COMMITTEE MINUTES for
GOVERNMENT OVERSIGHT

Date:	March 15, 2010			**Place:**	Rm 103, Supreme Court Chamber		
Convened:	3/15/2010 4:00 PM	**Recessed:**	3/15/2010 5:35 PM	**Reconvened:**	3/16/2010 10:20 AM	**Adjourned:**	3/16/2010 12:00 PM

Present: Senators Olive-CH, Courtney-VC, Ward-RM, Sodders, Wieck
Representatives Lensing-CH, Ford-VC, Watts-RM, Baudler, Berry, Olson, S., Sorenson, Swaim, Whitead

Absent: None

Excused: None

Senator Olive called the meeting to order at 4:00 p.m. on March 15, 2010. Roll call was taken as the members arrived. The minutes of the previous meeting were approved as distributed.

Senator Olive and Representative Lensing gave opening remarks. Then Senator Olive introduced Nolden Gentry of Brick Gentry P.C. who has been retained by the Iowa Association of School Boards ("IASB") as outside legal counsel.

Mr. Gentry gave an overview of IASB and distributed a packet of information which responded to some of the requests previously submitted by the committee. This included the IASB mission and details on subsidiaries, organizational chart, 2008 audit report, breakdown of dues and services, salaries of highest paid employees, and employee benefits description. He informed the committee that the CPA firm of Brooks Lodden P.C. is working on the IASB's audit for the fiscal year ending 6/30/09. The IASB has also hired the firm of LWBJ Financial to do a forensic audit. He anticipates that both of these audits will be completed by May. The IASB is also working with the Polk County attorney and the FBI.

Mr. Gentry then introduced Ted Lodden of Brooks Lodden P.C., the firm doing the annual audit. Mr. Lodden outlined a detailed timeline of his firm's efforts since July, 2009 to accomplish the audit for the fiscal year ending 6/30/09. He talked about the difficulty of obtaining information and management's instructions for the auditing firm not to discuss their findings to date and concerns with the board. He said that on 9/30/09 the salary of Maxine Kilcrease, the executive director, was increased retroactive to 7/1/09. On 12/15/09 the salaries of three other highly paid employees were increased retroactive to 7/1/09. The board was first made aware of these salary increases on 3/10/10, when the auditing firm had their first access to the board. The State Auditor's office was contacted several months ago, and their position is to review the completed audits before deciding whether to pursue further.

The floor was then opened for questions from the committee. Questions included the reasons for forming a for-profit subsidiary (LGS), inter-relationships between the various subsidiaries, whether there are employee reviews, what controls are in place, the lack of monthly financial statements to the board for a number of months, the possibility of nepotism among employees, and the possibility that federal and state grants were drawn down more than the eligible expenses warranted.

Senator Olive recessed the meeting at 5:35 p.m.

Senator Olive reconvened the meeting on 3/16/10 at 10:20 a.m.

Nolden Gentry and Ted Lodden resumed answering questions from the committee. Also available to answer questions were Joe Desmond and Stephanie Lovin, auditors with the Brooks Lodden firm. Questions included when were problems first detected, board training, whistleblower protection, current financial situation, use of business credit card, and sources of revenue and expense.

Auditor Joe Desmond responded to specific audit questions. He said that after he expressed some concerns to IASB management in mid-audit, management asked that he be taken off the audit and replaced. Some of his concerns involved internal controls, expense approval, timely financial statements, pension program, compensation policy, vendors' contracts, and grant draw-downs.

Auditor Stephanie Lovin, Desmond's replacement, responded to questions on grant expenditures in the Skills Iowa program. A federal audit needs to be done if grants received are over $500,000 which is the case at IASB, but the auditors are having difficulty getting a breakdown between federal and state grant information. They will try to bring in the past financial director to assist with this.

Mr. Gentry also commented on the difficulties being experienced by the Iowa Schools Cash Anticipation Program ("ISCAP"). Money borrowed by schools to meet short-term cash flow needs is pooled and invested until needed. Normally the interest on the investment is used to pay the underwriters and bond counsel. However, low interest rates the last few years have left over $2 million still owing to the underwriters and bond counsel. IASB is hopeful of continued deferral of these fees until interest rates improve, with no service interruptions.

Representative Sorenson moved the meeting be adjourned at 12:00 p.m.

Senator Rich Olive

Dave Morris, Committee Secretary