
FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

AUDIT REPORT — IOWA COMMUNICATIONS NETWORK

Audit Report. On January 18, 2018, the Auditor of State released a special investigation report of the Iowa Communications Network (ICN), specifically for the time period of January 1, 2015, through January 2, 2018. The ICN is a State agency governed by the Iowa Telecommunications and Technology Commission (ITTC), and provides broadband internet, data, video conferencing, and voice (phone) services to authorized users specified by the Code of Iowa, including education, healthcare, government, and public safety organizations in Iowa.

Procurement Concerns. The audit report identified a number of instances in which the ICN did not comply with the rules and procedures established by the Department of Administrative Services (DAS) for making purchases from vendors outside of State government. These instances include, but are not limited to:

- Former ICN Director Ric Lumbard prepared a business plan for the purchase of two semi-trailers and a semi-tractor in which Mr. Lumbard documented that total purchase and delivery costs fell under the \$50,000 threshold which, per the DAS, requires a formal competitive procurement process to be followed. The Auditor determined that Mr. Lumbard entered into a “gentleman’s agreement” with the proposed vendor, improperly splitting costs associated with the delivery of the trailers, which would have raised the total business plan costs above the \$50,000 threshold. The Auditor determined that through this agreement, Mr. Lumbard was able to circumvent procurement requirements.
- From January 15, 2015, through October 16, 2017, the ICN paid Character Genetics approximately \$71,190 for leadership training and coaching services. In order to comply with DAS procurement procedures, these services should have been procured through a formal competitive procurement process. The Auditor determined that Mr. Lumbard had a previous relationship with Character Genetics through other employment at Wind and Fire Ministries, a nonprofit organization located in Marion.

Personnel Concerns. The Auditor also identified several concerns regarding personnel actions, including unqualified hiring, excessive pay increases, and improper use of State property.

- During his tenure at the ICN, Mr. Ric Lumbard hired individuals who did not meet the hiring criteria as established by the DAS. In one instance, no documentation exists to confirm DAS Human Resources Enterprise approval of hiring an individual who was not qualified for an Executive Officer 2 position.
- A former employee of the ICN was hired as an Executive Secretary in February 2015. After six months of employment at the ICN, the individual received a 14.0% pay increase, and an additional 12.0% pay increase one year following the employee’s initial hiring. The individual did not receive a promotion, but salary increases totaled over 40.2% over approximately 2.5 years. These increases exceeded raises provided to other ICN employees as stipulated by State employment procedures.
- The audit report also identified that from July 1, 2014, to July 11, 2017, Mr. Lumbard used State vehicles to commute to and from work to his home in Marion. DAS prohibits the use of State vehicles for personal purposes. The Auditor found that the ICN spent over \$50,000 for Mr. Lumbard’s use of State vehicles.

Overall Conclusions. The Auditor concluded that a number of management decisions made by Mr. Lumbard were not in the taxpayer’s best interest, and that several of his purchasing decisions directly circumvented internal controls, internal processes of the ICN, and procurement requirements established

by the DAS and the Department of Management. The report also identifies that Mr. Lombard misused the authority of his position to create unnecessary and unapproved job positions, hire unqualified individuals, and award excessive pay increases. In sum, the Auditor identified a total of approximately \$379,550 of improper disbursements and undeposited collections.

The full Audit report can be found [here](#).

LSA Staff Contact: Christin Mechler (515.250.0458) christin.mechler@legis.iowa.gov
Adam Broich (515.281.8223) adam.broich@legis.iowa.gov