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Auditor of State

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FOR RELEASE December 12, 2013

Auditor of State Mary Mosiman today released a reaudit report on the North Central Iowa Regional Solid Waste Agency (Agency) for the period July 1, 2011 through June 30, 2012. The reaudit also covered certain items applicable to the year ended June 30, 2013. The reaudit was performed at the request of an Agency Executive Committee member pursuant to Section 11.6(4)(a)(2) of the *Code of Iowa*.

The reaudit report addressed the award process and potential conflict of interest for a gravel hauling contract. Mosiman recommended the Agency develop written policies and procedures to ensure the procurement of services are properly approved by the Executive Committee, follow applicable *Code of Iowa* requirements, are formalized by written contracts and are awarded and monitored without any potential conflict of interest.

The Agency's actions pertaining to the sale of land were also reviewed. Mosiman recommended the Agency develop written policies and procedures to ensure the sale of real estate is approved by the full Board, in accordance with Article X(3) of the 28E agreement, and efforts are made to ensure the best price is obtained for the asset sold.

Mosiman also addressed concerns meetings were held without a quorum. Mosiman recommended the Agency indicate the number of votes each member present at the annual full Board meeting has in order to clearly show whether a quorum is present.

The Agency responded favorably to the recommendations included in the reaudit report. A copy of the reaudit report was filed with the Webster County Attorney for review and information.

A copy of the reaudit report is available for review in the Agency's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1214-6070-T00Z.pdf>.

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**NORTH CENTRAL IOWA REGIONAL SOLID WASTE AGENCY**

**AUDITOR OF STATE'S REPORT ON REAUDIT**

**FOR THE PERIOD  
JULY 1, 2011 THROUGH JUNE 30, 2012**

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**North Central Iowa Regional Solid Waste Agency**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Troy Hassebrock	Executive Committee Chairman	Jan 2013
Matt Bemrich	Executive Committee Member	Jan 2013
Nate Brockman	Executive Committee Member	Jan 2013
Mark Campbell	Executive Committee Member	Jan 2013
Dale Graham	Executive Committee Member	Jan 2013
Joe Gray	Executive Committee Member	Jan 2013
David Fierke	Executive Committee Member	Jan 2014
Harlan Hanson	Executive Committee Member	Jan 2014
Walter Jensen	Executive Committee Member	Jan 2014
Greg Koch	Executive Committee Member	Jan 2014
Lois Vanhorn	Executive Committee Member	Jan 2014
Mike Grell	Landfill Director	Resigned April 2013
Cindy Turkle	Interim Landfill Director	Appointed April 2013
Deb Watson	Director of Recycling & Administration/Finance	Terminated Sept 2013

**North Central Iowa Regional Solid Waste Agency**



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Mary Mosiman, CPA  
Auditor of State

Auditor of State's Report on Reaudit

To the Interim Director  
and Members of the North Central Iowa  
Regional Solid Waste Agency Board:

We received a request to perform a reaudit of the North Central Iowa Regional Solid Waste Agency (Agency) in accordance with Section 11.6(4)(a)(2) of the *Code of Iowa*. As a result, we performed a review of the audit report for the year ended June 30, 2012 and the workpapers prepared by the Agency's certified public accounting firm to determine whether the CPA firm addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the Agency. Based on this review and our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Agency for the period July 1, 2011 through June 30, 2012 and the year ended June 30, 2013.

The procedures we performed are summarized as follows:

1. Reviewed the process to select the vendor who provided gravel hauling for the cell development drainage layer project to determine whether the process was in compliance with the *Code of Iowa*.
2. Reviewed the sale of 27.2 acres of land to determine whether the sale was approved in accordance with the 28E agreement.
3. Reviewed the minutes of Agency Board and Executive Committee meetings to determine if any meetings were held without a quorum.
4. Reviewed internal controls over the disbursement process to determine whether adequate policies and procedures were in place and operating effectively.
5. Examined certain credit card disbursements to determine propriety and whether appropriate supporting documentation was available.

Based on the performance of these procedures, we identified instances of non-compliance and have developed various recommendations for the Agency. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not identified during the performance of the specific procedures listed above.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the Agency, additional matters might have come to our attention that would have been reported to you. A copy of this reaudit report has been filed with the Webster County Attorney for review and information.

We would like to acknowledge the assistance extended to us by personnel of the Agency during the course of the reaudit.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 31, 2013

## **Detailed Findings**

North Central Iowa Regional Solid Waste Agency

Detailed Findings

July 1, 2011 through June 30, 2012

- (A) Gravel Hauling Contract – The Agency hired Gypsum Hollow Industries to haul approximately 65,000 tons of gravel for a drainage layer project related to a new cell development at the landfill. From September 5, 2012 through February 28, 2013, Gypsum Hollow Industries was paid \$995,694 for acquiring and hauling gravel.

The only discussion regarding this contract in the Executive Committee minutes occurred during the May 16, 2012 meeting. The Landfill Director told the Committee he could find the needed gravel for \$14 per ton and the Executive Committee voted to purchase the gravel drainage material needed for the cell development project. There was no indication in the minutes of a bidding process having been completed. The Landfill Director requested quotes from 4 vendors prior to the meeting. The lowest quote was from Gypsum Hollow Industries at \$15.40 per ton, which is higher than the price the Director quoted to the Executive Committee when it voted to purchase the gravel. No formal contract between the Agency and Gypsum Hollow Industries was entered into.

Section 26.3 of the *Code of Iowa* provides if the estimated total cost of a public improvement exceeds the competitive bid threshold, the governmental entity shall advertise for sealed bids for the proposed public improvement by publishing a notice to bidders. For fiscal year 2013, the competitive bid threshold was \$125,000. No advertisement for sealed bids was done. Section 26.2 of the *Code of Iowa* defines a “governmental entity” as the state, political subdivisions of the state, public school corporations, and all officers, boards, or commissions empowered by law to enter into contracts for the construction of public improvements. Attorney General Opinion 92-11-4 states, in part, “A 28E entity created by joint action of public agencies is itself a public agency and political subdivision.” The Agency was established in accordance with Chapter 28E of the *Code of Iowa* through an agreement between 41 city and county governments.

According to the Board member we spoke with, the owner of Gypsum Hollow Industries is the son of former Landfill Director Mike Grell. While the *Code of Iowa* does not define conflict of interest standards for employees of Chapter 28E organizations, procuring services from the Director’s son’s company without proper bidding would not be considered a good business practice. Good business practice would be to ensure contracts are awarded and monitored without any potential conflict of interest.

The Agency has not established written policies and procedures regarding the procurement of goods and services.

Recommendation – The Agency should develop written policies and procedures to ensure the procurement of goods and services are properly approved by the Executive Committee, follow requirements established by the *Code of Iowa*, are formalized by written contracts and are awarded and monitored without any potential conflict of interest. The Agency should consult legal counsel regarding the additional \$1.40 per ton paid to Gypsum Hollow Industries to determine whether any legal recourse is available.

Response – New Board members and new staff recognize the importance of complying with all State laws. The Agency has already begun complying with the procurement law. Written procedures will be developed for future procurement of goods and services that comply with the Code of Iowa. The Executive Board has already discussed legal options with their attorney.

Conclusion – Response accepted.

North Central Iowa Regional Solid Waste Agency

Detailed Findings

July 1, 2011 through June 30, 2012

- (B) Sale of Land – The Agency sold 27.2 acres of land for \$5,695, or approximately \$209 per acre.

During the December 21, 2011 Executive Committee meeting, the Landfill Director informed the Committee the landfill had around 28 acres of land it could not use anymore and a neighboring property owner was offering \$250 per acre to purchase the property. During the January 25, 2012 Executive Committee meeting, the Committee voted to proceed with the sale at \$250 per acre. On March 13, 2012, a notice of a public hearing to be held on March 21, 2012 regarding the proposed sale of land for \$250 per acre was published in the local newspaper. The minutes of the March 21, 2012 Executive Committee meeting do not refer to a public hearing, but the minutes include an explanation stating the vote to approve the sale of property was not done due to a lack of final paperwork. There is no mention of the proposed sale in subsequent minutes.

Article X(3) of the Agency's 28E agreement requires the approval of a two-thirds majority vote of all representatives, not just those attending a duly called meeting of the Agency's entire Board. No vote on the sale of land was taken by the full Board.

On April 28, 2012, the Agency deposited a check from the land buyer for \$5,695, which was listed on the County Assessor's website as the amount received for the 27.2 acres with a sale date of May 12, 2012. The actual purchase price was \$209 per acre, which is less than the amount the Executive Committee approved on January 25, 2012. The County Assessor's website also lists the assessed value of the land as \$10,810. The Agency did not have an appraisal done prior to selling the land, nor did it seek to identify any other interested parties to bid on purchasing the land.

The Agency does not currently have any written policies or procedures covering the sale of capital assets, such as land.

Recommendation – The Agency should develop written policies and procedures to ensure the sale of capital assets are approved by the entire Board and efforts are made to ensure the best price is obtained for the asset sold. The Agency should consult legal counsel as to the validity of the land sale to determine whether any legal recourse is available.

Response – The Executive Board has discussed this property sale with their attorney. A written policy will be developed for the future selling of all assets.

Conclusion – Response accepted.

- (C) Full Board/Executive Committee Meetings – The minutes for full Board and Executive Committee meetings were reviewed for the period April 21, 2011 through July 16, 2013. The entire Board meets annually in January, while the Executive Committee generally meets monthly.

The minutes for the 3 full Board meetings held between April 21, 2011 and July 16, 2013 did not clearly identify whether or not a quorum was present. Article III(A) of the 28E agreement sets the membership of the full Board as a representative or representatives appointed by the governing body of each member of the Agency for each 10,000 population, or fraction thereof, represented. Each appointed representative shall have one vote for each 1,000 population, or fraction thereof, residing in the governmental subdivision he/she represents, up to 10 votes each. There are 41 members of the Agency, with 43 appointed representatives who have 96 votes. Article III(C) of the 28E agreement defines a quorum of the full Board as a majority of the total number of votes of all representatives, whether present or not. The minutes identified which representatives were present, but not the number of votes for each.

North Central Iowa Regional Solid Waste Agency

Detailed Findings

July 1, 2011 through June 30, 2012

For 1 of 2 meetings tested, the publication of the summary of proceedings occurred 85 days after adjournment of the meeting. Section 26E.6.3(a) of the *Code of Iowa* requires the summary of proceedings be submitted to a newspaper for publication within 20 days of adjournment of the meeting.

Recommendation – The Agency should identify the number of votes for each representative present at the full Board meetings. It should also develop policies and procedures to ensure the summary of proceedings for each meeting is submitted to a newspaper for publication within 20 days of adjournment of the meeting in accordance with Section 26E.6.3(a) of the *Code of Iowa*.

Response – New staff will implement the indicated recommendations for future full Board meetings and will be sure the minutes are submitted to the newspaper within the time designated by the Code of Iowa.

Conclusion – Response accepted.

- (D) Approval of Disbursements – During our review of the payments to Gypsum Hollow Industries and certain credit card payments, we determined the vendor invoices did not include any evidence of approval for payment. Checks written require the signature of 2 Executive Committee members. We determined the signatures on the canceled checks examined were applied by the Director of Recycling & Administration/Finance using a stamp. The Agency does not have a written policy identifying the process to approve disbursements for payment.

Recommendation – The Agency should develop a written policy identifying the process to approve disbursements to ensure each invoice is reviewed and approved by the Director and the dual signatures on checks are done in person by 2 Executive Committee members.

Response – With recent staff changes, the process for approval of disbursements has been significantly improved. Where possible, all invoices are held until approved by the Executive Board's approval. A resolution approving utilities and reoccurring payments will be considered by the Board at their next meeting. All checks are now reviewed by two of the Board members prior to their signing them. Stamped signatures are no longer used.

Conclusion – Response accepted.

- (E) Credit Card Transactions – The Agency has a credit card for use by various employees while on business. During a review of 8 credit card statements, finance charges/late fees totaling \$150.34 were paid on 4 of the statements. In addition, 2 transactions on the credit card statements tested were not supported by original credit card receipts.

Recommendation – The Agency should develop procedures to ensure credit card statements are paid timely to ensure no finance charges/late fees are paid and enforce the existing credit card policy to ensure all transactions are supported by an original credit card receipt.

Response – New staff changes have resulted in eliminating the late fees. Currently, all Agency credit cards have been discontinued. The existing credit card policy will be updated prior to authorizing the use of a new credit card.

Conclusion – Response accepted.

North Central Iowa Regional Solid Waste Agency

Detailed Findings

July 1, 2011 through June 30, 2012

- (F) Local Vendor Charge Accounts – The Agency has multiple charge accounts with local vendors. There is no official written list of all of the Agency’s charge accounts and who is allowed to charge at each vendor. There is no written policy covering the use of the charge accounts.

Recommendation – The Agency should develop a policy covering the use of charge accounts. The policy should include requiring original vendor receipts be turned in when a charge account is used, as well as requiring a list of open charge accounts, including who is authorized to charge at each vendor, be maintained and periodically reviewed.

Response – A list of charge accounts has been developed and is being reviewed and updated in an effort to reduce the number of accounts. Only certain employees are authorized to charge from the local vendors. An updated list of authorized employees will be provided to all vendors.

Conclusion – Response accepted.

- (G) Questionable Disbursements – We identified certain disbursements which may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 because the public benefits to be derived have not been clearly documented. These disbursements include:

Paid to	Purpose	Amount
Walmart	Paper plates, cups, napkins, coffee maker and cookies for Board/Committee meetings	\$ 64
Hy-Vee	Paper plates and cookies for Board/Committee meetings	24

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Agency should determine the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including the requirements for proper documentation.

Response – Past employees and Executive Board members considered it appropriate to provide coffee and cookies for anyone attending the Board meetings. Board members as well as the public at the meeting were welcome to partake of the coffee and cookies. The need for written policies regarding this practice will be discussed further with the auditors and the Executive Board.

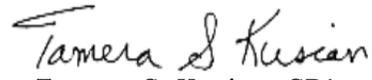
Conclusion – Response acknowledged. The public purpose should be documented in each case or a written policy specifying the public purpose of these type of disbursements should be established.

North Central Iowa Regional Solid Waste Agency

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director  
Brian R. Brustkern, CPA, Manager  
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