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**NEWS RELEASE**

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FOR RELEASE November 4, 2020

Auditor of State Rob Sand today released a report on a special investigation of the Iowa City Community School District (District) for the period July 1, 2017 through June 30, 2019. The special investigation was in response to a District official's concerns regarding certain District operations, including the bidding process on a certain contract, a payment agreement for the purchase of certain equipment, use of vendors from the Des Moines metropolitan area, and reimbursements to the Director of Facilities.

Sand reported the procedures performed determined the District did not follow its policies requiring competitive bidding procedures for contracts or agreements greater than \$135,000. The vendor selected was on a pre-approved vendor listing maintained by the District, and the Board separately approved the contract. The District considered the separate Board approval as a waiver from established policy. However, the District's policy does not allow for a waiver or exception process.

No additional areas of non-compliance or impropriety related to the specified areas of concern were identified.

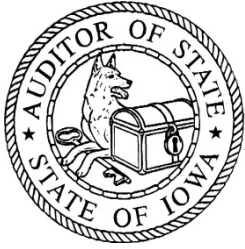
A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**REPORT ON SPECIAL INVESTIGATION  
OF THE  
IOWA CITY COMMUNITY SCHOOL DISTRICT  
FOR THE PERIOD  
JULY 1, 2017 THROUGH JUNE 30, 2019**

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Auditor of State's Report

To the Board of Education of the Iowa City  
Community School District:

In response to an Iowa City Community School District (District) official's concerns regarding certain transactions processed by the District, we conducted a special investigation of the District. We have applied certain tests and procedures to selected financial transactions of the District for the period July 1, 2017 through June 30, 2019. Based on discussions with District officials and personnel and a review of relevant information, we performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed the District's Policy Manual to determine what policies and procedures were established for testing areas.
- (3) Examined bid documentation to determine compliance with the District's purchasing policy and bidding requirements established by the *Code of Iowa*.
- (4) Reviewed the District's contract and subsequent amendments with Terracon Consultants, Inc. to determine if certain aspects of the contract met the test of public purpose.
- (5) Reviewed contractors used by the District to determine if there was an unusual number from the Des Moines metropolitan area.
- (6) Determined the residence of the Director of Facilities and examined reimbursements to him for propriety.

As a result of these procedures, we determined the District did not follow its policies requiring competitive bidding procedures for contract or agreements greater than \$135,000. No additional areas of non-compliance or impropriety related to the specified areas of concern were identified.

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 financial statements of the Iowa City Community School District, other matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance extended to us by personnel of the Iowa City Community School District during the course of our investigation.

Rob Sand  
Auditor of State

July 17, 2020

Report on Special Investigation of the  
Iowa City Community School District

Investigative Summary

**Background Information**

The Iowa City Community School District (District) serves approximately 14,300 students in Johnson County. The District is governed by a seven-member Board which meets the second and fourth Tuesday of each month. The District is led by the Superintendent and the School Board (Board). As reported on the District's website, the Superintendent is responsible to the Board for the execution of the District's policies, for the faithful and efficient observance of the District's rules by all employees throughout the system, and for the enforcement of all provisions of the law relating to the operation of the school. In addition to the Superintendent, the District has established several key administrative positions, including an Assistant Superintendent, a Chief Operating Officer (COO), a Director of Budget and Finance, and a Director of Facilities.

Duane Van Hemert was hired as the Physical Plant Director in November 2012, which later became the Director of Facilities. Prior to accepting the position with the District, Mr. Van Hemert was employed in Des Moines. According to the District's website, the Facilities Management Department is responsible for oversight of the physical plant and the design and construction of new schools, renovation, and addition projects. The Department also manages the Long-Range Facility Master Plan (FMP), Physical Plant and Equipment Levy (PPEL) projects, building security, warehousing, and District furniture.

According to a public communication from a District official, Department of Justice officials conducted a survey of playgrounds in the District on November 15, 2017 based on a complaint they received. Prior to receiving results from the survey, District officials began working towards testing playground surfaces. On February 6, 2018, the District entered into an agreement with Terracon Consultants, Inc. (Terracon) to provide appropriately trained employees to perform field evaluation of playground surfacing materials. The agreement was established without performing competitive bidding procedures.

In early 2018, there were media reports regarding concerns there was not a competitive bid process before the District agreed to the contract. A District official subsequently contacted the Office of Auditor of State expressing concern regarding the lack of competitive bid for the Terracon contract.

Subsequent to providing the initial concern, the District official also expressed concerns regarding the equipment to be purchased under the Terracon contract and the training to be provided for use of the equipment. He also expressed concern with the use of vendors from the Des Moines metropolitan area, specifically for heating, ventilation, and air conditioning (HVAC) services. In addition, the District official was concerned the Director of Facilities still resided in Des Moines and commuted to Iowa City.

As a result of the nature of the concerns identified in media reports and voiced by a District official, we performed the procedures detailed in the Auditor of State's report for the period July 1, 2017 through June 30, 2019.

**Detailed Findings**

**Terracon Playground Contract**

As previously stated, the District entered into a contract on February 6, 2018 with Terracon to perform field evaluations of playground surfacing materials. The contract had a proposed scope of services of \$158,876 to be paid as field tests were performed. The contract included a schedule of rates for personnel, field equipment/materials, and a trip charge.

We determined the District did not follow its policies requiring competitive bidding procedures for contracts or agreements greater than \$135,000. However, the District had previous experience with Terracon, and Terracon was included on a list of vendors which had been vetted by the District and was considered preferred. According to the District representatives we spoke with, a search of testing companies in the area was performed, but none were considered able to perform to the District's needs. Because of the amount and nature of the Terracon contract, the Board specifically pulled the contract from the consent agenda for further discussions and a separate vote for approval was completed. District officials considered this additional step as a waiver from the District's policy on contracts and agreements. However, the established policy does not allow for a waiver or exception.

In accordance with the contract, Terracon purchased the initial equipment needed to perform the playground surface materials testing. Then, over the course of the next two years or 84 visits the District was to pay Terracon for the equipment. According to the District representatives we spoke with, the District has paid approximately half the equipment costs as of the date of this report. After the equipment is fully paid for by the District, it becomes the District's property. On May 5, 2018, a task order was signed by the District to clarify that "[o]nce the client [District] has paid the full equipment fees described in our proposal, equipment ownership and all the responsibilities for storage, maintenance and calibration will transfer to the Client." According to the District representatives we spoke with, once the District owns the equipment, District personnel will operate the equipment and perform testing; however, the testing results will need to be analyzed by a qualified testing firm.

The contract also included a provision the District would pay Terracon \$6,097 for costs associated with training Terracon and District personnel to ensure the testing performed complied with standards. The District representatives we spoke with stated Terracon has provided professional testing services to the District for many years and had the engineering staff available to provide the needed services. However, Terracon would have been unable to certify the results of the playground surface materials testing without the provided training.

District representatives met with Terracon three times prior to signing the contract: August 31, 2017, January 17, 2018, and January 26, 2018. These meetings were held to determine the services Terracon could provide to the District and the services that were needed. These meetings were addressed in the initial contract signed by the District, and the District was not billed for these meetings until August 2018, after the contract was signed and testing had begun at certain playgrounds. The cost for the meetings held prior to the signing of the contract totaled \$1,814.

**Contractor Locations**

We reviewed contractors established by the District and associated with the Facilities Management Department to determine if an unreasonable number were from locations outside the immediate vicinity of Iowa City. Specifically, we reviewed the District's listing of pre-screened vendors which the District considers preferred. Of the 36 vendors on the listing, 16 were within a 50-mile radius of Iowa City, 15 were outside 50 miles, and 5 were out-of-state. We also reviewed the District's expenditures for heat/air/vent repair and construction services for fiscal year 2018 and 2019. **Table 1** summarizes the percentage of heat/air/vent repair expenditures for vendors within 50 miles, outside of 50 miles, and out-of-state by fiscal year.

**Table 1**

<b>Description</b>	<b>Fiscal Year</b>	
	<b>2018</b>	<b>2019</b>
Within 50 miles	61.9%	98.7
Outside 50 miles	6.6	0.0
Out-of-state	31.5	1.3
Total	100.0%	100.0

**Table 2** summarizes the percentage of construction services expenditures for vendors within 50 miles, outside of 50 miles, and out-of-state by fiscal year.

<b>Description</b>	<b>Fiscal Year</b>	
	<b>2018</b>	<b>2019</b>
Within 50 miles	70.3%	42.1
Outside 50 miles	12.0	41.9
Out-of-state	17.7	16.0
Total	100.0%	100.0

According to the District representatives we spoke with, the District does not provide any allowances or advantages for local companies. Rather, the District selects the lowest responsible bidder.

**Mileage Stipend and Reimbursements**

As previously stated, we were informed Mr. Van Hemert commuted from Des Moines to Iowa City. We reviewed Mr. Van Hemert’s employment contracts for the 2017-2018 and 2018-2019 school years and determined there was no clause requiring Mr. Van Hemert live in the Iowa City vicinity. In addition, according to the District representatives we spoke with, the District does not have a policy requiring any District employee to live within District boundaries or within a certain radius.

Based on a review of Mr. Van Hemert’s payroll history for the 2017-2018 and 2018-2019 school years, we determined he received a stipend for in-district mileage. The stipend was paid in accordance with the employment contract covering Mr. Van Hemert’s employment for both school years and is reasonable based on his job duties.

We also attempted to review reimbursements made to Mr. Van Hemert. However, during the period of our review, there were no reimbursements issued to him.

**Recommended Control Procedures**

As part of our investigation, we reviewed the District’s policies related to bidding of contracts. As a result, the following recommendation is made to strengthen the District’s policy.

- A. Bidding Policy – The District’s policy sets expectations for obtaining competitive quotes and bids on contracts. However, this policy does not allow for a waiver or exception.

Recommendation – The public benefits from bidding by ensuring the District is getting the lowest price the market will offer on a particular project at a particular time. As a result, the District should follow its policy for competitive bidding in all circumstances. In addition, District officials should consider if there would be benefit to the District by lowering the threshold requiring competitive bids. For example, the law for state entities requires bidding for spending in excess of \$50,000.

Report on Special Investigation of the  
Iowa City Community School District

Staff

This special investigation was performed by:

Jennifer Campbell, CPA, Manager  
Cole L. Hocker, CPA, Senior Auditor II

A handwritten signature in black ink that reads "Annette K. Campbell". The signature is written in a cursive style with a large, looped initial "A".

Annette K. Campbell, CPA  
Deputy Auditor of State