

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
May 12, 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

Staff Present

Jeff Carr, Judy Croxford, Owen Gibson, Craig Rusch

Guests

Ann Ferguson, CPA, Financial Consultant from CFO Selections; Miki Herman, Kerr Board Chair

Convene (Karen Rasmussen)

Karen convened the meeting at 4:02 p.m.

Approve Consent Agenda (All)

ACTION: David Connell moved to approve the consent agenda, which included:

- Minutes of the March 10, 2021 Meeting**
- Updated Code of Ethics Policy**
- Finance, Audit & Compliance Chair Job Description**

Paul Litwinczuk seconded. The motion passed via unanimous vote.

Review Compliance Dashboard (Owen Gibson)

Owen reported the Commission on Accreditation of Rehabilitation Facilities (CARF) review of Kerr's mental health services went very well and a final report will be delivered in a few weeks. Full accreditation is anticipated. No founded allegations of neglect or abuse were reported. HIPAA compliance is good. Internal audits of privacy notifications and medical necessities in plans of care found no issues. Staff are behind on blood borne pathogen training, which is being addressed. No licensing issues were found, and it is hoped that restrictions on kids' group home entries will be lifted soon. The Revenue Cycle Department is doing excellent work and no billing error paybacks have occurred since 2018. Fleet safety is good while miles have been low. When schools open, increased miles again have an impact on incidences. Audits of client money show a need for closer tracking of individual client funds. The Compliance Department is working on a strategy to address this. Kerr leadership has been meeting to create an emergency response plan. This planning is follow-up action after the snow and ice storm this past winter. Planning for power outages and alternate power sources is a focus item. Other items being addressed include staffing plans during emergencies, access to vehicles set up for inclement weather, communication sources outside cell service, food supplies, and other necessities for emergencies and disasters. Kerr engaged a consultant several years ago, however, everyone feels this process of building a plan internally is more Kerr specific and less complicated.

Review Kaiser IT Audit & Recommendations (Craig Rusch)

Craig presented the results of a recent, very in-depth cyber security audit conducted with Kaiser. Areas of risk and focus within Kerr's IT systems were included in a matrix Craig shared, along with probability and impact data, notes and suggestions to increase security. The information was synthesized into a heat map, also included in the meeting packet. Current focus at Kerr is on items in the high impact, high probability areas, namely cyber security attacks and unauthorized users getting access. Detection and prevention systems will roll out over the next couple of years starting with highest risk users, which is generally administrative and management positions. To date, Kerr is unaware of any significant breach. Firewalls and tools are in place; however, some breaches go undetected. More auditing needs to be implemented, focusing on access and credentials. Suggestions were made for tools, recently authorized by the Department of Defense. Staff training is key in avoiding phishing. Kerr maintains appropriate insurance for cyber coverage.

ACTION: Craig Rusch will provide a cybersecurity report to the FAC Committee bi-annually, and review of cybersecurity will be added to the Committee's annual objectives.

March Financial Statements (Jeff Carr)

March MTD performance was good. Contract revenue was over budget, and expenses were under budget. Salaries and wages were significantly under budget due to the staffing shortage. Employee benefits were over budget due to a slight uptick in unemployment. Contract labor is over budget due to consultants. Training & Other reflects general ledger adjustments.

March YTD is showing a strong year. Total revenue is 6.45% over budget. The net operating results are \$2.8 million over budget. Investment income is strong, although not something Kerr controls. Program performance is generally strong, although vacant beds due to staffing issues are having an impact. The balance shows cash continues to be in a strong position. Kerr's debt is very low, at around \$4 million.

ACTION: A suggestion was made to add a year-over-year column for comparison.

FY2020-2021 was budgeted overall very conservatively due to the many unknowns of the pandemic. The budget was conservative, furloughs were utilized, and layoffs were implemented, which all contributed to the surplus. Budgeting forward, Kerr management is identifying what items in the budget are likely to repeat in the new fiscal year, and what will not. Several positive boosts will not repeat, and it is anticipated that expenses will go up. Efforts will be made to increase wages for the lowest paid positions.

Functional Audit Update (Ann Ferguson, CFO Consultants; Judy Croxford, Kerr Director of Accounting)

Ann and Judy meet weekly with Jeff Carr to review progress on the functional audit. Ann provided an update on the findings and corrective action plan included in the meeting packet. Account reconciliation efforts are now focusing on March. Payroll reconciliations are taking place and will be complete by June 30th. Donor account reconciliations are taking place and regular meetings with Development will be ongoing. Review of Health Share revenues will be finishing up soon. Monthly meetings and tracking of In-Kind contributions are taking place. Recruiting is taking place for an Accounting Manager to fill Ann's role upon completion of her assignment.

Judy began audit reviews with McGee & Co. beginning May 3rd, including interviews that went well. All requested documentation through March was provided. Reconciliations have been sent to the auditors. McGee & Co. will present an update to the FAC Committee at the June meeting. Due to not having any direct comments from McGee & Co. regarding their view of progress being made in addressing the account reconciliations, a request was made for Committee members to have a call with McGee & Co. before the June update to ensure that the work Kerr is currently doing to address the audit letter is in line with the auditors' expectations. Discussion was held about rebuilding the accounting team and hiring appropriate staff. New staff will be trained and cross-trained. Ann has committed to staying on board through the audit.

ACTION: Holly Edgar will coordinate a call between FAC Committee members and Gary McGee to ensure the current work is meeting auditors' expectations.

Review FY2019-2020 990's (All)

A question was asked about lobbying expenses. Kerr spends around \$20k annually, most of which is dues to Oregon Resource Association (ORA), a collective lobbying group.

ACTION: Jill Nickerson moved to approve both Albertina Kerr Centers and Albertina Kerr Centers Foundation 990's for filing. Paul Litwinczuk seconded. The motion passed via unanimous vote.

Executive Session

The Committee entered executive session at 5:45 p.m.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 6:05 p.m.

Recorded by Holly Edgar, Corporate Secretary