



September 1, 2016

To All Conservation Districts
From: Washington County Soil and Water Conservation District

Re: Report on Arkansas Association of Conservation Districts Spending and Recordkeeping

Dear Fellow Conservation Districts,

As most of you know, over the past thirteen months the WCCD has been pursuing the AACD board of directors and their employee, Debbie Moreland, concerning financial and other documents. Our objective was to review AACD's financial records and spending habits. The AACD had a duty to comply with our requests for information not only because we are a dues-paying member but also because the AACD is a publicly funded organization and is subject to the Arkansas Freedom of Information Act (FOIA). We have included a detailed report that outlines our efforts to get financial information from AACD and our key findings and opinions.

We know the attached report is lengthy and some of you may not want to wade through the entire document, so we will summarize here. Most of our findings and conclusions concern what we view as AACD's incompetence in accounting/reporting and their misspending and abuse of public money.

Here are some key points and opinions that are addressed in our attached report. The AACD board and their employee routinely ignored AACD's own bylaws and standing rules, approved wasteful spending, and both the leadership and management of AACD appear to be unprofessional.

1. AACD routinely filed their tax returns late—sometimes even years late.
2. AACD failed to file required tax returns for three years in a row resulting in AACD losing its tax-exempt status in 2012, and Debbie Moreland and her board never knew it until WCCD informed them about it last October.
3. AACD never notified the districts concerning this tax problem, and Debbie Moreland attempted to blame her failure on the IRS itself. She refuses to take responsibility for her failure.
4. To our knowledge, AACD never performed required annual audits until January of 2016 for fiscal 2015.
5. AACD instituted a policy of performing agreed upon procedures (AUPs) instead of audits without changing the bylaws or standing rules, and without first modifying the standing rules or bylaws.
6. AACD violated its rules by allowing single-signed checks to be cashed and routinely paying for travel and other expenses without attaching supporting documents.
7. AACD abused travel expenditures by sending groups of persons to National Association of Conservation District meetings when only two persons were authorized by rule to travel.
8. It appears that AACD violated its rules by spending as much as four times the allowed per Diem for food. We will show you bills for single meals that exceeded \$1,500 or nearly \$170 per traveler.
9. AACD violated its own rules by overspending as much as three times the amount allowed by rule for hotel rooms.
10. AACD paid for spouses to travel on various trips
11. The AACD holds unnecessary executive board meetings resulting in costs for hotels, catering and travel fees. We believe that these travel jaunts could be curtailed in lieu of routine telephone conferences and only occasional travel; something, the AACD board discussed doing years ago.
12. The AACD AMEX card was frequently paid late resulting in both late fees and interest to accrue.
13. It appears that AACD did not keep receipts for cash, checks and other transactions.
14. The AACD routinely pays Debbie Moreland and other employees as contract labor when these persons are actually employees. This was done to avoid paying taxes on wages.
15. The AACD board pays Debbie Moreland bonuses in spite of her continual failures.
16. The AACD issues forms 1099 to Debbie Moreland's Real Estate Company, Pinnacle Realty Inc., but AACD has no contract for services with Pinnacle Realty Inc.
17. The AACD essentially runs our area meetings, and even took the NW Area funds indicating to us that the

Washington County Soil and Water Conservation District

entire Area structure is apparently just an extension of a centrally controlled AACD.

18. Debbie Moreland and her board ignored a state funding opportunity for all districts that would have meant a potential increase of millions of dollars for district budgets. Instead, Debbie Moreland spent our money and AACD-paid time lobbying the legislature for her pet AACD projects, which she ultimately lost.

AACD supposedly exists to support the seventy five conservation districts in the state of Arkansas. In reality, AACD has transformed into a "super-district" that takes to itself state and federally funded projects that otherwise would be (and we argue should be) handled mostly by conservation districts. AACD engages in self-promotion, and has turned into a one-person, booster club with perks including unnecessary travel and exorbitant spending on fancy meals and fine hotels. The AACD has become the darling of NACD, an organization that pays lip service to conservation districts, but is in fact a lobbying arm for NRCS and its interests. While ensuring Arkansas has a healthy NRCS, AACD has forgotten its purpose is to ensure that Arkansas has seventy five healthy conservation districts. This is why the WCCD refuses to pay any more "dues" to NACD, and why we intend to cut off AACD funding if they don't begin to work more in our interests.

Debbie Moreland frequently seeks projects that she can skim for "administrative" fees that range from 3% collected from Arkansas Game and Fish to 10% collected from NRCS. These so-called projects are often just administrative or meeting "hosting" projects for third parties. How these AACD "projects" accomplish actual "conservation" is unknown. How they support conservation districts as a whole is a mystery.

We know that AACD has already taken steps to change some of the AACD rules to alleviate some of the problems that we discovered (such as removing the requirement for audits and allowing anyone to travel), but our point is that the AACD has been operating as if anything can be made proper as long as the AACD executive board applies its rubber stamp or acts to retroactively cover for past failures. Systematically hiding abuses and incompetence is NOT leadership.

Despite public proclamations to the contrary, the AACD appears to hold its membership in contempt—they issued letters from Rocky Harrell and Woody Ray advising that members are welcome to view and copy documentation, but they then worked feverishly to hide records at their accountant's office, and they made a misery of obtaining information. In the process of hiding, foot-dragging and obfuscating, AACD wasted untold thousands of dollars on completely unnecessary accounting and attorney's fees only to wind up losing the legal battle. Upon viewing the information we obtained in our FOIA case, we now know why they did not want us to see these records.

Simply put, we do not believe that AACD's existing officers and its employee Debbie Moreland can continue to lead the AACD. We believe they have proved themselves to be secretive, misleading, unprofessional, self-serving and unethical. The WCCD is not finished. We will continue our analysis of AACD records and we intend to seek legal counsel to explore every avenue available to us in rectifying this situation and correcting the abuses of the AACD employee and its leadership. We intend to explore obtaining a Legislative Audit of AACD, analyzing potential ethics violations with the Arkansas Ethics Commission and having our lawyers reviewing our reports and AACD records for possible wrongdoing.

We will be happy to discuss this report and our conclusions with anyone who wants additional information. We are prepared to do what it takes to see that real changes occur at AACD. We are interested in hearing from other districts and would be willing to work with anyone including AACD who is willing to improve the organization. Allen Shumate will be available to travel to meet with boards if necessary to explain our findings and conclusions. Feel free to contact Allen Shumate at 479-442-4160 Ext. 111.

Sincerely,


Richard Allen Shumate, Chairman

signed electronically
//Clara Staggs//, Vice Chairman


Carolina Castaneda, Sec./Treasurer


Sharon Arthur, member


Caye Stubbings-Mott, member