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FOR RELEASE

July 3, 2018

Auditor of State Mary Mosiman today released a report on a special investigation on the Appanoose County Conservation Department (Department) and the Appanoose Conservation Foundation (Foundation) for the period of July 1, 2013 through June 30, 2017. The investigation was performed as a result of findings identified during previous financial statement audits of Appanoose County and additional concerns identified regarding the relationship between the Department and the Foundation related to the commingling of operations, collections, and disbursements.

The Appanoose County Conservation Board was voted into existence in 1959 by the citizens of the County and is responsible for the oversight of the County's natural resources and establishment of rules and regulations to protect, regulate, and control all parks, trails, campgrounds, public hunting areas, and other property under its control in Appanoose County.

The Foundation was incorporated effective March 15, 1994 under Chapter 504A of the *Code of Iowa*, Iowa Nonprofit Corporation Act. The Foundation was organized to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items which are not included in the County's budgets.

While it is not inappropriate for a non-profit organization to support the County's operations, Mosiman reported the Foundation should support or supplement the Department's functions rather than replace or supplant those duties. Specifically, the operations of the Foundation are not consistently distinct from those of the Department. What should be distinct lines between the Department operations and the Foundation operations are blurred due to previous decisions implemented by the former Conservation Director, the County Conservation Board, and the Foundation Board.

In addition, Mosiman reported the Foundation has not operated within its Articles of Incorporation. Specifically, the Foundation is providing housing to members of the former Conservation Director's, Mark Hoffman, family and has collected County fees and rent payments for property owned by the County which were not remitted to the County. Because the Foundation was established to support the Department's efforts, the Foundation should provide the financial support to the Department who should administer improvements rather than the

Department financially supporting efforts administered by the Foundation. Mosiman reported it is not clear why the Foundation is providing housing to members of the former Director's family.

Mosiman identified \$74,471.78 of undeposited collections and improper disbursements by the Department. Because sufficient records were not available, it was not possible to determine if additional collections were not properly deposited or if additional amounts were improperly disbursed.

Mosiman also identified significant concerns regarding the relationship between the Department and the Foundation, including the following:

- While Boards were established for both the Department and the Foundation, operations were primarily directed by Mark Hoffman for both organizations until his employment was terminated by the County. He continues to play a significant role in the Foundation's operations.
- \$17,737 in payouts to Mark Hoffman by the Foundation for unused leave earned as a County employee. Because the County did not have a policy or practice of providing payouts for unused leave, the payments by the Foundation demonstrate a circumvention of County controls by Mark Hoffman to ensure he received a payout which would not have been provided by the County.
- Mark Hoffman earned, accumulated and was paid out for compensatory time even though he was an exempt employee.
- The leave balances for compensatory time, vacation time and personal leave separately tracked by Mark Hoffman were not in accordance with County policies.
- On May 20, 2013, land and a residence owned by the County in Sharon Bluffs Park were transferred to the Foundation at no cost; however, the Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. In addition to the change in ownership, the Department paid costs associated with the construction of the building or certain ongoing costs associated with the property. Revenues associated with the use of the property are deposited by the Foundation.
- Rent collections related to the residence in Sharon Bluffs Park transferred by the County to the Foundation were deposited by the Foundation instead of the Department prior to change in ownership on July 1, 2013. In addition, because the County should not have transferred the property containing the residence, the Department should have collected the \$30,000 of rent for the property for the period July 1, 2012 through June 30, 2017. Instead, the rent was deposited by the Foundation for this period.
- On March 18, 2013, the County transferred 4 parcels of land within the Fuller Wildlife Area to the Foundation at no cost. The 4 parcels were sold by the Foundation just over a week later along with 3 additional properties which the Foundation previously purchased. The 7 parcels were purchased by a private citizen for \$280,000 on March 27, 2013.
- The Foundation executed lease agreements for Foundation owned properties and residence policies with the former Director's family members who were also County employees. The agreements specified they were part of the County employees' benefits package. Allowing County employees to reside in Foundation owned properties as part of their benefits package caused blurred lines between the operations of the Department and Foundation.

- The same individuals continued to reside at the Foundation owned properties after their employment with the County was terminated. In addition, they did not pay rent during that period. Continuing to allow them to reside at the property rent-free after their employment with the County terminated caused further lack of clarity in the operations between the Department and the Foundation.
- The Foundation deposited \$10,058.00 of rent for property owned by the County during the period July 1, 2012 through June 30, 2017.
- Commingling of collections and disbursements between the Department and Foundation. Examples of commingled transactions include bills paid by the Foundation which were addressed to both the Foundation and the Department and the Foundation depositing collections which should have gone to the Department.
- The language in the cabin rental agreements causes blurred lines between the 2 entities. The agreements are in the name of the Foundation but require approval by a Department employee.
- The Department paid \$26,835.00 for improvements made at a residence and rental cabins located in Lelah Bradley Park which were owned by the Foundation.
- Nepotism issues and related party concerns were identified based on the hiring of Mark Hoffman's children by the Department and the reimbursements/ payments they received from the Foundation. His wife and private company also received reimbursements and payments from the Foundation.

Mosiman recommended County officials and the Department implement changes which ensure a clear separation from the Foundation's operations, including exercising due care and ensure all disbursements made with Department funds are supporting only County operations. The Foundation should support or supplement the Department's functions rather than replace or supplant those duties. In addition, the Department should determine the total funds collected by the Foundation for items such as rental fees, summer camp registrations, and boat registration fees which should have been deposited with the Department and should work to recover this amount, while ensuring amounts are collected correctly in the future. The Department should ensure compliance with all requirements established by the *Code the Iowa* and the County's employee handbook related to nepotism and related parties.

Copies of the report have been filed with the Appanoose County Attorney's Office, the Attorney General's Office, and the Division of Criminal Investigation. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1510-0004-T000>.

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**REPORT ON A SPECIAL INVESTIGATION OF
THE APPANOOSE COUNTY CONSERVATION DEPARTMENT
AND THE APPANOOSE CONSERVATION FOUNDATION**

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2017**

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Auditor of State's Report

To Members of the Appanoose County Board of Supervisors,
Appanoose County Conservation Board, and the
Appanoose Conservation Foundation:

As a result of findings identified during previous financial statement audits of Appanoose County and additional concerns identified regarding the relationship between the Appanoose County Conservation Department (Department) and the Appanoose Conservation Foundation (Foundation), we conducted a special investigation of the Department and the Foundation. We have applied certain tests and procedures to selected financial transactions of the Department and the Foundation for the period July 1, 2013 through June 30, 2017, unless otherwise noted. Based on discussions with Conservation Department and Foundation personnel and a review of relevant information, we performed the following procedures for the period specified:

1. Reviewed Chapter 350 of the *Code of Iowa* to determine the purpose and the powers of the County Conservation Board.
2. Obtained and reviewed the Foundation's articles of incorporation to determine the purpose and mission of the organization.
3. Examined County Conservation Board and Foundation Board minutes to identify instances of commingling of operations between the entities. We also spoke with County Conservation Board members, Foundation Board members, County officials, and the former County Conservation Director.
4. Tested "director's benefit adjustments" paid to the former Conservation Director by the Foundation, and the Director's salary paid by the County for the period July 1, 2013 through his termination on February 9, 2016 to determine propriety of the total compensation paid.
5. Obtained an understanding of the County's policies regarding compensation for paid time off benefits and examined the vacation time, compensatory time, and personal time recorded for the former Conservation Director to determine the propriety of the payments to the former Conservation Director for unused paid time off and to determine the propriety of the balances of paid time off recorded.
6. Examined property records on the Appanoose County Assessor's website to identify properties owned by the County and the Foundation to identify transactions involving both entities. We also reviewed transfers of property from the County to the Foundation, a non-profit corporation, to determine if the transfers were proper.
7. Examined rental fees and collections related to the Sharon Bluffs house, including housing allowances and salary certifications for the Conservation Naturalist, to determine if rental fees and collections were properly collected and determine if collections were deposited with the appropriate entity.
8. Examined the management agreement between the City of Centerville and the County Conservation Board for the management of portions of Lelah Bradley Park to determine the roles of all entities involved.

9. Examined rental fees and collections related to the park ranger house at Lelah Bradley Park, including housing allowances and salary certifications for the Park Technician/Ranger, to determine if rental fees and collections were properly collected and determine if collections were deposited with the appropriate entity.
10. Examined the Foundation's receipts for the period of July 1, 2013 through June 30, 2017, including those for naturalist programming, summer camp, boat registration fees, and the conservation reserve program (CRP), to determine if collections were deposited with the appropriate entity.
11. Examined the Foundation's disbursements for the period of July 1, 2014 through June 30, 2017, including those related to the cabins and park ranger house at Lelah Bradley Park, to determine if operations were commingled between the Conservation Board and the Foundation. We also summarized the Foundation's payments to Mark Hoffman, Sandy Hoffman, Austin Hoffman, Amber Hoffman and Sandmark Services (an entity owned and operated by Mark and Sandy Hoffman) to determine total payments made to the former Conservation Director and his family and to obtain an understanding of the roles played by the former Conservation Director and his family members in the Foundation's operations.
12. Examined cabin rental agreements and collections for the cabins at Lelah Bradley Park to determine which entity is responsible for administering the agreements, collecting rental fees, and maintenance of the cabins. We also tested rental collections to determine if they were deposited by the appropriate entity.

As a result of these procedures, we identified \$74,471.78 of undeposited collections and improper disbursements by the Department. We also identified the commingling of operations, collections, and disbursements between the Department and the Foundation due to the actions of the former Conservation Director, the County Conservation Board and the Foundation Board.


In addition, we determined the Foundation has not operated within its Articles of Incorporation. Specifically, the Foundation has provided housing to members of Mark Hoffman's family and collected Department fees and rent payments for property owned by the County which were not remitted to the Department. In addition, the Foundation is performing functions which would be more appropriately performed by the Department. Because the Foundation was established to support the Department's efforts, the Foundation should provide the financial support to the Department who should administer improvements rather than the Department financially supporting efforts administered by the Foundation.

Because sufficient records were not available, we are not able to determine if additional collections were not properly deposited or if additional amounts were improperly disbursed. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A and B** of this report.

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 financial statements of the Appanoose County Conservation Department or the Appanoose Conservation Foundation, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Appanoose County Attorney's Office, the Attorney General's Office, and the Division of Criminal Investigation.

We would like to acknowledge the assistance extended to us by the officials and personnel of the Appanoose County Conservation Department and the Appanoose Conservation Foundation during the course of our investigation.


MARY MOSIMAN, CPA
Auditor of State

May 1, 2018

Report on a Special Investigation of
the Appanoose County Conservation Department and
the Appanoose Conservation Foundation

Investigative Summary

Background Information

The Appanoose County Conservation Board was voted into existence in 1959 by the citizens of the County and is responsible for the oversight of the County's natural resources and establishment of rules and regulations to protect, regulate, and control all parks, trails, campgrounds, public hunting areas, and other property under its control in Appanoose County. The 5 members of the County Conservation Board are appointed by the Appanoose County Board of Supervisors. The County Conservation Board provides educational programs to school, youth and civic groups as well as to the general public. The County Conservation Board also maintains and operates Lelah Bradley Park, the Ross Wildlife Area, and a nature center at Sharon Bluffs State Park, which is the headquarters for the Conservation Board.

According to section 350.4 of the *Code of Iowa*, "The county conservation board shall have the custody, control, and management of all real and personal property heretofore or hereafter acquired by the County for public museums, parks, preserves, parkways, playgrounds, recreation centers, county forests, county wildlife areas, and other county conservation and recreation purposes and is authorized and empowered."

According to section 350.4(6) of the *Code of Iowa*, the County Conservation Board is given the power "to employ and fix the compensation of a director who shall be responsible to the county conservation board for the carrying out of its policies. The Director is responsible for the day-to-day operations of the Department under the direction of the Conservation Board and for the enforcement of the rules and regulations established by the Board. The Director is also responsible for supervising Department employees, preparing budgets for the Department, park maintenance, and campground management.

Mark Hoffman served as the Conservation Director for the County Conservation Board for over 31 years until the Conservation Board terminated his employment on February 9, 2016. On May 5, 2016, the Conservation Board hired Orin Cletus Swackhammer as the Interim Conservation Director. Phillip Visser was approved as the Conservation Director effective February 1, 2017. Mr. Swackhammer remained employed with the County in order to help with the transition to the new Director. His official resignation was accepted by the Board on September 12, 2017.

The Appanoose Conservation Foundation (Foundation) was incorporated under Chapter 504A of the *Code of Iowa*, Iowa Nonprofit Corporation Act, effective March 15, 1994. The Foundation was organized to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items for the Department which are not included in the Department's budgets, such as land/property, equipment, and conservation project costs. The Foundation is legally separate from Appanoose County, but it is so intertwined with the County it is, in substance, the same as the County. It is reported as a blended component unit in the Special Revenue funds of the County.

Since its incorporation in 1994, the Foundation has not employed anyone. The Foundation Board members are volunteers and any services required by the Foundation are provided by volunteers or obtained from vendors or contractors.

Members who have served on the County Conservation Board are listed in **Table 1**. The **Table** also includes the members of the Foundation who were listed in the Biennial Reports filed with the Secretary of State during 2013, 2015, and 2017.

Table 1

County Conservation Board		Foundation	
Member	Term Served	Member	Biennial Report
Elizabeth Deatsch	2013- Jan. 2016	Lee Den Hartog*	2013
Jerry Hill	2013 – July 2014	Gary Masters	2013, 2015
Ken Phelps	2013 – March 2016	John Holeman	2013
Jason Phelps	2013 – Feb. 2015	Joyce Thomas	2013, 2015, 2017
Bev Frevert	2013 – Feb. 2014	Justin Bailey^	2013, 2015, 2017
Becky Evers	Feb 2014 – Jan. 2015	Larry Piatt	2013, 2015
Keith Sherman	Jan. 2015 – Nov. 2015	Dennis Peters	2013, 2015
Marcia Thomas	Aug. 2014 – March 2016	Jason Phelps	2013
Lynette Cisler	April 2015 – Jan. 2016	Brett Mihalovich	2015
Mark Waits	Nov. 2015 – Current	Keith Sherman	2015
Steve Archer	Dec. 2015 – Current	Vic Senter	2015
Randy McPherron	April 2016 – Current	Edwin Brand*	2017
Linda Rouse	Feb. 2016 – Current	Kris Koestner^	2017
Heather Clark	April 2016 – Aug. 2016	Jim Thomas	2017
Art Kirchoff	March 2017 - Current	Marcia Thomas	2017
		Ken Phelps	2017
		Larry Heffron	2017

* - Lee Den Hartog and Edwin Brand were listed as President in the Biennial Reports for 2013 and 2017, respectively. A President was not identified in the 2015 Biennial Report.

^ - Justin Bailey was listed as Treasurer in the Biennial Reports for 2013 and 2015 and Kris Koestner was listed in the 2017 Biennial Report.

As illustrated by the **Table**, the number of Foundation Board members varied for each Biennial Report filed with the Secretary of State. In addition, the **Table** illustrates 2 Foundation Board members served on the County Conservation Board at the time a Biennial Report was filed. In addition, 2 other Foundation Board members served on the County Conservation Board prior to the date they were listed on the Foundation's Biennial Report.

Based on concerns identified during previous financial statement audits of Appanoose County, a determination was made by the Office of Auditor of State to conduct additional procedures related to the commingling of operations, collections and disbursements of the Appanoose County Conservation Department and the Appanoose Conservation Foundation. We performed procedures as detailed in the Auditor of State's Report for the period July 1, 2013 through June 30, 2017, unless otherwise noted.

Detailed Findings

During our investigation, we identified \$74,471.78 of undeposited collections and improper disbursements by the Department. Because sufficient records were not available, we are not able to determine if additional collections were not properly deposited or if additional amounts were improperly disbursed.

In addition, we determined the Appanoose Conservation Foundation (Foundation) has not operated within its Articles of Incorporation. Specifically, the Foundation was established to support the Department's efforts. As a result, the Foundation should provide the financial support to the Department who should administer improvements rather than the Department financially supporting efforts administered by the Foundation. However, the Foundation has provided housing to members of Mark Hoffman's family and collected Department fees and rent

payments for property owned by the County which were not remitted to the Department. In addition, the Foundation is performing functions which would be more appropriately performed by the Department.

The manner in which the Foundation has been operating has caused concerns regarding the relationship between the Department and the Foundation. The Department has operations, collections, and disbursements which are commingled with the Foundation, making it difficult to distinguish between Department and Foundation operations.

The relationship between the Department and the Foundation has been blurred due to the actions of the County Conservation Board, Foundation Board, and the former Conservation Director. The former Conservation Director was employed by the Department but also had significant involvement in the Foundation's operations and processes.

Examples of actions taken by the County Conservation Board, Foundation Board, and the former Conservation Director for which concerns were identified are summarized here along with commingled collections and disbursements identified.

- While Boards were established for both the Department and the Foundation, operations were primarily directed by Mark Hoffman for both organizations until his employment was terminated by the County. He continues to play a significant role in the Foundation's operations.
- \$17,737 in payouts to Mark Hoffman by the Foundation for unused leave earned as a County employee. Because the County did not have a policy or practice of providing payouts for unused leave, the payments by the Foundation demonstrate a circumvention of County controls by Mark Hoffman to ensure he received a payout which would not have been provided by the County.
- The former County Conservation Director earned, accumulated and was paid out for compensatory time even though he was an exempt employee.
- The leave balances for compensatory time, vacation time and personal leave separately tracked by the former County Conservation Director were not in accordance with County policies.
- Land and a residence owned by the County were transferred to the Foundation at no cost; however, the Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation.
- Rent collections related to the residence in Sharon Bluffs Park prior to the sale of the property on July 1, 2013 were deposited by the Foundation instead of the Department.
- The Foundation executed lease agreements for Foundation owned properties and residence policies with the former County Conservation Director's family members who were also County employees. The agreements specified they were part of the County employees' benefits package. Allowing County employees to reside in Foundation owned properties as part of their benefits package caused blurred lines between the operations of the Department and Foundation.
- The same individuals continued to reside at the Foundation owned properties after their employment with the County was terminated. In addition, they did not pay rent during that period. Continuing to allow them to reside at the property rent-free after their employment with the County terminated caused further lack of clarity in the operations between the Department and the Foundation.
- Commingling of collections and disbursements between the Department and Foundation. Examples of commingled transactions include bills paid by the Foundation which were addressed to both the Foundation and the Department and the Foundation depositing collections which should have gone to the Department.

- The language in the cabin rental agreements causes blurred lines between the 2 entities. The agreements are in the name of the Foundation but require approval by a Department employee.
- Nepotism issues and related party concerns were identified based on the hiring of Mark Hoffman's children by the Department and the reimbursements/payments they received from the Foundation. In addition to his children, his wife and a company he owns also received reimbursements and payments from the Foundation.

Table 2 summarizes a timeline of actions taken by the County Conservation Board, the Foundation Board, and the former County Conservation Director. Concerns regarding these actions and commingled transactions are summarized after the **Table**.

Table 2

Date	Description
08/06/84	Mark Hoffman hired by the County Conservation Board as Conservation Director.
11/16/08	Austin Hoffman hired as a part-time animal control services/conservation aide by the County Conservation Board.
05/08/10	Amber Hoffman hired as part-time assistant naturalist by the County Conservation Board. Once hired, she moved into the Sharon Bluffs house.
03/18/13	The County Board of Supervisors approved the transfer of ownership of the Fuller Wildlife Area to the Appanoose Conservation Foundation. The transaction was recorded in the County Assessor's records on 03/27/13 for a \$0 sales amount. The transferred property was sold just over a week later along with some additional property owned by the Foundation. The County Assessor's website documents the Foundation received \$280,000 for the sale of the combined properties.
05/20/13	The County Board of Supervisors approved the transfer of ownership of the Sharon Bluffs house and property to the Appanoose Conservation Foundation. The transaction was recorded in the County Assessor's records on 07/01/13 for a \$0 sales amount.
02/11/14	Amber Hoffman was hired by the County Conservation Board as full-time naturalist/administrative assistant.
01/13/15	County Conservation Board members extended an invitation to the Foundation Board members to attend candidate interviews for the park technician/ranger position which was a County position.
01/27/15	Austin Hoffman was hired by the County Conservation Board as the park technician/ranger. Once hired, he moved into the Park Ranger house.
02/09/16	Mark Hoffman was terminated by the County Conservation Board from the position of Conservation Director.
11/08/16	The County Conservation Board approved the elimination of the following positions: full-time naturalist (Amber Hoffman) and two part-time park technicians (including Austin Hoffman).
05/23/17	Austin Hoffman rehired by the County Conservation Board as a part-time park technician.

In addition, on August 13, 2013, July 15, 2014 and August 11, 2015; the County Conservation Board approved payouts for the "director's benefit adjustments." However, these payments were issued to Mark Hoffman by the Foundation rather than the Department, even though Mark Hoffman was a County employee and not employed by the Foundation. In addition, the County did not have any policies which allowed for "benefit adjustments" or payment for unused leave time. Because the County did not have a policy or practice of providing payouts for unused leave, the payments by the Foundation demonstrate a circumvention of County controls by Mark Hoffman to ensure he received a payout which would not have been provided by the County.

BOARD MINUTES

The County Conservation Board and the Foundation Board both meet separately on a monthly basis, while holding special meetings when and if necessary. At each monthly meeting, the County Conservation Board reviews the Treasurer's report, any bills that need to be paid, the Naturalist's report, addresses budget issues, and provides program and project updates. The Foundation Board reviews the Foundation Treasurer's report, any bills that need to be paid, and provides program and project updates.

Mark Hoffman, the former Conservation Director, was not an employee of the Foundation nor did he hold a formal position/title at the Foundation. He did, however, play a significant role in the operations and direction of Foundation activities in addition to his duties as the County Conservation Director by attending all Foundation meetings, presenting the Foundation's bills to the Board for approval, and leading discussions regarding Foundation projects.

We reviewed the County Conservation Board and Foundation meeting minutes for the period July 1, 2014 through July 14, 2016 to identify any significant events and instances of the commingling of operations, collections, and disbursements between the Department and the Foundation and to identify any instances where the former Conservation Director used personal property for Department related activities. The following instances were identified:

- As previously stated, the County Conservation Board reviewed and approved the Department's bills at each Board meeting. However, the County Conservation Board also reviewed and approved the Foundation's bills during each meeting. The Foundation's bills were also reviewed and approved during the Foundation Board meetings. The bills for both the Department and the Foundation were presented to the Boards by Mark Hoffman. However, the Foundation Board did not approve the Department's bills.

The 2 Boards are considered independent bodies with their own funding sources. As a result, it is not clear why the County Conservation Board reviewed and approved the Foundation's bills. However, by presenting both entities' bills to both Boards, Mark Hoffman influenced all aspects of the conservation activities in the County and coordinated all aspects of any conservation programs and projects.

The County Conservation Board reviewed and approved the Foundation's bills for the last time on January 14, 2016.

- On August 13, 2013, July 15, 2014 and August 11, 2015; the County Conservation Board approved payouts to Mark Hoffman by the Foundation for the "director's benefit adjustments". The "director's benefit adjustments" were prepared by and presented to the County Conservation Board by Mark Hoffman. He later presented the same information at Foundation Board meetings where the payouts were approved also.

Because the County did not have a policy or practice of providing payouts for unused leave, the payments by the Foundation demonstrate a circumvention of County controls by Mark Hoffman to ensure he received a payout which would not have been provided by the County. It is unclear why the Foundation would pay a County employee for unused leave time.

- During the August 12, 2014 meeting of the County Conservation Board, the Board approved a payment of \$35,000 be made to the Foundation, to cover 50% of a new restroom construction project at Lelah Bradley Park. However, work on the restroom had been delayed and not yet started, so the County made the payment in advance of the work being completed.

During the October 20, 2015 meeting of the Foundation, the Foundation Board approved returning the \$35,000 received from the County. On November 10, 2015, the County Conservation Board approved repayment of \$35,000 to the County to be paid by the Foundation. The County did not subsequently provide the funding to the Foundation for the project and the project was not complete as of May 1, 2018.

Because the Foundation was established to support the Department's efforts, the Foundation should provide the financial support to the Department who should

administer improvements such as constructing new restrooms at the park rather than the Department financially supporting efforts administered by the Foundation.

- During the January 13, 2015 meeting of the County Conservation Board, the Board members extended an invitation to the Foundation Board members to attend candidate interviews for the park ranger/technician position. It is unclear why the Foundation would be involved in the hiring practices of the Department.
- During the August 11, 2015 meeting of the Conservation Board, Mark Hoffman reported the activities for the County's 5th Annual Youth Deer Hunt would need to take place at the Sharon Bluffs Bible Camp because his private property would not be available as it was in past years. Mark and Sandy Hoffman own the properties adjacent to the south and southeast of the Sharon Bluffs house. It is unclear why the personal property of an employee would be used for Department related activities.
- During the July 14, 2016 meeting of the County Conservation Board, Director Swackhammer reported he had observed Conservation Camp activities, including canoeing and camping, taking place on Mark and Sandy Hoffman's private property. The Director instructed Amber Hoffman (daughter of Mark Hoffman), who was responsible for running the Conservation Camp activities, to cease canoeing and camping on the Hoffman's private property. He suggested the use of the Lelah Bradley Park reservoir since it was under the control of the Department.

In addition, a Board member commented it was inappropriate for Conservation Camp activities to be held on private property when there is County Conservation property that could be used. The Board member also questioned whether or not the County's insurance policy would cover camps held on private property.

- Based on our review of the Foundation Board meeting minutes, we determined Mr. Hoffman played a significant role in the operations and direction of the Foundation activities in addition to his duties as the Conservation Director for the Department. He attended Foundation meetings, presented the Foundation's bills to the Board for approval, and lead discussions regarding Foundation projects.

The following paragraphs provide additional details regarding how actions of the Department and the Foundation were inter-related and how operations, collections, and disbursements were commingled.

CONSERVATION DIRECTOR BENEFIT ADJUSTMENT PAYOUTS

As discussed previously, the Conservation Director is responsible for the day to day operations of the Department under the direction of the Conservation Board and for the enforcement of the rules and regulations established by the Board. **Table 3** summarizes the salary certifications completed by the former Conservation Director for his position and provided to the County Auditor. The certifications document the compensation paid by the County for the Director's position. In addition to the payments listed in **Table 3**, the salary certifications also specified the former Conservation director received family medical and dental coverage and an on-the-job vehicle.

Table 3				
Year Ended June 30,	Date of Salary Certification	Salary	Uniform Allowance	Total
2014	06/11/13	\$ 51,000	300	\$ 51,300
2015	06/10/14	52,500	300	52,800
2016	06/11/15	54,075	300	54,375

In addition to the salary, uniform allowance, insurance coverage, and an on-the-job vehicle, the former Director also received paid time off for vacation, sick leave, and personal time. In accordance with the County's policies, during fiscal years 2014, 2015, and 2016, Mark Hoffman was eligible to earn 20 days (or 160 hours) of vacation each year, which could not be carried over to the next year without Department Head approval. In addition to vacation, Mark Hoffman was eligible to earn 1½ days per month (or 18 days) of sick leave and 2 personal leave days per year. County policy allows employees to accumulate a total of 180 days of sick leave.

From August 20, 2013 to August 25, 2015, the Foundation paid former Director Mark Hoffman a total of \$17,737 for unused vacation, compensatory time, and personal leave he accrued as a County employee. As illustrated by **Table 4**, payouts were made during fiscal years 2014, 2015 and 2016. Copies of the director's benefit adjustments are included in **Appendix 1**.

Table 4			
Year Ended June 30,	Date Paid	Hours Paid	Amount Paid
2014	08/20/13	280	\$ 6,953
2015	08/19/14	318	7,767
2016	08/25/15	120	3,017
Total			<u>\$ 17,737</u>

It is unclear why the Foundation would pay a County employee for unused leave time. The payouts were approved by the Conservation Board and Foundation and then paid out by the Foundation. Current members of the Conservation Board we spoke with were not able to provide an explanation for the amounts paid. Individuals who served on the Conservation Board at the time of the payments no longer serve on the Board and were not available. County officials were not involved in the approval or payment process. According to a County official we spoke with, County officials were not aware of the payments at the time they were made. Because the County did not have a policy or practice of providing payouts for unused leave, the payments by the Foundation demonstrate a circumvention of County controls by Mark Hoffman to ensure he received a payout which would not have been provided by the County.

The Foundation was organized to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. It is not clear how payments of "benefit adjustments" fit the purpose of the Foundation or is a proper use of its funds.

The "director's benefit adjustments", as referred to in the County Conservation Board minutes, were calculations prepared by and presented to the Board by Mark Hoffman. The August 13, 2013 meeting minutes of the County Conservation Board document approval of payment of the \$6,953.00 director's benefit adjustment. On August 20, 2013, Mark Hoffman presented the benefit adjustment to the Foundation Board which also approved the payout.

In addition, the July 15, 2014 and August 11, 2015 meeting minutes of the County Conservation Board document the director's benefit adjustment and compensation amounts of \$7,767.00 and \$3,017.00, respectively. The Board approved the payouts to be made by the Foundation. Additional details regarding the 3 payments are provided in subsequent paragraphs. Federal and state income taxes were not deducted from any of the 3 benefit adjustment payouts.

As previously stated, Mark Hoffman was a County employee and as such he was not entitled to a payout of the unused leave time. His salary and any benefits, such as payments for vacation or personal time used, were paid by the County. Also as previously stated, the Foundation does not employ anyone. As a result, it is not clear why the Foundation would pay for unused vacation and other leave time Mark Hoffman accrued as a County employee. Payment for the unused leave

time by the Foundation is a circumvention of the County's policies to ensure he received a payout which would not have been provided by the County.

Because he was a County employee, the County Auditor's Office tracked the amount of vacation and sick leave time Mark Hoffman earned and used. The use of personal leave time was not tracked by the County Auditor's Office. Instead, the time was to be monitored by the head of each County department.

While the County Auditor's Office tracked the earning and use of vacation leave, Mark Hoffman also tracked his vacation, compensatory time, and personal leave earned and used on his timesheets. The amounts recorded on his timesheets were used to prepare the amounts of "director's benefit adjustments" presented to the County Conservation Board and the Foundation Board.

At the time of the payouts, County policy stated, "Vacation time must be taken during the 12 month period following the anniversary date of qualifying employment. Unless approved in writing by the office head or elected official, vacation time cannot be carried over from one year to the next." Based on his length of service as a County employee, the former Conservation Director would have been eligible to earn 160 hours of vacation each year and if the leave time was not used, it would not carry over to the next year without approval. The County's Employee Handbook does not include a policy which allows payout of unused vacation hours. The timesheets prepared by Mark Hoffman consistently reflected a vacation balance exceeding the 160 hours maximum. As a result, it is clear the vacation hours he recorded did not comply with County policy. In addition, because he recorded vacation hours in excess of the 160 maximum hours allowed by the County, vacation time he used and recorded may have been time he earned in excess of the maximum vacation time allowed by the County.

In regards to personal leave, the County policy stated, "Employees shall be allowed two days paid personal leave per year. Personal leave shall be requested in writing and approved in advance by the appropriate office or department head." The policy does not address whether or not unused days could be carried over to the next year or whether unused balances can be paid out. The County does not track these balances and does not in practice allow the days to be carried over to the next year or be paid out.

The County allows employees to accumulate compensatory time and carry forward unused balances from one year to the next; however, the County's policies do not address this issue. According to the County's Employee Handbook, employees may request to receive compensatory time in lieu of overtime pay, up to 120 hours, with the approval of the elected official or department head. The Handbook does not include a policy allowing the payout of unused compensatory time. The Handbook also specifies "exempt" employees shall not receive overtime or compensatory time.

Based on a review of the Fair Labor Standards Act and the job duties of the Conservation Director, the position is considered exempt from the overtime rules of the act and the accumulation of compensatory time. Therefore, the compensatory time earned and accumulated by Mark Hoffman may have been earned in error and all payments he received for accumulated compensatory time would not be appropriate. Based on discussions with the current Appanoose County Auditor the current Conservation Director is considered an exempt employee.

Payout During Year Ended June 30, 2014 – The "director's benefit adjustment" for the payment made during the first quarter of fiscal year 2014 was justified to the Foundation Board and the Conservation Board by Mark Hoffman based on "lost labor." As illustrated by **Appendix 1**, he explained the Department had operated almost 3 years without a second full-time employee, an administrative position had not been filled since May 2011, and there were no seasonal workers hired from September 2012 through June 2013.

The “director’s benefit adjustment” paid to Mark Hoffman by the Foundation on August 20, 2013 was calculated as shown in **Table 5**. Based on information provided by the current County Auditor the benefit adjustment was calculated near Mark Hoffman’s anniversary date of employment with the County.

Table 5

Description	Amount
Number of leave hours paid:	
Vacation	104
Compensatory	160
Personal	16
Total leave hours paid	280
Divide by 40 hours per week	40
Number of weeks paid	7
Director’s weekly salary [^]	\$ 961.54
Calculated payout	6,370.78
Additional payout*	222.00
Total payout	\$ 6,952.78

[^] - Annual salary of \$50,000 divided by 52 weeks.

* - No support was available for additional payout.

The 104 vacation hours, 160 compensatory time hours, and 16 personal leave hours paid out by the Foundation were deducted from Mark Hoffman’s vacation, compensatory time, and personal leave balances tracked on his timesheets.

While Mark Hoffman’s timesheet showed he had a vacation balance of 271.07 hours at the time of the payment, the former County Auditor determined he had a vacation balance of only 108 hours near the time of his anniversary date. Because he had not used his vacation, the balance was reduced to zero. He was then provided 160 hours of vacation for the upcoming year. As a result, the County did reduce his vacation balance by approximately the same amount as the 104 hours shown in **Table 5**. However, Mark Hoffman received a payout for the unused vacation time which is not allowed by County policy.

In addition, according to payroll system notes provided by the current County Auditor, the former County Auditor reduced Mark Hoffman’s compensatory time balance by 161 hours on November 19, 2013. This reduction was made approximately 3 months after the payment by the Foundation. The reduction was made to adjust the County’s compensatory time balance to agree to his timesheet and reduce the balance for the payout made in August 2013.

As illustrated by **Table 5**, an additional payout of \$222.00 was made to Mark Hoffman on August 20, 2013. Support for the payout was requested from the Foundation’s Treasurer; however, it was not provided.

Based on discussions with the Foundation’s Treasurer on January 27, 2015, the Foundation did not issue a W-2 or 1099 to Mark Hoffman for the amounts paid to him during calendar years 2013 or 2014. However, on February 7, 2015, Mark Hoffman provided a copy of a 2013 1099-MISC form which included \$6,953 reported under nonemployee compensation. We are unable to determine if the copy of the 1099-MISC form he provided to us was properly filed with the Iowa Department of Revenue and the Internal Revenue Service. As a result, a copy of this report will be filed with the Iowa Department of Revenue and the Internal Revenue Service upon its release.

Payout During Year Ended June 30, 2015 – The “director’s benefit adjustment” for the payment made during the first quarter of fiscal year 2015 was justified by Mark Hoffman based on “lost labor” incurred by the Department during fiscal year 2014 due to the Department not filling a

second full-time employee position from August 18, 2010 to March 10, 2014 and not filling an administrative position since May 2011.

The “director’s benefit adjustment” paid to Mark Hoffman by the Foundation on August 19, 2014 was calculated as shown in **Table 6**.

Table 6	
Description	Amount
Compensatory hours paid	318
Divided by the hours per day	8
Number of days paid	39.75
Director’s daily salary^	\$ 195.40
Calculated payout	\$ 7,767.15

^ - Annual salary of \$51,000 divided by 261 days.

The “director’s benefit adjustment” worksheet included a calculation of the Director’s daily salary; however, we were unable to determine why the Director calculated this amount by using 261 days, instead of 260 days (52 weeks per year at 5 days per week would be 260 days).

The “director’s benefit adjustment” worksheet included Mark Hoffman’s leave balances as of August 9, 2014; including 195.7 hours of vacation, 318 hours of compensatory time and 32.6 hours of personal leave. The 318 hours of compensatory time paid out by the Conservation Foundation were not deducted from Mark Hoffman’s compensatory leave balance tracked on his timesheets until April 2015.

According to payroll system notes provided by the current County Auditor, the former County Auditor reduced Mark Hoffman’s compensatory time balance by 318 hours on April 21, 2015. This reduction was made approximately 8 months after the payment by the Foundation. The reduction was made to adjust the County’s compensatory time balance to agree to his timesheet and reduce the balance for the payout made in August 2014.

In addition to the number of hours being paid, the worksheet also included a notation Mark Hoffman would use his vacation and personal leave time to build cabins at Lelah Bradley Park for the Foundation for no charge. Based on our review of Mark Hoffman’s timesheets for August 3, 2014 through August 16, 2014 and August 17, 2014 through August 20, 2014, he used 80 and 40 hours of vacation, respectively, for which he noted he worked on building the cabins for the Conservation Foundation. During our review of the Foundation’s disbursements, we did not identify payments to Mark Hoffman for this work.

As previously stated, the Foundation Treasurer reported the Foundation did not issue a W-2 or 1099 to Mark Hoffman for the amounts paid to him during calendar years 2013 or 2014. However, on February 7, 2015, Mark Hoffman provided a copy of a 2014 1099-MISC form which included \$7,767.15 reported under nonemployee compensation. We are unable to determine if the copy of the 1099-MISC form he provided to us was properly filed with the Iowa Department of Revenue and the Internal Revenue Service. As a result, a copy of this report will be filed with the Iowa Department of Revenue and the Internal Revenue Service upon its release.

Payout During Year Ended June 30, 2016 – The “director’s benefit adjustment” for the payment made during the first quarter of fiscal year 2016 was justified by Mark Hoffman based on his work performed from August 2014 through May 2015 to build the cabins at Lelah Bradley Park and complete repairs to the Ranger House. However, as previously stated, Mark Hoffman used and was paid by the Department for 3 weeks of his earned vacation time from August 3 to August 20, 2014 for the time he spent constructing the cabins at Lelah Bradley Park. In addition, he

documented on the worksheet prepared for the payment issued on August 19, 2014 he would construct the cabins “for no charge.” As a result, Mark Hoffman was paid twice for the construction of the cabins; initially by the Department in vacation time and then by the Foundation in the payout.

The “director’s benefit adjustment” paid to Mark Hoffman by the Foundation on August 25, 2015 was calculated as shown in **Table 7**.

Table 7	
Description	Amount
Number of leave hours paid:	
Compensatory	110
Personal leave	10
Total leave hours paid	120
Divided by the hours per day	8
Number of days paid	15
Director’s daily salary [^]	\$ 201.15
Calculated payout	\$ 3,017.24

[^] - Annual salary of \$52,500 divided by 261 days.

The “director’s benefit adjustment” worksheet included a calculation of the Director’s daily salary; however, we were unable to determine why the Director calculated this amount by using 261 days, instead of 260 days (52 weeks per year at 5 days per week would be 260 days).

The “director’s benefit adjustment” worksheet included Mark Hoffman’s leave balances as of August 8, 2015; including 176 hours of vacation, 110 hours of compensatory time and 32 hours of personal leave. The 120 hours of compensatory and personal time paid out by the Conservation Foundation was deducted from Mark Hoffman’s compensatory and personal leave balances tracked on his timesheets.

Per payroll system notes, provided by the current County Auditor, on August 28, 2015, the County reduced Mark Hoffman’s compensatory time balance by 110 hours to adjust the County’s compensatory time balance to agree to his timesheet and reduce the balance for the payout made in August 2015.

During the fiscal year 2015 financial statement audit, the Foundation Treasurer provided a copy of a 2015 1099-MISC form, which included \$3,017.25 reported under nonemployee compensation. We are unable to determine if the copy of the 1099-MISC form he provided to us was properly filed with the Iowa Department of Revenue and the Internal Revenue Service. As a result, a copy of this report will be filed with the Iowa Department of Revenue and the Internal Revenue Service upon its release.

Termination pay by the County – The County’s Employee Handbook does not include a policy allowing a payout upon termination. However, the County’s standard practice has been to pay out employees their unused vacation time (up to 160 hours) as well as any accrued time, whether the employee quits or is terminated.

As previously stated, the County Auditor’s Office is responsible for tracking paid leave time earned and used for all County employees. When we compared the leave balances recorded on Mark Hoffman’s timesheets to the balances recorded by the County Auditor’s Office, we identified several differences. The differences resulted from the County limiting the former Director’s vacation balance to the maximum allowed per the County policy and the former Director not reporting to the County Auditor all of the hours which had been paid out by the Foundation. As

noted previously, the County Auditor's Office was eventually able to update their leave balances for the amounts paid out by the Foundation.

The Conservation Director's timesheets submitted each pay period included beginning balances for vacation, compensatory time and personal leave, as well as, the hours earned, used and the ending balances. The balances recorded on Mark Hoffman's timesheets agreed to the balances he reported on the "director's benefit adjustments". However, the amounts paid by the Foundation were based on unused leave balances recorded on Mark Hoffman's timesheets. We were unable to verify the accuracy of the balances recorded. For example, as previously stated, we identified the following concerns with the leave balances recorded on the timesheets:

- At the time of the 3 payouts, the vacation balance recorded exceeded the maximum vacation balance allowed by the County.
- The compensatory time balance recorded was not reduced after the August 2014 payment.

Because we are unable to verify the accuracy of the balances recorded, Mark Hoffman may have been able to use and record leave time in excess of the amounts allowed by the County.

When Mark Hoffman's employment by the County was terminated, he received the payout summarized in **Table 8** from the County. The payout was approved by the County Board of Supervisors at its regular meeting on March 7, 2016.

Table 8		
Description	Number of Hours	Amount Paid
Vacation earned during the year ended 08/06/15 (\$25.80/hr)	160.00	\$ 4,127.86
Vacation earned 08/07/15 – 02/09/16 (\$25.80/hr)	82.19	2,120.51
Compensatory time accrued (\$38.70/hr)	64.00	2,476.80
Less: 3 days' salary*		(619.17)
Gross payout amount		<u>\$ 8,106.00</u>

*- Mark Hoffman was terminated effective 02/09/16. His final payroll check which was paid on 02/12/16 was for January 31, 2016 through February 13, 2016. He was paid for the entire pay period, including 3 days when he was no longer employed. Therefore, his payout was reduced for 3 days' salary.

As illustrated by the **Table**, the payout included 160 hours of vacation earned for the year ended August 6, 2015. According to the County Auditor, employees receive on their employment anniversary date the total amount of vacation earned for the preceding year. Based on the number of years Mark Hoffman was employed by the County, he earned 160 hours of vacation each year. The vacation was to be used during the year and would be forfeited unless he was authorized to carry it over.

The **Table** also illustrates the payout included 82.19 hours of vacation accrued from August 7, 2015 through February 9, 2016. This amount was calculated by the County Auditor based on Mark Hoffman's employment anniversary date.

The 64 hours included in the **Table** was based on the compensatory balance recorded on Mark Hoffman's timesheets. However, as previously stated, based on a review of the Fair Labor Standards Act and the job duties of the Conservation Director, the position is considered exempt from the overtime rules of the act and the accumulation of compensatory time. As a result, Mark Hoffman should not have earned or accumulated any compensatory time and all payments he received for accumulated compensatory time were inappropriate. As illustrated by the **Table**, the County paid \$2,476.80 for compensatory time. In addition, the County paid \$189.48 for the employer's share of FICA costs for the compensatory time. Because the County should not have paid the \$2,666.28 to Mark Hoffman for the compensatory time, this amount is included in

Exhibit A. We are unable to readily determine any additional amounts paid to Mark Hoffman for compensatory time used during his employment.

COMMINGLED TRANSACTIONS INVOLVING PROPERTY

During our review, we identified a number of transactions involving property which was previously owned by the County but for which ownership changed to the Foundation. In addition to the change in ownership, we determined the Department either paid costs associated with the construction of the building or paid certain ongoing costs associated with the property and revenues associated with the use of the property are deposited by the Foundation. **Table 9** lists the properties for which we identified concerns. The **Table** also summarizes the types of concerns identified.

Table 9

Property	Ownership	Occupied by	Revenue Deposited by	Costs Paid by
Sharon Bluffs House	Transferred from County to Foundation on 07/01/13	Amber Hoffman	Foundation*	Split by Department and Foundation
Fuller Wildlife Area	Transferred from County to Foundation on 03/18/13	N/A	N/A	N/A
Lelah Bradley Park:				
Park Ranger House	Foundation sold property to the City of Centerville on 06/12/08**	Austin Hoffman	Foundation	Split by Department and Foundation
Cabins	Foundation sold property to the City of Centerville on 06/12/08**	Various Renters	Foundation	Split by Department and Foundation

* - The Foundation has been collecting rental revenue on the Sharon Bluffs House as far back as July 1, 2006.

** - The Park Ranger House and Cabins are built on property owned by the City; however, they are both listed separately on the Appanoose County Assessor's website as separate parcels owned by the Foundation.

A detailed explanation of these concerns is summarized in the following paragraphs for each of the properties listed in **Table 9**.

Sharon Bluffs House

The Sharon Bluffs Park includes a nature center which was constructed by the Department in 2012. The nature center is considered the County Conservation Board's headquarters and it includes classrooms used to hold programs which are open to the public. The Park also includes a house, known as the "Sharon Bluffs House." The House, which was constructed by the Foundation in 1995, is located on property deeded to the County Conservation Board on July 1, 1994 by a private citizen. The House is the residence of the County Conservation Naturalist, a Department employee.

Transfer of Ownership - On May 20, 2013, the County Board of Supervisors authorized the transfer of ownership of the Sharon Bluffs House and related property within Sharon Bluffs Park to the Foundation. The County Assessor's website documents the sale of the property took place on July 1, 2013 and the sale amount was \$0. The website also documents the sale was identified as a sale to/by a government/exempt organization.

According to an article in the *Daily Iowegian* newspaper on October 2, 2015, Mark Hoffman stated the Sharon Bluffs House was transferred to the Foundation to "clear up a previous state audit." The statement was in response to audit comments in previous fiscal years regarding the rental revenues on the County owned property being remitted to the Foundation. County officials we spoke with did not provide an explanation of why ownership of the property was transferred to the

Foundation. It is not clear why County officials chose to transfer ownership of the property to the Foundation. Instead of transferring ownership, the County should have ensured rent collections were deposited with the Department.

After the transfer, the Foundation owned the property and became entitled to the rent collected on the residence. The County's financial statement audit report for the fiscal year ended June 30, 2014 disclosed County officials approved transferring certain property to the Foundation in 2013.

As disclosed in the audit report, the Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Specifically, Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

The audit report also includes a recommendation to County officials to consult legal counsel to determine the proper disposition of property the County transferred to the Foundation. The Iowa Attorney General's Office provided a Letter of Advice dated April 22, 2008 to the Office of Auditor of State regarding the transfer of public funds to private non-profit organizations. The Letter of Advice provided by the Attorney General's Office stated, in part:

- "Past opinions of this office have consistently concluded that a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly."
- "The Iowa Constitution prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, section 31 states: "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly'."
- "Delegation of control: The transfer of public funds to a private non-profit corporation also raises concerns regarding the delegation of the discretion of the governing body of the government entity over the use and expenditures of the funds."

Based on the Letter of Advice received from the Attorney General's Office, the County Board of Supervisors should not have transferred the property to the Foundation. As a result, the Board of Supervisors should consult with legal counsel to determine if it would be appropriate to attempt to transfer the property from the Foundation back to the County.

Occupancy – As previously stated, the Sharon Bluffs House is the residence of the Appanoose County Conservation Naturalist. Amber Hoffman, daughter of former County Conservation Director, Mark Hoffman, was hired as a part-time Assistant Naturalist during a County Conservation Board meeting on May 8, 2010. Once hired, she moved into the Sharon Bluffs House.

At the time Amber Hoffman was hired, the County Conservation Board's residence policy provided for a housing allowance to be paid to employees residing in County owned residences. The residence policy was reviewed during the County's 2013 financial statement audit; however, the current County staff was not aware of a residence policy and a copy of the document could not be located during fieldwork for the special investigation. The policy referred to in the 2013 financial statement audit stated the housing allowance was equal to the amount of rent charged by the County.

Based on the County's records, Amber Hoffman did not receive a housing allowance. However, a monthly salary increase of \$500 for the Naturalist position was approved effective December 1, 2010, in lieu of the monthly housing allowance which continued until her County employment was terminated in November 2016. During the fiscal year ended June 30, 2013, the Foundation

collected \$3,500 in rent from her for the Sharon Bluffs House, which has been remitted to the Department. Amber Hoffman still currently lives in the Sharon Bluffs House, which is owned and operated by the Foundation and is not paying rent. We are not aware of Amber Hoffman providing any services or carrying out any duties for the Foundation. As a result, it is not clear why she would be allowed to reside in a residence owned by the Foundation rent-free.

At the February 11, 2014 County Conservation Board meeting, the Board approved hiring Amber Hoffman as the full-time County Conservation Board Naturalist/Administrative Assistant. Based on salary certifications completed by the former Conservation Director, Mark Hoffman, and provided to the County Auditor, the fiscal year 2014 compensation for the Naturalist's position was \$29,900 per year for 36 hours of work per week, along with a uniform allowance of \$300, single medical and dental coverage, and an on-the-job vehicle.

Housing Allowance – As previously stated, Amber Hoffman initially received a housing allowance when she began employment with the County and she was living in a house owned by the County. Receiving the housing allowance was in accordance with the County Conservation Board's policy established regarding employees residing in County-owned residences. However, ownership of the property subsequently changed to the Foundation effective July 1, 2013. As a result, she should have no longer been eligible for the housing allowance in accordance with the County's policy.

We reviewed Amber Hoffman's paystub for the pay period ending on June 29, 2013 and determined she received \$250 per pay period as a housing allowance to be paid for rent on the Sharon Bluffs House. We also determined her paystub for the pay period ended July 13, 2013 showed she received an hourly rate increase from \$12.00 per hour to \$15.97 per hour; however, she did not receive the \$250 per pay period housing allowance after that. The hourly rate increase encompasses the amount previously provided as a housing allowance as well as an annual raise.

It is not clear why the County would provide a housing benefit to a Department employee who resides on property not owned by the County.

Rent Collections – Based on our review of previous financial statement audits beginning with the period July 1, 2006, the rental revenue on the Sharon Bluffs House was collected by the Foundation rather than the Department even though the property was owned by the County at that time.

By reviewing the Foundation's financial records, we determined during the fiscal year ended June 30, 2013, \$6,000 was paid for rent on the house to the Foundation, rather than the Department. As previously stated, the sale of the property to the Foundation did not occur until July 1, 2013. However, as disclosed in a finding included in the Appanoose County financial statement audit for the fiscal year ended June 30, 2013, rent for the Sharon Bluffs House was paid to the Foundation rather than the Department even though the County owned the property prior the July 1, 2013. Section 331.427 of the *Code of Iowa* requires all county revenues from taxes and other sources for general county services be credited to the General Fund of the County. Because the County owned the property through June 30, 2013, the \$6,000 rent should have been deposited with the Department rather than the Foundation.

The Foundation's financial records document \$2,000 of rent was received during the fiscal year ended June 30, 2014. However, we were unable to determine if the \$2,000 was related to the Sharon Bluffs House. It is unclear whether or not Amber Hoffman paid rent to the Foundation for the Sharon Bluffs House. If the \$2,000 was rent for the Sharon Bluffs House, the remaining \$4,000 due was unpaid.

The Foundation's financial records also document \$2,500 of rent was received during the fiscal year ended June 30, 2015. The records document the Foundation received \$500 in August 2014 for July 2014 rent and \$2,000 in June 2015 for the months of August through November 2014.

For the year, the Foundation should have received \$6,000 for rent; however, the remaining \$3,500 was not collected. According to Mark Hoffman, this amount should have been paid by Amber Hoffman and the amount will be remitted to the Foundation by the end of June 2018.

The collections listings and reports requested for fiscal year 2016 were not provided for the period of July through September 2015 and May through June 2016. Also, the collections listings and reports received included deposits for which the source of funds was not identified. We reviewed the revenue detail provided by the Foundation for fiscal year 2017; however, it did not include sufficient detail to determine if the Foundation collected any rent on the Sharon Bluffs House. According to Mark Hoffman, he confirmed that no rent was paid by Amber Hoffman after June 30, 2015. As stated previously, Amber Hoffman is still residing at the residence.

According to Mark Hoffman, Amber Hoffman stopped paying rent when her employment with the County was terminated because she was no longer a County employee and was no longer being paid by the County to live at the residence. It is unclear why the Foundation would no longer receive rent from Amber Hoffman due to a change in her employment status. We also observed an email dated March 1, 2016 from the Foundation's Treasurer which stated Mark Hoffman informed Amber Hoffman an employee cannot be charged rent if the employer doesn't give the employee a housing allowance equal to the value of the rent. The Treasurer noted that this was according to IRS regulations. We asked the Treasurer for the IRS regulations he referred to; however, he was not able to provide us a copy. We were unable to locate any IRS regulations related to an employer's ability to charge rent.

As previously stated, the County should not have transferred the property containing the Sharon Bluff House in May 2013. If the County had continued to own the property, the Department should have collected the rent for the residence. In addition, the Department should have received the rent payments for the Sharon Bluff House for the fiscal year ended June 30, 2013 while they still owned the property but the collections were going to the Foundation. Because the rent collected for the residence was to be \$6,000 per year, the Department should have collected a total of \$30,000 for the period July 1, 2012 through June 30, 2017. This amount is included in **Exhibit A** as undeposited collections for the Department.

Lease Agreement and Residence Policy – During the Foundation Board meeting on February 16, 2016, the Board approved a lease agreement for the Sharon Bluffs House starting on January 1, 2016 and month to month thereafter. The agreement was signed by Amber Hoffman. While the agreement did not list a rent amount, it stated the rent amount was to be as “provided in benefit package”.

On February 16, 2016, Amber Hoffman also signed a “residence policy” provided by the Foundation. The residence policy states that it was established for persons living in Foundation owned residence or residences managed by the Appanoose County Conservation Board for the Foundation. The policy also states:

“The Appanoose County Conservation Board hereby determines that such residences are not to be construed as additional compensation or as a fringe benefit for the employee/tenant, recognizing that any apparent compensation is offset by the requirement that the employee is subject to duty at all hours and that the public may contact the employee or a member of his/her family at the residence for general information, problems and in the case of an emergency. Therefore, the Conservation Board will provide a housing allowance to the employee equal to the amount of the rent since the employee is required to live in a Foundation owned/managed residence as a condition of employment.”

The blurring of the lines between the Foundation's operations and the Department's operations is demonstrated by the language included in the Foundation's residence policy. As illustrated, the Foundation's policy contains language which refers to determinations made by the Department. It also refers to the resident's duties as a Department employee.

It is not clear why the Foundation would have a need to establish a residence policy when the Foundation does not have employees. In addition, it is not clear why the Foundation has a policy regarding County employees.

Current Status – According to discussions with the current Appanoose County Conservation Director, Phil Visser, the County Conservation Board is not currently involved with any aspects of the Sharon Bluffs House. At the November 8, 2016 County Conservation Board meeting, the Board approved the elimination of the Naturalist's position. However, Amber Hoffman still lives at the Sharon Bluffs House. She is not currently employed by the Department or the Foundation. As previously stated, she is not currently paying rent.

Fuller Wildlife Area

The Appanoose County Assessor's website documents 4 parcels of land, totaling 100 acres, were transferred to the County Conservation Board in 1996 by a private citizen.

Transfer of Ownership – On March 18, 2013, the County Board of Supervisors approved the transfer of ownership of this property to the Foundation. The County Assessor's website documents the sale amount was \$0 when the property was transferred from the County to the Foundation.

The 4 parcels were sold by the Foundation just over a week later along with 3 additional properties which were purchased by the Foundation in 2008. The County Assessor's website documents the Foundation sold the 7 parcels to a private citizen for \$280,000 on March 27, 2013.

County officials we spoke with did not provide an explanation of why ownership of the property was transferred to the Foundation. It is not clear why County officials chose to transfer ownership of the property to the Foundation. If County officials were interested in disposing of the property rather than benefitting the Foundation, it should have been sold in a public manner and the County should have retained the proceeds. Because we are unable to determine the value of the property previously held by the County, we have not included an amount in **Exhibit A** as undeposited collections for the sale of the property.

By reviewing certain financial documents obtained from the Foundation, we determined the Foundation deposited \$195,175 of net sale proceeds on March 27, 2013. The documents reviewed included the following costs: mortgage balance of \$82,657, abstract fees of \$565, legal service fees of \$640, document fees of \$72, real estate tax of \$444 and transfer tax of \$447. After reducing the gross sale amount of \$280,000 by these costs, the remaining proceeds totaled \$195,175.

By reviewing the Foundation's financial records, we also determined the Foundation's fund balances for fiscal years 2013 and 2014 were \$390,236 and \$49,540, respectively. Approximately half of the \$390,236 fund balance for the fiscal year ended June 30, 2013 is the \$195,175 of proceeds from the sale of the property. In fiscal year 2014, the Foundation incurred expenses related to various construction projects in Lelah Bradley Park, including the construction of the park ranger house.

Based on our review of the Foundation's transactions, it is apparent most, if not all of the proceeds collected by the Foundation from the sale of the Fuller Wildlife Area are no longer held by the Foundation. As a result, it appears the County may have transferred the property to the Foundation in order to help the Foundation finance the cost of the construction projects in Lelah Bradley Park which was owned by the Foundation.

The County's financial statement audit report for the fiscal year ended June 30, 2014 disclosed County officials approved transferring the property to the Foundation in 2013. As disclosed in the audit report, the Constitution of the State of Iowa prohibits governmental bodies from making a

gift to a private non-profit corporation. Specifically, Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

The audit report also includes a recommendation to County officials to consult legal counsel to determine the proper disposition of property the County transferred to the Foundation. Information provided by the Iowa Attorney General’s Office in a Letter of Advice dated April 22, 2008 to the Office of Auditor of State regarding the transfer of public funds to private non-profit organizations were previously summarized.

Lelah Bradley Park

Transfer of Ownership – On June 12, 2008, the Foundation sold 3 parcels of land to the City of Centerville for \$100,000. The parcels, which are part of Lelah Bradley Park, were acquired by the Foundation from an individual. Based on information from the Appanoose County Assessor’s website, the property was acquired by the Foundation for \$0.

After selling the parcels to the City, the Foundation built a Park Ranger House at this location. According to the County Assessor’s website, while the City owns the land for this property and the Foundation owns the dwelling located on the property. The dwelling has its own distinct parcel number.

The Ranger House was completed in March 2014. The Foundation has also constructed 2 cabins at the park. Of the 2 cabins, 1 was available for rent in December 2014 and the other was available for rent shortly thereafter. The cabins, as well as the Ranger House, are identified by separate parcel numbers on the Appanoose County Assessor’s website which documents they are also owned by the Foundation rather than the City.

Construction of Ranger House – The Foundation paid for the construction of a Ranger House, which was completed in March 2014. During our review of certain construction bills from various vendors occurring which were issued between October 2013 and March 2014, we determined the bills were addressed to these parties:

- Appanoose County Conservation,
- Appanoose County Conservation Board, and
- Appanoose County Foundation.

Although some of the bills were addressed to the County Conservation Board, they were paid by the Foundation.

During the construction of the Ranger House, reimbursements were issued to Mark Hoffman by the Foundation for various items, including \$580.21 for lights and fixtures, and \$242.69 for blinds and bathroom accessories. The \$822.90 of reimbursements were issued during February and March 2014. Austin Hoffman also received several payments for work completed on the construction of the Ranger House during January through March 2014, including \$400 for staining the trim and door, \$400 for painting the house, \$360 for staining trim, \$340 for staining doors, and \$1,210 for labor on construction of the house. These payments to Austin Hoffman totaled \$2,710.

Ranger House Occupancy – While the Foundation paid for the construction of the Ranger House and owns it, it has been occupied since its creation by the Park Technician/Ranger, which is a Department position. As previously stated, the residence is owned by the Foundation and it is located within Lelah Bradley Park, which is owned by the City. Because the County does not have an ownership interest in the residence or the Park property, it appears the residence is occupied by a County employee only as a result of Mark Hoffman’s involvement with the Foundation and

his employment by the County Conservation Board. It appears he was able to influence the Foundation to provide housing for his son, who is also a County employee.

On January 27, 2015, Austin Hoffman, the son of Mark Hoffman, was hired as the Park Technician/Ranger. A salary certification completed on December 11, 2008 by Mark Hoffman and provided to the County Auditor documents the County Conservation Board had approved hiring Austin Hoffman as a part-time animal control services/conservation aide on November 16, 2008. The advertisement for the job position as posted by the County Conservation Board describes the Park Technician/Ranger position as a:

“Permanent part-time position under the general supervision of the Conservation Board Director, with varying responsibilities. The individual shall conduct routine maintenance of park areas and facilities, including cabins; construct, remove and repair facilities as needed as well as assisting with park maintenance and upkeep of all three county park, recreation and wildlife areas. Duties of the position also include mowing, painting, facility repair and construction, trail maintenance, fence building, snow removal, food plot implementation, etc. The Park Technician/Ranger will also oversee the campground and cabins at Lelah Bradley Park and Reserve.”

The job description also included a special requirement to “Live at Lelah Bradley Park and Reserve in a brand new, three bedroom, two bath residence with a two car attached garage, with rent and electric paid by the employee”. Austin Hoffman moved into the Ranger House immediately upon being appointed to the Park Technician/Ranger position.

While the job description specified the County employee’s duties included overseeing the campground and cabins at Lelah Bradley Park, these properties were not owned by the County and the Foundation collected rental fees associated with the properties. The rental fees were not remitted to the Department. It is not clear why a County employee would be responsible for overseeing property owned by the Foundation.

Housing a County employee in a residence owned by the Foundation which is located on City property is an example of how the lines have been blurred between the operations of the Department and the Foundation and how financial transactions have been commingled between the entities. Because the County does not own the Park property or the Foundation residence, it was not appropriate to house a County employee in the Ranger House for the purpose of overseeing the property. If the County chooses to continue to provide support to the Foundation in this manner, ownership of the property should be transferred to the County.

Ranger House Housing Allowance – We reviewed the salary certification dated February 10, 2015, which was prepared and submitted by Mark Hoffman to the County Auditor. The certification documented the Conservation Board approved hiring Austin Hoffman. It also documented he was required to live in the Ranger House at a cost of \$500 per month and that he would receive \$500 as a monthly benefit from the County.

In addition, the certification documented “the IRS requires a pay equal to the rent charged be added to his monthly benefit or \$500”. We requested Mark Hoffman provide us a copy of the IRS regulations referred to in the certification; however, the regulations were not provided. We reviewed IRS regulations related to lodging and did not identify any requirements similar to that described by Mark Hoffman.

Based on our review of IRS regulation 15B, the Employer’s Tax Guide to Fringe Benefits, we determined the value of lodging furnished to an employee can be excluded from the employee’s wages if the housing is on the business’ premises, the housing is furnished for the employee’s convenience, and the employee accepts it as a condition of employment. Because the housing is not on County property, the requirements of this exclusion are not met.

Ranger House Rent Collections – Based on our review of the Foundation’s financial records, we determined the Foundation received \$500 of rent per month for the Ranger House for the period February 2015 through November 2016. Specifically, we identified the collections listed in **Table 10**.

Table 10			
Period of Occupancy	Rent Due	Rent Paid	Date Deposited
February – April 2015	\$ 1,500	1,500	05/16/15
May – June 2015	1,000	1,000	06/25/15
July – September 2015	1,500	1,500	10/20/15
October – December 2015	1,500	1,500	01/27/16
January – March 2016	1,500	1,500	04/19/16
April - June 2016	1,500	Unknown	Unknown
July – August 2016	1,000	1,000	08/31/16
September – October 2016	1,000	1,000	10/25/16
November 2016	500	500	12/05/16

As illustrated by the **Table**, the amount of rent paid and deposited for April through June 2016 is unknown. The collections listings and reports requested for the period of May through June 2016 were not provided. As a result, we are unable to determine if rent was collected for the Park Ranger House for this period. In addition, we reviewed the provided revenue detail from the Foundation for the fiscal year ended June 30, 2017; however, it did not include sufficient detail to determine if the Foundation collected any rent for the Park Ranger House after November 2016. According to Mark Hoffman, he confirmed that no additional rent payments had been made by Austin Hoffman, who is currently still residing at the Park Ranger House. According to Mark Hoffman, Austin Hoffman stopped paying rent when his employment with the County was terminated because he was no longer a County employee and was no longer being paid by the County to live at the residence. It is unclear why the Foundation would no longer receive rent from Austin Hoffman due to a change in his employment status.

Ranger House Lease Agreement and Residence Policy – During the Foundation Board meeting on February 16, 2016, the Board approved a lease agreement for the Ranger House starting on February 1, 2016 and month to month thereafter. The agreement was signed by Austin Hoffman. While the agreement did not list a rent amount, it stated the rent amount was to be as “provided in benefit package”.

On February 16, 2016, Austin Hoffman also signed a “residence policy” provided by the Foundation. The residence policy states that it was established for persons living in Foundation owned residence or residences managed by the Appanoose County Conservation Board for the Foundation. The policy also states:

“The Appanoose County Conservation Board hereby determines that such residences are not to be construed as additional compensation or as a fringe benefit for the employee/tenant, recognizing that any apparent compensation is offset by the requirement that the employee is subject to duty at all hours and that the public may contact the employee or a member of his/her family at the residence for general information, problems and in the case of an emergency. Therefore, the Conservation Board will provide a housing allowance to the employee equal to the amount of the rent since the employee is required to live in a Foundation owned/managed residence as a condition of employment.”

This policy allows for a housing allowance to be paid by the County and provided to a County employee for rent at a specific location to oversee property that is not owned by the County.

The blurring of the lines between the Foundation's operations and the Department's operations is demonstrated by the language included in the Foundation's residence policy. As illustrated, the Foundation's policy contains language which refers to determinations made by the Department. It also refers to the resident's duties as a Department employee. However, as previously stated, the residence Austin Hoffman lived in was located on property owned by the City rather than the County.

Ranger House Maintenance Costs – On June 15, 2013, the City of Centerville and the County Conservation Board entered into a management agreement for the properties noted above to be effective September 17, 2007. Documentation of agreements prior to 2013 were not provided. As a result, we are unable to determine why the agreement put into place in 2013 stated it was effective in 2007.

A copy of the 2013 agreement is included in **Appendix 2**. According to the current Appanoose County Conservation Director, Phil Visser, the County Conservation Board is currently handling the mowing, trimming and other maintenance of the park areas surrounding the ranger house. However, the Park Ranger House is entirely operated by the Foundation. As previously stated, Austin Hoffman currently resides in the House.

As illustrated by the **Appendix**, the agreement states the Foundation acquired the properties in 2006. Then in 2007, the City agreed to purchase the property from the Foundation and enter into a perpetual management agreement with the County Conservation Board to administer, improve and manage the property. The agreement was entered into under Chapter 28E of the *Code of Iowa* and was entered into to set forth the understanding of the parties regarding certain aspects of the management and operation of the property.

As part of the agreement, the City consented to the construction of future improvements to the property. Under the agreement, the City appoints the County Conservation Board to manage the property and grants the Board the right to provide management services. These management services include the following:

- construction, modification and maintenance of the improvements.
- general maintenance of the property, including mowing and maintaining the roads, drainage and utility systems and landscaping.
- instituting and supervising all necessary repairs to the improvements.
- providing the staffing, support, supplies and equipment needed to maintain and operate the improvements.

In addition, the agreement states the County Conservation Board is responsible for employing or contracting at all times a sufficient number of capable employees or contractors to enable it to properly, adequately, safely and economically provide the management services. The Board is also responsible for all matters pertaining to the employment, supervision, compensation, promotion and discharge of employees. The Board may solicit bids and negotiate contracts for services, including, but not limited to, mowing, cleaning, security, landscaping, pest control, labor and utility services.

The agreement also specifies County Conservation Board is also responsible for maintaining insurance on the property and for all operating expenses related to the property. According to the current Appanoose County Conservation Director, Phil Visser, the County Conservation Board does not and has never provided insurance on the Ranger House nor paid for any of the utility costs for the House. We confirmed these costs are paid by the Foundation. Because the County is not currently complying with the terms of the agreement, County officials should view the agreement, determine if it is still applicable and serves the County's interest, and take any appropriate action to appropriately revise it.

Construction of Rental Cabins – As previously stated, 2 rental cabins were built by the Foundation. The first one constructed was ready for occupancy in December 2014 and the second was ready shortly thereafter. Also as previously stated, the Park Technician/Ranger's job description included overseeing the campground and cabins. The County Conservation Board approved hiring Austin Hoffman for the Park Technician/Ranger's position on January 27, 2015.

Based on the job description posted by the Conservation Board for the Park Technician/Ranger position, it was a Department employee's responsibility to oversee the Rental Cabins. However, the Rental Cabins were owned by the Foundation.

According to an article in the *Daily Iowegian* on October 30, 2015, Mark Hoffman stated Department employees are responsible for taking reservations, signing rental agreements, checking people in, and mowing the grass around the cabins. However, according to discussions with the Foundation Treasurer in December 2016 during fieldwork for the fiscal year 2016 financial statement audit, Mark Hoffman and the Foundation began handling the maintenance and cleaning of the cabins after each rental after Mark Hoffman's termination from the Department on February 9, 2016. Mark Hoffman remained active with the Foundation after his termination from the Department.

Rental Agreements for Rental Cabins – During our review of the cabin rental agreements, we determined:

- The agreements are in the name of the Foundation.
- The agreements require the renter's signature and an approval.
 - For agreements reviewed in April 2015, Mark Hoffman signed the agreements as the witness for the Department.
 - For a rental agreement signed in March 2016, the form was changed to include documentation of approval by a representative of the Foundation. Mark Hoffman signed this agreement as well, except his signature on this agreement was as a representative of the Foundation.
- The agreement included instructions to return it to the County Conservation Board, but to make the check out to the Foundation. However, a rental agreement signed in March 2016, after Mark Hoffman was terminated from the County's employment, documented the instructions had been changed to show the agreement was to be returned to the Foundation along with a check for the rental.

Rental Cabins Rent Collections – During our review of a selection of cabin rental agreements and the related collections, we identified 2 instances where the initial security deposit was waived by Mark Hoffman. A security deposit is to be collected for all rentals for damages and cleaning. The deposit amount to be collected is \$100 for each night of rental.

The security deposit was waived once for the Foundation Treasurer when he rented a cabin for 3 nights. The security deposit was also waived for Mark Hoffman, who rented both cabins for 2 nights each in September 2015. At the time of the rental, Mark Hoffman was a County employee and was handling the cabin reservations. The agreement was signed by Mark Hoffman as both the rental party and the individual approving the agreement on behalf of the County Conservation Board.

The rental revenues from the cabins are deposited with the Foundation and have been since the cabins opened. In fiscal year 2015, the Foundation collected \$26,256.44 of rental fees for the cabins. This was determined based on our review of the Foundation's receipt listings and deposit summaries.

While the rental fees have been collected and deposited by the Foundation since the cabins opened, certain costs related to the cabins have been paid by the Department. As previously

stated, the County entered into a 28E agreement with the City and Foundation which specified the County Conservation Board would provide general maintenance of the property, including the cabins. These costs are explained in detail in the following sections.

Costs to Maintain and Operate Rental Cabins – The Foundation did not reimburse the County Conservation Board for any expenses incurred while overseeing the cabin rentals, which are owned by the Foundation. According to an article in the *Daily Iowegian* on October 30, 2015, Mark Hoffman stated an agreement was established where the Foundation would pay the Department up to \$10,000 per cabin per year for the time Department employees spent overseeing the cabin rentals. However, this never came to be and on February 9, 2016, when Mark Hoffman was terminated from the Department’s employment, he began handling the reservations and collecting the rental fees for the cabins. Per the Foundation Treasurer, Mark Hoffman receives \$25 for each cabin rental reservation he handles.

According to Foundation officials we spoke with, the Foundation does not employ anyone. As a result, Foundation officials did not consider Mark Hoffman an employee of the Foundation. However, because he was paid by the Foundation for certain services, it appears he meets the definition of a contractor for the Foundation.

Cost of Improvements at the Ranger House and Rental Cabins – During fiscal year 2015, geothermal systems were installed in the Rental Cabins. The Foundation hired the company which installed of the systems. However, the invoices from the vendor were addressed to “Appanoose County Conservation – Mark Hoffman.”

Minutes from the Foundation Board’s meetings and the County Conservation Board’s meetings do not include documentation of discussions regarding the improvements or approval of the related costs. However, at the time of the improvements, Mark Hoffman was in essence running both the Conservation Board and Foundation Board and he had the ability to issue payments to vendors.

In addition, concrete patios were installed at the Rental Cabins and the Ranger House. A concrete driveway was also installed at the Ranger House. It is unclear if either Board authorized adding the geothermal systems, since at the time Mark Hoffman was in essence running both the Conservation Board and Foundation Board. The invoice for the concrete work was addressed to the County Conservation Board and did not provide a breakout of the costs between the patios at the 3 locations and the driveway.

The costs of the improvements and the entity which paid them are summarized in **Table 11**.

Table 11			
Description	Payment made by:		
	Department	Foundation	Total
<u>Geothermal systems:</u>			
Down payment for Cabin #1 (60% of cost)	\$ 16,320	-	16,320
Balance due for Cabin #1 (net of \$6,400 rebate)	-	4,480	4,480
Cost for Cabin #2	-	27,200	27,200
<u>Concrete work:</u>			
Patios at cabins and patio/driveway at Ranger House	10,515	-	10,515
Total	\$ 26,835	31,680	58,515

As illustrated by the **Table**, the Department paid \$26,835 for improvements made to the Ranger House and Rental Cabins which were owned and operated by the Foundation. These costs are in addition to ongoing operating and maintenance costs which were also paid by the Department. This is an example of how the lines have been blurred between the operations of the Department

and the Foundation and how financial transactions have been commingled between the entities. Because the County did not own the Rental Cabins and the Department did not receive any of the rental fees associated with them, the costs for the geothermal systems and concrete work are included in **Exhibit A** as improper disbursements. However, because we are unable to determine the ongoing operating and maintenance costs, they are not included in **Exhibit A**.

Current Status of Ranger House and Rental Cabins – According to the current Appanoose County Conservation Director, Phil Visser, the County Conservation Board is currently handling the mowing, trimming and other maintenance of the park areas around the cabins. As previously stated, we are not able to determine the amount paid by the Department for these services. However, the Park Ranger house and cabins are entirely operated by the Foundation, including reservations, cleaning, bookkeeping and maintenance. All of the revenue generated by the cabins is collected by the Foundation.

At the November 8, 2016 Conservation Board meeting, the Board approved the elimination of the following positions: full-time Naturalist, part-time Park Technician I and part-time Park Technician II. Austin Hoffman's position was eliminated; however, he was hired back as a part-time Park Technician on May 23, 2017. According to Mr. Visser, the Park Ranger House is no longer considered a benefit to Austin Hoffman because the County Conservation Board is no longer associated with the Park Ranger House; however, Austin Hoffman still lives in the residence.

NEPOTISM ISSUES

As stated previously, the relationship between the Department and the Foundation has been blurred due to the actions of the County Conservation Board, Foundation Board, and the former Conservation Director, Mark Hoffman. While the former Conservation Director was employed by the Department, he also had significant involvement in the Foundation's operations and processes.

Several actions implemented by the Department and the Foundation benefitted members of Mark Hoffman's family. As previously stated, the Foundation was organized to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations to the Foundation are to be used to purchase items which are not included in the Department's budgets.

The actions benefitting members of Mark Hoffman's family are described in the following paragraphs and are examples of how the lines have been blurred between the operations of the Department and the Foundation and how financial transactions have been commingled between the entities.

At the time Austin and Amber Hoffman were hired, it is unclear whether the Conservation Board or the County Board of Supervisors questioned the employment of Mark Hoffman's relatives. A finding was included in the County's fiscal year 2013 financial statement audit which questioned the wages Austin and Amber Hoffman earned as County employees. At the time Amber Hoffman was hired in May 2010 and Austin Hoffman was hired in November 2008, there was no indication of review and approval of their employment by the County Conservation Board. However, Amber Hoffman's employment was formally approved by the Board on February 11, 2014 and Austin Hoffman's employment was formally approved by the Board on January 27, 2015.

The County's Employee Handbook includes a section titled "Employment of Relatives" and reads as follows:

"It is the County's policy to hire the best-qualified person available for each position. Relatives of current employees are eligible for employment with the County, subject to limitations of state law governing the employment of relatives of public officials and employees and the terms of this policy. To avoid the appearance of favoritism and

difficulties in administering discipline, the County will not hire, appoint, transfer, promote, or otherwise place an individual in a position that involves the supervision of, or by, a family member. For purposes of this policy, "family member" includes the individual's mother, father, brother, sister, grandparent, spouse, son, daughter, grandchild, great-grandchild, niece, nephew, aunt, or uncle. If a supervisory relationship between family members is created by marriage of two employees, the Department Head shall transfer, or separate employment of one of the employees."

As a result, it is clear the Conservation Board did not comply with the County's policy when they authorized hiring the Conservation Director's children as employees within the Department.

Amber Hoffman – As previously stated, Amber Hoffman, the daughter of Mark Hoffman, was hired as a part-time Assistant Naturalist during a County Conservation Board meeting on May 8, 2010. Mark Hoffman was the County Conservation Director at the time Amber Hoffman was hired as a Department employee. The Department did not have any supervisory employees other than Mark Hoffman. As a result, Amber Hoffman was supervised by her father.

At the February 11, 2014 County Conservation Board meeting, the Board approved hiring Amber Hoffman as the full-time County Conservation Board Naturalist/Administrative Assistant. Based on salary certifications completed by the former Conservation Director, Mark Hoffman, and provided to the County Auditor, the fiscal year 2014 compensation for the Naturalist's position was \$29,900 per year for 36 hours of work per week, along with a uniform allowance of \$300, single medical and dental coverage, and an on-the-job vehicle.

Once hired as a part-time Department employee, Amber Hoffman moved into the Sharon Bluffs House which was owned by the Foundation. She received a housing allowance from the County and the Foundation was to receive \$500 rent per month for the Sharon Bluffs House. However, based on our review of rent collections deposited by the Foundation, Amber Hoffman did not make all rent payments to the Foundation while she lived in the Sharon Bluffs House during fiscal years 2014 and 2015.

The collections listings and reports requested for the period of July through September 2015 and May through June 2016 were not provided and the collections listings and reports received included deposits for which the source of funds was not identified. As a result, there may have been collections for rent on the Sharon Bluffs House which we were not able to identify.

We reviewed the revenue detail provided by the Foundation for fiscal year 2017; however, it did not include sufficient detail to determine if the Foundation collected any rent on the Sharon Bluffs House. As stated previously, Amber Hoffman is still residing at the residence. As previously stated, Amber Hoffman's position with the County was eliminated by the County Conservation Board in November 2016. In addition, she is not employed by the Foundation.

Austin Hoffman – As previously stated, a salary certification completed on December 11, 2008 by Mark Hoffman and provided to the County Auditor documents the County Conservation Board approved hiring of Austin Hoffman as a part-time animal control services/conservation aide. Austin Hoffman is the son of Mark Hoffman. Mark Hoffman was the County Conservation Director at the time Austin Hoffman was hired as a Department employee. The Department did not have any supervisory employees other than Mark Hoffman. As a result, Austin Hoffman was supervised by his father.

Austin Hoffman was subsequently hired by the County Conservation Board as the Park Technician/Ranger at Lelah Park on January 27, 2015. Once hired as the Park Technician/Ranger, Austin Hoffman moved into a newly constructed house at the park which was owned by the Foundation. He received a housing allowance from the County and the Foundation was to receive \$500 rent per month for the Park Ranger house. In addition, the Department also was to pay for the electrical service provided to the home.

Based on our review of rent collections deposited by the Foundation, Austin Hoffman made all rent payments to the Foundation from February 2015 through March 2016. However, the rent payments were not made in a timely manner each month. Instead they were made in 3 or 5 month increments after the period they were due.

For April through June of fiscal year 2016, the receipt listings and reports requested for the period of May through June 2016 were not provided. Therefore, there may have been collections for rent on the Park Ranger house which we were not able to identify. For fiscal year 2017 receipts, we reviewed the provided revenue detail from the Foundation; however, it did not include sufficient detail to determine if the Foundation collected any rent on the Park Ranger house. Austin Hoffman is still residing at the residence and currently is employed by the Department as a part-time Park Technician. The County does not provide housing or a housing allowance for this position. We confirmed the County has not provided a housing allowance to him since November 2016.

We are unable to determine what amount, if any, the Foundation is earning by renting the Ranger House to Austin Hoffman for \$500 per month. As stated previously, the Foundation provides insurance for the dwelling. We are unable to determine what other costs are paid by the Foundation for maintenance and operation. If the Foundation is not earning any proceeds from renting the home, it is not clear how providing the purpose of the Foundation is being served.

In addition to the position of Park Technician/Ranger, which included 29 hours per week, Austin Hoffman also performed work for which he was paid by the Foundation. He assisted in the building of the cabins which began in the spring of 2014, and continued until both cabins were complete. During fiscal year 2015, he received 28 payments totaling \$8,024 for work completed on finishing the cabins and for working at 3 brush dumps.

We reviewed timesheets for the months of July and August 2014 submitted to both the County Conservation Board and Foundation to determine if any of the time/hours worked and paid to Austin Hoffman overlapped between the 2 entities. The timesheets submitted to the Foundation for Austin Hoffman document the types of work he completed, including assisting in the construction of the cabins and decks, nailing and framing, flooring, setting beams, mowing around cabins and trails, and installing siding on the cabins. We did not identify any instances for which the time/hours worked and paid to Austin Hoffman by the Foundation overlapped with time recorded for the Department. As a result, further testing was not performed.

During fiscal year 2016, Austin Hoffman received 6 payments totaling \$2,110.50 for work completed on finishing the cabins. We did not identify any payments to Austin Hoffman during fiscal year 2017.

COUNTY CONSERVATION COLLECTIONS DEPOSITED BY THE FOUNDATION

Collections for Naturalist Programming, Summer Camp and Boat Registration Fees – During our review of the Foundation receipt listings/reports, we determined the Foundation recorded various collections for naturalist programming, summer camps, and boat registration fees.

The Naturalist is a Department employee and any revenues generated from the activities and/or programs sponsored by the Naturalist should be deposited by the Department and recorded as Department revenues. In addition, in accordance with requirements established by the Iowa Department of Natural Resources, 50% of boat registration fees collected are to be remitted to the State of Iowa. The remaining 50% of the collections are to be retained by the County. However, the remaining 50% of the collected fees were deposited by the Foundation.

Table 12 summarizes the collections deposited by the Foundation we were able to identify by fiscal year.

Table 12

Description	FY14	FY15	FY16	Total
Naturalist activities/programs	\$ 1,919.50	1,818.00	1,620.00*	5,357.50
Summer camps	75.00	-	-	75.00
Boat registration fees	350.00	750.00	-	1,100.00
Total	\$ 2,344.50	2,568.00	1,620.00	6,532.50

*Amount was later remitted to the Department.

The collections listings and reports requested from the Foundation for the period of July through September 2015 and May through June 2016 were not provided and the collections listings and reports received included deposits for which the source of funds was not identified. As a result, there may have been additional collections for naturalist activities, summer camps and boat registration fees which we were not able to identify.

We also reviewed the revenue detail provided by the Foundation for fiscal year 2017; however, it did not include sufficient detail to determine if the Foundation collected fees for Naturalist activities and programs, summer camps, and boat registrations, as it had in the past.

The Foundation depositing collections for programs administered by the Department is an example of how the lines have been blurred between the operations of the Department and the Foundation and how financial transactions have been commingled between the entities. The Department should have deposited the \$6,532.50 collected for the Naturalist activities and programs, summer camps, and boat registration fees for fiscal years 2014 through 2016. Because \$1,620.00 of this amount was later remitted to the Department, the remaining \$4,912.50 is included in **Exhibit A** as undeposited collections. As previously stated, we are unable to determine what amount the Foundation collected for these types of fees, if any, during fiscal year 2017. In addition, according to the current Conservation Director, the Department did not collect any of these types of fees during fiscal year 2017, due to not having the funding or staff available to provide the programs.

According to an article in the *Daily Iowegian* on October 19, 2015, Mark Hoffman stated the Naturalist program revenues and boat registration fees “could go” to the County. The statement illustrates he wanted it to appear there was discretion regarding where these collections were to be deposited. However, the collections should have been deposited with the Department because the Foundation had no role in administering boat registrations. In addition, the Conservation Naturalist’s position, held by Amber Hoffman, is a Department position which is responsible for providing conservation education. As a result, it should have been the Department’s role to provide the Naturalist programs and summer camps.

In addition, an article in the *Daily Iowegian* on October 30, 2015 reported Mark Hoffman stated the Foundation sponsors summer camps which cost hundreds of dollars and they didn’t have the budget to do that. In the same article, Mark Hoffman also noted, regarding boat registration fees, the Foundation had put in 2 boat ramps at a cost of \$45,000 and they wanted “to get paid back for that.” As previously stated, the Foundation was organized to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items for the Department which are not included in the Department’s budgets. As a result, it is not reasonable the Foundation would expect to “get paid back” for improvements the organization funded.

Proceeds from Rental of County Property – The findings for the County’s financial statement audit for the fiscal year ended June 30, 2014 include a disclosure that the Foundation recorded collections from the Conservation Reserve Program (CRP). However, a property search on the Appanoose County Assessor’s web site showed the Foundation did not own any farmland, but the County did.

In response to the audit finding, Mark Hoffman reported in an article in the *Daily Iowegian* on October 30, 2015, the County Conservation Board and the Foundation can't receive CRP payments from the federal government. As a result, the County Conservation Board and the Foundation (based on the direction provided by Mark Hoffman) decided to put a tenant on the County-owned property. Hoffman also noted in the article the individual who rents the land collects the CRP funds and then donates the amount collected to the Foundation. The tenant is responsible for the upkeep of the property and meeting the CRP requirements.

We determined during fiscal year 2014 the Foundation deposited \$5,441 from the tenant renting the property owned by the County.

After Mark Hoffman was terminated from the position of Conservation Director, the interim Director began evaluating the lease arrangement with the tenant. He discovered the tenant remitted \$4,617 to the Foundation during fiscal year 2015 for the CRP land. Based on a review of the Department and Foundation records, no payments were received from the tenant during fiscal year 2016. The tenant typically made payments in the fall. However, during the fall of 2015, there was confusion regarding who should be collecting the payment based on a fiscal year 2014 audit finding. The next payment by the tenant was made to the Department in November 2016 for \$4,617.

It was also discovered another tenant was cash-renting a second property owned by the County for which the rent proceeds were also deposited with the Foundation rather than the Department. The rent paid to the Foundation during fiscal years 2012 through 2015 was \$5,189 per year. As a result, the Foundation received \$20,756 during these 4 years. According to Mark Hoffman, the property was rented to the tenant for a duration of 4 years in order to raise funds needed to reseed the property. Once sufficient funds were collected, the property was no longer rented out to the tenant. The \$20,756 collected by the Foundation was paid to the Department in June 2016.

Because records obtained from the Foundation were not sufficiently detailed, we are unable to determine if the Foundation collected any funds from either tenant during fiscal years 2016 and 2017.

It is unclear why the tenants would make the donations/cash rent payments to the Foundation when the land is owned by the County. We determined the County and Foundation do not have rental agreements in place with the tenant for either property.

The Foundation depositing rent collections for property owned by the County is an example of how the lines have been blurred between the operations of the Department and the Foundation and how financial transactions have been commingled between the entities. Because the property was owned by the County, all rent collections from the tenants should have been deposited with the Department rather than the Foundation. As a result, the \$10,058 collected by the Foundation for the CRP land is included in **Exhibit A** as undeposited collections.

FOUNDATION DISBURSEMENTS TO MARK HOFFMAN AND RELATED PARTIES

As previously stated, we identified a number of financial transactions which demonstrate the blurred line between the Department's operations and the Foundations. Specifically, we identified payments made by the Department for Foundation operations. We also identified collections deposited by the Foundation which should have been deposited by the Department.

In addition, during our fieldwork, we identified a number of payments by the Foundation to Mark Hoffman, members of his family, and to Sandmark, a business established by Mark and Sandy Hoffman. These payments are additional examples of the blurred line between the Department's operations and the Foundations and illustrate the embedded role Mark Hoffman played between

the 2 organizations. The payments identified are summarized in **Exhibit B** and described in detail in the following paragraphs.

We also reviewed disbursements made by the Department and, with the exception of payroll disbursements, did not identify similar payments made to Mark Hoffman, his family members, or Sandmark Services. However, the Department disbursements were subject to the Department's budgeted amounts, approvals by the County Auditor and Board of Supervisors, and review and approval by the County Conservation Board. The disbursements made by the Foundation to Mark Hoffman, his family members, and Sandmark Services were not subject to the same amount of oversight.

Payments to Mark Hoffman and Family Members

July 1, 2013 through June 30, 2014 – Exhibit B includes payments related to the construction of the Park Ranger House. Using the records provided by the Foundation, we were unable to determine if any payments were made for the Naturalist or summer programs during fiscal year 2014.

The payments summarized in **Exhibit B** include the following payments.

- Mark Hoffman received a \$6,952.78 "director's benefit adjustment" payment for unused leave time as discussed previously.
- 2 reimbursements were made to Mark Hoffman for purchases related to the park ranger house: \$580.21 for lights and fixtures, and \$242.69 for blinds and bathroom accessories, totaling \$822.90.
- 3 payments were made to Austin Hoffman for work completed on the construction of the park ranger house, including \$400 for staining the trim and door, \$400 for painting the house, \$360 for staining trim, \$340 for staining doors, and \$1,210 for labor on construction of the house. These payments totaled \$2,710.

July 1, 2014 through June 30, 2015 – The payments summarized in **Exhibit B** include the following payments.

- 25 checks were written to Mark Hoffman during this time period, which totaled \$21,975.13. The 25 checks included a \$7,767.15 "director's benefit adjustment" payment to Mark Hoffman for unused leave time as discussed previously.

The remaining 24 payments consisted of reimbursements for purchases made at Menards, Aldi, Wal-Mart, and other retail vendors which primarily related to the construction and furnishing of the cabins. The 24 reimbursement checks written to Mark Hoffman were supported by receipts from the various vendors. Of these 24 payments, the supporting receipts/invoices for 8 of them were not addressed to the Foundation. Instead, they were addressed to Appanoose County Conservation, the Appanoose County Conservation Board or ACCB. The other receipts did not specify the customer.

- In addition to the payments made to Mark Hoffman, we also identified payments to 7 other vendors, consisting of 9 payments for a total of \$47,207.60. Of these 9 payments, 7 of the related invoices were addressed to Appanoose County Conservation or Appanoose County Conservation Board. The remaining 2 invoices were addressed to Appanoose Conservation Foundation. No sales tax was paid on 6 of the purchases, for 2 purchases we were unable to determine since only a monthly statement was provided for support and not individual invoices and 1 purchase was made online, sales tax was not charged.

- 10 of the Foundation disbursements tested did not have sales tax charged, 7 which were paid to Mark Hoffman and discussed above and 3 which were paid to other vendors. In addition, it was unclear whether sales tax was paid on 5 other Foundation disbursements as these were either contract amounts or statement billings.
- The Foundation reimbursed Sandy Hoffman (wife of Mark Hoffman) \$45 for her Sam's Club membership renewal. It is unclear why either the Foundation or the Department would reimburse someone for a personal membership of this nature. If a membership to Sam's Club was necessary for the Foundations operations, the membership should have been established in the Foundation's name. Based on our testing, the Foundation did not have a reason for purchases from Sam's Club on a routine basis.
- 13 checks were written to Sandy Hoffman during this time period, which totaled \$7,113.45. The payments consisted of reimbursements for purchases made at Wal-Mart, Hy-Vee, Aldi, Dollar General, Herbergers, and other retail vendors. The reimbursements were primarily related to furnishing the cabins. Items purchased included end tables, bedding, lamps, blankets, comforters, shower liners, chairs, mirrors, kitchen utensils, rugs, dishes, and decorative items. The reimbursement checks written to Sandy Hoffman were supported by receipts from the various vendors.
- Based on our review of the 13 checks written to Sandy Hoffman, we identified 2 instances where the invoices included credit amounts for the return of merchandise purchased previously. The first invoice included a credit of \$72.74 (2 sheet sets for \$67.98 plus sales tax of \$4.76) as well as the purchase of two new sheets for \$64.81 (\$59.98 plus sales tax of \$4.20). These amounts combine to a credit of \$8.56; however, Sandy Hoffman requested and received a reimbursement for \$59.98. The second invoice included a credit of \$85.58 (2 sheet sets for \$79.98 plus sales tax of \$5.60) as well as the purchase of two new sheets for \$72.74 (\$67.98 plus sales tax of \$4.76). These amounts combine to a credit of \$12.84; however, Sandy Hoffman requested and received a reimbursement for \$147.96.

It is unclear how the requested reimbursement was for \$147.96, since the new sheets purchased were only for \$72.74. We were unable to determine if the amount received for returned merchandise was reimbursed to the Foundation.

- Based on our review of the 13 checks written to Sandy Hoffman, we identified an instance for which the Foundation reimbursed Sandy Hoffman \$12.84 for merchandise purchased. However, based on our review of the invoice, the purchase included a trash can for \$12.00 plus sales tax of \$0.84, for a total of \$12.84 as well as a return of a trash can for \$19.97 plus sales tax of \$1.40, for a total credit of \$21.37. As a result, the net amount on the transaction was a refund of \$8.53, which was given to Sandy in cash by the vendor.
- 28 payments totaling \$8,024 were made to Austin Hoffman for work completed on finishing the cabins, as discussed previously, and for working at 3 brush dumps, as discussed in detail later.
- 1 payment was made to Amber Hoffman for naturalist supplies totaling \$109.53.

July 1, 2015 through June 30, 2016 – The payments summarized in **Exhibit B** include the following payments.

- Mark Hoffman received a \$3,017.24 “director’s benefit adjustment” payment for unused leave time, as discussed previously.
- 10 payments were made to Mark Hoffman for ranger house landscaping, reimbursement for cabin flooring, etc. totaling \$1,673.31.
- 3 payments were made to Sandy Hoffman for cabin supplies, bedding, etc. totaling \$770.84
- 6 payments totaling \$2,110.50 were made to Austin Hoffman for work completed on finishing the cabins, as discussed previously.
- 1 payment was made to Amber Hoffman for naturalist supplies totaling \$80.60.

July 1, 2016 through June 30, 2017 – The payments summarized in **Exhibit B** include the following payments.

- 4 payments were made to Mark Hoffman totaling \$2,000 for the handling of the cabin rental reservations and \$919.72 for reimbursement of cabin supplies, postage, a file cabinet, bird seed and trees.
- 4 payments were made to Sandy Hoffman for cleaning of the cabins after each reservation totaling \$7,750.
- 2 payments were made to Amber Hoffman for reimbursement of copies made, postage and computer software totaling \$74.41.

Payments to Sandmark Services – The payments summarized in **Exhibit B** to Sandmark Services for the period July 8, 2014 to August 31, 2015 include 13 checks which total \$10,297.50. Sandmark Services was established by Mark and Sandy Hoffman. We did not identify any payments to Sandmark Services after this date. However, after August 31, 2015, the Foundation paid Sandy Hoffman for cleaning the cabins. The payments to Sandmark Services are described in the following paragraphs.

- **Summer Day Camp Programs** – We identified 2 checks written to Sandmark Services on July 8, 2014 and August 31, 2015, based on invoices provided to the Foundation. The invoices from Sandmark Services were titled “Appanoose County Conservation Board Summer Day Camp Programs” and each totaled \$1,800.00.

The first invoice included 6 day camps occurring between June 9, 2014 and July 17, 2014. The second invoice included 6 day camps occurring between June 23, 2015 and August 15, 2015. The invoices specified \$300 was charged for each of the camps, calculated at \$10 per hour for 30 hours. It is unclear why Sandmark Services would be handling and performing duties of the Department. The invoices did not specify who performed the services.

- **Cabins at Lelah Bradley Park** – 11 checks were written to Sandmark Services by the Foundation. The 4 payments made from November 3, 2014 to May 6, 2015 were paid at a rate of \$15 per hour, while the 7 payments made from June 2 to September 9, 2015 were paid at a rate of \$25 per hour.

These payments were supported by Foundation “timesheets”; however, it is unclear from the “timesheets” who was actually completing the work noted. Total payments made during fiscal year 2015 and 2016 were \$4,682.50 and \$2,015.00, respectively. The payments are summarized in **Table 13**.

Table 13

Date Paid	Amount Paid	# of Hours	Period of Time Services were Provided	Description per Invoice
01/01/14	\$ 1,200.00	40	11/16/14 – 11/22/14	Labor on interior of cabin #1
		40	11/23/14 – 11/30/14	
02/24/15	600.00	40	01/05/15 – 02/28/15	Labor working on interior of cabin #1 (painting, cleaning, staining, loading and hauling furniture) and ordering materials for cabin #2 and making trips for supplies
03/24/15	600.00	40	03/08/15 – 03/19/15	Labor working on staining cabin #1, cleaning and showing the cabins, making trips for supplies and ordering materials for cabin #2.
05/19/18	420.00	28	05/05/15 – 05/16/15	Labor working on painting the bedrooms in cabin #2, making trips for supplies, working on the Foundation's tax returns, securing funding for the cabins and obtaining supplies for cabin reservations.
06/02/15	1,050.00	42	05/17/15 – 05/30/15	Labor working on painting cabin #2; loading, hauling, and moving items into cabin #2 and cleaning cabins.
06/16/15	387.50	15.5	06/07/15 – 06/16/15	Labor cleaning the cabins, mailing out cabin rental deposit refunds and cleaning up Sharon Bluffs House basement due to a backed up drain.
06/24/15	425.00	17	06/19/15 – 06/21/15	Labor working on seeding around cabin #2, the ditch and trails, cleaning up Sharon Bluffs House basement, and cleaning the cabins.
07/13/15	770.00	26	06/26/15 – 07/12/15	Labor working on cleaning the cabins.
		12	06/27/15 – 07/11/15	Working at the brush dump (\$10/hr).
08/11/15	555.00	19	07/12/15 – 08/02/15	Cleaning the cabins, giving tours, and checking people in.
		8	07/18/15 – 07/25/15	Working at the brush dump (\$10/hr).
08/25/15	400.00	16	08/09/15 – 08/18/15	Cleaning the cabins and making a trip for supplies, loading and unloading.
09/09/15	290.00	10	08/28/15 – 09/07/15	Cleaning cabins.
		4	09/05/15	Working at the brush dump.
Total	<u>\$ 6,697.50</u>			

Foundation Board Concerns Regarding Payments – During our review of minutes of Foundation Board meetings, we determined during the September 24, 2015 Foundation Board meeting, a Board member expressed concerns regarding payments to the family members of Mark Hoffman. According to the minutes, the Board member was informed “an employee handbook was in process of being written and the jobs would be described as well as a process to let out bids for these services that family members had been doing. At that time, if the family bid was under the lowest bid of the contract jobs they would then be free from scrutiny of others.”

During our review of the minutes for the July 26, 2016 meeting of the Foundation Board, we determined the Board was informed the cleaning and maintaining the cabins as well as making reservations have been entrusted to the Hoffman family, who have not taken any pay for this (emphasis added). Because of Mark Hoffman's relationship with and influence over the Foundation Board and its operations, we were unable to verify the bids received by the Foundation were received and evaluated in a manner which was independent of Mark Hoffman. Because he was considered to be a potential vendor for these services, he should have been recused from the process of selecting a successful bidder.

The minutes also reflect the Foundation Board was told “since we are a public, charitable organization, we cannot hire employees but we can contract labor to help us.” During the

meeting, a motion was made to contract with the Hoffmans to continue with the cleaning and associated services for the cabins at a rate of \$125 per month.

It is not clear why the Foundation could not “hire employees” but it is acceptable to contract labor. There are a number of charitable organizations who hire employees. The Department has a vested interest in the Foundation operating in an efficient and effective manner which allows the Foundation to financially support the Department. As a result, it is in the Department’s best interest to ensure the Foundation Board is provided accurate information and Foundation Board members are acting in a fiduciary manner.

FOUNDATION BRUSH DUMP SERVICES

Based on discussions with the Foundation Treasurer in July 2016, the Foundation provides a brush dump program which runs from April to November each year. Foundation members are supposed to volunteer 3 times each with no compensation received for their services. However, if no members volunteer to run the brush dump, Sandmark Services will provide the services and receive payment for its work. As illustrated by **Table 13**, Sandmark Services was paid to run the brush dump on 6 Saturdays between June 27, 2015 and September 5, 2015. The company was paid \$10 per hour for 4 hours each time. In addition to Sandmark Services running the brush dump, Austin Hoffman ran the brush dump on 4 occasions in April, May and June 2015. He charged the Foundation \$16 per hour, for a total of \$64 on each occasion.

When all of the brush dump days concluded, the Foundation billed the City of Centerville \$50 per Saturday for running the brush dump. We reviewed an invoice dated January 6, 2016 provided from the Foundation to the City. A copy of the invoice is included in **Appendix 3**. As illustrated by the **Appendix**, the invoice shows it was prepared by “Mark Hoffman, Director, Appanoose County Conservation Board.” However, the heading on the invoice shows it is from the Foundation and payment should be made to the Foundation.

The invoice also specifies it is for 34 Saturdays at \$50 each, totaling \$1,700.00 and for \$1,162.00 for reimbursement of receipts sold at City Hall where citizens purchased tags to use at the brush dump.

It is unclear why the handling of the brush dump would be done by the Foundation or the Department because it is the City of Centerville’s brush dump. This is another instance of the blurred lines surrounding the Foundation and Department operations.

Per discussions with the current County Conservation Director, Phil Visser, the brush dump was originally located approximately 100 yards from the rental cabins in Lelah Bradley Park; however, when the Department took over running the brush dump they moved it to a new location in the park, away from the cabins. The Department began running the brush dump after several storms had occurred, the brush dump was beyond capacity and neither the City or Foundation was maintaining the site or burning the brush. Currently, the Department is taking on the responsibility for the brush dump, in cooperation with the City who is selling the tags. The Department and City are splitting the revenues earned on the brush dump.

HOFFMAN FAMILY INVOLVEMENT WITH THE APPANOOSE CONSERVATION FOUNDATION SUBSEQUENT TO MARK HOFFMAN’S EMPLOYMENT WITH THE COUNTY

In December 2016, during our fiscal year 2016 financial statement audit, we reviewed the Foundation’s internal control processes with the Foundation Treasurer. According to the Treasurer, after Mark Hoffman’s termination from the Department on February 9, 2016, he began running several operations of the Foundation and is still providing certain services.

Specifically, Mark Hoffman opens the mail for the Foundation and is responsible for the collection of all Foundation revenues, including cabin rental receipts. He also keeps a handwritten list of

cabin rentals, noting which cabin was rented, the reservation dates, the date of the down payment and the amount paid. When the remainder of the cabin rental is due, the renters remit payment to Mark Hoffman.

The Treasurer also reported all receipts, prior to being deposited, are to be kept at the Ranger House. Mark Hoffman is also responsible for completing deposits and taking them to the bank. The Foundation approves its bills at each meeting and Mark Hoffman is responsible for check preparation and the Treasurer signs the checks. The Treasurer and representatives of an accounting firm engaged by the Foundation have access to the accounting records. The Treasurer also stated Mark Hoffman is paid \$25 to handle each cabin reservation, while Sandy Hoffman is paid \$125 per month to clean the cabins.

OVERALL CONCLUSION

As illustrated by **Exhibit A**, we identified \$60,537.50 of collections which were deposited by the Foundation rather than the Department. **Exhibit A** also includes \$29,501.28 of improper disbursements by the Department to support Foundation operations. Because sufficient records were not available, it was not possible to determine if additional collections were not properly deposited or if additional amounts were improperly disbursed.

As previously stated, the Foundation was incorporated effective March 15, 1994 under Chapter 504A of the *Code of Iowa*, Iowa Nonprofit Corporation Act. The Foundation was organized to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items which are not included in the Department's budgets. However, it is clear the Department is funding some of the Foundation's operations. In addition, the County transferred several pieces of property to the Foundation, 1 of which was promptly sold by the Foundation. After bundling the property with other parcels, the Foundation received \$280,000 for the sale.

While it is not inappropriate for a non-profit organization to support the Department's operations, the Foundation should support or supplement the Department's functions rather than replace or supplant those duties. Specifically, the operations of the Foundation are not consistently distinct from those of the Department. What should be distinct lines between the Department operations and the Foundation operations were blurred due to decisions implemented by Mark Hoffman, the County Conservation Board, and the Foundation Board. Rather than the Foundation supporting the Department's efforts, based on our review, it is apparent the Department actually has supported the activities of the Foundation both financially and with other Department resources.

As previously stated, we reviewed disbursements made by the Department and, with the exception of payroll disbursements, did not identify significant payments made to Mark Hoffman, his family members, or Sandmark Services. However, the Department disbursements were subject to the Department's budgeted amounts, approvals by the County Auditor and Board of Supervisors, and review and approval by the County Conservation Board.

As previously stated, Mark Hoffman received \$17,737 in payouts from the Foundation for unused leave earned as a County employee. Because the County did not have a policy or practice of providing payouts for unused leave, the payments by the Foundation demonstrate a circumvention of County controls by Mark Hoffman to ensure he received a payout which would not have been provided by the County.

The disbursements made by the Foundation to Mark Hoffman, his family members, and Sandmark Services were not subject to the same level of oversight as Department disbursements. As a result, it was advantageous to Mark Hoffman and his family members for the Foundation to be as "fully funded" as possible. Funds which should have gone to the Department were used to benefit Mark Hoffman and his family through the benefit payouts he received and payments to his family members.

In addition, we determined the Foundation has not operated within its Articles of Incorporation. Specifically, the Foundation has provided housing to members of Mark Hoffman's family and collected Department fees and rent payments for property owned by the County which were not remitted to the Department. In addition, the Foundation is performing functions which would be more appropriately performed by the Department. Because the Foundation's operations have included activities that are not classified as tax exempt, it is possible their status as a 501(c)(3) organization may be in jeopardy.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the County Conservation Department regarding certain collections and disbursements. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be identified within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the County Conservation Department's internal controls.

A. Blending of Operations and Commingling of Financial Activity – During the period of our review, the operations of the Department were not consistently distinct from the Foundation. Because of decisions implemented by the former County Conservation Director, the County Conservation Board, and the Foundation Board, what should be distinct lines between the Department's and the Foundation's operations were blurred. In addition, various types of collections were commingled between the Conservation Board and the Foundation. Chapter 331.427 of the *Code of Iowa* requires all County revenues from taxes and other sources for general county services to be credited to the General Fund of the County. Examples of operations for which the lines were blurred and collections were commingled include:

- The former Conservation Director not only performed his responsibilities as the Conservation Director, he also appeared to be the driving force in the decision making and operations of the Foundation.
- Clear and distinct lines between the Conservation Board and the Foundation did not exist when it came to the operations and projects/disbursements of both entities. The former Conservation Director was "the face" of both entities, adding confusion as to who was responsible for which projects/disbursements.
- The Foundation collected various revenues which should have been receipted by the Department; including the following: naturalist programming, summer camp and boat registration fees collected, CRP revenue and rental revenue.
- The Foundation did not reimburse the County Conservation Board for any expenses incurred while overseeing the rental cabins which are owned by the Foundation. In addition, the Foundation collected and deposited rental fees.
- When geothermal systems were installed in the rental cabins and concrete patios and a driveway were poured, the Department paid \$26,835 of the \$58,515 total costs.

Recommendation – The Board of Supervisors, in conjunction with the County Conservation Board and the Foundation Board, should determine the total funds collected by the Foundation which should have been deposited with the Department. In addition, County officials should work with Foundation officials to recover this amount. Controls should also be established which provide assurance all collections are properly deposited by the Department in the future.

The Board of Supervisors should also ensure any amounts collected in relation to the naturalist program, summer camps and boat registration fees are properly remitted to the Department. County officials should also periodically determine if any new sources of revenue identified by the Foundation are deposited with the proper entity and County officials should ensure rental agreements are in place with the landowners renting the CRP land and ensure that the Department is receiving the appropriate funds.

- B. Foundation Operations – The Foundation was established to support the Department’s functions. However, in some cases, the Foundation has replaced or supplanted duties previously carried out by the Department. In some respects, the Department has served to support the Foundation’s operations. For example, several County owned properties were transferred to the Foundation and the County no longer has control over certain conservation related properties and/or buildings.

According to section 350.4 of the *Code of Iowa*, “The county conservation board shall have the custody, control and management of all real and personal property heretofore or hereafter acquired by the County for public museums, parks, preserves, parkways, playgrounds, recreation centers, county forests, county wildlife areas, and other county conservation and recreation purposes and is authorized and empowered.”

As previously stated, the Foundation’s articles of incorporation state the Foundation’s purpose is to “solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects”. These donations are to be used to purchase items which are not included in the Department’s budgets. This indicates the Foundation intended to support the Department’s operations. However, we identified instances in which the Department supported the Foundation’s operations. As a result, the Foundation is not serving the purpose intended.

While it is not inappropriate for a non-profit organization to support the Department’s operations, the Foundation should support or supplement the Department’s functions rather than replace or supplant those duties. Because the Department is established by the *Code of Iowa* to perform certain functions, it is not appropriate for an organization to appoint itself to operate in the same capacity. In addition, it is not appropriate for the Department to financially support the operations of the Foundation.

Recommendation – The Foundation should support or supplement the Department’s functions rather than replace or supplant those duties. Specifically, the operations of the Department should be consistently distinct from those of the Foundation. The Department and Conservation Foundation should take the necessary steps to ensure their operations are not commingled with each other.

In addition, the County Conservation Board should exercise due care and ensure all disbursements made with Department funds are supporting only Department operations. Department funds should not be used to support Foundation activities. The Foundation Board should also ensure the Foundation is operating in a manner which provides support to Department operations. Foundation activities should not be a replacement for Department operations.

- C. Transfer of County Property to the Foundation – The County’s financial statement audit report for the fiscal year ended June 30, 2014 disclosed County officials approved transferring certain property to the Foundation in 2013. On May 20, 2013, the County Board of Supervisors authorized the transfer of ownership of the Sharon Bluffs House and related property within Sharon Bluffs Park to the Foundation. The County Assessor’s website documents the sale of the property took place on July 1, 2013 and the sale amount was \$0. The website also documents the sale was identified as a sale to/by a government/exempt organization.

In addition, on March 18, 2013, the County Board of Supervisors approved the transfer of ownership of the Fuller Wildlife Area to the Foundation. The County Assessor's website documents the sale amount was \$0 when the property was transferred from the County Conservation Board to the Foundation. The 4 parcels were sold by the Foundation just over a week later along with 3 additional properties which were purchased by the Foundation in 2008. The County Assessor's website documents the Foundation sold the 7 parcels to a private citizen for \$280,000 on March 27, 2013.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Specifically, Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

Recommendation – The Board of Supervisors should consult with legal counsel to determine if it would be appropriate to attempt to transfer the property from the Foundation back to the County. In addition, the Board should implement procedures to ensure no additional properties are improperly transferred to other entities.

- D. Nepotism and Related Party Transactions – The former Conservation Director's children, Austin and Amber Hoffman, were employed by the County Conservation Board. The County's financial audit report for the fiscal year ended June 30, 2013 included a finding which disclosed the wages the former County Conservation Director's children earned as Department employees while they were employed as conservation aides. The finding also disclosed the County Conservation Board did not review and approve their employment. They were later formally approved by the Board.

Chapter 71.1 of the *Code of Iowa* states, "it shall be unlawful for any person elected or appointed to any public office or position under the laws of the state or by virtue of the ordinance of any city in the state, to appoint as deputy, clerk or helper in said office or position to be paid from public funds, any person related by consanguinity or affinity, within the third degree, to the person elected, appointed or making said appointment, unless such appointment shall first be approved by the officer, board, council or commission whose duty it is to approve the bond of the principal; provided this provision shall not apply in cases where such person appointed receives compensation at the rate of six hundred dollars per year or less, nor shall it apply to persons teaching in public schools, nor shall it apply to the employment of clerks of members of the general assembly. Nepotism is the practice among those in power or influence of favoring relatives or friends, especially by giving them jobs.

In addition, the former Conservation Director's family members, Sandy Hoffman, Austin Hoffman and Amber Hoffman received payments and reimbursements from the Foundation and a business established by the former Conservation Director and his wife, Sandmark Services, received payments from the Foundation for various services. A competitive process was not followed by the Foundation board when determining how services were to be obtained. Instead, it is apparent the former Conservation Director and his family members financially benefited from the role he plays in the Conservation Foundation.

Recommendation – The County Conservation Board should ensure all requirements established by the *Code of Iowa* are properly complied with.

In addition, while the Foundation Board is not required not follow a competitive process when selecting vendors to perform services, it would be advisable in order to ensure efficient and cost-effective purchasing. In addition, following a competitive process would ensure the appearance of independence and the lack of favoritism in selecting vendors.

- E. Leave Balances – The former Conservation Department Director maintained and tracked his own leave balances separately from the County Auditor. We identified instances in which the time accrued by the former Conservation Director did not adhere to County policies.

In addition, the leave balances maintained by the County Auditor were eventually adjusted for payouts the former County Conservation Director received from the Foundation; however, not on a timely basis.

Based on a review of the Fair Labor Standards Act and the job duties of the Conservation Director, the position is exempt from the overtime rules of the act and the accumulation of compensatory time. As a result, Mark Hoffman should not have earned or accumulated any compensatory time and all payments he received for accumulated compensatory time were inappropriate. The County paid Mark Hoffman \$2,476.80 for unused compensatory time when he was terminated from employment. In addition, the County paid \$189.48 for the employer's share of FICA costs for the compensatory time.

The County has created a new employee handbook, which was approved by the Conservation Board during their December 8, 2015 meeting. The handbook specifies that only the County Auditor can approve payments to employees. The revised handbook also includes a policy addressing compensatory time and a revised personal leave policy which specifies leave days must be used within 1 year of receiving the leave.

Recommendation – The Board of Supervisors should ensure vacation time, sick leave, compensatory time, and personal time for all County employees in all Departments is tracked by the County Auditor in accordance with County policies.

In addition, to ensure compliance with the Fair Labor Standards Act (FLSA), the Board of Supervisors should direct staff within the County Auditor's Office to identify County employees earning, accumulating, and/or using compensatory time. For each employee identified, a determination should be made to ensure the employee's position complies with requirements established by the FLSA.

- F. Termination Pay – The County's Employee Handbook does not include a policy addressing payouts upon termination. However, the County's standard practice is to pay out employees for their unused vacation time at termination. In addition, employees are paid for accrued sick leave, up to \$2,000, upon retirement.

Recommendation – The Board of Supervisors should establish a written policy regarding termination pay.

- G. 28-E Agreement – On June 15, 2013, the City of Centerville and the County Conservation Board entered into a management agreement for the properties noted above to be effective September 17, 2007. The agreement specifies the County is responsible for a number of duties associated with maintaining and operating the Lelah Bradley Park. However, the park property is owned by the City of Centerville and dwellings on the property are owned by the Foundation.

According to the current County Conservation Director, not all of the provisions in the agreement have been implemented.

Recommendation – Because the County is not currently complying with the terms of the agreement, County officials should view the agreement, determine if it is still applicable and serves the County's interest, and take any appropriate action to appropriately revise it. In addition, any revisions should clearly document how the County's interest is served by the revised agreement.

Exhibits

**Report on a Special Investigation of
the Appanoose County Conservation Department and
the Appanoose Conservation Foundation**

Report on a Special Investigation of
the Appanoose County Conservation Department and
the Appanoose Conservation Foundation

Summary of Findings
For the period July 1, 2013 through June 30, 2017

Description	Page Number / Table	Amount
Undeposited collections:		
Rent collections:		
Sharon Bluffs House	Page 20	\$ 30,000.00 ^
Proceeds from rental of County property	Page 32	10,058.00
Naturalist programming, summer camp, and boat registration fees	Page 31	4,912.50
Subtotal undeposited collections		44,970.50
Improper disbursements*:		
Cost of improvements at the Ranger House and Rental Cabins	Table 11	26,835.00
Termination pay for unused compensatory time and FICA costs	Pages 16 & 17	2,666.28
Subtotal improper disbursements		29,501.28
Total undeposited collections and improper disbursements		<u>\$ 74,471.78</u>
Other:		
Transfers of property:		
Sharon Bluffs Property		
Fuller Wildlife Area		
Rental cabins - ongoing operating and maintenance costs		

^ - The Foundation did not receive \$7,500 for fiscal years 2014 and 2015 and we are unable to determine the total received for rent in fiscal years 2016 and 2017.

* - The improper disbursements do not include the \$17,737 of payouts to Mark Hoffman by the Foundation for unused leave earned as a County Employee.

Exhibit B

Report on a Special Investigation of
the Appanoose County Conservation Department and
the Appanoose Conservation Foundation

Summary of Disbursements to Mark Hoffman and Related Parties
For the period July 1, 2013 through June 30, 2017

	Fiscal Year 2014*	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
<u>Appanoose County Conservation Board Payments</u>				
<u>Mark Hoffman: (Terminated on February 9, 2016)</u>				
Gross wages paid	\$ 51,000.00	52,500.00	41,981.07	-
Taxable, Non-cash reimbursements	146.50	99.98	149.97	-
County provided benefits	19,758.59	19,960.28	13,862.70	-
Total	\$ 70,905.09	72,560.26	55,993.74	-
<u>Appanoose Conservation Foundation Payments</u>				
<u>Mark Hoffman:</u>				
Reimbursements for items purchased for the park ranger house	\$ 822.90	-	-	-
Director's benefit adjustment	6,952.78	7,767.15	3,017.24	-
Reimbursements for items purchased related to the construction and furnishing of the cabins	-	14,207.98	-	-
Payments for landscaping at the ranger house and reimbursements for flooring for the cabins	-	-	1,673.31	-
Reimbursements for cabin supplies, postage, a file cabinet, bird seed and trees	-	-	-	919.72
Payments for handling of cabin reservations	-	-	-	2,000.00
Subtotal	7,775.68	21,975.13	4,690.55	2,919.72
<u>Sandy Hoffman:</u>				
Sams Club membership renewal	-	45.00	-	-
Reimbursements for items purchased related to the furnishing of the cabins	-	7,113.45	770.84	-
Payments for cleaning the cabins (previously paid to Sandmark Services)	-	-	-	7,750.00
Subtotal	-	7,158.45	770.84	7,750.00
<u>Austin Hoffman:</u>				
Payments made for work completed on the park ranger house	2,710.00	-	-	-
Payments made for work completed on the cabins & running brush dumps	-	8,024.00	2,110.50	-
Subtotal	2,710.00	8,024.00	2,110.50	-
<u>Amber Hoffman:</u>				
Payments made for Naturalist supplies	-	109.53	80.60	-
Reimbursements for copies, postage and computer software	-	-	-	74.41
Subtotal	-	109.53	80.60	74.41
<u>Sandmark Services:</u>				
Summer day camp programs	-	1,800.00	1,800.00	-
Payments for work completed on the cabins and cleaning of the cabins/\$15 per hour	-	4,682.50	2,015.00	-
Subtotal	-	6,482.50	3,815.00	-
Total	\$ 10,485.68	43,749.61	11,467.49	10,744.13

* Payments for FY14 is not all inclusive. A review of all payments made to the Hoffman family was not completed.

Report on a Special Investigation of
the Appanoose County Conservation Department
and the Appanoose Conservation Foundation

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Tammy A. Hollingsworth, CIA, Manager
Selina V. Johnson, CPA, Senior Auditor II

A handwritten signature in black ink that reads "Tamera S. Kusian". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

Tamera S. Kusian, CPA
Deputy Auditor of State

**Report on a Special Investigation of
the Appanoose County Conservation Department and
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Appendicies

Report on a Special Investigation of
the Appanoose County Conservation Department and
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Director's Benefit Adjustments

**Director's Benefit Adjustment
Proposal for FY 2013**

Annual salary \$50,000 or \$961.54/week
Vacation Leave 104 hours
Comp. Time 160 hours
Personal Leave 16 hours
 280 hours
7 weeks or 280 hrs. = \$6,730.77

Justification:

Lost labor for FY 2013

No second full time employee from 8/18/10 to 8/10/13. (Almost three years.)
Administrative Assistant resigned at the end of May 2011. Position not filled.
No Experience Works Employees from Sept. 2012 to June 2013.

Report on a Special Investigation of
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Director's Benefit Adjustments

**Director's Benefit Adjustment
For August 6, 2014
30 Year Anniversary Date**

Annual salary \$51,000

7/1/13 to 6/30/14

261 Working days in FY-2014 or \$195.40/day

Work week 8 hours/day x 5 days = 40 hours.

Leave earned to 8/9/14

Vacation Leave 195.7 hours ✓

Compensatory Leave 318.0 hours

Personal Leave 32.6 hours ✓

546.30 hours

13.7 weeks

Vacation Leave and Personal Leave will be used to build Appanoose Conservation Foundation cabins at no charge, leaving of 318.0 hours to 8/9/14.

39.75 days x \$195.40/day = \$7,767.15.

Justification:

Lost labor for FY 2014

No second full time employee from 8/18/10 to 3/10/14.

Administrative Assistant resigned at the end of May 2011. Position not filled.

Jason Phelps
Appanoose County
Conservation Board, Chairman

Report on a Special Investigation of
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Director's Benefit Adjustments

**Director's Benefit Adjustment
For August 6, 2015
31 Year Anniversary Date**

Annual salary \$52,500

7/1/14 to 6/30/15

261 Working days in FY-2015 or \$201.15/day

Work week 8 hours/day x 5 days = 40 hours or

\$1,005.75/wk.

Leave earned to	8/8/15	8/18/15	Remaining After Payout
Vacation Leave	176.0 hours	Vacation Leave	176.0
Compensatory Leave	110.0 hours	Compensatory Leave	0.0
Personal Leave	32.0 hours	Personal Leave	22.0
	318.0 hours		198.0

120 hrs. = 3 weeks or \$3,017.25

Justification:

From August of 2014 through May 2015 construction of rental cabins for Appanoose Conservation Foundation and Ranger House repairs.



Liz Deutsch
Appanoose County
Conservation Board, Chairman

Report on a Special Investigation of
the Appanoose County Conservation Department and
the Appanoose Conservation Foundation

Management Agreement – City of Centerville and Appanoose County Conservation Board

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement") is entered into this 15TH day of June, 2013 to be effective as of September 17, 2007 ("Effective Date"), by and between the City of Centerville, Iowa, an Iowa municipal corporation (the "City") and the Appanoose County Conservation Board (the "Board").

WITNESSETH:

WHEREAS, in 2006 the Appanoose Conservation Foundation (the "Foundation") acquired that certain real property more particularly described on the attached Exhibit A (the "Property");

WHEREAS, in 2007 and pursuant to an agreement between the Foundation, the Board and the City, the City acquired the Property from the Foundation with funds obtained from the Iowa Department of Resource Enhancement and Protection (REAP) grant (the "Grant") and agreed to enter into a perpetual management agreement with the Board to administer, improve and manage the Property; and

WHEREAS, the City and the Board now desire to enter into such management agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and of other good and valuable consideration, the parties hereto agree as follows:

Article 1

Certain Provisions Required Under Chapter 28E, Code of Iowa

1.1 Term. The term of this Agreement shall commence as of the Effective Date, and, unless terminated in accordance with the terms hereof (including, without limitation, Article 9), shall be perpetual (the "Term").

1.2 Administrator. No separate legal or administrative entity shall be established in order to administer this Agreement. The Board is hereby designated as administrator for the joint or cooperative undertaking as required by Chapter 28E, Code of Iowa.

1.3 Purpose. The purpose of this Agreement is to set forth the understanding of the parties regarding certain aspects of the management and operation of the Property.

1.4 Acquisition, Holding or Disposing of Real or Personal Property. No property is acquired by either party pursuant to the terms of this Agreement.

Article 2

Appointment

2.1 Appointment. The City appoints the Board to manage the Property and to provide services in connection therewith as required under this Agreement. The Board accepts such appointment and undertakes to perform such duties during the Term (as hereinafter defined) on the terms and conditions set forth herein.

Article 3

Report on a Special Investigation of
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Management Agreement – City of Centerville and Appanoose County Conservation Board

The Board's Responsibility

3.1 Services. The City hereby grants to the Board the right, subject to the provisions hereof, to provide the Management Services (as defined in Section 3.2 below), and the Board hereby accepts said grant and agrees that it will perform the Management Services. In the event the City requests services in addition to the Management Services, then upon the consent of the Board and the City, each acting in its sole and absolute discretion, this Agreement may be amended to expand the scope of the Management Services. The Board shall provide the Management Services in accordance with the requirements of this Agreement. The Board shall comply with all requirements of the applicable governmental authorities relating to performance by the Board of the Management Services.

3.2 Improvements. Currently existing on the Property are certain gravel roads, utility and drainage improvements. Such improvements are generally shown on the attached Exhibit B (the "Current Improvements"). In addition, the Board contemplates constructing certain camping and lodging facilities on the Property and may, in the future develop other improvements that are allowed on land managed under the REAP program (the "Future Improvements" and together with the Current Improvements, the "Improvements"). The City hereby consents to the construction of the Future Improvements on the Property so long as such improvements are constructed in accordance with applicable law. If the land within the Property is removed from the REAP program and the Board desires to construct additional improvements on such land or materially alter the design or use of any Improvements on such land, the Board must obtain the prior consent of the Iowa Department of Natural Resources and the City to such construction or use prior to commencement of such work or use.

3.3 Management Services.

(a) Subject to the provisions hereof, the Board shall, at its sole expense, provide the management services described in Section 3.3(a)(i) through Section 3.3(a)(iv) (collectively, the "Management Services"). The Board shall provide the Management Services pursuant to the terms, conditions and limitations of this Agreement and generally keep the property and any Improvements thereon in good repair and working order and keep the Improvements in a safe and sanitary condition. The Management Services shall include:

- (i) construction, modification and maintenance of the Improvements;
- (ii) general maintenance of the Property, including mowing and maintaining the roads, drainage and utility systems and landscaping;
- (iii) instituting and supervising all necessary repairs to the Improvements; and
- (iv) providing the staffing, support, supplies and equipment needed to maintain and operate the Improvements.

(b) As a part of the Board's on-going management and supervision of the Property, the Board will evaluate the utilization of third-party vendors and on-site personnel, including a combination thereof. The Board will implement and supervise the providers of these services.

(c) To the extent any of the Management Services could be considered legal in nature, it is the express intent of the City and the Board that: (i) such services are merely incidental to the Management Services provided pursuant to the terms of this Agreement; and (ii)

Report on a Special Investigation of
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Management Agreement – City of Centerville and Appanoose County Conservation Board

no individual attorney in the employ of the Board providing any services under this Agreement shall form an attorney client relationship with the City.

3.4 Employees; Independent Contractor.

(a) The Board shall have in its employ or under contract at all times a sufficient number of capable employees or contractors to enable it to properly, adequately, safely, and economically provide the Management Services. All matters pertaining to the employment, supervision, compensation, promotion and discharge of such employees are the responsibility of the Board, which is in all respects the employer of such employees. The Board shall fully comply with all applicable laws and regulations having to do with worker's compensation social security, unemployment insurance, hours of labor, wages, working conditions, and other employer/employee related subjects.

(b) This Agreement is not one of agency between the Board and the City, but one in which the Board is engaged independently in the business of providing management services on its own behalf as an independent contractor. All employment arrangements are therefore solely the Board's concern, and shall not have input or liability with respect thereto. Nothing contained in this Agreement or in the relationship of the Board with the City shall be deemed to constitute a partnership, joint employer, joint venture or any other relationship between the Board and the City.

3.5 Communication with the City. The Board shall be available for, or shall cause a representative of the Board to be available for communications with the City and will keep the City generally advised of material items affecting the Property.

3.6 Compliance with Laws. To the extent sufficient funds are available therefor, the Board shall use commercially reasonable efforts to comply with all (i) federal, state and municipal laws, ordinances, regulations and orders (including, without limitation, those relating to hazardous substances and environmental protection, the law commonly known as the Americans With Disabilities Act of 1990) relating to the management, leasing, use, operation, repair and maintenance of the Property and (ii) the rules, regulations or orders of any insurer issuing an insurance policy with respect of a Property and/or the use, repair, ownership, operation and maintenance thereof (collectively, the "Requirements," individually, a "Requirement"). The Board shall promptly notify the City of any possible or actual existence of a violation of any such Requirement that comes to its attention and remedy the same.

**Article 4
Management Authority**

4.1 The Board's Authority. The Board's authority is expressly limited to the provisions provided herein as such may be amended in writing from time to time by the City and mutually agreed to and accepted by the Board in writing.

4.2 Service Contracts. The Board shall direct and supervise the maintenance and operation of the Property. In connection therewith the Board may solicit bids and negotiate contracts for services including, but not limited to, mowing cleaning, security, landscaping, pest control, labor and utility services ("Service Contracts"). The Board shall pay all costs and expenses related to such Service Contracts. All Service Contracts must include the following release of the City:

"For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, [INSERT NAME OF SERVICE

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Management Agreement – City of Centerville and Appanoose County Conservation Board

PROVIDER] for itself/himself/herself, and its/his/hers heirs, successors, executors, personal representatives, and assigns, covenants and agrees to FOREVER RELEASE, DISCHARGE, HOLD HARMLESS, AND INDEMNIFY the City of Centerville and its council, officers, employees and agents (the "Released Parties") from and against any and all claims, demands, obligations, actions, causes of action, rights, damages, costs, negligence claims (including, but not limited to, gross and ordinary negligence), injuries to either person (including any death therefrom) or property, punitive or exemplary damage claims, medical expense claims, loss of wage earning capacity claims, pain and suffering claims, physical impairment claims, physical disfigurement claims, mental anguish claims, and any other form of compensation claim of any nature whatsoever, whether based on a tort, contract or other theory of recovery, including, but not limited to, attorney's fees, court costs, and/or experts fees, arising in any manner, directly or indirectly, out of or in connection with or in the course of Releasor's work on or use of the project covered under this agreement AND REGARDLESS OF CAUSE OR OF ANY CONCURRENT OR CONTRIBUTING FAULT OF NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT, ACTIVE OR PASSIVE, OF THE RELEASED PARTIES."

Article 5
Insurance

Throughout the term of this Agreement, the Board shall satisfy the insurance obligations of the Board as set forth on Exhibit C.

Article 6
Responsibility for Operating Expenses

The Board shall be responsible for, and pay all Operating Expenses. The term "Operating Expenses") means all expenses relating to the Property, including, but not limited to:

- (i) cost of the overhead, gross salary, bonuses, other employee benefits and burdens for those employees of the Board providing the Management Services;
- (ii) cost of any Improvements;
- (iii) cost of real estate taxes or special assessments on the Property or the Improvements;
- (iv) cost to comply with the terms of the Grant;
- (v) cost to correct any violation of federal, state and municipal laws, ordinances, regulations and order relative to the leasing, use, repair and maintenance of such Property, or related to the rules, regulations or order of the local board of fire underwriters or other similar body;
- (vi) cost of reasonable legal fees of attorneys;
- (vii) cost of Service Contracts and cost of on-site utilities used by the Board in connection herewith;

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(xi) any and all other direct out-of-pocket costs incurred by the Board in the performance of this Agreement.

Article 7
Indemnification

THE BOARD SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE CITY AND ITS OFFICERS, EMPLOYEES, SHAREHOLDERS AND AGENTS, FROM AND AGAINST ALL SUITS, PROCEEDINGS, CLAIMS, DAMAGES, LIABILITIES, COSTS AND EXPENSES, INCLUDING REASONABLE ATTORNEYS' FEES AND OTHER DEFENSE COSTS, TO THE EXTENT ARISING FROM OR IN CONNECTION WITH THIS AGREEMENT, THE PROPERTY OR MANAGER'S PROVISION OF THE MANAGEMENT SERVICES HEREUNDER.

Article 8
Assignment

The Board shall not transfer or assign this Agreement or any part thereof or any of its rights or obligations hereunder without the prior written consent of the City, provided that the City's consent shall not be required for an assignment to the Foundation. The Board shall not be released from any obligations that arose before the date of such assignment or that arise after the date of such assignment. Any assignment or attempted assignment not made strictly in accordance with the foregoing shall be void and shall be deemed to be a default of the Board's obligations hereunder.

Article 9
Remedies, Termination

If the Board or the City defaults in the performance of any obligation hereunder and said default is not cured within thirty (30) days after notice thereof (a "Default Notice") is sent to such defaulting party (or, if said default is of such a nature that it cannot be reasonably cured within such thirty (30) day period, such defaulting party fails to commence the curing of said default within such thirty (30) day period and to thereafter prosecute and complete such cure with diligence within ninety (90) days after such Default Notice is sent to such defaulting party), then, in addition to its other remedies at law and in equity, the non-defaulting party may terminate this Agreement, in which event such termination shall be effective as of the date of such notice of termination.

Article 10
Notices: Authorized Representatives

10.1 Notices. All notices and other communications given pursuant to this Agreement shall be in writing (unless expressly provided otherwise herein) and shall be (a) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested or deposited with a nationally-recognized overnight courier and addressed to the parties hereto at the address specified below, (b) hand delivered to the intended address, or (c) sent by facsimile transmission followed by a confirmatory letter by one of the foregoing means. All notices shall be effective upon receipt or refusal at the address of the addressee. The addresses of the parties are as follows:

The City:	c/o City Administrator 312 E. Maple St. Centerville, IA 52544
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Fax Number: (641) 437-1498

The Board:

c/o Director
25100 520th St
Centerville, IA 52544
Fax Number: (641) 856-8528

The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision.

Article 11
Miscellaneous

11.1 Pronouns. The pronouns used in this Agreement referring to the Board or the City shall be understood and construed to apply whether the Board or the City is an individual, partnership, corporation or an individual or individuals doing business under a firm or trade name, and the masculine and neuter pronouns shall each include the other and may be used interchangeably with the same meaning.

11.2 Amendments. Any and all amendments to this Agreement shall be null and void unless approved by the parties in writing.

11.3 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

11.4 Succession. This Agreement shall be binding upon and inure to the benefit of the City and its successors and assigns, and shall be binding upon and inure to the benefit of the Board and its permitted successors and permitted assigns.

11.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.

11.6 Entire Agreement. This Agreement hereto constitutes the entire Agreement between the the City and the Board pertaining to the subject matter hereof, and any and all previous agreements (written or oral) entered into between the parties hereto relating to the Property and/or the management, use, maintenance and operation thereof shall be deemed merged herewith.

11.7 Severability. If any provisions of this Agreement shall be found to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby and this Agreement shall be enforced to the greatest extent permitted by law.

11.8 Governing Law. This Agreement shall be governed by the laws of the State of Iowa.

11.9 No Recording. Neither this Agreement nor any amendment hereto, nor any memorandum or short form thereof, shall be recorded or filed. Notwithstanding anything to the contrary contained in this Agreement, this Agreement shall not be a covenant running with any Property.

11.10 Attorneys Fees. The prevailing party in any legal proceeding regarding this Agreement shall be entitled to recover from the other party all reasonable attorneys' fees and costs incurred in connection with such proceeding.

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11.11 Filing. This Agreement, when executed, shall be filed with the Secretary of State of Iowa and filed and recorded with the Appanoose County Recorder, to become effective as provided by Section 28E.8 of the *Code of Iowa*.

*REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGE(S) FOLLOWS.*

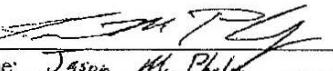
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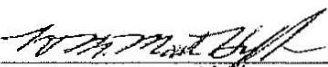
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates set forth below, to effective as of the Effective Date.

THE BOARD:

APPANOOSE COUNTY CONSERVATION BOARD


By: 
Name: Jason M. Phelps
Title: Chairman

ATTEST:


By: 
Name: Wm. Mark Hill
Title: Director ACCB

THE CITY:

THE CITY OF CENTERVILLE, IOWA,
an Iowa municipal corporation

By: 
Jim Senior, Mayor
Edwin Brand, Mayor Pro Tem

ATTEST:

By: 
Name: Joyce E. Davis
Title: Temporary City Clerk

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EXHIBIT A

THE PROPERTY

Report on a Special Investigation of
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Management Agreement – City of Centerville and Appanoose County Conservation Board

Exhibit A

City of Centerville, Iowa/Appanoose County Conservation Board

Legal Description

All that part of the East one-half of the Southwest Quarter of Section 1, Township 68 North, Range 18 West of the 5th P.M. in Appanoose County, Iowa, except that part lying West and North of the line described as follows:

Commencing at a point on the South line of the Southeast Quarter of the Southwest Quarter of said Section 1, 350 feet East of the Southwest Corner thereof; thence North 410 feet; thence North 69° West 200 feet; thence North 16° 45' East 266.5 feet; thence South 83° 15' East 560.5 feet; thence North 6° 45' East 250 feet; thence North 83° 15' West 425.5 feet; thence North 26° 25' West 384.5 feet; thence West 149 feet; thence North 596 feet; thence North 84° 45' East 505 feet; thence North 5° 10' East 144.5 feet; thence South 74° 40' 57" East 265.57 feet; thence South 75° 31' 41" East 484.25 feet to the East line of the Southwest Quarter of said Section 1;

and

Commencing at the North Quarter Corner of Section 12, Township 68 North, Range 18 West of the 5th Principal Meridian, Appanoose County, Iowa, and proceeding thence West 970 feet along the North line of said Section 12; thence South 150 feet; thence South 88° 22' 08" East 448.90 feet; thence South 02° 20' 52" West 84.61 feet; thence South 88° 22' 08" East 534.40 feet to the East line of the Northeast Quarter of the Northwest Quarter of said Section 12; thence North along the East line of the Northeast Quarter of the Northwest Quarter of said Section 12 to the point of beginning.

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EXHIBIT C

INSURANCE REQUIREMENTS

COVERAGE AND LIMITS

The Board, at its expense, will purchase and maintain (with companies licensed to do business in the State of Iowa) insurance coverages and amounts as set forth below:

TYPE	AMOUNT	OTHER REQUIREMENTS
1. Workers' Compensation and Employer's Liability	Statutory Limits, if state has no statutory limits then: \$1,000,000 each accident \$1,000,000 policy limit bodily injury by disease \$1,000,000 each employee, bodily injury by disease	1. Waiver of subrogation in favor of the City (hereafter defined)..
2. Commercial General Liability (Occurrence Basis)	\$1,000,000 per occurrence \$2,000,000 general aggregate \$2,000,000 product-completed operations aggregate limit. \$1,000,000 personal and advertising injury limit \$50,000 fire legal liability	1. The City will be named as "additional insureds" 2. Waiver of subrogation in favor of the City 3. Defense will be provided as an additional benefit and not included within the limit of liability
3. Business Automobile Liability (Occurrence Basis)	Combined single limit for bodily injury and property damage of \$1,000,000 per occurrence or its equivalent.	1. The City will be named as "additional insureds" 2. Waiver of subrogation in favor of the City 3. Includes owned, hired and non-owned vehicles

♦ **EVIDENCE OF INSURANCE REQUIRED BEFORE SERVICES BEGIN**

Evidence of insurance shall be delivered to the City, prior to commencing operations at the site and at least five (5) days prior to the expiration of current policies. The "ACORD Form 25-S Certificates of Liability Insurance" is the required form in all cases where reference is made herein to a "Certificate of Insurance". The Certificate of Insurance must specify the additional insured status and waivers of subrogation, set forth notice requirements for cancellation, or non-renewal of insurance and be accompanied by copies of all required endorsements. If requested in writing by the City, the Board shall provide a certified copy of the insurance policies or endorsements required under this Exhibit C.

♦ **INSURANCE REQUIRED FOR CONTRACT TIME**

All insurance required by this Exhibit C shall be maintained during the entire Term, including any extensions thereto.

♦ **MANDATORY 30-DAY NOTICE OF CANCELLATION**

The Board shall, without exception, give the City not less than 30-days notice prior to cancellation of any insurance policy for other than non-payment of premium. Non-payment of premium shall require ten-day's notice of cancellation. Confirmation of this mandatory notice of cancellation shall appear on the Certificate of Insurance and on all insurance policies required by this Exhibit C.

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Invoice to City of Centerville for Brush Dump Services

1/6/2016

Appanoose Conservation Foundation
25069 520th St
Centerville, IA 52544

City of Centerville
312 E Maple
Centerville, IA 52544

Greetings,

Appanoose Conservation Foundation bill for Brush-dump Service:

34 Saturdays: April 4, 2015 to November 21, 2015

at a cost of \$50.00 per Saturday \$1,700.00

receipts received at City Hall during 2015 \$1,162.00

Total \$2,862.00

Please make check out to *Appanoose Conservation Foundation*

and mail to: 25069 520th St
Centerville, IA 52544

Thank you in advance.
Sincerely,

Wm. Mark Hoffman
Director, Appanoose County Conservation Board

Appanoose Conservation Foundation