



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

October 2, 2013

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on the Iowa Innovation Corporation.

The Iowa Innovation Corporation was established by Chapter 15.107 of the Code of Iowa as a non-profit corporation for the charitable purposes of receiving and disbursing funds from public and private sources to further the overall development and economic well-being of the State of Iowa.

Mosiman reported the Corporation's revenues totaled \$145,112 for the period from October 24, 2011 (the date of inception) through June 30, 2012. Revenues consisted of \$145,000 of contributions and \$112 of interest income. Expenses totaled \$98,050 for the period from October 24, 2011 through June 30, 2012, and included \$48,750 for nonemployee compensation expenses, \$21,000 for contractual services and \$9,610 for advertising.

A copy of the audit report is available for review in the office of the President of the Iowa Innovation Corporation, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1233-0060-B000.pdf>.

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**IOWA INNOVATION CORPORATION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2012**

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**Iowa Innovation Corporation**

**Board of Directors**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Riley Jr.	Board Chair	April 2015
Cara Heiden	Vice Chair	April 2015
Jamie Zanos	Secretary/Treasurer	April 2015
Sarah Hasken	Member	April 2015
Peter Hemken	Member	April 2015
Chris Nelson	Member	April 2015
Scott Norvell	Member	April 2015
Jack Harris	CEO and President	

**Iowa Innovation Corporation**



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Independent Auditor's Report

To the Board of Directors of the Iowa Innovation Corporation:

We have audited the accompanying Statement of Net Assets of the Iowa Innovation Corporation as of June 30, 2012 and the related Statements of Activities and Cash Flows for the period October 24, 2011 (the date of inception) through June 30, 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Innovation Corporation at June 30, 2012, and the respective changes in its net assets and its cash flows for the period then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2013 on our consideration of the Iowa Innovation Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 21, 2013

**Iowa Innovation Corporation**

## **Financial Statements**

**Exhibit A**

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## Iowa Innovation Corporation

## Statement of Net Assets

June 30, 2012

**Assets**

Cash and cash equivalents	<u>\$ 89,342</u>
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**Liabilities and Net Assets**

## Liabilities:

Accounts payable	\$ 3,530
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Compensation payable	<u>38,750</u>
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Total liabilities	<u>42,280</u>
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Net assets - restricted	<u>47,062</u>
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<b>Total liabilities and net assets</b>	<u><u>\$ 89,342</u></u>
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See notes to financial statements.

## Iowa Innovation Corporation

## Statement of Activities

For the Period October 24, 2011 (the Date of Inception) through June 30, 2012

Revenues	
Contributions	\$ 145,000
Expenses:	
Nonemployee compensation	48,750
Travel	1,923
Contractual services	21,000
Advertising	9,610
Conference and meeting	7,251
Website	3,028
Printing	1,366
Legal fees	850
Office supplies	4,132
Miscellaneous	140
Total expenses	<u>98,050</u>
Operating gain	46,950
Non-operating revenue:	
Interest income	112
Change in net assets	<u>47,062</u>
Net assets beginning of period	-
Net assets end of period	<u>\$ 47,062</u>

See notes to financial statements.

**Exhibit C**

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## Iowa Innovation Corporation

## Statement of Cash Flows

For the Period October 24, 2011 (the Date of Inception) through June 30, 2012

Cash flows from operating activities:	
Contributions received	\$ 145,000
Cash paid for goods and services	(45,770)
Cash paid for nonemployee compensation	(10,000)
Net cash provided by operating activities	<u>89,230</u>
Cash flows from investing activities:	
Interest received	<u>112</u>
Net increase in cash and cash equivalents	89,342
Cash and cash equivalents beginning of period	<u>-</u>
Cash and cash equivalents end of period	<u>\$ 89,342</u>
<b>Reconciliation of operating gain to net cash provided by operating activities:</b>	
Operating gain	\$ 46,950
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Increase in accounts payable	3,530
Increase in compensation payable	<u>38,750</u>
Net cash provided by operating activities	<u>\$ 89,230</u>

See notes to financial statements.

Iowa Innovation Corporation  
Notes to Financial Statements  
June 30, 2012

**(1) Summary of Significant Accounting Policies**

A. Reporting Entity

The Iowa Innovation Corporation (Corporation) was established as a non-profit corporation in October 2011 by Chapter 15.107 of the Code of Iowa for the charitable purpose of receiving and disbursing funds from public and private sources to further the overall development and economic well-being of the State of Iowa.

The Iowa Innovation Corporation is exempt from tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for charitable, religious or educational purposes.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of equipment providing future benefits are capitalized and depreciated.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Iowa Innovation Corporation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

D. Assets, Liabilities and Net Assets

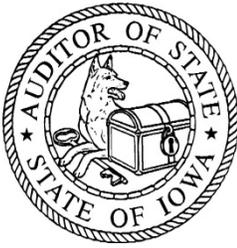
Cash and Cash Equivalents – The Corporation considers its savings account to be a cash equivalent.

Equipment – Purchased equipment is stated at cost. Donated capital assets are valued at the estimated fair value on the date of donation. Capital assets are defined by the Iowa Innovation Corporation as assets with initial, individual costs in excess of \$1,000. At June 30, 2012, the Iowa Innovation Corporation had no qualifying assets.

Compensated Absences – Corporation employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Since there were no Corporation employees at June 30, 2012, there is no compensated absences liability.

**(2) Risk Management**

The Corporation is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Beginning January 15, 2013, these risks are covered by commercial insurance purchased from independent third parties.



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Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of the Iowa Innovation Corporation:

We have audited the financial statements of the Iowa Innovation Corporation as of June 30, 2012 and for the period October 24, 2011 (the date of inception) through June 30, 2012, and have issued our report thereon dated August 21, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the Iowa Innovation Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Iowa Innovation Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa Innovation Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Innovation Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Iowa Innovation Corporation's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Innovation Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials of the Iowa Innovation Corporation and other parties to whom the Iowa Innovation Corporation may report and 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 Iowa Innovation Corporation during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 21, 2013

Iowa Innovation Corporation

Schedule of Findings

June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important element in designing internal controls to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. During the audit, we identified the following incompatible duties:
- (1) The duties of receipt collection, depositing receipts and maintaining accounts receivable records are the responsibility of one individual.
  - (2) Mail is opened by the same individual who is responsible for the other receipt functions. Additionally, an initial listing of receipts received in the mail is not prepared by the mail opener.
  - (3) The duties of purchasing, check preparation, check signing and mailing checks are the responsibility of one individual. Additionally, individual disbursements are not reviewed and approved by the Board prior to disbursement.

The Corporation has hired a private CPA firm to maintain the accounting records, perform the monthly bank reconciliation and prepare monthly financial reports which are presented to the Board. Although this does provide additional internal control, the President or the Board should review and approve claims prior to payment.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Corporation should review its control procedures to obtain the maximum internal control possible under the circumstances. The Corporation should utilize Board members to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review. Additionally, the mail should be opened by a person other than accounting personnel and a listing of receipts received in the mail should be prepared, at least on a test basis. The listing should be compared to the receipt records by an independent person.

Response – With the addition of new staff, the Corporation is better able to address segregation of duties as follows:

Receivables:

- (1) The Corporation has a dedicated staff member to open mail, record deposits in a deposit log and restrictively endorse (for deposit only) all checks received.
- (2) A second staff member maintains the accounts receivables and records deposit.

Iowa Innovation Corporation

Schedule of Findings

June 30, 2012

- (3) A third staff member takes the prepared deposit to the bank for deposit.

Payables:

- (1) The Corporation has separated the payable duties between two staff members. One staff member records payables, prepares checks and presents payables to the President for approval prior to signing checks and mailing.
- (2) Beginning with the August 2013 Board of Director's meeting, the Board members will receive a payables report for review and be given the opportunity to question any payables made during the month.

Conclusion – Response accepted.

- (B) Timely Deposit and Restrictive Endorsement – Receipts are not deposited timely and checks are not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard receipts, collections should be deposited intact on a timely basis (i.e. within 10 business days). Additionally, checks should be restrictively endorsed (for deposit only) immediately upon receipt.

Response – Beginning August 2013, checks are restrictively endorsed and recorded in a receivables log by a staff member dedicated to opening mail. The Corporation aims to make deposits, at minimum, on a weekly basis.

Conclusion – Response accepted.

- (C) Written Policies and Procedures – The Corporation does not have written policies and procedures for the following:

- 1) An accounting procedures manual.
- 2) A chart of accounts.
- 3) A capital asset policy.
- 4) Password privacy and confidentiality.
- 5) Minimum password length.
- 6) Requirement to change passwords every 60 to 90 days.
- 7) Procedures for system backups.

Additionally, the Corporation does not have a written disaster recovery plan.

Recommendation – The Corporation should develop written policies and procedures which include the above items. A written disaster recovery plan should also be developed.

Response –

- 1) Accounting procedures manual: Corporation staff is working to prepare an accounting procedures manual with a goal of having the manual prepared for Board review by the end of calendar year 2013.

Iowa Innovation Corporation

Schedule of Findings

June 30, 2012

- 2) Chart of accounts: Corporation staff will work with the Corporation's accounting firm to create a chart of accounts.
- 3) Capital asset policy: The Corporation does not currently have any capital assets but will review with the Corporation's accounting firm and develop a policy, if needed.
- 4) Password privacy and confidentiality: Corporation staff will prepare a password procedure policy to be included in the Corporation's employee handbook. Staff will prepare the password procedure policy for Board review by the end of calendar year 2013.
- 5) Minimum password length: Corporation staff will prepare a password procedure policy to be included in the Corporation's employee handbook. Staff will prepare the password procedure policy for Board review by the end of calendar year 2013.
- 6) Requirement to change password every 60 to 90 days: Corporation staff will prepare a password procedure policy to be included in the Corporation's employee handbook. Staff will prepare the password procedure policy for Board review by the end of calendar year 2013.
- 7) Procedures for system backups:
  - a. The accounting system (Quickbooks) is backed up on a monthly basis.
  - b. Corporation staff will prepare a database back-up policy to be included in the Corporation's employee handbook. Staff will prepare the database back-up policy for Board review by the end of calendar year 2013.
- 8) Written disaster recovery plan: Corporation staff will prepare a written disaster recovery plan with a goal of having the plan prepared for Board review by the end of calendar year 2013.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

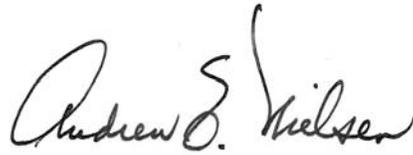
No matters were noted.

Iowa Innovation Corporation

Staff

This audit was performed by:

Michelle Meyer, CPA, Manager  
Jenny M. Podrebarac, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State