

SUMMARY OF COMMITTEE ACTIVITY IN RELATION TO THE IOWA ASSOCIATION OF SCHOOL BOARDS

OVERVIEW:

The Oversight Committee to date has devoted six meetings to investigating issues which have arisen in connection with the financing and management of IASB. The meetings began during last Session in March, and continued during the 2010 legislative interim. The most recent meeting was on July 22nd.

TESTIMONY:

The handout you've all received contains a long list of witnesses who've appeared before the committee --including past and present IASB personnel, Nolden Gentry (outside legal counsel for IASB), representatives from Brooks Lodden PC (IASB's auditors), former IASB Executive Directors Maxine Kilcrease and Ron Rice (both who appeared pursuant to subpoena's issued by the Committee), past and present IASB board members, and the current Interim Executive Director and Interim Chief Financial Officer for IASB.

ISSUES:

The handout summarizes the testimony received at each of the meetings. As the meetings progressed the same series of issues kept arising based on the testimony received. The following is a representative list, in no particular order:

1. Is IASB A Taxpayer -Funded Organization?

Early in the meetings various opinions were expressed on this, with some individuals associated with IASB contending that the payment of dues by member school districts didn't constitute "taxpayer funding". Agreement was eventually reached by most presenters, and all committee members, that school district dues qualify as "taxpayer funding" and should subject such an organization to a heightened level of scrutiny.

2. Excessive Compensation.

A salary increase of \$157,000 was received by Executive Director Maxine Kilcrease on a retroactive basis, and lesser amounts by several other IASB executives, without the knowledge of the IASB board, except for a questionable signature by the Board Chair, who couldn't recall if he'd signed it and a handwriting expert couldn't determine. Issue would be lack of controls in place to prevent this from occurring? And secondary issue of the adequacy of the screening process for applicants for executive positions.

3. Board Access.

Representatives from the accounting firm of Brooks Lodden P.C. testified about their frustration at being denied necessary access to IASB management and board members in order to complete their audit, and board members stated they were informed by management that interaction with the auditors might complicate possible litigation.

Additionally, an auditor who asked questions during the audit relating to matters such as board member training, whistleblower protection, when problems first became apparent, utilization of business credit cards, etc. was replaced at the request of management. Issue would be putting formal procedures in place ensuring access to and by non-profit board members. Secondary issue of why both the board and the auditors weren't more aggressive in making contact, and whether any financial literacy and communication training was supplied to board members.

4. Whistleblower Protection and Retaliation.

Was retaliatory action taken against whistleblowers and individuals who had expressed interest in the position of Executive Director -- several individuals were fired, with the explanation it was due to financial constraints, during the same period that the excessive compensation increases were being instituted.

5. For-Profit Subsidiaries.

The committee spent a considerable period of time seeking information regarding why a for-profit subsidiary would be formed in connection with a non-profit organization, and whether "inside" business arrangements were entered into with specified organizations contracting to supply school districts.

6. Lack of Managerial Oversight By Non-Profits.

Testimony was received regarding use of a credit card imprinted with IASB to finance a trip to Bora Bora, and misrepresentation of an alleged interest by eBay in purchasing one of the organization's revenue-generating programs. Numerous questions were directed at IASB officials regarding employee review procedures, approval of salary increases, lack of monthly financial statements being supplied to board members, the possibility of nepotism among employees, and possible inappropriate drawing down of federal grant money.

7. Open Records/Open Meetings Law Applicability to Non-profit Organizations, and the Date By Which Legislation Impacts.

Does legislation applicable to non-profits and open records law apply to non-profits generally, and to records prior to the law's effective date?

8. Over-all, General Issue Or Charge-- Enhanced Oversight and Accountability Regarding Non-Profit Organizations.