

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
March 10, 2021
5 to 7:00 p.m.
Via Teams

Members Present

David Connell, Paul Litwinczuk, Rod Malone, Melissa May, Jill Nickerson, Craig Payne, Karen Rasmussen, Laura Shipley

Staff Present

Jeff Carr, Owen Gibson, Janice Jacobs

Guests

Ann Ferguson, CPA, Financial Consultant from CFO Selections

Convene (Karen Rasmussen)

Karen convened the meeting at 4:01 p.m.

Approve Minutes of January 13, 2021 Meeting (All)

ACTION: Paul Litwinczuk moved to approve the minutes of the January 13th FAC Committee meeting. Rod Malone seconded. The motion passed via unanimous vote.

Review Compliance Dashboard (Owen Gibson)

Owen reviewed the compliance dashboard included in the meeting packet and commented on a few notable pieces. Kerr's accreditation will transition to the Commission on Accreditation of Rehabilitation Facilities (CARF) from the Joint Commission in April. Kaiser privacy and security audit will be presented at the May FAC Committee meeting. One founded abuse occurred in the 2nd quarter and was attributed to an improper hold by staff on a youth group home resident. The staff was terminated. HIPAA compliance continues to improve with training. One small breach incident occurred and was addressed. Fraud, Waste and Abuse training continues to go well with no issues. The Silver Loop group home did not pass licensing. Staff training and documentation were identified and the home is working to correct processes. Restricted access to youth group homes is still in place with the biggest issue being short staffing. The current staff vacancy rate is around 15%. Some admissions have been held even though staffing ratios would be legal due to the higher behaviors and the need for additional staff. Complaint calls regarding fleet are down. One minor accident occurred. Client account discrepancies are low. More card use and less cash allow more oversight and electronic records of activity. One staff complaint call was made to the Bureau of Labor and Industry regarding lack of receipt of final pay. Investigation of the complaint revealed a staff performance issue and the complaint was not true. Kerr leadership is meeting tomorrow regarding emergency response debrief after the recent snow and ice storm that led to several power outages.

ACTION: A suggestion was made for Owen to provide a general compliance training as part of a full Board Training session including audit information and processes and an overview of industry issues and where Kerr compares to other like agencies and services.

Risk Management Assessment (Owen Gibson)

Owen reviewed the risk matrix, charting potential events in terms of likelihood to occur and impact to the agency if an event does occur. Instances of abuse, HIPAA violations and lacking documentation associated with Fraud, Waste and Abuse are the highest potential risks. The Risk Management Assessment tool is part of the Corporate Compliance Plan, which will be reviewed in June.

Review Updated Board Policies (Owen Gibson)

As part of the continuing project to review and update all of Kerr's Board policies, two updated policies were presented for recommendation to the full Board for approval at the April Board meeting:

- 1) Code of Ethics Policy
- 2) Financial Reserves Policy

Robust discussion was held regarding the Code of Ethics policy and how it relates to the Conflict of Interest policy, and the need to see them side by side to ensure they cover all areas of concern. Members expressed a desire to see all policies together to gain context and comfort that all important areas of governing are covered. Concern was expressed about the updated Financial Reserves policy and the requirement for cash on hand to be only 30-days' operating expenses. The 30-day requirement is a continuation of the current cash on hand policy, and while 30 days is the policy, the strategic plan target is 90 days on hand. Kerr would be in regular violation of its own policy if the requirement was set at 90 days cash on hand.

ACTION: Jeff Carr committed to working with Owen Gibson and Holly Edgar to provide a copy next week of all Board policies, both recently approved and those still in the approval process, to assist Board members with a comprehensive review and understanding of all Kerr Board policies.

ACTION: Paul Litwinczuk moved that the updated Code of Ethics and Financial Reserves policies be recommended to the Board for approval. David Connell seconded. The motion passed via unanimous vote.

Financial Updates

Functional Audit Update (Ann Ferguson, CFO Consultants)

Ann was engaged as a consultant to assist with addressing the items identified in the audit management letters. Ann has over 20 years of experience at Deloitte and as a consultant. A spreadsheet of findings, causes, proposed corrective actions, and status of corrective actions was provided for discussion. Ann is working with Janice Jacobs and new Accounting Director Judy Croxford, focusing heavily on reconciliations. Contracts and revenues are ready for a mini audit. Next steps in the corrective action plan include working on documentation and process controls. A reconciliation of contributions will be done with Anne Adler, Chief Development Officer, to ensure donations and fundraising accounting is complete and accurate. Gary McGee & Co. will be back in May to review this work up through March 2021 (8 months of FY2020-21) and an update will be provided to the FAC Committee at the May meeting. Work on reconciliations will continue likely into July 2021.

January Financial Update (Janice Jacobs)

MTD contracts and revenue remain positive against budget. COVID relief funds, plus a 6% cut in state reimbursement built into the budget that did not happen, contributed to the positive trend. Census is down in kids' group homes and has an impact on performance. One-time corrections were made to payroll and employee benefits. YTD is looking very good. Salaries and wages are slightly over budget, partly due to timing and not accounting for holiday pay. The variance in employee benefits is due to a budgeting issue. Contract labor is over due to temporary help largely in the Finance department. A SAIF dividend will be received. Positive Kaiser quality metrics will generate a payout of approximately \$100-130k. Cash reserves remain strong.

Update on Insurance Bids (Janice Jacobs)

Heffernan Insurance Brokers has been Kerr's primary insurance broker since 2003 and has 75% of the coverage. An RFP was distributed in January with requested responses by February to three different brokers/firms. Interviews will be conducted and final decisions will be made soon. Notifications will be made in May or June for a July transition. Initial information to HR indicates healthcare costs will go up approximately 4.8%.

990 Review Deferred (Janice Jacobs)

Gary McGee & Co. is reviewing the 990's now and should be done in April.

Land Purchase for Group Home Development (Jeff Carr)

In an effort to right-size group homes, adults with three beds and kids with four beds, Kerr has purchased a piece of land at NE 157th between Glisan and Halsey for \$320k. The lot is big enough to divide and create two lots and two homes, built to Kerr's specifications at approximately 2400 square feet of living space, and the ability to share staff and supports. The first house should begin construction in the fall. Each house will cost approximately \$500-600k to construct. The right-sizing of kids' five bed homes to four bed homes will help pay for the homes.

ACTION: David Connell moved to ratify the purchase of the land and to recommend to the Board approval of capital expenditures for dividing and constructing two homes on the lot. Rod Malone seconded. The motion passed via unanimous vote.

Executive Session

The Committee entered executive session at 5:54 p.m.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 6:06 p.m.

Recorded by Holly Edgar, Corporate Secretary