

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
June 9, 2020
5 to 7:00 p.m.
Via Teams

Members Present

David Connell, David Lake, Paul Litwinczuk, Melissa May, Jill Nickerson, Karen Rasmussen, Laura Shipley

Members Excused

Craig Payne

Staff Present

Jeff Carr, Owen Gibson, Janice Jacobs

Convene (Karen Rasmussen)

Karen convened the meeting at 5:00 p.m.

Approve Minutes of May 12, 2020 Meeting (All)

David Lake moved that the minutes of the May 12th FAC Committee meeting be approved with correction of the adjourn time. Paul Litwinczuk seconded. The motion passed via unanimous vote.

Review Audit Plan (Gary McGee & Nathan Bresser of Gary McGee & Co. LLC)

Gary reviewed the summary of the audit plan included in the meeting packet.

- Nathan Bresser and Tom Wiederrecht will lead the audit.
- The objectives of the audit are to: report on the FY2020 financial statements; issue a management letter if issues are found; produce a letter to the Board about the overall audit process and results; prepare Kerr's tax filings; and, deliver presentations to Kerr's senior management and Board.
- The timeline is as follows: interim field work begins around July 20th; principle work will begin after Labor Day; review of draft statements and letters with management will take place at the beginning of November; drafts will be presented to the Finance, Audit & Compliance Committee at the November Committee meeting; and, the final statements and letters will go to the full Board in November.
- If any concerns become apparent prior to the November reviews, Gary will contact Karen Rasmussen as Chair of the Committee to keep the Committee informed.
- Each year, a fresh review of all processes is conducted, making sure all checks are in place and performed.
- Some new standards scheduled to be implemented this year have been deferred due to the COVID-19 pandemic. Thus, no new standards are required.
- Fees were reviewed. Last year was slightly higher due to the extra work and assistance with the transition of key staff on the Finance team.
- Due to COVID-19, much of the work will be done remotely. Nathan will set up information exchanges, phone calls and video conferences. Minimal onsite visits may need to occur with safety practices in place.

- Staff and the Committee extended sincere appreciation and gratitude to both Gary and Nathan for their support and generosity with information and guidance over the past year.

Review Corporate Compliance Plan (Owen Gibson)

Owen reported that there are no significant updates this year as the Corporate Compliance Plan was significantly revised two years ago.

- New formatting and fonts have been applied in keeping with the ongoing agency policy update project.
- The Plan provides details and specific elements for how Kerr manages oversight.
- Under Standards of Conduct, in light of current events, CHRO Matthew Warner reviewed Kerr's documents to make sure conduct is clearly defined in regards to anti-discrimination issues. Policy and Procedure contents and regulations are defined.
- Privacy policies while administrative staff are working from home have been reviewed and particularly PHI regulations have been emphasized with staff.
- Owen's role as the Chief Compliance Officer and the Finance, Audit & Compliance Committee's role are defined.
- A continual focus on compliance is communicated through channels such as tips sent in email and Kerr's newsletter. Training is defined and tracked for all Kerr staff and the Board of Directors. An attestation of compliance will be distributed to Directors at the August Board Meeting.
- All allegations of abuse and neglect are tracked in a single system, not just those substantiated, in order to monitor multiple incidents by individuals and also trends in types of incidents that indicate a need for training or other corrective action. Staff are trained on how to report concerns about anything that doesn't seem right. The training emphasizes that it is not the employees' responsibility to determine whether or not something qualifies as abuse or neglect, investigators will, so that employees know they are not burdened by the weight of those decisions.
- Compliance risks are rated by impact and probability.
- Internal reviews will be conducted on business associate agreements, and billing processes as they relate to fraud, waste and abuse. A quarterly review will be done in programs for licensure, COVID-19 screening practices, client financials, and BOLI complaints.
- A question was asked about staff's ability to accomplish that plan in light of staff reductions. Owen explained it will be a tight process and workload, but doable for now. If programs expand, a staffing review may be necessary.

ACTION: Jill Nickerson moved that the Corporate Compliance Plan for FY2020-2021 be accepted. David Connell seconded. The motion passed via unanimous vote.

Financial Updates as of April FY2019-2020 (Janice Jacobs)

- April results were positive due to the release of some restricted funds, including \$305k of the Swindells' grant.
- The State is providing a special 10% increase in rates for DD programs due to COVID-19 related expenses. The rate applies to only April through June 2020.
- All COVID-19 expenses are being tracked. While overall spending is managed well, additional expenses were incurred due to purchasing personal protective equipment (PPE).
- Outpatient mental health, Employment Services and subacute are over in salaries and wages due to the low staff vacancy rate.

- Kerr is covering sick time off for employees quarantining for COVID-19 related reasons.
- Adult group homes are performing well.
- Contingency funding came through for Employment Services and PALS.
- COVID-19 had a negative impact on subacute census.
- COVID-19 will likely cause an uptick in behavioral health needs in the future.
- On the balance sheet, cash is in a healthy position.
- Year-end budget performance is expected to be close to break even. A total write-off of approximately \$300k will take place. The write-offs are associated with closing PALS and Epic roll-out costs at CDHS that were previously missed.

ACTION: Review and Recommend FY2020-2021 Operating, Capital & Cashflow Budgets for Board Approval (Janice Jacobs, All)

- The COVID-19 situation creates some uncertainties in the FY2020-2021 budget. Cuts to contracts are expected, however, specific information has not been provided yet.
- The budget was built from a top line down instead of the historical method of building it from the bottom up. Trending data at the top line was used, and allocations were pushed down from there.
- The budget is balanced within \$1,000. This figure reflects non-operating funds as workforce housing was removed and restricted grant releases added. Sales to the public include only Kerr Bikes.
- Contract Labor is significantly reduced due to stabilization in the Finance Department and reduction of contract nursing.
- A 6% reduction in State I/DD reimbursements was factored in due to anticipation of cuts. The reduction in rates will be minimized by focusing on keeping beds full.
- The Development Department will continue to raise funds, although slightly below last fiscal year.
- 17 staff layoffs, a 10% reduction in work hours by administrative staff, plus suspension of 401(k) match all produce a significant savings.
- The Hillsboro office space will close at the end of June.
- Security is added for the Gresham Campus, as the property has experienced recent break-ins.
- The 6% reduction in rates from the State is all in DD programs. Jeff Carr received some encouraging news that our reduction may be more conservative than the actual amount. However, the bigger concern is around the next biennium, which starts in July 2021. Loss in revenues during this period could significantly impact the next budget cycle.
- The 165th IDD/MH subacute expansion is unlikely at this time. The building will be used as a kids' I/DD group home.
- A question was asked about hiring. There will be no new positions hired, only vacancies filled. If the economy starts to recover, the 10% cut to salaries via furlough days will be returned first. Later, 401(k) contributions may be returned. An employee personal accrued leave (PAL) bank has been established for employees to donate PAL to other staff who do not have enough to cover their furlough time and need the additional income.
- Kerr applied, and was approved, for a 20% workshare program where admin staff would reduce hours by 20% (instead of just the 10% furlough hours) and receive unemployment compensation. Matthew Warner has been working to get clarification on the program and the State is not responding. This in addition to known issues with payments from the Unemployment Department, and a 20% cut would be significant, made the 20% plan seem too risky and likely to not be implemented.

- The consolidated statement includes both operating and non-operating income. Allocations are not complete yet and will likely shift. Revenue loss from reduction in the TOKNA and Foundation revenue streams will have impact. Some losses will not be recovered.
- The capital budget for the year is very lean. No new homes are planned and a contingency for emergencies is in place. The budget is \$1.2 million, down from the usual \$2 million. Some projects will be deferred, although none that could negatively impact safety of clients.
- Cash flow remains healthy. Projections show the potential for using reserves but it is hoped that will not happen.
- A 20% reduction in funds from the 24 Hours of Kerr event is planned. The event will be held virtually.

ACTION: David Lake moved that, subject to minor adjustments discussed during the budget review, the proposed FY2020-2021 Operating, Capital and Cashflow Budgets be approved. Jill Nickerson seconded. The motion passed via unanimous vote.

Evaluate Committee performance against FY2019-2020 goals and establish goals for FY2020-2021 (All)

The Committee reviewed the goals set for FY2019-2020 and will establish goals for FY2020-2021 at the next meeting.

Executive Session

The Committee entered executive session at 6:47 p.m.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 6:53 p.m.

Recorded by Holly Edgar, Corporate Secretary