

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
November 12, 2019
5 to 7:00 p.m.

Kerr Administrative Center, 2nd Floor Board Room, 424 NE 22nd Ave, Portland, OR 97232

Members Present

David Connell, David Lake (via conference call), Paul Litwinczuk (via conference call), Jill Nickerson, Karen Rasmussen, Laura Shipley

Members Excused

Melissa May, Craig Payne

Community Member Present

Mark Thoenes

Staff Present

Jeff Carr, Owen Gibson, Janice Jacobs, Melody Tanner

Guests

Gary McGee & Nathan Bresser of Gary McGee & Co

Convene (Karen Rasmussen, Chair)

Karen convened the meeting at 5:07 p.m.

Approve Minutes of October 8th, 2019 Finance, Audit & Compliance Committee Meeting

ACTION: Laura Shipley moved that the minutes of the October 8th meeting be approved. David Connell seconded. The motion passed via unanimous vote.

Review FY2018-2019 Audit of Financial Statements (Gary McGee & Nathan Bresser)

Gary provided a draft copy of the audit for review, and he commended Janice Jacobs and Melody Tanner for their hard work in completing the audit, given the challenges and staff turnover during this past year. A Letter to the Board of Directors included a list of significant financial adjustments (page 3 of the draft report). The findings are attributed to key personnel changes in the Accounting Department during the year and subsequent variations in accounting methodology and processes. The auditors consider these anomalies to be unique to this past year. The report identifies that changes in methodology began in November of 2018, reflective of the time when changes in key personnel took place. The auditors noted changes to accounting reporting standards this year that were successfully adopted, specifically how restricted funds are reported when spent. During the audit, it was discovered that the reporting software in use, PowerPlan, needs to be updated. Desk procedures in accounting and payroll are being rebuilt from start to finish for each process, and all procedures are being documented for initial training, smooth transitions and cross-training among department staff. Reconciliation of cash, general ledgers and sub-ledgers are key focus items in the audit, and the new procedures will cover these critical steps. A public-facing document responding to the management letter will be composed. A question was asked about having the right staff in position at this time; the answer is yes, and implementing Lean Management methods will increase efficiencies.

ACTION: Janice Jacobs will provide an update to the Committee in the spring on the progress of developing and documenting sound processes and controls within the department. Janice will also provide a written response to the findings for the full Board. Gary McGee & Co staff will review progress of implementation of new methods in the March timeframe as well.

ACTION: Jill Nickerson moved that the audit report be recommended to the full Board for acceptance. David Lake seconded. The motion passed via unanimous vote.

Follow-up discussion was held regarding distribution of RFPs to other audit firms. The Committee unanimously agreed now is not the time to change auditors, given the current auditors' familiarity with Kerr, and also their willingness to support Kerr by reviewing and testing the new controls and processes in the spring.

September FY2019-2020 Financial Statements (Janice Jacobs)

Janice reported that adult group homes are at full capacity. With a 4% increase in rates, an additional \$51k is being generated compared to last fiscal year. Employment Services reimbursements are challenging to predict due to finding appropriate placements, differing expectations and qualifications of jobs and clients, and bonus payments that are realized based on client milestones being met. The 34% increase in reimbursement rates at kids' group homes and increases in DSP wages are evident. Young adult transition homes are tracking on budget. Kerr Bikes is seasonal. Subacute census is trending upward again after the expected decrease during the summer months. YTD operating results show performance is ahead of budget. Group homes will catch up with the addition of four beds at the Autzen group home in January. Subacute revenues will increase with the increase in census and the planned incremental contract rates. A comparison of year over year performance shows overall positive trends. Errors in grant reporting were identified and fixed during the audit. Financial tracking in Financial Edge is now clean, while the reporting system, PowerPlan, will take more work. Revenue Cycle continues to perform well, with 88% of accounts receivables under 90 days.

Review Compliance Dashboard (Owen Gibson)

Owen commented on highlights of the Compliance Dashboard and updated members on the founded abuse case in Marion County. The group home absentee billing issue has been reset by the State, effective September 1st; however, final clarity around the rules is still somewhat uncertain. Staff in Revenue Cycle are closely tracking hours to provide an accurate accounting of activity. A reduction was seen in issues with the fleet and driving incidents. Owen is leading a project on updating policies and will bring revisions of some policies to the Committee for review in January. A survey of exiting staff is included in the compliance report. Surveys in the dashboard were conducted prior to the new wage increases. Going forward, surveys will be monitored for potential changes in reasons for leaving Kerr, relative to wages. There are no licensing issues and just two calls to Navex in the 4th quarter.

Executive Session

Committee members entered executive session at 6:52 pm.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 7:00 p.m.

Recorded by Holly Edgar, Corporate Secretary