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To the Management and the Audit Committee
of the Iowa Association of Schools Boards

In planning and performing our audit of the consolidated financial statements (financial statements) of the Iowa Association of School Boards (the Organization) for the year ended June 30, 2009, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Organization's internal control in our report dated July 8, 2010. This letter does not affect our report dated July 8, 2010, on the consolidated financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Transition:

During the year ended June 30, 2009 and subsequent to that date, there was not a process in place to ensure that the institutional knowledge and relationships retained by several key individuals were transferred to other individuals before they left the Organization or were terminated. The lack of transferring this knowledge and replacing the individuals who had this knowledge with individuals that were not qualified to be in certain positions has caused a major hardship on the operations of the Organization, as well as a lack of credibility with members and public officials. As the Organization continues its quest to find permanent management, it is important during this next transition to consider how the institutional knowledge will be maintained, that qualified individuals are hired, and that management does not withhold any information from the Board or the Auditors.

Evaluation of Programs:

Since the resignation of Jon Muller in March 2009, there has not been a process to evaluate the effectiveness of the programs offered to the members. A formal written process needs to be established to evaluate the programs offered to the membership to determine if the programs are meeting the needs of the members. A formal written plan should be established for each program offered and should encompass a description of the program, objectives of the program, and an evaluation of the program. The evaluation of the program should use both quantitative and qualitative factors. In order to properly evaluate the program, it is necessary to structure the chart of accounts in the accounting system to capture the financial information necessary to evaluate each program. Once this structure is established, management should review the financial statements and the services provided to the members, and compare it to the objectives of the program to determine if the program is meeting the needs of the members and objectives of the Organization. This evaluation should be provided to the Board and documented in the minutes.

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Proprietary Information:

Throughout our audit, we noted information was released and published in newsletters and newspapers referring to what was labeled as a "financial crisis" to the members and the public. At that time, management had not prepared any financial statements to determine where the Organization stood financially. Information provided to these parties was often incorrect and, in some cases, proprietary. The Board should ensure that any communications going out to the members and the public properly reflect the activities that are being carried out by the Organization. In addition, the communications should be reviewed by the Board to determine the accuracy of information and whether or not it is in the best interest of the Organization to release proprietary information.

Whistleblower Policy:

The Organization adopted a whistleblower policy on September 18, 2008. Officers, directors, and employees are expected to report suspected violations of Association policies or other activities believed to be illegal by delivering a complaint to the Executive Director with a copy to General Counsel. If either the Executive Director or General Counsel is the subject of the complaint, then the complaint should be submitted to the Chair of the Association's Executive Committee. The policy does not provide guidance to the Executive Committee of the Board on handling complaints if either the Executive Director or General Counsel is the subject of the complaint. Several whistleblower complaints were filed against the Executive Director and General Counsel. These complaints were eventually routed to the Executive Director, General Counsel, and Deputy Executive Director for review rather than independent counsel. Sec. 1107 Retaliation Against Informants of the Sarbanes Oxley Act, (e) states, *"Whoever knowingly, with the intent to retaliate, takes any action harmful to any person, including interference with the lawful employment or livelihood of any person, for providing to a law enforcement officer any truthful information relating to the commission or possible commission of any Federal offense, shall be fined under this title or imprisoned not more than 10 years, or both."* To avoid retaliation against employees and possible violation of the Sarbanes Oxley Act, it is necessary to establish a process which keeps the identity of the reporter of the suspected wrongdoing confidential. This would facilitate a process to encourage staff, contractors, members, etc. to come forward to report illegal or unethical behavior. To avoid any retaliation of management against employees and any violations of the Sarbanes Oxley Act, the Board should review the reporting section of the Organization's whistleblower policy and consider amending the policy to have the complaints submitted to a third party separate from the Organization, so that the identity of the reporter of the suspected wrongdoing is kept confidential. The Organization should avoid using the current counsel in case current counsel is named in the complaint. The counsel should also hold a training session on this policy, at least annually, for all board members and employees to ensure they are aware of the policy and how to handle any situations that might arise.

Minutes:

In reviewing board meeting minutes, we noted that not all significant matters discussed or decided at meetings were included in the minutes. In several instances, management stated that the Board had made decisions; however, the authorization was not reflected in the minutes. In addition, representatives from Brooks Lodden, P.C. attended the LGS board meeting on September 16, 2009 and discussed with the Board issues concerning the whistleblower policy, timeliness of financial statements, and the risks associated with the PaySchools programmer. This information was not reflected in the September 16, 2009 board minutes. It is necessary to reflect the activities discussed during the meeting and to accurately document these discussions. The Board should ensure that the minutes properly reflect all matters and discussions such as pay raises, bank account signatory changes, the approval of significant contracts, and procedural changes.

Personal Loans:

IASB minutes dated January 19, 2010 stated the following, "*He (Kevin Schick) further stated that he personally would loan the association two million dollars to pay off the mortgage and complete remodeling so that the building could become self supporting*. On June 3, 2010, Mr. Schick testified to the Legislative Oversight Committee that he had never stated that he would loan two million dollars to the Organization. The minutes serve as a corporate document and were approved by the Board and filed in accordance with corporate policies. Even though the Board did not accept the offer, it would not be a good practice to accept such an offer from an officer of the corporation. The Board should incorporate in their conflict of interest policy that loans will not be accepted from individuals or relatives of board members, officers of the corporation, or employees of the corporation.

Investment in Software:

Local Government Services (LGS) spent $353,780 in programming costs to create software for the ISEBA program managed by LGS. Although a formal agreement was not signed, the ISEBA Board had committed $250,000 for the creation of the software. The creation of the software was terminated by the Organization's Board based upon recommendations from management, however this termination was never communicated to the ISEBA Board. Before a project is terminated, the Board needs to ensure it has all of the facts and communication is made to all affected boards so a joint determination can be made on the continuance or termination of a project.

This report is intended solely for the information and use of the audit committee, board of directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Brooks Lodden, P.C.

West Des Moines, Iowa
July 8, 2010