

**ALBERTINA KERR CENTERS**  
**Finance, Audit & Compliance Committee Minutes**  
**August 13, 2019**  
**4 to 6:00 p.m.**  
Kerr Admin Center – 2<sup>nd</sup> Floor Board Room

**Members Present**

David Lake, Melissa May, Jill Nickerson, Karen Rasmussen (joined at 5:00 pm), Laura Shipley

**Members Excused**

David Connell, Paul Litwinczuk, Craig Payne

**Community Member(s) Present**

Mark Thoenes

**Staff Present**

Jeff Carr, Owen Gibson, Tom Hurst (Interim CFO), Melody Tripp (Interim Accounting Manager)

**Guests**

Gary McGee and Nathan Bresser of Gary McGee & Co LLP

**Convene** (Jill Nickerson for Karen Rasmussen, Chair)

Jill convened the meeting at 4:00 p.m.

**Approve Minutes of June 11, 2019 Finance, Audit & Compliance Committee Meeting**

**ACTION: Jill Nickerson moved that the minutes of the June 11<sup>th</sup> meeting be approved. Laura Shipley seconded. The motion passed via unanimous vote.**

**Review Committee Charter & Committee Objectives** (All)

Draft updates of the FAC Committee Charter and Committee Objectives for FY 2019-2020 were reviewed. Discussion was held about the responsibilities of the committee. Members suggested several updates that were captured for editing, including ensuring the committee objectives align with the responsibilities as outlined by the Charter. A line item for reviewing the audit plan will be added to the objectives worksheet.

There was a lengthy conversation about the policy reviews. Owen Gibson relayed that a team of Kerr staff are continuing to work on revamping the agency's policy structure, maintenance and review processes. The project has taken a few turns in the discovery phase based on the sheer numbers of and broad distribution of policies, built upon and stored over the years. An additional influence on revising and updating all agency policies is the upcoming transition from the Joint Commission to Commission on Accreditation of Rehabilitation Facilities (CARF) for accreditation. Timing for completion of the policy project is targeted for spring 2020. The FAC Committee will review final drafts of FAC related policies at the March 10, 2020 committee meeting, and conduct a review and update of policies annually at the spring meeting, prior to the auditors' review.

**ACTION: Owen Gibson and Holly Edgar took note of Committee members' requests and suggestions for editing, clarity and consistency between the Charter and Objectives. Owen**

**and Holly will revise the documents accordingly and resubmit for review at the next FAC Committee meeting.**

**Audit Plan** (Gary McGee, Nathan Bresser)

Gary and Nathan distributed and reviewed the financial audit timeline and deliverables (attached). Interim CFO Tom Hurst and Interim Accounting Manager Melody Tripp have met with Gary and Nathan. The scope of services will be the same as in previous years. Auditors will focus on internal control systems and processes. New rules and pronouncements were covered. Leases will be added to the debt on balance sheets. Changes to restricted funds eliminates holding temporarily restricted funds for future use. The audit will proceed on the usual annual timeline. FAC Committee members may email Gary McGee if there are any questions.

**Meet with CFO Candidate**

CFO candidate Marcia Stilwell was introduced to the FAC Committee as a finalist in the search for a permanent CFO. Marcia worked at Nike for 24 years and rose through the ranks to VP & Treasurer of the company. She has held various other jobs since leaving Nike in both for-profit and non-profit businesses. Members of the committee asked a variety of questions about Marcia's background and direct experience. Follow-up discussion following the interview revealed several members had concerns about the candidate's skills and experience matching the job of CFO. These concerns were noted.

**ACTION: Two committee members agreed to meet with the second finalist, Janice Jacobs, as soon as possible to explore her candidacy for the position.**

**Update: One committee member has worked with Janice Jacobs at another non-profit. The two committee members met with her on August 20<sup>th</sup>. All three gave their support of extending a job offer provided background checks and references are positive.**

**Financial Update** (Tom Hurst, Jeff Carr)

- Review FY2018-2019 Closing
  - There will be no adjustments after preliminary financials have been submitted to the auditors. Any adjustments will be done together at the end of the process.
  - The fiscal year ended with a \$24k surplus. The surplus includes funds contributed by Washington County for the purchase of a new group home and a \$194k gift from the Swindell Foundation.
  - The \$500k contingency was used.
  - Reporting of hours and overtime, and focused management of hours, began in January and contributed to the overall reduction of hours, thus savings.
  - Weekly forecasting has helped management understand the capacity and census drivers to the bottom line.
  - June saw a seasonal reduction in census, mainly at subacute.
  - Contract labor expenses will reduce with the onboarding of Medical Director Dr. Alfredo Soto.
  - MIS expenses were not as high as expected due to a delay in the Epic roll-out. Expenses will go up as the new system is implemented.
  - Adult group homes are now filled with just two vacancies. Referrals are not fitting the Kerr model. More referrals with higher behavioral issues and more mobility requires a different level of care than the traditional Kerr model. Two adults will be moved to fill the last two vacancies

and the Autzen group home will transition from an adult home to a kids' home. The State has funding for 19 more kids' beds and has asked Kerr to take as many as possible.

- Balance sheets show cash flow in a strong position.
- The consolidated financials show a strong position as well. Investments are good and there have been no write-offs.
- A question was asked about the \$960+k increase in Accounts Receivable. The increase was due to process improvements.
- Review Preliminary July Performance
  - Subacute was down in census due to summer, and slightly under budget. Actual census was 14.55 against a budgeted 15.
  - Overtime increased slightly due to vacation coverage and increased hours while kids are not in school.
- Discuss \$500k Contingency
  - The \$500k contingency will remain the same and will be reviewed for next year's budget.
  - Behavioral Therapists' services in group homes will be unbundled which will have a positive financial impact for Kerr. A preliminary math calculation suggests a possible \$250k increase in in-home behavioral therapy services.

### **Compliance Updates** (Owen Gibson)

Owen provided further information on the policy restructuring, reviewing and re-writing project. Policies have been managed by departments without an overall central processing point of checks, inventory and organization of the documents. A new method and structure will use CARF (Commission on Accreditation of Rehabilitation Facilities) guidelines as a basis for content and categorization. Control of revisions, additions and deletions will be maintained centrally with a single point of ownership by position, as opposed to person. As part of this project, Owen is updating the Conflict of Interest Policy and Procedure. Attestations will be processed at the beginning of each fiscal year. A list of specific positions and roles that need to comply with annual attestation will accompany the policy. Discussion was held regarding restrictions on gifts and how to track and report activity. Owen will bring any conflict findings to the FAC Committee.

**ACTION: Owen Gibson will make suggested edits to the Conflict of Interest Policy and will submit it for review at the next FAC Committee meeting.**

Owen pointed to the Compliance Dashboard for members to review, although he did not plan to provide a deep discussion on it at this meeting. Outcomes reported look good overall. A question was asked about the Code of Conduct Policy, and Owen replied that it will be incorporated into the Employee Handbook.

### **Executive Session**

Committee members entered executive session at 6:15 pm.

### **Adjourn** (Karen Rasmussen)

Karen adjourned the meeting at 6:25 p.m.

Recorded by Holly Edgar, Corporate Secretary