



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

August 15, 2018

Contact: Andy Nielsen
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The Office of Auditor of State today released a report on the Iowa Economic Development Authority for the year ended June 30, 2017.

The Authority's purpose is to enhance the economic development of Iowa and provide for job creation and increased prosperity and opportunities for citizens.

Mosiman recommended the Authority ensure information reported in its GAAP package is complete and accurate. In addition, the Authority should review controls over the Foundation for cash and investments to obtain the maximum internal control possible and ensure the Foundations bank reconciliations are completed timely.

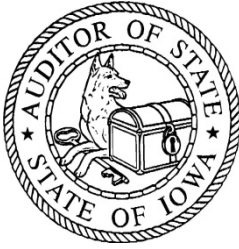
A copy of the report is available for review at the Iowa Economic Development Authority, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1860-2690-0R00>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA ECONOMIC DEVELOPMENT AUTHORITY**

JUNE 30, 2017

Iowa Economic Development Authority



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August 10, 2018

To Deborah V. Durham, Director of the Iowa Economic Development Authority:

The Iowa Economic Development Authority is a discretely presented component unit of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2017.

In conducting our audits, we became aware of certain aspects concerning the Authority's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those reported in the State's Report on Internal Control as well as other recommendations pertaining to the Authority's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Authority personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Authority's responses, we did not audit the Iowa Economic Development Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Economic Development Authority, citizens of the State of Iowa and other parties to whom the Iowa Economic Development Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Authority during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Authority are listed on page 7 and they are available to discuss these matters with you.

MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Reported in the State's Report on Internal Control:

Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State's financial statements.

The Authority records receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year

Condition – The Authority overstated loan balances by \$3,309,111 by including loans which had been forgiven before year end. These amounts were properly adjusted for reporting purposes.

Cause – Although policies and procedures are in place to review GAAP package information, the review did not identify the overstatement of loans receivable.

Effect – Loans receivable reported in the GAAP package were overstated.

Recommendation – The Authority should implement procedures to ensure information reported to DAS-SAE in the GAAP package is accurate.

Response – The Authority will initiate improvements in the communication process between accounting and the compliance team via meeting with departmental management and revising documents for clarity.

Conclusion – Response accepted.

June 30, 2017

Other Finding Related to Internal Control:

Foundation Segregation of Duties

Criteria – The Iowa Department of Economic Development Foundation is a separate, nonprofit corporation incorporated under Chapter 504 of the Code of Iowa. The purpose of the Iowa Department of Economic Development Foundation is “receiving and disbursing funds from public or private sources to be used to further the overall development and well-being of the State.”

During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the financial statements.

Condition – Generally, one individual has control over each of the following areas for which no compensating controls exist:

- (a) Bank Reconciliation – Bank statements are opened by an individual who signs checks and has access to the accounting records. Additionally, the bank reconciler does not have access to redeemed checks.
- (b) Investments – The individual responsible for the detailed record keeping of investments is not independent of the custodian. Investment records are not periodically inspected by an individual having no responsibility for the custody or record keeping of investments.

Cause – The Iowa Department of Economic Development Foundation has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Foundation’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, control activities should be reviewed to obtain the maximum internal control possible under the circumstances. Bank statements and redeemed checks should be delivered, unopened, directly to the individual preparing the bank reconciliations. Bank account reconciliations should be prepared and reviewed by an independent person in a timely manner. Reviews should be performed by independent persons to the extent possible and should be documented by the reviewer’s signature or initials and the date of the review.

Response – The IEDA added a new accountant position about halfway through State fiscal year 2018. This position will assist in distributing duties related to the Foundation as follows; disbursements and receipts are prepared by different individuals, bank reconciliations are prepared by another accounting staff member and reviewed by the Division Administrator with an independent review by a member of the legal team or Chief Operating Officer.

Conclusion – Response accepted.

June 30, 2017

Finding Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – Section 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the TSB Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for Iowa Economic Development Authority was not established for 2017 fiscal year.

Recommendation – The Iowa Economic Development Authority should establish a dollar amount procurement level exceeding the previous fiscal year certified targeted small businesses procurement level as required or seek legislation to change this statutory requirement.

Response – The IEDA will take measures to ensure it establishes a TSB purchasing goal that meets the requirements outlined in Section 73.16.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Economic Development Authority

Staff

Staff:

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Christian E. Cottingham, Senior Auditor
Mark D. Newhall, Staff Auditor
Sarah J. Swisher, Staff Auditor
Jonathan M. Mader, CPA, Staff Auditor
Elizabeth P. Dawson, Staff Auditor
Cody J. Pifer, Assistant Auditor
Christopher M. Anderson, Assistant Auditor
Sarah K. Nissen, Assistant Auditor
Micaela A. Tintjer, Assistant Auditor
Molly N. Kalkwarf, Assistant Auditor
Nicholas J. Gassman, Assistant Auditor
Ryan A. Manglos, Auditor Intern