



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE

August 27, 2018

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on the Iowa College Student Aid Commission for the year ended June 30, 2017.

The Commission is responsible for guaranteeing loans made by eligible lenders to eligible students and administering the program. The Commission is also responsible for establishing an effective system for the collection of delinquent loans.

Mosiman recommended the Commission improve controls over receipts and investments and review information reported in its GAAP package to ensure the GAAP package information is complete and accurate. The Commission responded corrective action is being implemented.

A copy of the report is available for review in the office of the Iowa College Student Aid Commission, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA COLLEGE STUDENT AID COMMISSION**

JUNE 30, 2017

Iowa College Student Aid Commission



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August 20, 2018

To Karen Misjak, Executive Director of the Iowa College Student Aid Commission:

The Iowa College Student Aid Commission is a part 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 Commission'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 pertain to the Commission's internal control. These recommendations have been discussed with Commission personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the Commission's responses, we did not audit the Iowa College Student Aid Commission'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 College Student Aid Commission, citizens of the State of Iowa and other parties to whom the Iowa College Student Aid Commission 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 Commission during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Commission are listed on page 6 and they are available to discuss these matters with you.

Mary Mosiman
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.

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Commission's financial statements. Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- a) Receipts – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting. In addition, incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.
- b) Investments – For six months of the fiscal year, the same person calculated the draw amount from the trust fund, requested the draw amount from the trust fund custodian and reconciled the trust fund activity to Commission records with no independent review. Also, this same person was the only individual having access to the online trust fund statement.

Recommendation – The Commission should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Commission has reviewed its current control activities. To ensure the responsibility for the recording and custody of assets are performed by different staff members, one person will be responsible for opening the incoming mail and recording to a log sheet and the second person will be verifying actual checks with the log sheet. The same employee will be responsible for sending checks to the lock box. In addition, another accounting staff will verify the log sheet with bank deposits on a monthly basis.

The investment reconciliation is being prepared and reviewed by two different staff members to ensure separation of duties.

Conclusion – Response accepted.

Report of Recommendations to the Iowa College Student Aid Commission

June 30, 2017

- (2) Financial Reporting – The Commission 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.

The Commission overstated payables by \$7,500 at June 30, 2017.

The Commission overstated receivables by \$10,509 at June 30, 2017.

The Commission understated prepaid expenses by \$17,398 at June 30, 2017.

Recommendation – The Commission should ensure information reported in the GAAP package is complete and accurate.

Response – The Commission will establish procedures to include an independent review of the year-end cut-off transactions. The Accountant 3 will review the GAAP package and verify all numbers reported are complete and accurate.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa College Student Aid Commission

June 30, 2017

Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, CPA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Dorothy O. Stover, Senior Auditor II
Cole J. Hanley CPA, Staff Auditor
Adjoa S. Adanledji, Staff Auditor
Alex W. Case, Staff Auditor
Elin M. Landgren, Assistant Auditor
Taryn M. Plunkett, Assistant Auditor
Jon G. Hanson, Auditor Intern