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## FISCAL UPDATE Article

Fiscal Services Division

July 16, 2018



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### AUDIT — APPANOOSE COUNTY CONSERVATION DEPARTMENT AND FOUNDATION

**Audit Report.** On July 3, 2018, the Auditor of State released a report of a special investigation of 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 resulted from findings identified during previous audits of Appanoose County (County) and concerns regarding the relationship between the Department and the Foundation related to the commingling of operations, collections, and disbursements.

**Background.** The Foundation was organized as a nonprofit in 1994 to solicit and accept gifts 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 budget.

**Findings.** The investigation found that the operations of the Foundation are not consistently distinct from those of the Department, having been blurred by previous decisions implemented by former Conservation Director Mark Hoffman, the County Conservation Board, and the Foundation Board. In addition, the Foundation has not operated within its Articles of Incorporation, as demonstrated by the following:

- The Foundation is providing housing to members of Mr. Hoffman's family.
- The Foundation has collected fees and rent payments for property owned by the County which were not remitted to the County.

The investigation found that the Foundation should provide financial support to the Department, which should administer improvements, rather than the Department financially supporting efforts administered by the Foundation.

The investigation identified \$74,472 of undeposited collections and improper disbursements by the Department. Insufficient records made it impossible to determine whether there were further undeposited collections and improper disbursements.

The investigation identified the following significant concerns regarding the relationship between the two entities:

- Operations of both entities were primarily directed by Mr. Hoffman until his employment was terminated by the County. Mr. Hoffman continues to play a significant role in the Foundation's operations.
- The Foundation paid Mr. Hoffman \$17,737 for unused leave earned as a County employee. The County did not have a policy or practice of providing such payouts.
- Mr. 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 Mr. 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, a gift that is prohibited by the Iowa Constitution. The Foundation receives the revenues associated with the use of the property, but the Department paid costs associated with the construction of the building and certain ongoing costs. Rental fees for the

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residence totaling \$30,000 for the period of July 1, 2012, through June 30, 2017, were deposited by the Foundation.

- On March 18, 2013, the County transferred four parcels of land within the Fuller Wildlife Area to the Foundation at no cost. The Foundation sold the parcels, along with three additional properties the Foundation had previously purchased, to a private citizen for \$280,000 on March 27, 2013.
- The Foundation executed lease agreements for Foundation-owned properties with Mr. Hoffman's family members, who were also County employees. The agreements specified that the leases were part of the County employees' benefits package. The individuals continued to reside at the properties, without paying rent, after their employment with the County was terminated.
- The Foundation deposited \$10,058 of rent for County-owned property during the period of July 1, 2012, through June 30, 2017.
- Various collections and disbursements were commingled between the Department and the Foundation, including bills paid by the Foundation that were addressed to both entities and collections that should have gone to the Department being deposited by the Foundation.
- Cabin rental agreements are in the name of the Foundation but require approval by a Department employee.
- The Department paid \$26,835 for improvements to a residence and rental cabins in Lelah Bradley Park that were owned by the Foundation.
- Nepotism issues and related party concerns were identified based on the hiring of Mr. Hoffman's children by the Department and the reimbursements and payments Mr. Hoffman's children received from the Foundation. Mr. Hoffman's wife and private company also received reimbursements and payments from the Foundation.

**Recommendations.** The report recommends County officials and the Department implement changes to ensure clear separation from the Foundation's operations and compliance with all requirements established in State law and the County's employee handbook regarding nepotism and related parties. The report also recommends that the Department should work to recover funds collected by the Foundation that should have been deposited with the Department.

The full report can be found on the Auditor of State's website [here](#).

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