



**Special Board Meeting
March 28, 2014
Lexington Career Center
Lexington, Kentucky**

Full Board Members Present	Sullivan, B.J.
Akin, Robert	Walker, Lynette
Bailey, Sandy	Guests
Curtis, Josie—Proxy for Regina McKee	Burtner, Ed
Douglas, Chris	Compton, Jennifer
Griffin, Steve	Duttlinger, David
Holland, Kenneth	Ewing, Lori
Huesing, Linda	Gay, John
Kidwell, Monica	Henry, Kevin
Manuel, Mark	Jeftan, Mark
McDonald, Kathy	Leacock, Lynn
Mills, Brad	Lupson, Erica
Oney, Gina	McNeill, Owen
Roberts, Troy	Payne, Charles
Schneider, Karen	Turley, Chris
Smith, Daryl	Vinson, Dave
Smith, Kristel	

Call to Order

Chairman Smith called the meeting to order.

Discussion of and possible action in response to the State Auditor of Public Accounts’ March 4, 2014 Examination of the Bluegrass Area Development District

Following the March 4, 2014 issuance of the report of the Auditor of Public Accounts (APA) on examination of the BGADD, Daryl Smith, Barry Lindeman, and Mark Manuel were assigned to read the APA’s report and identify any issues that each of them believed may require further investigation or discussion by the BGWIB as it may concern Workforce Investment Act (WIA) funds and accounting practices or actions or omissions of the BGADD as the BGWIB’s fiscal agent. Based on the issues identified, below is a list of discussion points that were addressed:

1. The BGWIB, through designees, should give input and coordinate with the Department of Workforce Investment in its creation and implementation of a corrective action plan for the BGADD.
2. As a separate legal entity subject to Open Records and Open Meetings laws, the BGWIB should designate its own custodian of records, who answers to the BGWIB, to help prepare and post notices and agendas and respond to records requests to the BGWIB. The BGWIB should provide a “refresher course” to Board members and staff on compliance with Open Records and Open Meetings laws.
3. The BGWIB, through its program committee, should:

- a. Develop a policy to help prevent and address staff, board member, and contractor conflicts of interest.
 - b. Develop the policies and procedures required by law for Open Records Act compliance. In the interest of transparency and convenience, such policies could address, in part, the posting of BGWIB (and committee) meeting notices, agendas, and minutes online.
 - c. Review its bylaws and propose amendments as needed, prepare standing policies, recommend standing committees, and create performance measures for the BGWIB and its fiscal agent.
 - d. Develop a reporting policy and procedure so that BGWIB staff (whether borrowed or directly employed) can safely report legal and financial concerns and so the BGWIB can respond to those concerns in an effective and timely fashion.
4. The BGWIB, through its finance committee and perhaps with the help of a private auditor experienced in governmental audits, should:
- a. Develop policies and internal controls to prevent the kind of financial mismanagement addressed in the APA's report, including WIA-compliant procurement policies and procedures.
 - b. Assess the adequacy and reliability of the accounting software used by the BGADD for financial tracking and generating reports on WIA funds, and make appropriate recommendations.
5. The BGWIB, through an ad-hoc personnel committee, should assess the BGWIB's staffing needs, commit those needs and related job descriptions to writing, and make recommendations for how to best fulfill those needs (e.g., hiring of staff, leasing of staff, personnel policies, etc.).

Review and approve communication by BGWIB to BGADD on State Auditor of Public Accounts' March 4, 2014 Examination of the Bluegrass Area Development District and related issues.

Chairman Smith led the board through a discussion regarding the draft letter to the BGADD outlining the following requests, concerns, and points of information for the BGADD's immediate attention:

1. It is imperative that the BGADD promptly take all necessary and appropriate steps to become fully WIA- compliant, which may require more than simply addressing the specific issues raised in the APA's March 4, 2014 report.
2. To help address the BGADD's compliance with the WIA and the APA's related recommendations, please be aware that the BGWIB will be coordinating with and providing input to the State Department of Workforce Investment on its anticipated corrective action plan for the BGADD.
3. The BGADD should take immediate steps to ensure it strictly adheres to the lines of separation created by the WIA between WIA partners like the BGWIB, the BGADD and the Chief Elected Official of the Local Workforce Investment Area.
4. The BGADD should assess current office lease expenditures (with full

disclosure to the BGWIB) and, if needed, help the BGWIB negotiate with either the current landlord or another for the fair market rental value of office space for the BGWIB.

5. The BGADD should train its staff, with assistance from the State Department of Workforce Investment if possible, on WIA funding and the appropriate use of such funds.
6. Effective immediately, the BGWIB will require the BGADD to provide appropriate justification for, and a detailed line-item accounting of, all direct and indirect costs before approving payment of such costs to the BGADD. By law, all WIA funds for the Local Workforce Investment Area are to be paid at the direction of the BGWIB.
7. The BGADD should provide its indirect charge formulas for review by the BGWIB's finance committee.
8. The BGADD should provide a full accounting and, if appropriate, reimbursement of WIA funds to the proper accounts for those items questioned in the APA's report, including but not limited to those items and expenses addressed on pages 15-16, 18, 27-29 and 33-34 of the APA's report. This would include, for example, WIA funds spent by Tayna Fogle, facilities rental money paid with WIA funds, money paid to Bluegrass Tomorrow with WIA funds, and employee bonuses paid with WIA funds, regardless of whether paid directly or indirectly.
9. Consistent with WIA and the APA's report, the BGADD should immediately authorize and empower its Associate Director for WIA Services, Jennifer Compton, to exercise on the BGWIB's behalf, administration and oversight of the BGADD's day-to-day handling of WIA funds and activities. This would include but is not necessarily limited to having Jennifer (a) approve day-to-day WIA expenditures and draw-downs; (b) receive and review weekly line-item expenditure reports (including direct and indirect costs and travel expenses) organized by program category; and (c) receive and review monthly reconciliation reports, in keeping with the APA's recommendations and any related action items directed by the State Department of Workforce Investment.
10. The BGADD should ensure that staff assigned to serve BGWIB/WIA functions are able to do so without retribution or undue interference of any kind from any member or employee of the BGADD.

Motion: To go into closed session to discuss possible personnel appointment as related to Item 9 of proposed letter to BGADD. (See KRS 61.810(1)(f))

Made by: Troy Roberts

Second: Sandy Bailey Motion passed

No action taken in closed session.

Motion: To send amended letter removing item 10.

Made by: Robert Akin

Second: B.J. Sullivan

Motion passed

Review and approve communication to local Workforce Investment Area's Chief Elected Official on State Auditor of Public Accounts' March 4, 2014 Examination of the Bluegrass Area Development District and related issues.

Chairman Smith led the board through a discussion regarding the draft letter to the CEO outlined the following requests, concerns and points of information:

1. A significant concern raised in the APA's report was that of conflicts of interests created by virtue of the BGADD's role as fiscal agent on behalf of the BGWIB. The BGWIB wholeheartedly shares this concern and believes the CEO needs to promptly take steps to help eliminate such conflicts. To that end, the BGWIB finds there are at least two steps the CEO can take:
 - First, as you know, WIA delegates the power of selecting the BGWIB's fiscal agent to the CEO. The BGADD's current WIA grant agreement with the Commonwealth expires on June 30, 2014. Accordingly, the BGWIB asks that the CEO initiate a competitive bidding process for selecting an entity to provide fiscal agent services to the BGWIB after June 30, 2014. This process is necessary to instill confidence in both the BGWIB and public regarding how the BGWIB's fiscal agent was selected and whose interests that fiscal agent serves.
 - Second, unless and until such time as the BGADD adopts internal changes to eliminate and prevent current actual or perceived conflicts, the BGWIB respectfully submits that the CEO should recuse himself from involvement in all WIA matters the BGADD handles.
 - Highest elected official of the BGADD is the Chief Elected Official.
2. Relatedly, another concern is the need for WIA staff who directly respond and report to the BGWIB without undue interference or influence from its fiscal or administrative agent. Accordingly, please be aware that the BGWIB is exploring new staffing options as a means of fulfilling its administrative needs and helping to alleviate possible conflicts of interest.
3. Finally, the BGWIB respectfully asks that the CEO take all necessary steps and precautions to ensure that the CEO's appointment of future BGWIB members fully complies with the WIA and avoids the kinds of conflicts of interest problems addressed in the APA's report.

Motion: To send letter to Chief Elected Official

Made by: Sandy Bailey

Second: B.J. Sullivan

Motion passed

Create, appoint, and delegate tasks to ad-hoc personnel committee

Several mentions of creating a personnel ad hoc committee have already been made, specifically in item 5 under the ‘Discussion of and possible action response to State Auditor of Public Accounts March 4, 2014 Examination of the Bluegrass Area Development District’ agenda item.

Motion: *To create Ad Hoc Personnel Committee with Lynette Walker as Chair*

Made by: *Robert Akin* Second: *Troy Roberts* Motion passed

Delegate tasks to ad-hoc finance committee

Discussion of specific items to delegate to finance committee.

- Delegate to Finance Committee item 4 under the ‘Discussion of and possible action response to State Auditor of Public Accounts March 4, 2014 Examination of the Bluegrass Area Development District’ agenda item.
- Additional items will include any financial items listed in the letters approved to be sent to the BGADD and the CEO.

Motion: *To delegate task to finance committee*

Made by: *Sandy Bailey* Second: *Robert Akin* Motion passed

Delegate tasks to program committee

Discussion of specific items in the ‘Discussion of and possible action response to State Auditor of Public Accounts March 4, 2014 Examination of the Bluegrass Area Development District’ agenda item to be delegated to the program committee.

Motion: *To add items 3A-D to Program Committee*

Made by: *Mark Manuel* Second: *B.J. Sullivan* Motion passed

Adjournment

With no further business, the meeting was adjourned by Chairman Smith.

Motion: *To adjourn meeting.*

Made by: *Sandy Bailey* Second: *B.J. Sullivan* Motion passed