

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Mary Mosiman
515/281-5835
or Tami Kusian
515/281-5834

FOR RELEASE

October 14, 2013

Auditor of State Mary Mosiman today released an addendum to a report on a special investigation of the Iowa Department of Transportation (DOT) issued on April 22, 2013. That report covered the period January 29, 1994 through July 7, 2011 and the addendum includes transactions through June 30, 2013. The special investigation was requested by the Director of DOT as a result of concerns regarding certain real estate transactions authorized by David Weigel, a former employee in the Property Management section of the Office of Right of Way. The report issued on April 22, 2013 identified \$581,122.75 of diverted collections, uncollected lease payments and improper disbursements. However, it also reported it was not possible to determine if additional collections were diverted or if additional amounts were improperly disbursed because adequate records were not available from DOT.

Mosiman reported procedures performed since April 22, 2013 identified an additional \$195,350.26 of improper disbursements, improper disability benefits and uncollected lease payments. Additional improper disbursements of \$117,703.50 include payments issued to L Jay's Construction by DOT. According to an informant who contacted the Division of Criminal Investigation, he received the payments issued to L Jay's Construction even though he did not perform any work for DOT and was not affiliated with any construction company. The payments were authorized by Mr. Weigel and were supported by invoices which were not prepared or submitted by the individual who received the payments. After receiving the payments from Mr. Weigel, the informant issued checks totaling \$111,970.00 from his personal checking account to or on behalf of Mr. Weigel's son. Most of the checks were deposited to David Weigel's personal bank account. In addition, \$4,605.52 was deposited to the informant's personal bank account and the remaining funds were withheld from the deposits in cash.

The \$76,356.76 of improper disability benefits include \$39,523.76 paid to Mr. Weigel by the Iowa Public Employees' Retirement System (IPERS) for which he was not eligible and \$36,833.00 paid to Mr. Weigel by the Social Security Administration (SSA) for which he was not eligible.

Mosiman reported a total of \$776,473.01 of diverted collections, uncollected lease payments, improper disbursements and improper disability benefits have been identified to date.

Copies of the addendum to the report have been filed with the Attorney General's Office and the Division of Criminal Investigation. A copy of the addendum to the report is available for review on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1460-6450-BE00.pdf> and in the Office of Auditor of State.

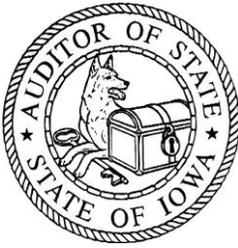
###

**ADDENDUM TO A
REPORT ON A SPECIAL INVESTIGATION
OF THE
IOWA DEPARTMENT OF TRANSPORTATION

FOR THE PERIOD
JANUARY 29, 1994 THROUGH JUNE 30, 2013**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Investigative Summary:	
Background Information	5
Detailed Findings	5-12
Recommended Control Procedures	12
Exhibits:	
Summary of Findings	<u>Exhibit</u> A 15
Payments to L Jay's Construction	B 16-17
Staff	18



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Auditor of State's Report

To the Honorable Governor Terry Branstad and
Paul Trombino III, Director of the Iowa Department of Transportation:

As a result of concerns identified by Iowa Department of Transportation (DOT) officials and at your request, we conducted a special investigation of certain transactions processed by DOT. On April 20, 2013, the Division of Criminal Investigation (DCI) established a hotline telephone number to collect additional tips regarding the special investigation. As a result, several additional concerns were identified regarding possible diverted collections and improper disbursements.

Based on the concerns identified, we applied the following additional tests and procedures to selected financial transactions by the Property Management section of the Office of Right of Way (ROW):

- (1) Obtained a listing of ROW properties sold by the Property Management section for the period January 29, 1994 through July 7, 2011 to determine if a patent file was maintained and included all required documentation, such as a professional appraisal, letters required by section 306.23 of the *Code of Iowa*, an income deposit sheet and a copy of the check for a property sold to Pike, LLC.
- (2) Obtained and examined a listing of certain types of receipts to identify all individuals and/or businesses, such as Big Barn Harley, Eric Hennings and Randy Olsen, involved in leasing land and/or improvements from DOT.
- (3) Reviewed personal bank accounts held by Mr. Weigel to identify any transactions involving an informant who contacted the DCI regarding improper payments.
- (4) Reviewed transcripts of certain interviews conducted by DCI agents to:
 - identify any relationships between Mr. Weigel and individuals who maintained, purchased or leased land owned by DOT or received payments from DOT.
 - obtain an understanding of circumstances regarding payments between the individuals interviewed and Mr. Weigel.
- (5) Reviewed a copy of a check issued by Grady Marx to Mr. Weigel dated 10 days before Mr. Marx purchased property from DOT. We compared the check to available additional information regarding the sale of the property to determine if Mr. Weigel benefited from the sale to Mr. Marx which he facilitated on behalf of DOT.
- (6) Obtained information from a Social Security Administration (SSA) official and from the Iowa Public Employees' Retirement System (IPERS) regarding Mr. Weigel's eligibility for benefit payments.

The procedures performed since April 22, 2013 identified an additional \$195,350.26 of improper disbursements, improper disability benefits and uncollected lease payments. The \$117,703.50 of additional improper disbursements identified includes payments from DOT to L Jay's Construction. The \$76,356.76 of improper disability benefits identified includes \$39,523.76 paid to Mr. Weigel by the Iowa Public Employees' Retirement System (IPERS) and \$36,833.00 paid to Mr. Weigel by the Social Security Administration (SSA). The \$1,290.00 of additional uncollected lease payments identified includes lease payments not properly remitted for

the 3 years DOT leased a parcel of property in Woodbury County. As a result of the additional procedures, a total of \$776,473.01 of diverted collections, uncollected lease payments, improper disbursements and improper disability benefits have been identified.

As stated in the report issued on April 22, 2013, we were unable to determine whether additional collections were diverted because sufficient records were not available. Records which were not available include a complete listing of all leased property and documentation for all property disposed of by the Property Management section, independent appraisals and documentation regarding compliance with section 306.23 of the *Code of Iowa*. In addition, we were unable to identify the source of certain deposits to Mr. Weigel's personal bank accounts. Several internal control weaknesses were also identified. 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 financial statements of the Iowa Department of Transportation, other matters might have come to our attention that would have been reported to you.

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

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Iowa Department of Transportation and the Division of Criminal Investigation during the course of our investigation.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 13, 2013

Addendum to a
Report on a Special Investigation of the
Iowa Department of Transportation

Investigative Summary

Background Information

A report on a special investigation of the Iowa Department of Transportation (DOT) was issued by the Office of Auditor of State on April 22, 2013. The special investigation was initiated due to concerns Paul Trambino III, the Director of DOT, summarized in a letter to Governor Branstad regarding the sale and pending sale of land in Polk County and a payment by an individual to Mr. Weigel for the row crops. The letter also requested an investigation of the transactions and any other transactions or activities as deemed warranted.

As a result of the request, the Office of Auditor of State conducted an investigation of certain transactions processed by the Property Management section of ROW. The investigation was conducted with assistance from the Division of Criminal Investigation (DCI). The report released by the Office of Auditor of State on April 22, 2013 identified \$581,122.75 of diverted collections, uncollected lease payments and improper disbursements. Of the \$581,122.75, \$315,647.25 was diverted collections deposited to Mr. Weigel and Grady Marx's personal bank accounts, \$170,050.00 was uncollected lease payments and \$95,425.50 was improper disbursements.

The Division of Criminal Investigation (DCI) established a hotline telephone number on April 20, 2013 for additional tips regarding the special investigation. As a result, additional concerns were identified regarding possible diverted collections and improper disbursements. Based on the concerns identified, we performed the procedures detailed in the Auditor of State's Report.

Detailed Findings

These procedures identified an additional \$195,350.26 of improper disbursements, improper disability benefits and uncollected lease payments. The \$117,703.50 of additional improper disbursements identified include payments issued to LJay's Construction by DOT. The \$76,356.76 of improper disability benefits identified include \$39,523.76 paid to Mr. Weigel by the Iowa Public Employees' Retirement System (IPERS) and \$36,833.00 paid to Mr. Weigel by the Social Security Administration (SSA). The \$1,290.00 of additional uncollected lease payments identified includes lease payments not properly remitted for the 3 years DOT leased a parcel of property in Woodbury County. **Table 1** summarizes the additional uncollected lease payments, improper disbursements and improper disability benefits identified. The **Table** also includes the total loss as of September 13, 2013.

Table 1

Description	Report Issued April 22, 2013	Addendum Report	Total
Diverted collections	\$ 315,647.25	-	315,647.25
Uncollected lease payments	170,050.00	1,290.00	171,340.00
Improper disbursements	95,425.50	117,703.50	213,129.00
Improper disability benefits	-	76,356.76	76,356.76
Total	\$ 581,122.75	195,350.26	776,473.01

As illustrated by the **Table**, \$776,473.01 of diverted collections, uncollected lease payments, improper disbursements and improper disability benefits have been identified to date. We were unable to determine whether additional collections were diverted because sufficient records were

not available. Records which were not available include a complete listing of all leased property and documentation for all property disposed of by the Property Management section, including independent appraisals and documentation regarding compliance with section 306.23 of the *Code of Iowa*. In addition, we were unable to identify the source of certain deposits to Mr. Weigel's personal bank accounts. Our findings are summarized in **Exhibit A** and a detailed explanation of each finding follows.

IMPROPER DISBURSEMENTS BY DOT

The Property Management section leases land and improvements as a source of revenue for the public and to lower management expenses. Property Managers are responsible for procuring services from contractors or individuals for mowing, snow removal and maintenance services for residential and commercial properties which have not been leased. According to DOT personnel, written contracts are not consistently prepared for services obtained from contractors or individuals.

Because written agreements were not available for a number of disbursements issued by DOT, we were unable to determine the rate agreed to by the Property Manager and contractor, the length of the agreement or how frequent the services were to be provided. Property Managers are authorized to establish the payment rates, which may be an hourly rate, a rate per acre or a flat fee. According to DOT staff members we spoke with, the location of the job may also affect the rate paid. How frequent the services are to be provided also varies based on a number of factors, such as weather conditions, input from the Property Manager and circumstances of the highway project or condition of the property. As a Property Manager, Mr. Weigel was responsible for establishing agreements for maintenance services for DOT property located in his assigned district.

In the report issued on April 22, 2013, we identified 8 payments by DOT to Grady Marx. The 8 payments total \$37,360.00 and were authorized by Mr. Weigel. After Mr. Marx received the payments from DOT, Mr. Weigel received 3 payments from Mr. Marx which total \$18,665.00 and were to split the proceeds from the checks issued by DOT. In addition, the report included 5 DOT payments authorized by Mr. Weigel to Stacie Walther. The 5 payments total \$23,200.00. After receiving the payments from DOT, Ms. Walther issued 2 checks to Mr. Weigel which total \$7,250.00. She also stated she cashed the checks she received from DOT and kept some of the money to pay for gas. The remainder of the cash was provided to Mr. Weigel.

Shortly after the report was issued on April 22, 2013, DCI received a phone call from an individual who had information regarding similar payments he received from DOT. At the request of the Attorney General's Office, we have not identified the individual in this report. We identified 23 payments totaling \$117,703.50 issued by DOT to L Jay's Construction which were deposited by the informant between August 8, 2008 and October 29, 2010 and we obtained copies of the related invoices.

During our review of the invoices, we determined the vendor name shown on the invoices was L Jay's Construction. Each invoice included a signature at the bottom which indicated it was signed by the informant. During an interview with a DCI agent, the informant stated he was not associated with and had never worked for L Jay's Construction. He also stated the signature at the bottom of the invoices was not his. During the interview, the informant stated the signature resembled the handwriting of Jason Weigel, Mr. Weigel's son. We were unable to definitively determine who signed the invoices.

The invoices also showed the address of L Jay's Construction was PO Box 22221 in Clive, IA. We contacted a representative of the Post Office in Clive and determined the PO boxes available at that location do not include PO Box 22221. As a result, any payments mailed to the vendor at that address would have been returned to DOT. It appears Mr. Weigel picked up the payments after they were prepared by DOT's Finance Department.

According to the informant, he “never did any work for DOT but was under the impression Jason Weigel was performing the work during the day.” In addition, the informant stated there was not a written contract between him and David Weigel. The informant also stated he never submitted an invoice or any paperwork to DOT for services.

The invoices which support the payments to L Jay’s Construction frequently included a number of services and materials listed on a single invoice. Services for which Mr. Weigel authorized payment included mowing, clean up and skid loader operation. Mr. Weigel also authorized payments for materials, such as rock. The invoices frequently did not include a description of the property for each service listed on the invoice. In addition, the invoices did not document whether the services being paid for were necessary or completed.

According to the informant, he and Jason Weigel were friends at the time he received the checks from DOT. Also, Jason Weigel lived with the informant during a portion of this period. The informant stated David and Jason Weigel approached him and asked if he would be willing to act as a sub-contractor. According to the informant, he asked David and Jason Weigel if he would get in trouble for acting as a sub-contractor for DOT and he was told he would not. According to the informant, he “was under the influence Jason [Weigel] was doing jobs [for DOT] and getting paid for them but he’s been in a lot of trouble so he could not get a job with the DOT so it was kind of like a sub-contracting deal.” The informant stated he didn’t know if Jason Weigel was working for DOT, but he assumed he was.

According to the informant, David and/or Jason Weigel hand-delivered the 23 checks he received from DOT to his personal residence. The informant also stated David and/or Jason Weigel would not leave his residence until he issued a personal check from his personal checking account to Jason Weigel. The 23 payments the informant received from DOT are listed in **Exhibit B**. The **Exhibit** also illustrates how the proceeds of each check were distributed. Specifically:

- Cash was withheld when 17 of the checks were deposited. At least \$1,527.98 of cash was withheld. As illustrated by the **Exhibit**, \$200.00 more than the DOT checks were deposited on 2 occasions. We were unable to determine the source or amounts of other funds deposited or if any cash was withheld from these 2 deposits. We were also unable to determine if any additional funds were deposited on the 17 occasions for which at least \$1,527.98 of cash was withheld from the deposit.
- The informant issued 23 checks to Jason Weigel. As illustrated by the **Exhibit**, the checks issued to Jason Weigel were frequently \$100.00 to \$250.00 less than the amount of the DOT checks the informant received. The informant stated David Weigel instructed him to give all or a portion of the difference to Jason Weigel in cash. The informant also stated he periodically kept a small portion of the cash, such as \$20.00 for gas to drive to the bank.

The informant also issued a check to the Boone County Sheriff’s Office using the proceeds of a check from the DOT. During the interview, the informant stated David Weigel instructed him to deposit a \$4,300.00 DOT check and immediately go with Jason Weigel to the Boone County Sheriff’s Office to pay Jason Weigel’s room and board fees totaling \$3,900.00. As illustrated by **Exhibit B**, the informant issued the check on November 4, 2010.

The 24 checks issued by the informant to or on behalf of Jason Weigel total \$111,970.00.

- Of the \$117,703.50 the informant received from DOT, \$4,605.52 was deposited to his personal bank account. We were unable to determine the ultimate disposition of these funds.

In addition to reviewing the informant's personal bank account, we reviewed David Weigel's personal bank accounts and determined 21 of the checks the informant issued to Jason Weigel were deposited to David Weigel's personal bank accounts. The 21 checks total \$100,920.00. We were unable to determine if the remaining checks issued to Jason Weigel were deposited in David Weigel's personal bank accounts because deposit detail was not available.

Based on information obtained during the interview with the informant, supporting documentation and DOT's nepotism policy, we determined the \$117,703.50 of payments Mr. Weigel authorized to be issued to L Jay's Construction are improper disbursements. As a result, the \$117,703.50 is included in **Exhibit A** as improper disbursements. We were unable to determine if there were any additional improper vendor payments authorized by Mr. Weigel.

IMPROPER DISABILITY BENEFITS FROM IPERS AND SSA

In the report issued on April 22, 2013, we identified concerns regarding Mr. Weigel's eligibility for disability benefits. We also reported SSA had initiated an investigation into potential misrepresentation of disability by Mr. Weigel. SSA representatives have subsequently determined Mr. Weigel was not eligible for disability benefits because he misrepresented his employment and income status. As a result, SSA terminated Mr. Weigel's disability benefits as of June 2013 and determined Mr. Weigel improperly received \$36,833.00 of disability benefits.

Because IPERS relies on SSA for determining disability eligibility, IPERS also terminated Mr. Weigel's monthly disability benefits effective June 2013. In addition, IPERS issued a letter to Mr. Weigel on June 7, 2013 stating since Mr. Weigel was never eligible for SSA benefits, his application for IPERS disability retirement benefits was invalid and the benefits of \$39,523.76 paid under the application must be returned to IPERS within 30 days. As of July 11, 2013, Mr. Weigel had not returned the \$39,523.76 of disability benefits paid to him.

As a result, the \$36,833.00 of SSA disability benefits and the \$39,523.76 of IPERS disability benefits are included in **Exhibit A** as improper disability benefits.

UNCOLLECTED PAYMENTS FOR THE LEASE AND SALE OF PROPERTY

The Property Management section provides general management of acquired property before, during and after highway projects are completed. Property acquired by DOT, including buildings on the land acquired, may be leased for which DOT should collect lease payments. Unneeded property may also be sold after completion of a project, for which specific requirements have been established. All proceeds from the sale of the unneeded property are to be remitted to DOT.

Sale of Property in Hamilton County - The report issued on April 22, 2013 identified several concerns related to the sale of DOT land. The report includes details about how Grady Marx and Mr. Weigel split \$200,000.00 not properly remitted to DOT for the sale of property in Floyd County in December 2010. The report also includes information about Mr. Marx purchasing 28.96 acres in Hamilton County on October 1, 2009 for \$8,000.00.

The DOT parcel file for the property in Hamilton County did not include an appraisal for the property. However, according to the Hamilton County Assessor's website, the property had an assessed value of \$14,530.00 in 2008. According to the Hamilton County Assessor's website and as illustrated by **Table 2**, the assessed value increased in the following years.

Table 2

Year	Assessed Land Value
2008	\$ 14,530
2009	25,340
2010	21,160
2011	26,620
2012	26,620
2013	36,850

The property was not sold through the bid process. Instead, Mr. Marx submitted an offer to buy the property for \$8,000.00.

Because the file did not contain any letters to show compliance with section 306.23 of the *Code of Iowa* and the Property Management Policy and Procedure Manual, we are unable to determine if the previous and adjacent owners received the opportunity to purchase the property prior to its sale to Mr. Marx. In addition, the file did not include any applicable bid tabulation forms, so it appears the property was not made available for a public bid. However, the file included an Income Deposit form which was signed by Mr. Weigel on behalf of his supervisor at the time.

Based on information we received from the Hamilton County Assessor's Office, the property has not been subsequently resold by Mr. Marx. Due to the prior transactions between Mr. Marx and Mr. Weigel, we closely scrutinized the file. However, we were unable to determine if Mr. Marx received a discounted price on the property or if there were any other improper actions associated with the sale. As a result, the report issued on April 22, 2013 did not include any amounts in **Exhibit A** related to this transaction.

On September 12, 2013, Mr. Marx's attorney provided a representative of the Attorney General's Office a copy of a \$4,000.00 check Mr. Weigel issued to Mr. Marx. The check was dated September 21, 2009, which was 10 days before Mr. Marx purchased the property from DOT. The memo portion of the check states "car parts". However, according to Mr. Marx's attorney, the check was for Mr. Weigel's half of the purchase price of the property. According to the attorney, Mr. Marx and Mr. Weigel co-own the property although only Mr. Marx is listed as the property owner on the Hamilton County Assessor's website.

Sale of Property in Polk County - On April 23, 2013, DCI received a letter from the attorney for the City of West Des Moines regarding a land sale which involved the City of West Des Moines and Pike, LLC. According to the letter, DOT sold the property to Pike, LLC for \$5,600.00 in July 2010. However, the City received an appraisal which valued the property at \$106,000.00 in November 2012. On November 27, 2012, the City of West Des Moines paid Pike, LLC \$117,142.00 for the property.

According to the Secretary of State's website, Pike, LLC's registered agent was Bart Newton. However, letters provided to the DCI by the City of West Des Moines document Pike, LLC was represented by Stephen Banks, a former DOT employee. We also obtained and reviewed DOT's patent file for the sale of DOT property to Pike, LLC to determine if the file included all required documents, such as a warranty deed, letters required by section 306.23 of the *Code* and appraisals. We determined all the required documents were included in the file. Sharon Bowers was the Property Manager assigned to this property. The file did not contain any documents which indicated Mr. Weigel was involved with the sale. In addition, we determined all the letters required by section 306.23 of the *Code* were issued to the former owner, adjacent owner, abutting owner and governmental entity. All parties receiving these letters declined to purchase the property at the appraised value of \$95,000.00. As a result, the property was open for the public to bid on.

On April 14, 2010, a sealed bid was held and 2 bids were received. The higher bid was from Pike, LLC for \$5,200.00. Because the bids were significantly lower than the appraised value, DOT declined to accept either bid and held another sealed bid on May 12, 2010. According to a bid tabulation form for the second sealed bid, Pike, LLC placed the high bid of \$5,200.00, which was accepted.

Based on discussions with DOT officials, it is within their discretion to accept bids which are significantly lower than the appraised value, especially after multiple bids have been held. However, DOT officials are also allowed to not accept any bid which is deemed to be too low to be acceptable.

By comparing the appraised value of \$95,000.00 in 2010 to the appraised value of \$106,000.00 in 2012, the increase appears reasonable. In addition, the \$117,142.00 paid by the City of West Des Moines in 2012 for the property appears reasonable. However, based on the subsequent sale of the same property for an amount in excess of \$117,000.00, we determined it was not in the best interest of the State to sell the property for \$5,200.00 in 2010.

Because the property was sold in compliance with section 306.23 of the *Code* and DOT policies, no further testing was deemed necessary.

Sale and Lease of Property in Hardin County - A concern regarding the lease of property in Hardin County was identified via the hotline telephone number established by DCI. According to the individual who called the hotline, he purchased land from DOT in 2004 which was adjacent to a small parcel of property also owned by DOT. The caller stated he was contacted after the purchase by an individual who requested access to the adjacent property because it was landlocked and he had planted soybeans on it. The caller stated the individual who contacted him was a DOT employee and he thought it was unusual for a DOT employee to plant crops on land owned by DOT. The caller stated he subsequently purchased the landlocked property from DOT.

We obtained and reviewed the patent files for the land purchased by the caller and determined Mr. Weigel was the Property Manager assigned to this area. However, we were unable to determine if the properties were sold in compliance with section 306.23 of the *Code* and DOT policies because the patent files did not include any letters required by section 306.23 of the *Code*, bid tabulation forms or appraisals.

In addition, we attempted to obtain a lease agreement established with the DOT employee who planted soybeans on the adjacent property. However, DOT was unable to locate any lease agreements with the individual or a lease agreement for the property described by the caller. We also requested a listing of any payments DOT received from the individual. DOT's records did not include any payments received from the individual. The records maintained by DOT for lease collections could not be searched based on the description of the property.

We also discussed the lease value of the property the caller described with DOT officials. According to the officials we spoke with, there would not have been a significant lease value for the property because it was a small parcel and landlocked. Because they were unable to estimate the amount of lease payments DOT should have collected from the individual if he had planted row crops on the property, a value of uncollected lease payments is not included in **Exhibit A**.

Lease of Property in Woodbury County - In July 2013, a ROW staff member was preparing a written agreement to lease property in Woodbury County for the 2014 crop year to Eric Hennings who, along with Randy Olsen, leased the property for the 2013 crop year. The staff member reported Mr. Weigel's name came up during his conversations with Mr. Hennings regarding lease payments for the property. The ROW staff member contacted a DCI agent with this information. On July 26, 2013, a DCI agent interviewed Mr. Hennings. During the interview, Mr. Hennings stated he worked with Mr. Weigel and DOT to obtain a lease agreement for the property.

We obtained and reviewed the lease file maintained by DOT for the property identified to determine if a lease agreement was established and if lease payments were properly remitted to DOT. According to DOT's lease file, Mr. Olsen established a lease agreement with DOT for the property which was effective from 1994 through 2009. The lease agreements specified he was to pay \$84.00 per year to lease the property. We determined DOT received annual \$84.00 payments from Mr. Olsen from July 1, 2000 through October 9, 2008.

The lease file also includes copies of letters dated June 26, 2009 which were sent to Mr. Olsen and Mr. Hennings notifying them DOT would accept bids to lease the parcel leased by Mr. Olsen through 2009. The bids were due by July 22, 2009. According to the bid documents maintained in the lease file, Mr. Hennings and Mr. Olsen submitted bids of \$1,015.50 and \$331.00, respectively. The lease file includes a copy of an e-mail from Mr. Weigel to the DOT Lease Coordinator which states both bids were rejected. The e-mail, which was dated July 27, 2009, does not include a reason for rejecting the bids.

According to a DOT representative, once the 2 bids were received, there was no reason to reject them. DOT should have continued to lease the property because DOT was not ready to dispose of it. There is no apparent reason for Mr. Weigel to reject both bids. A lease should have been established with Mr. Hennings who submitted a bid of \$1,015.50 per year.

The lease file maintained by DOT also included a copy of an e-mail prepared by Mr. Weigel. It stated, in part, Mr. Weigel and another property manager drove to Woodbury County on September 15, 2009 and spoke with Mr. Olsen. The e-mail referred to an individual holding an adjoining parcel who would also like to lease the property. According to Mr. Hennings, he was the individual interested in leasing the property. The e-mail also stated, "It has been determined to not lease to either party as long as they [are] fighting over a[n] easement. At some time in the future if both parties agree we may lease to one or the other of them."

During the interview with the DCI agent, Mr. Hennings stated Mr. Olsen continued farming the property after his bid was rejected for a lease for the 2010 crop year,. Several attempts were made by a DCI agent to contact Mr. Olsen, but the agent's phone calls were not returned.

The historical lease file maintained by DOT does not include any lease agreements for periods subsequent to 2009. However, the ROW staff member was able to provide a copy of the lease agreement with Mr. Olsen for crop year 2013 from a current lease file. In addition, DOT's records do not include any payment from Mr. Hennings or Mr. Olsen for the 2010 through 2012 crop years. For the 2013 crop year, Mr. Hennings and Mr. Olsen paid \$383.50 and \$46.50, respectively. These payments were deposited by DOT.

Because Mr. Weigel has significant bank activity and we were unable to obtain detailed records for a number of deposits to his accounts, we were not able to identify any payments from Mr. Hennings or Mr. Olsen in Mr. Weigel's personal bank activity. As a result, we were unable to determine if lease payments for 2010 through 2012 were improperly diverted to Mr. Weigel's personal bank accounts.

According to a DOT official we spoke with, the \$383.50 and \$46.50 paid by Mr. Hennings and Mr. Olsen, respectively, was based on the Iowa State University Extension and Outreach cash rent rates. This is in accordance with DOT's policies. The rent value for the total parcel was \$430.00. Because DOT did not receive any lease payments for the property for 2010, 2011 and 2012, the \$1,290.00 rent value for the parcel for the 3 years is included in **Exhibit A** as uncollected lease payments.

Lease of Property in Polk County - A concern regarding DOT's mutual benefit lease with a Des Moines motorcycle vendor was identified via the hotline telephone number established by DCI. A mutual benefit lease is a situation in which both DOT and the party leasing the property benefit by the arrangement. As a result, the leasing party does not pay to lease the land. Big

Barn Harley leases land from DOT along Interstate 80 which is used for parking and a training course. The specific concern raised was Mr. Weigel may have received a Harley motorcycle for establishing a mutual benefit lease rather than a lease for which DOT would have received periodic payments.

With the assistance of a law enforcement officer, we interviewed the owner of Big Barn Harley to determine if Mr. Weigel received a motorcycle for the establishment of a mutual benefit lease agreement. According to the owner, when he contacted DOT to discuss purchasing the property, he was placed in contact with Mr. Weigel. He also stated Mr. Weigel told him DOT could not sell the land in the event DOT would need to expand the Interstate or exit.

According to the owner, because he could not purchase the land, he told Mr. Weigel he wanted to lease the land as a mutual benefit lease, which allowed him to use the land and, in turn, DOT would not have to pay for maintenance. He stated Mr. Weigel agreed to a mutual benefit lease and at the end of the conversation, Mr. Weigel stated, "If I ever need a motorcycle, will you give me a good deal." According to the owner, he did not think anything of this statement because customers and individuals frequently make similar statements to him. He stated he did not sell or give a motorcycle to Mr. Weigel or any members of his family.

We obtained and reviewed the lease between DOT and Big Barn Harley to identify the conditions of the lease agreement. Because the lease was established as a mutual benefit lease, Big Barn Harley was not required to submit lease payments and DOT did not incur costs to mow the property. We also spoke with a representative of DOT to determine potential lease revenue for the property and estimated maintenance costs which DOT would incur to mow the property. Based on DOT's estimate, lease revenue would range from \$600.00 to \$1,200.00 per year and maintenance expenses would be approximately \$870.00 per year. As a result, the DOT representative determined a mutual benefit does exist and DOT will not make any modifications to Big Barn Harley's lease terms.

RECOMMENDED CONTROL PROCEDURES

During the course of our initial investigation, we made recommendations to further strengthen the DOT's internal control. The detailed recommendations are listed in the report issued on April 22, 2013. As of September 9, 2013, DOT has started implementing policies and procedures to address the recommendations included in the report issued April 22, 2013.

**Addendum to a
Report on a Special Investigation
of the
Iowa Department of Transportation**

Exhibits

Addendum to a
Report on a Special Investigation of the
Iowa Department of Transportation

Summary of Findings
For the period January 29, 1994 through June 30, 2013

<u>Description</u>	<u>Exhibit/ Page Number</u>	<u>Amount</u>
Department of Transportation:		
Improper disbursements:		
Payments to L Jay's Construction	Exhibit B	\$ 117,703.50
Uncollected lease payments:		
Lease of property in Woodbury County	Page 11	1,290.00
Subtotal for Department of Transportation		<u>118,993.50</u>
Iowa Public Employees' Retirement System:		
Improper disability benefits	Page 8	39,523.76
Social Security Administration:		
Improper disability benefits	Page 8	<u>36,833.00</u>
Total		<u><u>\$ 195,350.26</u></u>

Addendum to a
Report on a Special Investigation of the
Iowa Department of Transportation

Payments to L Jay's Construction
For the period January 29, 1994 through June 30, 2013

Payments Issued by DOT to L Jay's Construction per Invoices				Deposit	Check from
Voucher	Voucher	Description	Amount	Date	DOT~
Date	Number				
08/06/08	740072	Clean up properties	\$ 4,850.00	08/13/08	\$ 4,850.00
08/13/08	744640	42 hrs mowing x \$100	4,440.00	09/02/08	4,440.00
09/03/08	754545	Mowing, machines, etc	3,650.00	09/10/08	3,650.00
09/22/08	766005	Mowing & clean up, etc	3,800.00	10/01/08	3,800.00
10/17/08	787830	36 hrs of mowing, etc.	5,460.00	10/27/08	5,460.00
10/22/08	791871	Parts, labor & skidloader	8,140.00	10/31/08	8,140.00
11/14/08	803329	East 21st	5,700.00	11/20/08	5,700.00
11/26/08	810510	Repairs on Hwy 65	5,860.00	12/05/08	5,860.00
12/15/08	822747	Remove buildings, etc.	6,250.00	12/29/08	6,250.00
03/04/09	868537	Replace draian, etc.	4,085.00	03/18/09	4,085.00
04/13/09	890965	Remove tree, gravel, etc.	3,860.00	04/20/09	3,860.00
06/03/09	923093	Remove building & clean	9,600.00	06/12/09	9,600.00
06/30/09	940014	Seed 58 acres oats/grass	4,178.50	07/10/09	4,178.50
07/29/09	959969	Hwy 163 & 65 mow, cleanup	4,050.00	08/10/09	4,050.00
08/18/09	971042	Mowing & re-seeding	6,500.00	08/24/09	6,500.00
08/31/09	982276	Hwy 65 & 5	4,440.00	09/10/09	4,440.00
09/18/09	992403	Mowing & cleaning up junk	4,350.00	09/28/09	4,350.00
07/19/10	185858	Mowing & spraying	4,440.00	07/29/10	4,440.00
08/09/10	198989	Use of machines & 3 men	4,750.00	08/27/10	4,750.00
09/08/10	218255	Mowing along hwys 163/65	4,350.00	09/20/10	4,350.00
09/17/10	231587	38 hrs of work in 3 days	3,800.00	09/29/10	3,800.00
10/25/10	260083	Worked 3 days in Sept.	4,300.00	11/03/10	4,300.00
10/29/10	264992	Worked 2 days in October	6,850.00	11/10/10	6,850.00
Total			<u>\$ 117,703.50</u>		<u>\$ 117,703.50</u>

~ - Images of the redeemed checks from DOT include the informant's bank account number and date of deposit.

- Information based on net deposit to the informant's bank account. We are unable to determine if the other deposits listed include funds from other sources which were withheld from the deposit in cash.

* - Check number 960 was payable to the Boone County Sheriff's Office on behalf of Jason Weigel.

^ - Traced to deposit in David Weigel's personal checking account.

Per the Informant's Bank Statements and Check Images/Carbon Copy

Deposits			Checks Issued to Jason Weigel			Amount of Deposit Remaining in Informant's Account
Unknown Source#	Cash Withheld From Deposit#	Net Amount Deposited	Date	Check Number	Amount	
-	50.00	4,800.00	08/12/08	780	\$ 4,650.00 ^	150.00
-	102.98	4,337.02	09/02/08	783	4,220.00 ^	117.02
-	-	3,650.00	09/07/08	785	3,450.00 ^	200.00
-	100.00	3,700.00	09/28/08	820	3,600.00 ^	100.00
-	100.00	5,360.00	10/24/08	826	5,200.00 ^	160.00
-	100.00	8,040.00	10/30/08	827	7,900.00 ^	140.00
-	100.00	5,600.00	11/19/08	832	5,400.00 ^	200.00
-	10.00	5,850.00	12/04/08	834	5,600.00 ^	250.00
-	125.00	6,125.00	12/26/08	838	6,000.00 ^	125.00
-	100.00	3,985.00	03/15/09	858	3,850.00	135.00
-	100.00	3,760.00	04/16/09	864	3,660.00 ^	100.00
-	100.00	9,500.00	06/10/09	869	3,300.00	200.00
			06/10/09	870	6,000.00 ^	
-	100.00	4,078.50	07/08/09	875	4,000.00 ^	78.50
-	-	4,050.00	08/07/09	878	3,800.00 ^	250.00
-	100.00	6,400.00	08/21/09	792	6,250.00 ^	150.00
-	40.00	4,400.00	09/06/09	793	4,200.00 ^	200.00
-	50.00	4,300.00	09/25/09	795	4,100.00 ^	200.00
-	100.00	4,340.00	07/25/10	905	4,140.00 ^	200.00
-	150.00	4,600.00	08/25/10	944	4,500.00 ^	100.00
200.00	-	4,550.00	09/16/10	950	4,100.00 ^	450.00
-	-	3,800.00	09/26/10	953	3,550.00 ^	250.00
200.00	-	4,500.00	11/04/10	960	3,900.00 *	600.00
-	-	6,850.00	11/07/10	963	6,600.00 ^	250.00
400.00	1,527.98	116,575.52			\$ 111,970.00	4,605.52

Addendum to a
Report on a Special Investigation of the
Iowa Department of Transportation

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Melissa J. Knoll-Speer, Senior Auditor II


Tamera S. Kusian, CPA
Deputy Auditor of State