



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

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

NEWS RELEASE

FOR RELEASE

January 9, 2023

Contact: Ernest Ruben  
515/281-5834

Auditor of State Rob Sand today released a report on Iowa State University of Science and Technology, Ames, Iowa for the year ended June 30, 2021. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2021.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2021, the full-time equivalent student enrollment was 31,108 with an average cost per student of \$14,839, compared to 32,347 students and an average cost per student of \$14,865 for the year ended June 30, 2020.

**AUDIT FINDINGS**

Sand reported three findings related to financial reporting. The findings are found on pages 3 through 6 of this report. Sand recommended the University implement procedures to ensure all journal entries are supported and independently reviewed and approved, to ensure all investments, bond segment financial statements, and cash flows and net position classifications are identified and properly reported in the financial statements, and to identify equipment payables and capitalize equipment at the date of acquisition, regardless of the date paid.

Management of the Iowa State University have a fiduciary responsibility to provide oversight to the University's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

A copy of the report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

# # #

**REPORT OF RECOMMENDATIONS TO  
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**JUNE 30, 2021**

**Iowa State University of Science and Technology**



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Des Moines, Iowa 50319-0006  
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January 5, 2023

Board of Regents, State of Iowa  
Urbandale, Iowa

Dear Members of the Board of Regents:

I am pleased to submit to you the Report of Recommendations for Iowa State University of Science and Technology for the year ended June 30, 2021. This report includes audit findings, if any, pertaining to the University's internal control and compliance which resulted from the fiscal year 2021 audit. This report also includes cost per student information required by Chapter 11.28 of the Code of Iowa.

I appreciate the cooperation and courtesy extended by the officials and employees of Iowa State University of Science and Technology throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at (515) 281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

**Iowa State University of Science and Technology**



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January 5, 2023

To the Members of the Board of Regents, State of Iowa:

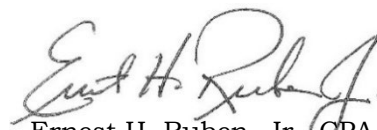
Iowa State University of Science and Technology (Iowa State University or University) is a part of the State of Iowa and, as such, has been included in our audits of the State's Annual Comprehensive Financial Report and the State's Single Audit Report for the year ended June 30, 2021. We have also audited the financial statements of the University as of and for the year ended June 30, 2021 and have issued our report thereon dated May 6, 2022.

In conducting our audits, we became aware of certain aspects concerning Iowa State University'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 relate to the University's internal control. These recommendations have been discussed with university personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the University's responses, we did not audit Iowa State University's responses and, accordingly, we express no opinion on them.

We have included certain unaudited financial and other information on page 8 to report an average cost per student for Iowa State University for the five years ended June 30, 2021, as required by Section 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Iowa State University, citizens of the State of Iowa and other parties to whom Iowa State University 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 University 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 University are listed on page 7 and they are available to discuss these matters with you.

  
Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor  
Kraig Paulsen, Director, Department of Management  
Tim McDermott, Director, Legislative Services Agency

Report of Recommendations to Iowa State University

June 30, 2021

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Reported in the University's Report on Internal Control:**

(A) Segregation of Duties – Journal Entries

Criteria – Management is responsible for establishing and maintaining internal control. An effective internal control system provides for internal controls related to preparing, supporting, and reviewing manual journal entries. Supporting documentation for all manual journal entries helps ensure the accuracy of entries prepared by employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the University's financial statements.

Condition – Not all journal entries require approval by an independent person, as users with certain security roles have the ability to manually create and record accounting journal entries that do not require supporting documentation, additional review, or business process approvals.

While accounting system activity is logged, and there is a review process during preparation and review of financial statement audit workpapers which includes journal entry activity, there is not a clearly documented process ensuring all manually created journal entries have been independently reviewed and approved.

Cause – For efficiency purposes, the accounting system allows certain individuals to initiate and approve journal entries that do not require supporting documentation, independent review and approval. Procedures are not in place to ensure all journal entries are independently reviewed, approved and properly supported.

Effect – Lack of supporting documentation and independent approval of manually created journal entries could adversely affect the University's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The University should implement procedures to ensure all journal entries are supported and independently reviewed and approved.

Response – As noted in the 2020 audit exit memo received June 2, 2022, Management acknowledges that there are certain individuals with the ability to post manual journal entries within the system without a recorded approval within Workday. This capability is limited to the financial reporting accountants involved in the monthly/year end close process and certain other individuals with a need to process balancing entries and allocations. There are mitigating controls for these entries:

- Worktag correction entries are prepared by finance specialists and reviewed by Improved Service Delivery (ISD) management. They are then provided to the financial systems manager and subject to a secondary review. The entries are then released into Workday. Due to system limitations Workday records this as entered by the financial systems manager and does not record the review. The audit trail can be evidenced through the attachments included with the entry.

## Report of Recommendations to Iowa State University

June 30, 2021

- When an entry is created, an alert is sent to the cost center manager informing them of a change to their cost center. Cost center managers can then verify that they requested the change, and it appears as they expected. If there is an issue it can be raised to the finance specialist within ISD for correction.
- Certain accounts are being reconciled on a monthly/quarterly basis outside of the Workday system. These reconciliations ensure the balances are correct and support correcting entries if necessary.

Iowa State will work to implement the following changes to enhance the controls around manual journal entries:

- Initiate the certification process within Workday. This will record and document reconciliation of accounts on a monthly/quarterly basis to ensure account balances are accurate and all journal entries have been properly recorded.
- Investigate the ability to create a manager role within Workday that will allow for the routing of manual journal entries within the Controller's office. This will allow for an approval to be recorded within the Workday flow.
- Perform an annual review of employees with the Account Closer role each June to ensure only those with a business need possess the role prior to year-end close.

Conclusion – Response accepted.

### (B) 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, misstatement 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 University's financial statements.

Iowa State University's financial statements are prepared in accordance with General Accepted Accounting Principles (GAAP) and are due to the State of Iowa by October 1 of each year. Because Iowa State University is operated by the State of Iowa and is not legally separate, the University's financial information is included in the State of Iowa's Annual Comprehensive Financial Report (ACFR).

Condition – Material amounts of fiduciary investments, bond segment financial statements, and cash flows and net position classifications were not properly reflected in the University's financial statements. Adjustments were subsequently made by the University to properly report these amounts in the University's audited financial statements.

Cause – Policies have not been established and procedures have not been implemented to require a detailed independent review of financial statements and year-end cut off transactions to ensure the University's financial statements are accurate and reliable.

Effect – A lack of policies and procedures and detailed independent reviews resulted in the University employees not detecting errors in the normal course of performing their assigned functions.



## Report of Recommendations to Iowa State University

June 30, 2021

Recommendation – Procedures should be implemented to ensure the University is able to prepare accurate financial statements. The University should establish policies and procedures to ensure all investments, bond segment financial statements, and cash flows and net position classifications are identified and properly reported in the University financial statements.

Response – Management acknowledges the deficiencies in processes and lack of appropriate procedures for certain financial statement segments. 2021 was unique in having a condensed time frame for completion of the financial statements, contributing to the situation. An in-depth project plan for management of future engagements has been developed to include assignments, reviewer responsibilities, and deadlines to support timely completion of financial reports and supporting documentation. Further, journal entries, supporting documentation and financial statements are being reviewed by financial leadership to ensure material accuracy and presentation. The timeline established for go-forward statement preparation will also allow for sufficient time for review of documentation.

Conclusion – Response accepted.

### (C) Equipment Accruals

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 University's financial statements.

Capital assets are recorded at cost at the date of acquisition. The University capitalizes all equipment items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year.

Condition – The University does not identify equipment payables. The University capitalizes equipment when paid rather than when acquired.

Cause – The University did not develop a process to reliably identify payables related to equipment purchases for capitalization after it implemented a new financial system on July 1, 2019. Previously, equipment purchases were recorded under one object code, which was analyzed at year-end to ensure equipment additions included all accrual activity. In the new accounting system, equipment purchases are recorded under multiple trackable spend categories which are also used for non-equipment purchases. There is no process to analyze equipment purchases made during the accrual period to ensure equipment is capitalized in the year in which it was acquired.

Effect – Certain capital asset equipment additions were not properly reported.

Recommendation – The University should develop policies and procedures to identify equipment payables and capitalize equipment at the date of acquisition, regardless of the date paid.

Report of Recommendations to Iowa State University

June 30, 2021

Response – Management acknowledges the lack of a process related to equipment accruals. A process for identifying and recording equipment accruals has been developed and will be implemented for the FY2022 and forward. This will ensure the recording of equipment at acquisition and in the proper fiscal year.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

Report of Recommendations to Iowa State University

June 30, 2021

**Staff:**

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Deputy  
Janet K. Mortvedt, CPA, Manager  
Brandon J. Vogel, Senior Auditor II

Other individuals who participated in the audits include:

Premnarayan Gobin, Senior Auditor II  
Ashley J. Moser, Senior Auditor  
Kathryn A. Blumer, Staff Auditor  
Mason R. Brown, Staff Auditor  
Nathan A. DeWit, Staff Auditor  
Charles P. Duff, Staff Auditor  
Edward G. Mollohan, Staff Auditor  
Steven D. Rater, Staff Auditor  
Brandon L. Weddell, Staff Auditor  
Thomas G. Engquist, Assistant Auditor  
Savannah R. Fitz, Assistant Auditor  
Jon D. Hedgecock, Assistant Auditor  
Christofer S. Kingrey, Assistant Auditor  
Kari L. Middleton, Assistant Auditor  
Christopher L. Poague, Assistant Auditor  
Tristan D. Abalos, Auditor Intern  
Michael O'Connell, Auditor Intern

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Report of Recommendations to Iowa State University

Cost per Student  
(unaudited)

Year ended June 30, 2021  
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 645,980,150
Deduct:		
Expenditures not related to teaching programs:		
General University research	\$ 9,834,291	
Public service	3,549,276	
Scholarships	<u>170,987,948</u>	<u>184,371,515</u>
Net expenditures for teaching programs		<u>\$ 461,608,635</u>
Full-time equivalent enrollment 2020-2021		<u>31,108</u>
Cost per student 2020-2021		<u>\$ 14,839</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2021 and the four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2020-2021	31,108	\$ 14,839
2019-2020	32,347	14,865
2018-2019	33,930	14,654
2017-2018	34,902	14,068
2016-2017	35,448	13,691