorney that speaks to the \$131,822 KHC HOME grant that was received in conjunction with the project. Behind that document was the Board Resolution formally granting the CEO authority to execute agreements with KHC in connection with the HOME grant.

Mr. Logsdon explained that, in affect, the Committee was also acknowledging that the CEO would, as Sole Director and President of Presidents Place, LLLC, be signing the first Resolution relating to the project's ARRA Tax Credit Exchange funding. The Committee would specifically be recommending to the Board that it approve the Resolution that accepts the \$131,822 home grant to AACS, Inc. Behind that document in the handout packet is the project's ARRA job reports and “flowcharts” prepared by Mr. Mountjoy that graphically depict all the various parts and players in the Presidents Place project.

Ms. Kendall made a motion to recommend Board approval of the President's Place, LLLP Resolution accepting KHC's \$131,822 HOME grant and acknowledging the ARRA-related Resolution the CEO would execute. Rev. Manning seconded the motion. Motion passed.

ACF/DHHS Cost-of-Living Adjustment (COLA) Grant Award (Head Start), FY2010. Mr. Logsdon said this DHHS, Administration for Children and Families (ACF) had just come to him. The AACS Head Start director, Mr. Aubrey Nehring, said the Committee needs to recommend Board acceptance on this FY2010 COLA grant award. The initial ARRA-funded COLA grant was received last year, but the agency had only received the FY2009 funding, so this is the second year of that funding. The grant award document lays out some of the requirements that AACS must employ to provide this COLA directly to its Head Start staff. The agency will draw its Indirect Costs share from it, he said.

Ms. Rucker made a motion to recommend Board approval of the FY2010 ACF/DHHS COLA Grant Award for AACS' Head Start employees. Mr. Platt seconded the motion. Motion passed.

AACS Senior Service Corps (SSC) RSVP Request to OMHS. Mr. Logsdon said Owensboro Medical Health System (OMHS) has a small annual grant program. The SSC RSVP (Retired and Senior Volunteer Program) is requesting a modest sum of \$1,000 from the current year's OMHS “Community Benefit” funding awards.

Rev. Manning made a motion to recommend to the Board for its approval the AACS Senior Service Corps' RSVP \$1,000 request to OMHS' Community Benefit mini-grant program. Ms. Kendall seconded the motion. Motion accepted.

AACS Senior Service Corps RSVP “PNS” Proposal to CNCS. Mr. Logsdon said this was also an RSVP request. This one is going to the Corporation for National and Community Service (CNCS). If funded, it will expand RSVP volunteer support into the Weatherization Assistance Program’s home energy audit services. With in-kind and match money, the total grant is for \$6,429 (\$4,500 federal funding). Since CNCS approval to apply for the funding came in after Ms. Mattingly’s oversight committee, the Community Services Committee, had met, she was unable to get this through her assigned Committee and she has asked for it to present it for Board approval through this Committee, said Mr. Logsdon. Mr. M. Douglas Smith commended for the good job Ms. Mattingly does with the SSC.

Ms. Kendall made a motion to recommend Board approval of the AACS Senior Service Corps RSVP expansion/enhancement proposal to CNCS. Ms. Rucker seconded the motion. Motion passed.

AACS Community Services Block Grant (CSBG) ARRA 1% “Benefits Enrollment Coordination” Award. Mr. Logsdon stated the agency already had some \$775,000 in CSBG ARRA funds. Initially, the State had retained 1% of the ARRA CSBG award to the state. Now they have decided to give back that extra 1%. The Cabinet for Health and Family Services (CHFS) calls the 1% funding award *Benefits Coordination*, but basically it has to do with the EITC (low-income tax credit) program and related kinds of activities. AACS is going to be getting an extra \$7,329, and by approving this CHFS CSBG contract amendment AACS is agreeing to accept it, he said.

Ms. Kendall made a motion to accept the AACS CSBG-ARRA 1% “Benefits Enrollment Coordination” Award (CHFS). Ms. Rucker seconded the motion. Motion passed.

STAFF REPORTS

Management and General Reports. The Chief Executive Officer (CEO) presented the following reports:

LIHEAP Funding and Benefits Summary. Mr. Logsdon stated this program had ended on March 31, 2010. The summary numbers seen on the report he distributed in the handout packet are generated out of Frankfort and are estimates. AACS ended the FY2010 LIHEAP year about \$200,000 short of spending the allocation it had.

CEO’s Certified Community Action Professional (CCAP) Recertification. Mr. Logsdon said this matter was just an advisory to the Committee. No action is needed. The “CCAP” is a good credential and qualification in the Community Action business. This credential has to be renewed every three years. Mr. Logsdon said he had to write a letter to the CCAP Commission stating his continuing service, honors and accomplishments, then have the Board chair sign it and submit the letter with the required renewal fee.

Ms. Blackham, he advised, is in the process of getting her CCAP credential. She has finished everything except for the examination, which is several hours long and takes place once a year sometime in mid to late June. A person needs 700 points to qualify and Ms. Blackham had earned 918 points, an outstanding score.

WellPoint Stock Update. Mr. Logsdon advised the Committee that AACS’ stock was up at the close of business April 5th to \$65.34 a share. Included in the handout packet was a chart showing that the stock was edging its way up from where it was at its lowest value (\$23/share) back in March 2009. There were several WellPoint references included in the handout packet. The trends in the stock market would indicate that there’s probably more growth potential in this stock, he said. The analysts are projecting it to go to around \$80 a share, and if that happens, AACS will have over \$2 million in its stock portfolio, which is AACS’ “reserve” should hard times come along.

Mr. Mountjoy asked if there was a built in diversification target. Mr. Logsdon said no. There was talk in early 2009 about doing a diversification and employing an asset management firm, but the agency hadn't yet followed through on that.

Earmark Moratorium – Rep. Brett Guthrie. Mr. Logsdon reminded the Committee that at the last Board meeting, staff had submitted both an ARRA proposal to expand the parking garage to 600 slots and had also submitted an “earmark” request to Second District U.S. Representative Brett Guthrie. A notice had been received from Rep. Guthrie that the Republicans in the U.S. House of Representatives had agreed not to do any further earmarks. The Republicans may not be doing any earmarks, said Mr. Logsdon, but that doesn't say that the Democrats aren't doing any.

Worker's Compensation Insurance. Mr. Logsdon directed the members' attention to the analysis of the agency's Workers' Compensation. If a Committee member had a question, he asked them to please advise the CFO.

President's Place. Mr. Logsdon noted more material in the handout packet about Presidents Place.

Request for Extension on IRS 990 Filing. Mr. Logsdon said the external auditor, Alexander & Company, had requested an extension for submitting the AACS, Inc. “990” to the Internal Revenue Service. Mr. Logsdon said that this was probably because of tax season.

BB&T Filing with US Bank National Association. Mr. Logsdon updated the Committee that about two months ago AACS was trying to get a BB&T-USBank “parity” agreement. That was going to be the two banks' way of saying that they we're willing to hold equal claims on AACS' gross receipts. That would have settled BB&T's concern about their security on the Christian County Head Start Center, he said.

As it turned out, the Alexander & Company auditor could not certify the calculation that was required to grant parity. So BB&T has been working on some other direction to figure out some way to satisfy their bond trustee on the \$4 million Christian County bond issue. What BB&T is doing through this approach is asking US Bank to sign a letter that, basically, assures BB&T there is no USBank claim against their annual \$160,000 principal payment. BB&T notes that it is already covered under a prior lien and US Bank should accept the fact that they have no claim on the \$160,000 payment. If USBank signs, the BB&T security matter will be resolved.

If they don't sign? Well, there's no telling what will happen then. Mr. Logsdon said he was deeply concerned about this. What if, although very unlikely, BB&T decides to call those bonds? There is no way AACS could come up with \$4 million to cover the outstanding debt on that project. Mr. Logsdon said it appeared that the banks were not so concerned about AACS' ability to pay, but some “out there” unlikely eventuality. AACS has no problems meeting its obligations and paying the debt owed to these institutions, but the conflicting claims on gross receipts is a problem needing to be solved.

Mr. Mountjoy said if the issue were really traced back it goes back to the wrong definition of terms. When USBank went into their bond issue, they were assuming this was a different kind of entity where you have recurring income with annual surpluses (like a city or county) and they didn't give any thoughts to the fact that AACS' grants are received annually, and there's no legal guarantee that AACS will always get that. That's really where the “disconnect” is, he said. He said he thought the banks will find a way within the awkward terminology that they have to be comfortable with it, even if it's only with respect to every year renewing that BB&T Letter of Credit based on annual grant awards in hand.

Mr. Logsdon stated what's interesting about BB&T's situation and the Christian County Head Start Center is that AACS has a commitment from the Department of Health and Human Services to stand behind that building, project, bond issue in Hopkinsville. Every year DHHS puts the payment for that project in the annual Head Start grant award. There is no way that USBank (or anybody else) could ever get their hands on that \$160,000 that's specifically slated to go to BB&T in principal repayment on the Christian County Head Start Center.

Rev. Manning asked what AACS' debt to asset ratio was. Mr. Mayes said the banks were looking for was a factor of 1.05:1. Mr. Logsdon advised that the auditor said that ratio could not be achieved because the narrow definitions in the USBank bond issue didn't allow consideration of any assets like the reserves or the stock that the agency has. None of that factored in to that calculation. According to the narrow definition, it was just money in and money out in a given period of year, and AACS is the kind of organization where its *costs* are reimbursed, but excess revenues are very hard to generate.

There are only two or three ways AACS can ever get anything ahead on revenues over expenses: Somebody gives AACS a big contribution, it generates "excess" money on Indirect Costs above what it's spending — much as the agency is doing this year, or GRITS is able to generate money through the "brokerage" that exceeds the amount of money that AACS pays out in operating/subcontractor costs. To date, though, GRITS is not really making a "profit" from the Medicare "brokerage" operation. This year, AACS is generating significantly more revenue than its expenditures in Indirect. But it has not had any great contributions coming in outside its grants. AACS has money to cover its obligations, and everything is current payments-wise, but the banks are not looking at that, he said.

ACF DHHS Risk Management Review & Action Plan. Mr. Logsdon said the Risk Review report letter had just been received from ACF, Department of Health and Human Services. A couple of things that were cited, one on the former CFO's fraud and a dental services issue, but both of those issues had been reported to ACF.

Triennial Review Notice for Head Start Expansions. Mr. Logsdon reminded the Committee that the agency had just finished the Head Start "triennial" review in February 2009. There were a couple of findings, and those have been resolved. But, said Mr. Logsdon, he received a letter a couple of weeks ago that there will be *another* "triennial" review in the year ahead. The reason is that the agency's Head Start program received some \$8 million in expansion funding (Head Start *and* Early Head Start) from ARRA. Because of President Obama's intensive review on all of the ARRA funding projects, DHHS is doing a quick review of all of its ARRA funding projects.

Owensboro Regional Recovery Center Ribbon Cutting. Mr. Logsdon mentioned that Kentucky's First Lady would be attending the Open House and ribbon cutting for Owensboro Regional Recovery on Wednesday, May 19th, 2010.

Board/Committees/Changes/Needs. Mr. Logsdon advised that Ms. Betty Rucker has resigned from the Community Support Committee and some changes will need to be made to the 2010 Committee assignments in view of that notification.

Employment Law Attorney Search. Mr. Logsdon told the Committee that the agency's employment law attorney for years has been Ms. Susan Sears. She has worked out of Lexington, first with Frost Brown Todd, and then worked with Dinsmore and Shohl. Ms. Sears is now a shareholder with Littler Mendelson, P.C., Columbus, Ohio. She heads the firm's Kentucky office. Littler Mendelson's hourly rate is \$345 hour, so staff are talking with other firms about the agency's employment law representation. Mr. Logsdon said Ms. Sears and her new firm's specialty was employment law and the new firm has a nationwide scope. AACS is looking at other less expensive ways to meet the agency's employment law representation needs, he said.

Finance. The Chief Financial Officer (CFO) presented the following reports:

Bank Reconciliation Procedure Update and Current Status. Mr. Mayes mentioned that some of the Committee members might have the e-mail that he sent out to the Audit Review Committee the prior week. Mr. Mayes stated he had asked Ms. Maryanne Mountain, who prepares the reconciliations, to give him all of her bank reconciliations from July 2009 through February 2010. They are in his possession and he is reviewing those. AACS is on the pace that it needs to be on, he said.

The *timeliness* of the agency's bank reconciliations was in question. Mr. Mayes stated that some of the process changes that have been made have helped, like ending the third-party relationship that had been in place. The third-party firm was basically taking information, repackaging it, and then sending it back to AACS. That created built-in delays. He has worked with AACS' finance and accounting software provider, New World Systems, who have given him some tips of areas within the *Logos* system to help with the bank reconciliations. Mr. Mayes said he is always looking for ways the agency can do these processes better.

Federal Audit Clearinghouse Acknowledgement of FY2009 Audit Filing. Mr. Mayes said this e-mail acknowledgment from the Federal Audit Clearinghouse (FAC) verifies their timely receipt of AACS' FY2009 audit. This is an annual process. Once the audit report is complete, the auditor goes into the FAC website and submits/initiates their audit report. Mr. Logsdon then goes in and provides his approval. Basically, it turns that report over to the public domain, he said. Mr. Mayes asked if there were any questions. There were none.

Head Start Final SF-269/AACS FY 2009 Audit Reconciliation. Mr. Mayes noted that this letter from Ms. Marsha Lawrence contained two components. First, the federal official speaks to the prior year finding on the bank reconciliations and that they have accepted the explanation from the auditors and are moving towards closing that issue. The second component — one that periodically comes up due to AACS' fiscal year (July 1-June 30) differs from the Head Start grant year (October 1-September 30) — speaks about a reconciliation of the FY2009 audit numbers to Head Start's Final SF-269 Financial Status Report.

AACS' auditor, Tony Byrne, CPA, submitted a letter of explanation to the fact that the numbers will not reconcile due to the difference in fiscal period covered and that his firm has not been engaged to audit through the September 2009 Head Start program year ending. A second letter of explanation, provided to the Committee, further elaborated that the three-month (July-September) period in question *will* be audited and the SF-269 numbers verified by the auditors in the FY2010 audit. Mr. Logsdon mentioned that the agency has been going through this exercise every year with the same explanation year after year.

ADJOURNMENT

There being no further business ...

Rev. Manning made a motion to adjourn the meeting. Mr. Thomas Platt seconded the motion. Without objection, the meeting was adjourned at 1:00 p.m.

Mr. M. Douglas Smith, Acting Committee Chair