



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

Rob Sand  
Auditor of State

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**NEWS RELEASE**

Contact: Brian Brustkern  
515/281-5834

FOR RELEASE

March 1, 2024

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Auditor of State Rob Sand today released a report on the Iowa Economic Development Authority for the year ended June 30, 2022.

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

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and expenditure of taxpayer funds. These findings are found on pages 3 through 6 of this report. Sand recommended the Authority develop and adhere to additional procedures to ensure accurate financial reporting. In addition, the Foundation should review controls and establish a review process that ensures Foundation investments obtain the maximum internal control possible.

The findings discussed above, pertaining to the Authority, are repeated from the prior year. Management of the Iowa Economic Development Authority have a fiduciary responsibility to provide oversight of the Department'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 website at [Audit Reports – Auditor of State](#).

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

**JUNE 30, 2022**

**Iowa Economic Development Authority**



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Rob Sand  
Auditor of State

February 27, 2024

Iowa Economic Development Authority  
Des Moines, Iowa

To the Members of the Iowa Economic Development Authority:

I am pleased to submit to you the Report of Recommendations for Iowa Economic Development Authority for the year ended June 30, 2022. The report includes findings pertaining to the Department's internal control which resulted from the fiscal year 2022 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Economic Development Authority 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", written in a cursive style.

Rob Sand  
Auditor of State

**Iowa Economic Development Authority**



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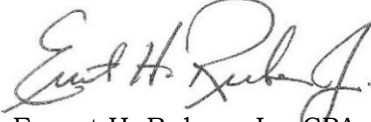
To Deborah V. Durham, Director of the Iowa Economic Development Authority:

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 Annual Comprehensive Financial Report and the State's Single Audit Report for the year ended June 30, 2022.

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. 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.

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

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

June 30, 2022

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

No matters were reported.

**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.

Departments record 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. Departments should submit their GAAP packages to DAS-SAE each year.

Condition – The Authority prepares financial statements which are included in the GAAP package. DAS-SAE includes the Authority's financial statements as a component unit in Annual Comprehensive Financial Statements (ACFR) for the State of Iowa. The following conditions were noted in the Authority's financial statements.

- (a) Accounts receivables were understated by \$759,767 and accounts payables were understated by \$1,377,994. These amounts were properly adjusted for reporting purposes.
- (b) An accounts receivable for \$43,015 was not recorded in the GAAP package.
- (c) Contractual commitments were understated by \$356,666. This amount was properly adjusted for reporting purposes.
- (d) The Authority did not submit their GAAP package to DAS-SAE in a timely manner.

Cause – Although policies and procedures are in place to review the GAAP package information, including the financial statements, the review did not identify misstatements. In addition, the review of the GAAP package was not completed timely.

Effect – The amounts reported as accounts receivable, accounts payable and contractual commitments were misstated. Delayed review and submission of the GAAP package causes delays in the issuance of the ACFR.

Recommendation – The Authority should implement additional procedures to ensure information reported to DAS-SAE on the GAAP package is accurate and the GAAP package is reviewed and submitted timely.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2022

Response – The accounts receivable and accounts payable errors occurred due to a problem with a formula on an excel file. The IEDA will rectify this by having several staff review any internally generated files needed for financial statement preparation for accuracy and correctness. The \$43,015 account receivable was missed during the review of accruals and during early preparation of the Schedule of Expenditures of Federal Awards. Commitments were misstated due to the late discovery of more payments during the accrual period and the overall total commitments were adjusted at a very late stage in the financial reporting timeframe. The IEDA will improve their efforts to rectify errors like these and will ensure the GAAP package is submitted in a much more timely manner.

Conclusion – Response accepted.



June 30, 2022

**Other Finding Related to Internal Control:**

(1) Foundation Segregation of Duties

Criteria – 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 Foundation’s financial statements.

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

The individual responsible for the detailed record keeping of investments is not independent of the custodian. The investment records are not periodically inspected by individuals having no responsibility for custody or record keeping of investments. Also, more than one individual is not always required to be present during the inspection of the investments.

The individual responsible for the reconciliation process does not receive the original bank statement unopened or have access to the online bank statement including the front/back of checks for reconciliation/review purposes. Both the person who reconciles and the person who reviews the reconciliation should have view access to the bank statement including the fronts and backs of checks.

Cause – Procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes. In addition, the Iowa Economic Development Authority failed to properly review online access to statements or ensure the original bank statements are delivered unopened to the reconciler.

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. In addition, the lack of online access or ensuring original statements are delivered to the reconciler unopened may allow for alterations and misappropriation of assets.

Recommendation – This finding has been repeated from the prior year. Control activities should be reviewed to obtain the maximum internal control possible under the circumstances. The Foundation should develop procedures to segregate duties of the custodian from the individual responsible for keeping detailed records. In addition, both the person who reconciles and the person who reviews the reconciliation should have view access to the bank statements including the fronts and backs of checks.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2022

Response – Beginning with State Fiscal Year 2024 investments will be independently reviewed on a semi-annual basis instead of the current practice of an annual review. This additional level of review will be performed by the Chief Operating Officer for IEDA. Also, around the mid-point of state fiscal year 2023, one IEDA Accounting staff began pulling down checking account information from the software used for the Foundation while another IEDA Accounting staff obtained access to the financial institution system to obtain the actual bank statements. This process maintains segregation of duties for the bank reconciliations, by involving a total of three accounting staff including the final review and sign-off by the IEDA Accounting Director.

Conclusion – Response accepted.

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

No matters were reported.

Report of Recommendations to the Iowa Economic Development Authority

Staff

**Staff:**

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Chief Deputy  
Pamela J. Bormann, CPA, Director  
Karen J. Kibbe, Senior Auditor II

Other individuals who participated in the audits include:

Tristan J. Swiggum, Senior Auditor  
Allison L. Carlon, Staff Auditor  
Maria R. Collins, Staff Auditor  
Miranda L. Hoch, Staff Auditor  
Laurel P. Hoogensen, Staff Auditor  
Mackenzie L. Johnson, Staff Auditor  
Kendall L. Miller, Assistant Auditor