



**ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee**

**Meeting Agenda
Wednesday, May 12, 2021
4 to 6 p.m.
Via Teams**

- 4 p.m. **Convene** (Karen Rasmussen, Chair)
- 4:00 **ACTION: Approve Consent Agenda** (All)
pp. 2-4 **-Minutes of March 10, 2021 Meeting**
pp. 5 **-Updated Code of Ethics Policy**
pp. 6-11 **-Finance, Audit & Compliance Chair Job Description**
(Attached for Reference: FAC Committee Charter & Goals)
- 4:10 **Review Compliance Dashboard** (Owen Gibson)
pp. 12-17
- 4:30 **Review Kaiser IT Audit, Recommendations** (Craig Rusch)
pp. 18-19
- 4:45 **Financial Updates** (Jeff Carr)
pp. 20-24 **- Review March FY2020-2021 Financial Statements** (Jeff Carr)
- ACTION: Approve March Financial Statements (All)
- 5:05 **- Functional Audit Update** (Ann Ferguson, CFO Consultants; Judy Croxford,
pp. 25-32 New Director of Accounting)
- 5:25 **-Review FY2019-2020 990's**
pp. xx
- 5:45 **Executive Session** (Karen Rasmussen)
- 6:00 **Adjourn** (Karen Rasmussen)

*Attachment: FAC Committee Goals for Reference, p. 11
Next FAC Committee Meeting is Wednesday, June 9th, 2021, 4-6 p.m.*

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. Once 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

Chapter 1: Core Board Policies

SECTION: CODE OF ETHICS

As a nonprofit organization serving some of Oregon’s most vulnerable adults and children, Albertina Kerr’s policy is to uphold the highest legal, ethical, and moral standards. Those we serve, our donors, volunteers, and employees support Albertina Kerr because they trust us to be good stewards of their resources and to uphold rigorous standards of conduct. Our reputation for integrity and excellence requires careful observance of all applicable laws and regulations, as well as a scrupulous regard for the highest ethical standards of conduct and personal integrity.

Albertina Kerr will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business by following all relevant laws in carrying out their respective duties; to refrain from any illegal, dishonest, or unethical conduct; to act in a professional, businesslike manner; and to treat others with respect.

The use of sound judgment, based on high ethical principles, will guide directors, officers, and employees concerning what is considered acceptable conduct. However, if a situation arises where a Board Member finds it challenging to determine the proper course of conduct or where questions arise concerning the propriety of certain conduct by an individual or others, the matter should be brought to the attention of Albertina Kerr's Board Chair. If the conduct of concern involves the Board Chair, the issue will be brought to the attention of the Board Chair-Elect, and they will work towards a resolution in coordination with the Board. In all questions involving ethics and conduct, individuals whose conduct is at issue will not participate in such decisions, and the Board will make relevant determinations in the best interest of Albertina Kerr’s mission.

Sources:

Rule/Source	Summary	Last rule revision date
NAO	Example code of conduct	2019
CARF	Code of Ethics	2020

Revision and Approval History:

Policy	Revised by	Revision Date	Approved by/ Date	Approved by/ Date
Code of Ethics	Owen Gibson	12/20/20	FAC Committee/ 3/10/2021	
<u>Code of Ethics</u>	<u>Owen Gibson</u>	<u>04/28/2021</u>	<u>FAC Committee/ TBA</u>	<u>Kerr Board/ TBA</u>

Chapter: Governance

SECTION: FINANCE, AUDIT & COMPLIANCE COMMITTEE CHAIR JOB DESCRIPTION

The Finance, Audit & Compliance Committee Chair is responsible ~~for ensuring to assure that~~ annual goals are set for the Committee, for controlling the meeting agenda content, and for providing leadership to and facilitation for ~~e~~Committee meetings. The Chair is also responsible ~~to for periodically providing a Committee report on Committee goals establishment, goal attainment and committee activities~~ to the Board of Directors at regular Board meetings.

Responsibilities also include ensuring that all areas of authority and responsibility outlined in the Committee Charter are addressed, that the Corporate Compliance Plan is implemented and updated, and that the ~~associated following~~ Board policies are adhered to:

- ~~• Budgeting~~
- ~~• Financial Conditions~~
- ~~• Investment Spending Rate~~
- ~~• Signatory Authority~~
- ~~• Bequests & Endowment Funds~~
- ~~• Insurance: Directors & Officers~~
- ~~• Whistle Blower Protection~~
- ~~• Risk Management~~
- ~~• Transfer of Funds between Albertina Kerr Centers and the Albertina Kerr Centers Foundation~~

The Chair will act as mentor ~~to for~~ the Chair Elect. Though Chair Elect succession to the Chair position is not automatic, the Chair will provide opportunities that will prepare the Chair Elect to assume the role of the Chair at a future date.

~~Approved by the Board of Directors on July 16, 2012~~

~~Updated on September 25, 2017~~

ALBERTINA KERR CENTERS, INC.
Board of Directors
Finance, Audit & Compliance Committee Charter

Purpose

The primary functions of the Finance, Audit & Compliance Committee are to assist the Board of Directors in fulfilling its oversight responsibilities including: regular monitoring of financial results; the integrity of financial reporting processes, organizational budgeting processes, systems of internal accounting and financial controls; investment policy and procedures; adequate levels of insurance coverage; the integrity of an annual independent consolidated audit of Kerr's financial statements; and systems in place to effectively manage program-related business risks and a Corporate Compliance Program. As a standing committee of the Board, the Committee shall routinely report its major deliberations and recommendations to the Board of Directors in a timely manner.

Membership

The Committee shall be appointed by the Board and shall be comprised of at least three (3) directors. In aggregate, Committee members will have experience with reviewing and analyzing financial statements and knowledge of federal and state Medicaid laws, rules and regulations. The Board of Directors will designate a Chair for the Committee. The Committee may, with the approval of the Board of Directors, appoint expert advisors to serve on the Committee as non-voting members.

Authority and Responsibility

- 1. Review of interim financial statements.** Management is responsible for preparing Kerr's financial statements on a monthly basis. The Committee shall review the interim financial statements with management at least quarterly.
- 2. Budgets.** The Committee shall review the annual operating, capital and Kerr Foundation budgets prepared by management and recommend budgets to the Board of Directors.
- 3. Investment Review.** The Committee will receive a report from the Foundation Board of Trustees on current investment positions and policies twice annually, typically in January and in June when the annual budget is approved.
- 4. Policy review and formulation.** Within the purview of its purpose, authority and responsibility, the Committee shall periodically review existing board policies regarding budgeting, financial conditions, risk management, and other current applicable policies and recommend amendment,

if any, to the Board of Directors. The Committee, within its purpose and areas of authority and responsibility, may recommend elimination of policies or recommend additional policies that may be necessary in its judgment to provide appropriate governance of the organization.

5. Investigative authority. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of Kerr as approved by the Board of Directors.

6. Independent auditors. The Committee shall have a clear understanding with management and the independent auditors that they are ultimately accountable to both the Committee and the Board of Directors. The committee shall have the authority and responsibility to evaluate the auditors' performance and, where appropriate, recommend to the Board of Directors replacement of the independent auditors. The Board of Directors will act on the Committee's recommendation.

In its capacity as a Committee of the Board of Directors, the Committee shall discuss with the independent auditors the overall scope and plans for their audits including their responsibilities and the adequacy of staffing.

Periodically, but at least every five years, the Committee will review the qualifications and performance of Kerr's independent auditors and make a recommendation to the Board of Directors about retaining the current auditors or going through an auditor selection process to retain current auditors or select new auditors.

The Committee shall establish policies and procedures for the engagement of the independent auditors to provide permissible non-audit services.

The Committee shall review and discuss with management and the independent auditors management's processes to ensure Kerr's maintenance of strong internal controls.

The Committee shall review with management and the independent auditors the annual audited financial statements of Albertina Kerr Centers, Inc. and the Albertina Kerr Centers Foundation, Inc., including (a) their judgment about the quality and acceptability of the accounting treatment of significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (b) the clarity of the disclosures in the financial statements; and (c) appropriateness of critical accounting policies. Two representatives of the Finance, Audit & Compliance Committee shall be included in this review process.

7. Review of annual 990 tax filings. Prior to their submission to the Internal Revenue Service, the Committee shall review the annual 990 tax

statement filing of Albertina Kerr Centers, Inc. and Albertina Kerr Centers Foundation, Inc. which are prepared by the independent auditor.

8. Oversight of the Corporate Compliance Program. The Committee shall recommend approval to the Board of Directors Standards of Conduct, a Corporate Compliance Plan and applicable policies and procedures which ensure compliance with regulations related to Federal, State and local statutes, and administrative rules relating to the receipt and use of Federal Medicaid funds. The Committee shall receive direct reports from the Chief Compliance Officer on at least a quarterly basis, and take action as appropriate, regarding risk identification, establishment or revision of policies and procedures, results of compliance audits and investigations, status of compliance with training and communication requirements, enforcement and disciplinary actions taken, and planned corrective actions and prevention activities.

9. Complaint process. The Committee shall establish and oversee a process whereby corporate officers, employees and contractors may anonymously report any potential violations of applicable Federal, State or local law and regulations. The Committee shall ensure that all reported potential violations are addressed in a timely manner and that no recrimination will result as a result of good faith reporting of potential violations

10. Insurance coverage. The Committee shall review periodically, but at least annually, the organization's insurance coverage, including general and professional liability, property, automobile, and directors and officers.

11. General Risk Assessment and Management. The Committee shall annually review and approve a general risk assessment and management plan and monitor risk areas outlined in the plan on a quarterly basis.

12. Meetings. The Committee shall meet as often as may be deemed necessary or appropriate in its judgment, at least quarterly each year, and at such times and places as the Committee shall determine. The majority of the members shall constitute a quorum. The Committee shall meet separately, at least annually, with the independent auditors to discuss any matters that they wish to bring to the Committee's attention.

13. Charter. The Committee shall review and assess the adequacy of the Charter periodically as conditions dictate, but at least annually, and recommend to the Board of Directors for its approval any modifications to this Charter.

14. Annual performance evaluation. The Committee shall annually review its own performance and report the results of such reviews to the Board of Directors.

Revised to Reflect Consolidation of the Operations Committee and Audit & Compliance Committee. Approved by the Finance, Audit & Compliance Committee on September 19, 2017

Reviewed by the Finance, Audit & Compliance Committee on October 8, 2019

Revised to reflect the restructuring of the Governing Board and the Foundation Board of Trustees, where the Foundation's focus is narrowed to oversee investment policies and related investment oversight functions. Approved by the Finance, Audit & Compliance Committee on October 7, 2020.

ALBERTINA KERR CENTERS
2020-2021 Finance, Audit & Compliance Committee Objectives

	Objective	Completed	In Process	To Be Completed	Charter Ref.
1	Review monthly & year to date financial statements	Ongoing		Agenda item for each meeting	1
2	Review Compliance Dashboard Report	Ongoing		Agenda item for each meeting	5, 8, 9
3	Executive Session for Committee members and Chief Compliance Officer	Ongoing		Agenda item for each meeting	8
4	Review Board policies related to the Committee	Ongoing		As needed	4
5	Review Conflict of Interest Results	Deferred to November		August 11, 2020	8
6	Review and recommend modification(s) of the Committee Charter	Review Revisions at October Meeting		August 11, 2020	13
7	Review insurance coverage	October 7, 2020		October 7, 2020	10
8	Meet with financial auditor and recommend Board acceptance of 2020-2021 financial audit results	November 11, 2020		November 11, 2020	6
9	Evaluate financial auditor performance and decide to continue with vendor or send RFPs	November 11, 2020		November 11, 2020	6
10	Review of 5 year capital and reserve plan	January 13, 2021		January 13, 2021	1
11	Monitor financial reserves	January 13, 2021		January 13, 2021	1
12	Review current investment policy and portfolio benchmark performance	January 13, 2021		January 13, 2021 June 9, 2021	3
13	Review Risk Management Assessment	March 10, 2021		March 10, 2021	11
14	Review federal 990 tax filings for AKC, Inc. and AKCF, Inc. prior to submission		Deferred to May 12th Meeting	March 10, 2021	7
15	Review Corporate Compliance Plan			June 9, 2021	8
16	Recommend Board approval of 2020-2021 Operating, Capital, Cashflow and Foundation Budgets			June 9, 2021	2
17	Evaluate Committee performance against 2021-2022 goals and establish goals for 2020-2021			June 9, 2021	12, 14
18	Review Audit Plan with Auditor			June 9, 2021	3

Meeting Schedule for 2020-2021

August 11, 2020
 October 7, 2020
 November 11, 2020
 January 13, 2021
 March 10, 2021
 May 12, 2021
 June 9, 2021

Updated 5/3/2020

Albertina Kerr Compliance Dashboard

Updated May 3rd, 2021

Chief Compliance Officer's Report

For the Finance, Audit, and Compliance Meeting, I am presenting again for consideration the Kerr Board Code of Ethics. This is an updated version of the Code of Ethics presented at a previous meeting with changes requested at the April 26th Kerr Board Meeting. The new version now adds language to address if concerns arise regarding the Board chair.

The CARF accreditation process was completed in our mental health programs. Of the 1633 standards reviewed, the survey team found approximately 30 areas of improvement needed. We have begun to address those issues and are awaiting the final report from CARF to be delivered in the next 3-4 weeks. We anticipate full accreditation at that time. While the majority of the issues were program-related, relevant to this committee, CARF requires that Kerr review samples of its outbound bills to consumers and also that we update our IT policies and processes regarding security. We will also need to initiate annual testing of our IT business recovery plan. We have also concluded the Kaiser Privacy and Security Audit, and Kerr's Chief Information Officer will present his findings and recommendations at the May 12th Finance, Audit, and Compliance Meeting.

For Reference:

2021/22 Risk Management Assessment		
Composite Score (I*P)	Category of Risks	Details of risk
30	Licensing- Instances of Abuse	These are instances of substantiated abuse towards clients in services.
20	HIPAA- Loss of client information	This is improper access to client information by an outside party.
18	Fraud, Waste, and Abuse- Lacking Documentation	These are claims that are submitted for payment with lacking or missing documentation to support billing.
16	Licensing- Violating Rules	These are licensing findings for not following state and federal guidelines.
12	Disaster Recovery	This is the inability to provide services during or after a disaster.
10	Fraud, Waste, and Abuse- Billing Process Errors	These are errors where incorrect charges are submitted to a carrier after they are submitted by staff.
10	Employment- Staff Injuries	These are injuries to staff that increase workman's compensation costs.
9	Employment- Significant Fleet Accidents	These are accidents with client or staff injury or significant damage.
6	Accounting- Client Accounts Discrepancies	This is the improper use of client funds that are meant for client use or benefit.
6	Employment- Supervisory Issues	These are issues where supervisors do not follow agency policy in the supervision of staff.
3	Stark/Anti-Kickback Issues	These are improper payments or incentives to staff from outside entities.
2	Fraud, Waste, and Abuse- Denial Code Management	These are improper handling of denials from carriers, usually by changing codes where the service or documentation does not match.
1	Accounting- Incorrect Charges to Accounts/Insurance Carrier	These are charges that are not correctly charged to carriers or credited to client accounts.
Please see Albertina Kerr's Risk Management Assessment for details regarding Composite Scores and ranking of risks.		

Recent Auditing of Risks

Licensing- Instances of Abuse

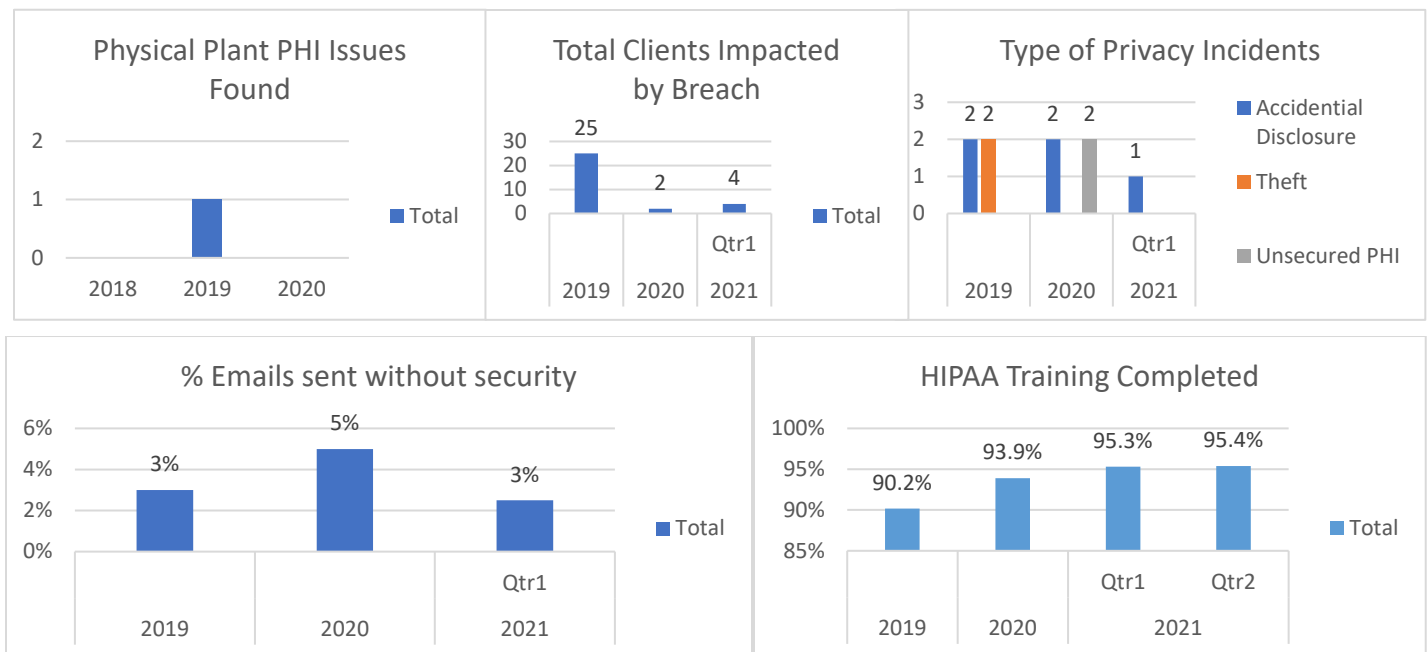
Abuse allegations are incidents where a person being served reported abuse by another person in the program or by a staff member. Note that investigations often span more than one quarter. Total Opened includes any abuse allegations that were opened for a formal investigation by a county or state entity during this quarter. The Total Founded consists of any investigations that were concluded in this quarter that may consist of investigations opened in this or previous quarters.

Abuse Allegations Group Homes	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21
Total Allegations Against Staff	24	9	17	25	20
Total Opened for Investigation this quarter	11	5	5	11	9
Total Founded during this quarter	1	0	5	1	0

Founded allegations for January through March 2021 included:

No founded allegations in Q3. A team of compliance, program, and HR continue to meet on a weekly basis to review allegations and ensure that we are taking the appropriate actions while DHS is completing its investigations. We also review if a staff member should return to work at the conclusion of an investigation (based on any other performance concerns).

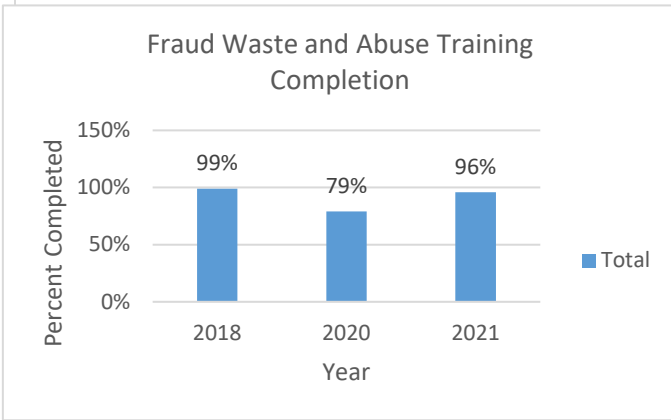
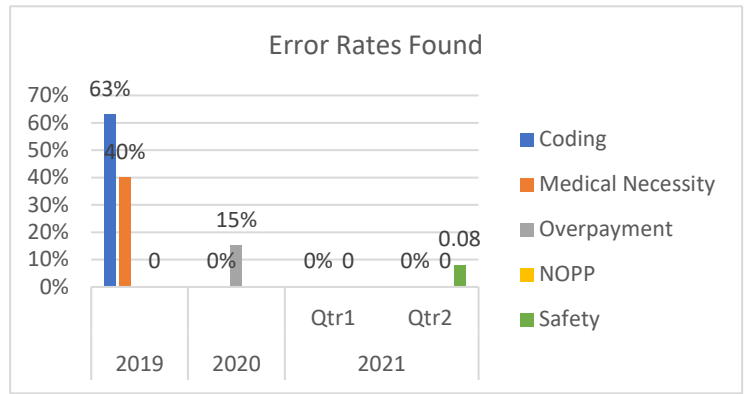
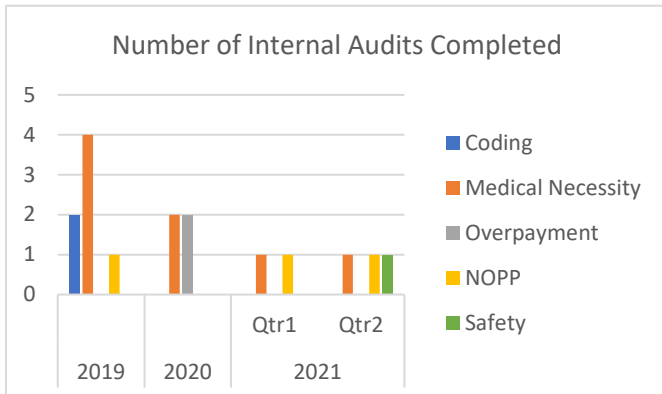
HIPAA- Loss of Client Information



We continue to see a significant decrease in unencrypted emails containing PHI overall compared to prior years. HIPAA training compliance continues to improve over prior years. In an audit, I did find 4 cases where staff were given access to Epic prior to their required HIPAA training at Subacute. This issue is being addressed with the supervisors within the program.

Fraud, Waste, and Abuse- Lacking Documentation

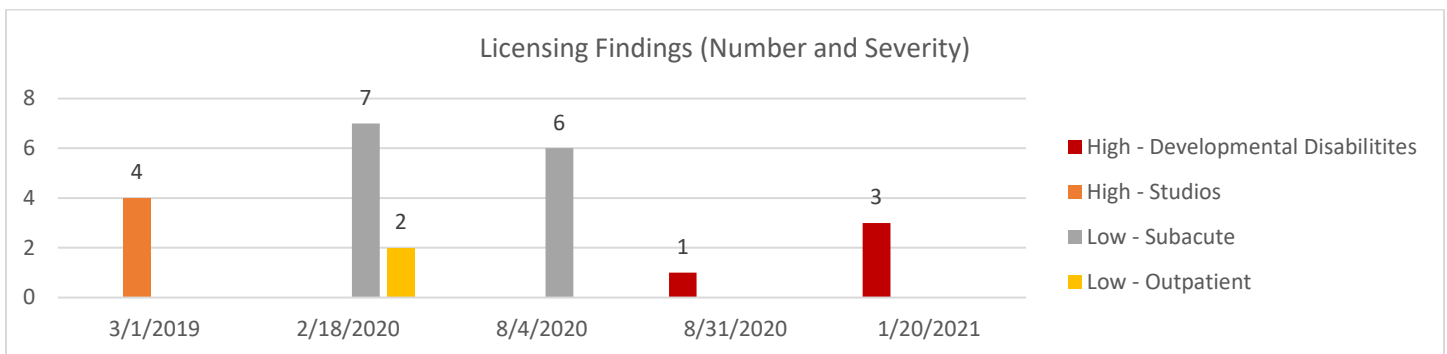
The below graphs indicates the internal audits completed and the associated error rates found.



In this quarter, I completed a review of Notice of Privacy Practices for Employment. No issues found. I completed a medical necessity review of plans of care for Employment. No issues found. Found that Bloodborne Pathogen training (a cornerstone of our COVID-19 plan) has slipped at 8% of direct staff being overdue. The Chief Program Officer is working to address this issue.

Licensing- Violating Rules

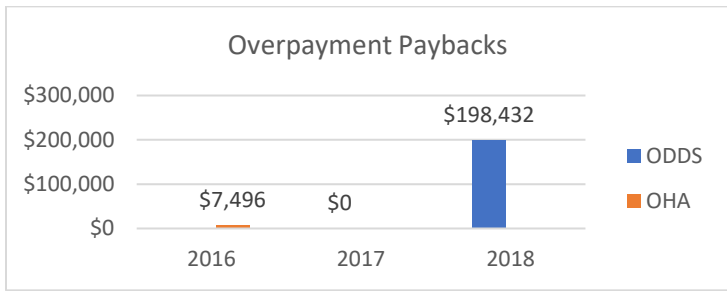
This graph indicates licensing or accreditation findings.



In this quarter, there have not been any additional licensing issues found during DHS state audits. Kerr is still currently under a restriction for admissions to its youth group homes by ODDS. A meeting has been scheduled in May, where we hope to have the restriction lifted. The main driver to limited admissions has been an unusually high vacancy rate in our DSP's in group homes, limiting admissions due to lack of staffing coverage for new clients.

Fraud, Waste, and Abuse- Billing Process Errors

The below graph indicates overpayment paybacks to state agencies.

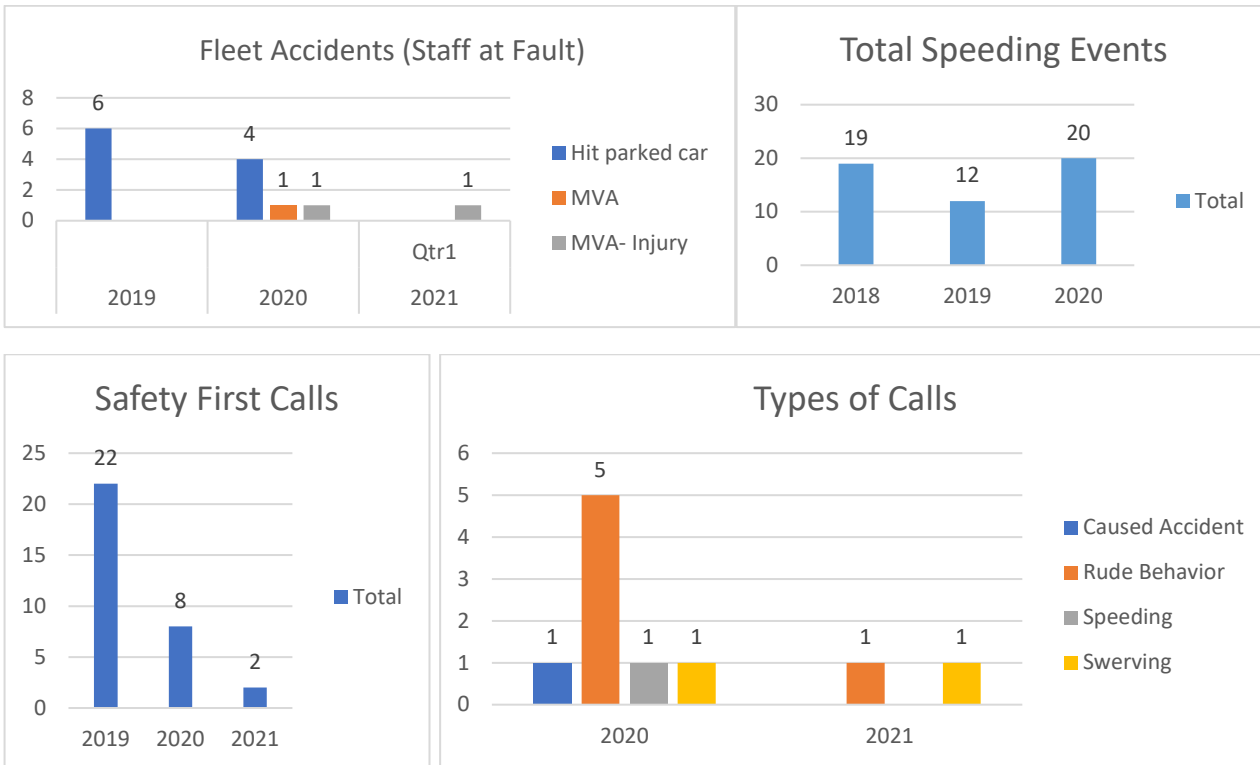


No paybacks have occurred since 2018. The Revenue Cycle department has continued to scrub daily billing claims for group homes, and the updated attendance tracking has been fully implemented and is being closely monitored.

Employment- Staff Injuries

This data is currently being reported to the Program and Accreditation Committee by the Chief Human Resources Officer.

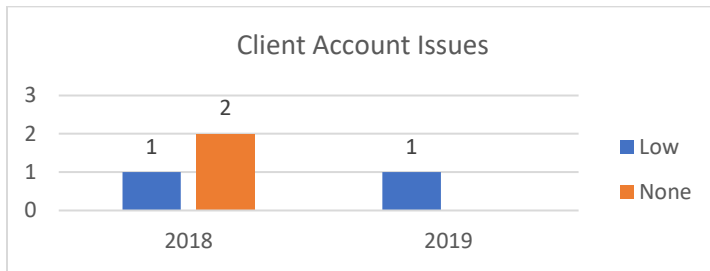
Employment- Significant Fleet Accidents, Speeding, and Report of Unsafe Driving



In this last quarter, there were no fleet incidents of note. Speeding and Safety First calls continue to be very low, primarily due to significantly lower milage being driven.

Accounting- Client Accounts Discrepancies

This graph indicates when client personal monies were missing or not accounted for correctly during an audit process.



We are developing a strategy of auditing client accounts during Q4 2020/21. A new process for tracking client purchases is in process that will allow for better auditing and accountability of funds by reducing the amount of cash use along with systems to ensure that client purchases are not merged with agency expenditures.

Employment- BOLI Complaints

There are currently 2 complaints filed with BOLI that are still open.

A former employee alleged she was due final pay. We have responded with time records and a copy of the final check. This complaint is still open.

Another former employee alleged she was terminated for whistle-blower activities for reporting another staff member using marijuana. In our review, we determined she was not terminated due to this report but due to significant performance concerns. Kerr filed a response with BOLI, and we are awaiting their response.

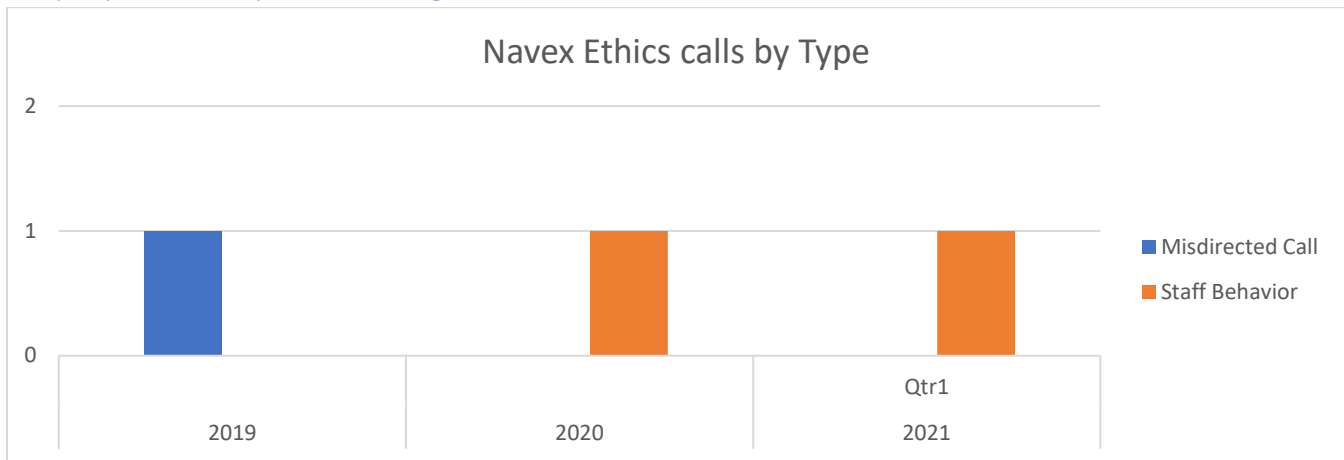
Disaster Recovery

We have completed an RCA to review the recent Snow/Ice storm. The group found the following issues:

- a. Disaster supplies were missing or not replenished.
- b. The agency needs to look at alternate power options for those homes where evacuation is not an option or where clients are at high risk (medical homes).
- c. We need to review our staffing options during an emergency (have staff that lives closer to the home potentially staff the home).
- d. Look at the composition of the fleet and increase the number of weather-capable vehicles, especially for facilities.
- e. Develop an alternate communication plan that does not rely on the internet or cell phones (there was a significant loss of communication during the event due to cell towers being down). We are researching satellite communications for high-risk homes and emergency hubs/staff.

The group will be meeting again in early May to solidify recommendations and changes.

Employment- Supervisor, Legal or Ethical issues.



No recent calls to the Navex hotline. Calls continue to be very infrequent.

Kerr still is engaged in a tort claim against the agency for negligence (failure to warn) by a contracted staff member at Multnomah Education School District. That case has slowed due to COVID-19 and has not yet been dismissed.

Stark/Anti-Kickback Issues

No issues reported this fiscal year.

Fraud, Waste, and Abuse- Denial Code Management

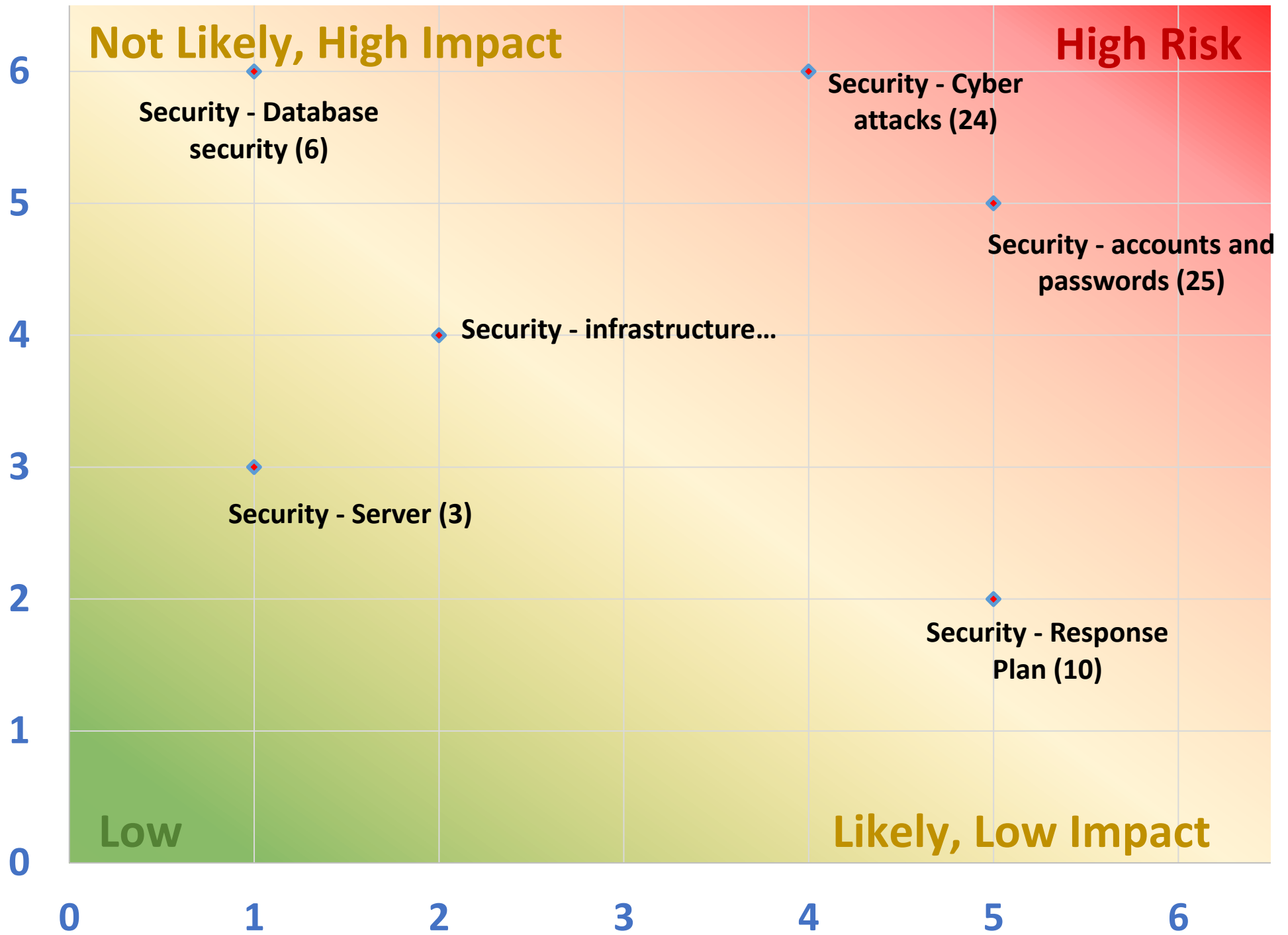
No issues reported this fiscal year.

Accounting- Incorrect Charges to Accounts/Insurance Carrier

No issues reported this fiscal year.

2021 CyberGRX Risk Management Assessment

Risk Reference #	Risk Area	Global Area	Title	Probability (P) (1-5)	Impact (I) (1-6)	Legal implications	Financial implications	Reputation implications	Risk Factor (P*I)	Risk Notes	Controls in Place?	Control Notes	Audits in place?	Audit Notes
A	Ransomware encrypting critical data.	Security - Cyber attacks	Security - Cyber attacks (24)	4	6	Y	Y	Y	24	Kerr needs to capture incident logs and analyze them for encryption attempts and other malicious changes. Different types of devices will be analyzed for relative risks. Reporting software will be phased in over time, focusing on the highest risk platforms initially.	Yes	All Laptops and Cell Phones Encrypted. Policies are good. Complex passwords required. Passwords have to be changed. Desktops and laptops encrypted. Have Physical controls to servers. Barracuda system installed.	Yes	Implement the capability to respond to potentially malicious activity from your applications and services. Such response activities include security incident response, investigation and forensics, post-incident lessons learned and vulnerability remediation.
B	Lack of detailed response plan for cybersecurity incidents. Would cover incidents like data theft, unauthorized access, etc	Security - Response Plan	Security - Response Plan (10)	5	2	Y	Y	Y	10	Response plans currently in place for disasters, but not for cybersecurity incidents.	No		Yes	Create security and privacy runbooks and incident response plans and update them based on threat analysis, threat assessments, and lessons learned to increase operational preparedness for current and emerging cyber security threats.
C	Unauthorized users potentially able to gain access to Kerr computers or servers	Security - accounts and passwords	Security - accounts and passwords (25)	5	5	Y	Y	Y	25	Multifactor authentication not currently enabled for most Kerr employees. Rollout of enhanced authentication techniques will be phased in over time. Staff with access to the most sensitive data will be identified and prioritized.	Yes	Complex rotating passwords for desktop/server local accounts. Account temporary lockout to prevent brute force attacks.	Yes	Explore the use of a host intrusion detection and prevention system (HIDS/HIPS) on all desktops and laptops to detect and prevent malicious attempts of compromise.
D	Unauthorized or Malicious software potentially able to run on servers due to lack of application control software.	Security - infrastructure	Security - infrastructure (8)	2	4	Y	Y	Y	8	Enabling additional security software on servers, updating servers with out of date software.	Yes	Complex rotating passwords for servers, only admin accounts have access currently.	Yes	Use endpoint application control technologies to control the execution of programs and applications on servers.
E	Monitor databases for malicious activity	Security - Database security	Security - Database security (6)	1	6	Y	Y	Y	6	Monitoring software would need to be purchased for databases to correct.	No		Yes	Monitor database access and activity to identify potentially malicious activity.
F	Firewalls not enabled on all servers, leading to intrusion.	Security - Server	Security - Server (3)	1	3	Y	Y	Y	3	Firewalls not currently enabled on older servers. Multiple other protection methods are in place on the network, so all of those would have to be defeated before this would be an issue.	Yes	Firewalls being enabled on new servers going into production. Older virtual servers being replaced.	Yes	Implement host-based firewalls on your servers.



Albertina Kerr

Consolidated Statement of Activities

March Year-to-Date 2021

	Year to Date			
	Actual	Budget	Variance	% Change
	3/31/21	3/31/21		
Revenue				
Contract and Program Revenue	\$34,990,005.10	\$33,523,140.13	\$1,466,864.97	4.38 %
Contribution and Event Revenue	\$2,145,312.99	\$1,290,144.35	\$855,168.64	66.28 %
Kerr Bikes/Sales to Public	\$59,198.26	\$78,906.75	(\$19,708.49)	(24.98)%
Investment Spend	\$251,189.19	\$251,189.19	\$0.00	0.00 %
In-Kind Contributions	\$50,888.71	\$81,849.99	(\$30,961.28)	(37.83)%
Total Revenue	\$37,496,594.25	\$35,225,230.41	\$2,271,363.84	6.45 %
Expenses				
Salaries & Wages	\$23,332,463.46	\$23,615,131.50	\$282,668.04	1.21 %
Employee Benefits	\$3,083,867.46	\$2,917,998.44	(\$165,869.02)	(5.38)%
Payroll Taxes	\$2,536,825.80	\$2,366,533.19	(\$170,292.61)	(6.71)%
Contracted Direct Labor	\$228,704.19	\$68,278.00	(\$160,426.19)	(70.15)%
Other Employee Related Costs	\$244,997.15	\$254,781.09	\$9,783.94	3.99 %
Professional Fees & Insurance	\$380,893.66	\$481,400.10	\$100,506.44	26.39 %
Telecommunications	\$34,361.64	\$78,842.98	\$44,481.34	129.45 %
Facilities & Occupancy	\$1,865,543.38	\$1,912,472.12	\$46,928.74	2.52 %
Utilities	\$459,517.44	\$512,994.51	\$53,477.07	11.64 %
Equipment	\$211,899.15	\$208,175.55	(\$3,723.60)	(1.76)%
Program & Office Supplies	\$943,611.32	\$991,625.00	\$48,013.68	5.09 %
MIS	\$844,995.64	\$1,039,689.71	\$194,694.07	23.04 %
Vehicles	\$286,702.46	\$355,837.32	\$69,134.86	24.11 %
PR & Fundraising	\$93,816.42	\$274,608.55	\$180,792.13	192.71 %
Cost of In-Kind Goods/Services	\$50,888.71	\$72,499.99	\$21,611.28	42.47 %
Training & Other	(\$50,873.83)	\$548,292.55	\$599,166.38	(1,177.75)%
Interest Expense	\$143,572.24	\$159,238.27	\$15,666.03	10.91 %
Total Manageable Expenses	\$34,691,786.29	\$35,858,398.87	\$1,166,612.58	3.36 %
OPERATIONAL NET SURPLUS/(DEFICIT)	\$2,804,807.96	(\$633,168.46)	\$3,437,976.42	(542.98)%
Investment Income	\$1,440,737.44	\$0.00	\$1,440,737.44	0.00 %
Workforce Housing Grants	\$425,000.00	\$425,000.00	\$0.00	0.00 %
NET SURPLUS/(DEFICIT)	\$4,670,545.40	(\$208,168.46)	\$4,878,713.86	N/A

Albertina Kerr

Consolidated Statement of Activities

March 2021

This Month

	Actual 3/31/21	Budget 3/31/21	Variance	% Change
Revenue				
Contract and Program Revenue	\$3,945,151.34	\$3,806,126.62	\$139,024.72	3.65 %
Contribution and Event Revenue	\$92,342.04	\$117,266.05	(\$24,924.01)	(21.25)%
Kerr Bikes/Sales to Public	\$13,035.79	\$1,765.04	\$11,270.75	638.55 %
Investment Spend	\$27,909.91	\$27,909.91	\$0.00	0.00 %
In-Kind Contributions	\$508.72	\$4,166.67	(\$3,657.95)	(87.79)%
Total Revenue	\$4,078,947.80	\$3,957,234.29	\$121,713.51	3.08 %
Expenses				
Salaries & Wages	\$2,492,338.69	\$2,676,614.27	\$184,275.58	7.39 %
Employee Benefits	\$330,936.61	\$324,228.67	(\$6,707.94)	(2.03)%
Payroll Taxes	\$300,125.28	\$257,769.45	(\$42,355.83)	(14.11)%
Contracted Direct Labor	\$71,967.30	\$7,586.48	(\$64,380.82)	(89.46)%
Other Employee Related Costs	\$21,074.95	\$27,392.22	\$6,317.27	29.98 %
Professional Fees & Insurance	\$35,857.72	\$53,488.30	\$17,630.58	49.17 %
Telecommunications	\$9,306.85	\$8,760.34	(\$546.51)	(5.87)%
Facilities & Occupancy	\$204,431.60	\$212,497.26	\$8,065.66	3.95 %
Utilities	\$55,761.40	\$56,999.40	\$1,238.00	2.22 %
Equipment	\$23,633.87	\$22,447.36	(\$1,186.51)	(5.02)%
Program & Office Supplies	\$64,809.77	\$110,014.17	\$45,204.40	69.75 %
MIS	\$80,390.26	\$115,521.17	\$35,130.91	43.70 %
Vehicles	\$33,594.08	\$39,537.62	\$5,943.54	17.69 %
PR & Fundraising	\$10,977.88	\$110,764.15	\$99,786.27	908.98 %
Cost of In-Kind Goods/Services	(\$2,270.23)	\$4,166.67	\$6,436.90	(283.54)%
Training & Other	(\$138,750.42)	\$60,921.64	\$199,672.06	(143.91)%
Interest Expense	\$16,608.06	\$16,612.65	\$4.59	0.03 %
Total Manageable Expenses	\$3,610,793.67	\$4,105,321.82	\$494,528.15	13.70 %
OPERATIONAL NET SURPLUS/(DEFICIT)	\$468,154.13	(\$148,087.53)	\$616,241.66	(416.13)%
Investment/SWAP Changes	\$137,138.21	\$0.00	\$137,138.21	0.00 %
Workforce Housing Grants	\$0.00	\$0.00	\$0.00	0.00 %
NET SURPLUS/(DEFICIT)	\$605,292.34	(\$148,087.53)	\$753,379.87	(508.74)%

Albertina Kerr Centers Program Operating Recap

March 2021

	MTD MTD_Contr & Prg_Rev	MTD Grant & Contribution Revenue	MTD Other Revenue	MTD Total Revenue	MTD Direct Expenses	MTD Margin Generated	MTD Indirect Allocations	MTD Total Expenses	MTD Operating Results	MTD Budget	Actual vs. Budget Variance
Programs											
Adult Group Homes											
Clackamas County Adult DD	429,751.28	0.00	0.00	429,751.28	422,437.13	7,314.15	33,421.74	455,858.87	(26,107.59)	(76,796.22)	50,688.63
Multnomah County Adult DD	334,312.48	0.00	0.00	334,312.48	348,004.14	(13,691.66)	26,691.38	374,695.52	(40,383.04)	(44,799.23)	4,416.19
Washington County Adult DD	165,427.26	0.00	0.00	165,427.26	164,847.99	579.27	12,072.23	176,920.22	(11,492.96)	12,565.62	(24,058.58)
Marion County Adult DD	394,868.42	0.00	0.00	394,868.42	358,222.51	36,645.91	32,300.76	390,523.27	4,345.15	(47,331.30)	51,676.45
	1,324,359.44	0.00	0.00	1,324,359.44	1,293,511.77	30,847.67	111,642.68	1,397,997.88	(73,638.44)	(156,361.13)	82,722.69
Employment Services	122,860.50	52.60	0.00	122,913.10	126,576.72	(3,663.62)	9,831.23	136,407.95	(13,494.85)	10,961.00	(24,455.85)
Studios	2,931.25	0.00	0.00	2,931.25	21,232.31	(18,301.06)	(1,302.89)	19,929.42	(16,998.17)	(11,392.56)	(5,605.61)
Kids DD Group Homes	1,621,802.23	0.00	0.00	1,621,802.23	1,083,380.40	538,421.83	89,743.94	1,173,124.34	448,677.89	185,790.15	262,887.74
Transition-Aged Group Homes	283,938.42	0.00	0.00	283,938.42	245,613.80	38,324.62	20,529.04	266,142.84	17,795.58	(60,678.72)	78,474.30
Kerr Bikes	10,104.54	0.00	7,500.00	17,604.54	16,382.05	1,222.49	621.95	17,004.00	600.54	(9,548.57)	10,149.11
Outpatient Mental Health	78,600.20	2,843.00	0.00	81,443.20	88,262.11	(6,818.91)	4,947.30	93,209.41	(11,766.21)	(7,370.30)	(4,395.91)
Subacute	501,409.22	5,175.91	0.00	506,585.13	504,746.65	1,838.48	32,008.29	536,754.94	(30,169.81)	(18,247.47)	(11,922.34)
Program Oversight and Other	0.00	2,965.84	0.00	2,965.84	8,673.28	(5,707.44)	0.00	8,673.28	(5,707.44)	(97,728.54)	92,021.10
Behavioral Specialists	4,681.33	0.00	0.00	4,681.33	54,790.15	(50,108.82)	4,270.89	59,061.04	(54,379.71)	(46,113.29)	(8,266.42)
Total Programs	3,950,687.13	11,037.35	7,500.00	3,969,224.48	3,443,169.24	526,055.24	272,292.43	3,708,305.10	260,919.38	(210,689.43)	471,608.81
Admin & Other											
Campus Buildings	0.00	0.00	0.00	0.00	3,604.70	(3,604.70)	0.00	3,604.70	(3,604.70)	11,616.35	(15,221.05)
Indirect Admin	0.00	84,754.25	0.00	84,754.25	166,744.84	(81,990.59)	(265,135.86)	(98,391.02)	183,145.27	(27,290.74)	210,436.01
Inv. Spend Rate	0.00	24,969.07	0.00	24,969.07	0.00	24,969.07	0.00	0.00	24,969.07	(16,776.16)	41,745.23
Other Pooled Direct Costs	0.00	0.00	0.00	0.00	(2,725.11)	2,725.11	0.00	(2,725.11)	2,725.11	95,052.48	(92,327.37)
Total Admin & Other	0.00	109,723.32	0.00	109,723.32	167,624.43	(57,901.11)	(265,135.86)	(97,511.43)	207,234.75	62,601.93	144,632.82
Total Operating (Before Contingency)	3,950,687.13	120,760.67	7,500.00	4,078,947.80	3,610,793.67	468,154.13	7,156.57	3,610,793.67	468,154.13	(148,087.50)	616,241.63
Contingency	0.00	0.00	0.00	0.00	(41,666.67)	0.00	0.00	0.00	0.00	(41,666.67)	41,666.67
Investment Income	0.00	0.00	137,138.21	137,138.21	0.00	137,138.21	0.00	0.00	137,138.21	0.00	137,138.21
Workforce Housing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Albertina Kerr Centers
Program Operating Recap
For March YTD 2021

	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	Actual vs.
	YTD_Contr	Grant &	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	Actual vs.
	& Prg_Rev	Contribution	Other	Total	Direct	Margin	Indirect	Total	Operating	YTD	Budget
		Revenue	Revenue	Revenue	Expenses	Generated	Allocations	Expenses	Results	Budget	Variance
Programs											
Adult Group Homes											
Clackamas County Adult DD	3,777,129.09	0.00	13,874.68	3,791,003.77	4,071,464.86	(280,461.09)	270,501.91	4,341,966.77	(550,963.00)	(653,386.20)	102,423.20
Multnomah County Adult DD	3,048,412.93	0.00	12,413.82	3,060,826.75	3,093,605.22	(32,778.47)	202,943.75	3,296,548.97	(235,722.22)	(373,086.59)	137,364.37
Washington County Adult DD	1,645,229.87	0.00	18,613.80	1,663,843.67	1,390,101.86	273,741.81	91,165.57	1,481,267.43	182,576.24	124,571.57	58,004.67
Marion County Adult DD	3,388,335.53	0.00	20,207.96	3,408,543.49	3,379,846.12	28,697.37	245,187.30	3,625,033.42	(216,489.93)	(392,820.18)	176,330.25
	11,859,107.42	0.00	65,110.26	11,924,217.68	11,935,018.06	(10,800.38)	809,798.53	12,744,816.59	(820,598.91)	(1,294,721.40)	474,122.49
Employment Services	703,076.38	137.40	155,745.13	858,958.91	1,059,363.72	(200,404.81)	73,420.56	1,132,784.28	(273,825.37)	118,828.82	(392,654.19)
Studios	40,412.68	200.00	143,022.13	183,634.81	295,681.40	(112,046.59)	723.56	296,404.96	(112,770.15)	(248,092.69)	135,322.54
Kids DD Group Homes	14,248,939.75	202,500.00	5,756.79	14,457,196.54	10,360,737.96	4,096,458.58	717,706.53	11,078,444.49	3,378,752.05	1,783,802.05	1,594,950.00
Transition-Aged Group Homes	2,191,479.62	0.00	0.00	2,191,479.62	2,429,668.15	(238,188.53)	168,543.97	2,598,212.12	(406,732.50)	(521,741.66)	115,009.16
Kerr Bikes	57,597.33	0.00	30,000.00	87,597.33	112,468.17	(24,870.84)	6,067.06	118,535.23	(30,937.90)	(12,754.59)	(18,183.31)
Outpatient Mental Health	719,539.11	302,018.84	34,831.01	1,056,388.96	867,341.83	189,047.13	43,691.90	911,033.73	145,355.23	(72,934.54)	218,289.77
Subacute	4,429,664.91	29,185.65	196,916.37	4,655,766.93	4,648,827.31	6,939.62	261,015.91	4,909,843.22	(254,076.29)	(628,916.22)	374,839.93
Program Oversight and Other	0.00	137,599.50	0.00	137,599.50	156,784.75	(19,185.25)	0.00	156,784.75	(19,185.25)	(856,282.90)	837,097.65
Behavioral Specialists	74,844.05	0.00	49.09	74,893.14	479,556.86	(404,663.72)	33,066.35	512,623.21	(437,730.07)	(408,562.51)	(29,167.56)
Total Programs	34,324,661.25	671,641.39	631,430.78	35,627,733.42	32,345,448.21	3,282,285.21	2,114,034.37	34,459,482.58	1,168,250.84	(2,141,375.64)	3,309,626.48
Admin & Other											
Campus Buildings	0.00	0.00	0.00	0.00	46,619.06	(46,619.06)	0.00	46,619.06	(46,619.06)	104,546.96	(151,166.02)
Indirect Admin	0.00	1,445,212.49	171,584.15	1,616,796.64	2,299,719.02	(682,922.38)	(2,114,034.37)	185,684.65	1,431,111.99	784,194.30	646,917.69
Investment Spend Rate	0.00	251,189.19	0.00	251,189.19	0.00	251,189.19	0.00	0.00	251,189.19	251,189.19	0.00
Other Pooled Direct Costs	0.00	0.00	875.00	875.00	0.00	875.00	0.00	0.00	875.00	368,276.73	(367,401.73)
Total Admin & Other	0.00	1,696,401.68	172,459.15	1,868,860.83	2,346,338.08	(477,477.25)	(2,114,034.37)	232,303.71	1,636,557.12	1,508,207.18	128,349.94
Total Operating (Before Contingency)	34,324,661.25	2,368,043.07	803,889.93	37,496,594.25	34,691,786.29	2,804,807.96	0.00	34,691,786.29	2,804,807.96	(633,168.46)	3,437,976.42
Contingency	0.00	0.00	0.00	0.00	(41,666.67)	0.00	0.00	0.00	0.00	(374,994.00)	374,994.00
Investment Income	0.00	0.00	1,440,737.44	1,440,737.44	0.00	1,440,737.44	0.00	0.00	1,440,737.44	0.00	1,440,737.44
Workforce Housing	0.00	425,000.00	0.00	425,000.00	0.00	425,000.00	0.00	0.00	425,000.00	425,000.00	0.00

Albertina Kerr Consolidated Balance Sheet

	3/31/21	2/28/21
Cash and Cash Equivalents	\$2,092,103.81	\$2,130,798.40
Cash held for others	\$243,637.05	\$257,826.90
Contract/Program Receivables	\$3,679,863.48	\$3,168,887.13
Less: Allowance for Doubtful Accounts	(\$8,783.00)	(\$52,114.14)
Investments	\$10,611,850.77	\$10,463,944.65
Charitable remainder trust receivables	\$281,688.73	\$281,688.73
Contributions Receivable	\$46,270.45	\$58,689.24
Other Receivables	\$34,050.16	\$18,598.70
Prepaid Expenses, Deposits & Other Current Assets	\$524,233.03	\$346,859.69
Other Long-Term Assets	(\$14,598.83)	(\$30,757.30)
Fixed Assets, Net	\$22,271,810.81	\$22,407,366.48
Due From / (To) Other Funds	\$0.00	(\$424.59)
Total Assets	\$39,762,126.46	\$39,051,363.89
Accounts Payable and Accrued Expenses	\$723,182.01	\$1,151,080.61
Accrued Payroll Liabilities	\$920,179.52	\$360,005.59
PAL Liability	\$815,491.16	\$814,304.86
Contract Overpayments/Advances	\$70,888.54	\$148,022.84
Unemployment Reserve	\$214,652.45	\$133,335.51
Long-term debt	\$3,990,944.49	\$4,029,793.39
Total Liabilities	\$6,735,338.17	\$6,636,542.80
Available for Operations	\$10,112,589.28	\$9,444,794.40
Investment in Fixed Assets	\$18,266,267.49	\$18,346,815.79
Temporarily restricted	\$2,394,652.27	\$2,370,250.85
Permanently restricted	\$2,253,279.25	\$2,252,960.05
Total Net Assets	\$33,026,788.29	\$32,414,821.09
Total Liabilities and Net Assets	\$39,762,126.46	\$39,051,363.89

2020 Audit Management Letter – Findings and Corrective Action Plan
Status Update – as of May 4, 2021

Management Letter Findings	Causes	Proposed Corrective Action	Status of Correction Action
<p>Account Reconciliations – A number of accounts were not routinely reviewed, reconciled and/or adjusted appropriately during the course of the fiscal year, resulting in numerous year-end audit adjustments and reclassifications. Many accounts have subsidiary ledgers that did not agree, and were not reconciled to, the amounts recorded in the primary accounting system. Management struggled to provide schedules or explanations as to what made up the balance of many of these accounts.</p> <p><i>Accounts specifically identified in the finding include the following: payroll clearing (sweep) cash account, contracts receivable, contributions receivable, accounts payable, grants payable, accrued payroll expenses, deferred revenue, certain other cash accounts, contributions revenue, interfund accounts and client trust fund liability accounts.</i></p>	<ul style="list-style-type: none"> • Lack of consistent reconciliation policy, process, and documentation. • Insufficient management review. • Staff turnover; lack of appropriate training and oversight of new staff members. • Significant volume of accounts. 	<ul style="list-style-type: none"> • Develop a tracking document which identifies all accounts within each financial statement line item for the consolidated entity. Tracking document will map monthly status of reconciliations, including total accounts to be reconciled, total reconciliations prepared, and total reviewed. • Evaluate the sufficiency and accuracy of reconciliations through management review to ensure accurate and adjusting entries made in a timely manner. • Standardize the account reconciliation process including introduction of model form and audit trail of corrective details with commentary for each corrective action. • Evaluate risk of misstatement associated with each account based on volume and/or total dollar value of transactions. Reduce frequency of account reconciliations for lower risk accounts (e.g., lower risk accounts can be reconciled quarterly). • Reduce volume of accounts where possible; evaluation to be based on transactional risk and reporting requirements. 	<ul style="list-style-type: none"> • The reconciliation tracking document was completed and implemented on 3/17/2021. This document will be used by all members of the accounting team to track each monthly reconciliation through preparation and review. The chart below includes the status of reconciliations for January, February, and March. • Management review of reconciliations for sufficiency and accuracy started in January and will be on-going. March reconciliations for the cash, accounts receivable, accounts payable, accrued payroll, and earned income accounts have been prepared and the primary review completed, with notes from the review being cleared by staff. Review of the development-related account reconciliations is in progress and is expected to be completed by 5/14/2021. The reconciliations for the cash and all but one of the accrued payroll accounts have been provided to the auditors. Remainder of the above noted reconciliations will be provided to the auditors once review notes have been addressed (note: management review status is included in the Status of Account Reconciliations chart below). • A Balance Sheet Reconciliation Template Form was introduced to the Accounting Team on 3/11/2021, along with instructions for use (see Exhibit A).

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			<p>Accounting staff are expected to use the form for all balance sheet account reconciliations on a go-forward basis.</p> <ul style="list-style-type: none"> • Accounts will be evaluated for risk by June 30. Reconciliations for accounts with lower risk will be prepared and/or reviewed on a quarterly basis starting July 1. • An evaluation will also be conducted to determine what accounts can be combined or eliminated to possibly reduce the number of accounts requiring reconciliation. Agreed upon changes to accounts will reviewed and implemented on July 1.
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Status of Account Reconciliations (as of 5/3/2021):	JANUARY 2021**				FEBRUARY 2021**			
	Total	Prepared	Reviewed	% Complete	Total	Prepared	Reviewed	% Complete
Assets and Liability Accounts	329	297	176	53%	335	318	180	54%
Net Asset Accounts	27	17	-	0%	27	17	6	22%
Revenue Accounts	318	292	203	64%	320	317	206	64%
Total Accounts	674	606	379	56%	682	652	392	57%
	MARCH 2021							
	Total	Prepared	Reviewed	% Complete				
Assets and Liability Accounts	367	327	168	46%				
Net Asset Accounts	16	6	-	0%				
Revenue Accounts	321	284	188	59%				
Total Accounts	704	617	356	51%				

**** Note:** There will be some balance sheet accounts that will not have account reconciliations prepared or reviewed for January and/or February. Our expectation is that all account reconciliations for March 2021 will be prepared and reviewed. The number of total reconciliations fluctuates from month-to-month based on changes in account balances and developed understanding of the account.

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Management Letter Findings	Causes	Proposed Corrective Action	Status of Correction Action
<p>Review of Payroll – Regular reviews of payroll “changes” or “edit” reports were not performed and the payroll review process requires documentation.</p> <p>While improvements were noted, a number of payroll and employee benefit accrual adjustments were found to be necessary in 2020.</p>	<ul style="list-style-type: none"> • Lack of consistent reconciliation policy, process, and documentation. • Insufficient management review. 	<ul style="list-style-type: none"> • Evaluate and document current payroll process, including how “changes” or “edits” are identified, reviewed, and executed. • Standardize reconciliation process including introduction of model form and audit trail of corrective details with commentary for each corrective action. • Evaluate sufficiency and accuracy of reconciliations through management review to ensure accurate and adjusting entries made in a timely manner. 	<ul style="list-style-type: none"> • Documentation of payroll processes including controls over changes is in progress and will be completed by June 30. • Payroll reconciliations are utilizing the standard template introduced to the Accounting Team on 3/11/2021. • Reconciliations are evaluated for sufficiency and accuracy during the review process and are not considered as “reviewed” until reconciliation meets this standard. March reconciliations for the accrued payroll accounts have been prepared and reviewed for all but one of the accounts and have been provided to the auditors. • Status of accrued payroll accounts reconciliations as of 5/3/2021: <u>January</u> – 24 of 24 reconciliations have been prepared and 13 have been reviewed. <u>February</u> – 24 of 24 reconciliations have been prepared and 22 have been reviewed. <u>March</u> – 24 of 24 reconciliations have been prepared and 23 have been reviewed. The remaining account reconciliation has been initially reviewed and staff is in the process of clearing notes.
<p>Reconciliation of Accounting Records to the Donor Database –</p>	<ul style="list-style-type: none"> • Timing of system upgrades to the 	<ul style="list-style-type: none"> • Continue monthly meetings between Finance and 	<ul style="list-style-type: none"> • Monthly meetings between Finance and Development Staff are occurring and will

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<p>Finance and development staff should meet regularly to reconcile contribution revenue and related receivables recorded in the donor database to the amounts recorded in the accounting records.</p> <p>While meetings between the two departments were held regularly, several adjustments to both contributions receivable and contribution revenue were still necessary in 2020 and the organization struggled to prepare detailed lists of pledges receivable and contributions revenues that agree to the general ledger.</p>	<p>Financial Edge and Raisers Edge platforms.</p> <ul style="list-style-type: none"> • Lack of consistent reconciliation policy, process, and documentation. • Insufficient management review. 	<p>Development Staff and reconciliations between the Raisers Edge and Financial Edge systems.</p> <ul style="list-style-type: none"> • Standardize reconciliation process including forms, tracking document, audit trail of corrective details. • Management review of reconciliations to ensure accurate and adjusting entries made in a timely manner. 	<p>be ongoing. Mapping issues between Raisers Edge and Financial Edge have been addressed.</p> <ul style="list-style-type: none"> • Status of development-related account reconciliations as of 5/3/2021: <u>January</u> – 54 of 69 reconciliations have been prepared and 33 have been reviewed. <u>February</u> – 69 of 70 reconciliations have been prepared and 40 have been reviewed. <u>March</u> – 80 of the 80 reconciliations have been prepared. Review of these accounts is in progress and expected to be completed by 5/14/2021.
<p>Health Share Revenues – During the 2019 audit, several instances in which Health Share revenues had been duplicated in the financial records were noted.</p> <p>No duplicate revenues were noted during the 2020 audit.</p>	<ul style="list-style-type: none"> • Lack of consistent reconciliation policy, process, and documentation. • Insufficient management review. 	<ul style="list-style-type: none"> • Standardize reconciliation process including forms, tracking document, audit trail of corrective details. • Management review of reconciliations to ensure accurate and adjusting entries made in a timely manner. 	<ul style="list-style-type: none"> • Status of earned income account reconciliations (which includes Health Share revenues) as of 5/3/2021: <u>January</u> – 237 of 237 reconciliations have been prepared and 188 have been reviewed. <u>February</u> – 239 of 239 reconciliations have been prepared and 190 have been reviewed. <u>March</u> – 231 of 239 reconciliations have been prepared and 189 have been reviewed. • Reconciliations are evaluated for sufficiency and accuracy during the review process and are not considered as

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			“reviewed” until reconciliation meets this standard.
<p><u>In-kind contributions</u> – Organization received a significant gift of advertising for the Race for Roses fundraising event that had not been recorded in accounting records (2019 audit).</p> <p>Adjustments of \$81k were recorded during the 2020 audit.</p>	<ul style="list-style-type: none"> • Lack of policy, process, and documentation. • Insufficient management review. 	<ul style="list-style-type: none"> • Develop process and procedures to properly identify in-kind contributions. • Management review of in-kind contributions for completeness and accuracy. 	<ul style="list-style-type: none"> • In-kind contributions are currently identified by Development Staff and reviewed by Accounting Staff each month as part of the close process. • Management review of in-kind contributions will be conducted in conjunction with related account reconciliation reviews. • Development of the identification process and procedures to track in-kind gifts will be included as a topic at the May monthly meeting.
<p><u>Restricted Gifts</u> – There is no system in place to track restricted gifts by donor or to facilitate the monitoring of the use of donor-restricted funds (tracking of purpose and time restrictions specified by the donor).</p>	<ul style="list-style-type: none"> • Lack of policy, process, and documentation. • Insufficient management review. 	<ul style="list-style-type: none"> • Develop system to track gifts by donor, assign restrictions associated with gift and monitor when the restrictions have been met and funds may be released for use. 	<ul style="list-style-type: none"> • Development of the detailed process and procedures to track restricted gifts and donor restricted funds is in progress. The first meeting between the Accounting and Development teams occurred on April 28.
<p><u>Accounting Personnel</u> – Organization needs to increase the experience and depth of its financial management and accounting personnel.</p>	<ul style="list-style-type: none"> • Staff turnover; lack of appropriate training and oversight of new staff members. 	<ul style="list-style-type: none"> • Fill current open positions – Director of Accounting Operations and Accounting Support Specialist • Evaluate skills of current team against their assignments; reassign or provide additional training as needed. • Determine if additional staffing is required. 	<ul style="list-style-type: none"> • Open accounting positions have been filled: Judy Croxford – Director of Accounting Operations Brad Medlock – Accountant II • Director of Accounting Operations has weekly meetings with each accounting team member to evaluate skill levels and current team assignments. Skills are also

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			<p>assessed during the managements' review of reconciliations.</p> <ul style="list-style-type: none"> • Recommendation for an Assistant Director (CPA) position has been approved by the CEO and posting of position is in progress. Additional staff level position is under consideration.
<p>Internal Controls – Significant improvements are needed in segregation of duties, responsibilities, and management review controls. Procedures need to be implemented to ensure that management personnel with appropriate knowledge and understanding review and sign off on reconciliations, analysis, resulting adjustments and other financial information.</p> <p>In addition, policies, procedures, and standardization of internal controls need to be implemented and communicated to all staff. Management should develop organization-wide standards of internal control to document its commitment to compliance with applicable laws and regulations, as well as reliable operational and financial reporting and integrity of business activities and records.</p>	<ul style="list-style-type: none"> • Lack of consistent policy, process, and documentation. • Insufficient management oversight and review. • Staff turnover; lack of appropriate training and oversight of new staff members. 	<ul style="list-style-type: none"> • Evaluate assignments and responsibilities to ensure that segregation of duties is maintained. • Standardize reconciliation process including forms, tracking document, audit trail of corrective details and management review. • Update accounting policies and procedures document to current standards. • Provide on-going training to staff. 	<ul style="list-style-type: none"> • An internal controls assessment will be completed in May/June. The assessment will include a review of assignments to ensure adequate segregation of duties. • Corrective action related to standardization and management review of account reconciliations is noted above. • Accounting policies and procedures will be reviewed, and documentation updated in parallel with reconciliation and management review projects. Project estimated completion date is 6/30/2021. • Initial account reconciliation training was completed in March, with additional follow-up training occurring the week of April 5th. Additional staff training will be provided on an as-needed basis.

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<p>General Ledger Controls – The organization needs to strengthen, and in some cases implement, procedures and controls to review, monitor and maintain the general ledger.</p>	<ul style="list-style-type: none"> • Lack of consistent policy, process, and documentation. • Insufficient management oversight and review. • Staff turnover; lack of appropriate training and oversight of new staff members. 	<ul style="list-style-type: none"> • Standardize reconciliation process including forms, tracking document, audit trail of corrective details. • Management review of reconciliations to ensure accurate and adjusting entries made in a timely manner. • Update accounting policies and procedures document to current standards. 	<ul style="list-style-type: none"> • See status of comments related to account reconciliations, internal controls and accounting policies noted above.
<p>Management Reporting – Appropriate procedures should be implemented to ensure that the financial information being used to manage the business is consistent with the financial information that is externally reported in the Organization’s financial statements.</p>	<ul style="list-style-type: none"> • Insufficient management oversight and review. • Staff turnover; lack of appropriate training and oversight of new staff members. 	<ul style="list-style-type: none"> • Standardize the financial reporting process to ensure consistent, timely reporting and management review at month-end. • Compare month and annual management reports with external financial statements with timely resolution of differences. 	<ul style="list-style-type: none"> • Financial statements are reviewed monthly to identify variances to budget and prior periods. Significant variances are investigated, and corrective adjustments made as needed. • Formal processes that include comparison of internal management and external financial reports is scheduled to be completed in May/June.

Responsibilities for Corrective Action:

Finance:

- Judy Croxford, Director of Accounting Operations
- Ann Ferguson, Contractor, CFO Selections

Development:

- Anne Adler, Chief Development Officer
- Chris Wiens, Director of Foundation and Donor Relations

Human Resources:

- Matthew Warner, Chief Human Resources Officer

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Exhibit A – Balance Sheet Reconciliation Template

ALBERTINA KERR CENTERS ACCOUNT RECONCILIATIONS			
GL Acct No.:		Reconciled By:	
Account Name:		Date:	
Recon. Date:		Reviewed By:	
Purpose:			
Subledger:		Date:	
Date	Description		Amount
			-
		Total	-
		Balance per GL	-
		Difference	-
Notes:			- <i>(Must equal 0 (Zero))</i>
Required Adjustments/Corrections:			