



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

October 29, 2024

Auditor of State Rob Sand today released a report on the Iowa Economic Development Authority for the year ended June 30, 2023.

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 5 of this report. Sand recommended the Foundation should review controls and establish a review process which ensures Foundation investments obtain the maximum internal control possible. In addition, the Authority should develop and adhere to additional procedures to ensure accurate financial reporting.

The findings discussed above 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, 2023

Iowa Economic Development Authority



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

October 28, 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, 2023. The report includes findings pertaining to the Department's internal control which resulted from the fiscal year 2023 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".

Rob Sand
Auditor of State

Iowa Economic Development Authority



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October 28, 2024

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, 2023.

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 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 6 and they are available to discuss these matters with you.

A handwritten signature in black ink, appearing to read "Brian R. Brustkern".

Brian R. Brustkern, 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 the
Iowa Economic Development Authority

June 30, 2023

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

Other Findings 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, 2023

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.

(2) 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 the Annual Comprehensive Financial Statements (ACFR) for the State of Iowa.

The following conditions were noted in the Authority’s financial statements:

- (a) Three separate contractual commitments reported by the Authority had a net understatement of \$85,672.
- (b) Federal revenues were overstated \$394,623 due to a transfer between two IEDA funds being recorded as federal revenues twice. Expenditures were also overstated by \$394,623 resulting in no net effect on cash and fund balance.

Cause – Although policies and procedures are in place to review and submit the GAAP package information, including the financial statements, the review did not identify the misstatements.

Effect – The amounts reported for the component unit in the ACFR for revenues, expenditures and contractual commitments were misstated.

Report of Recommendations to the
Iowa Economic Development Authority

June 30, 2023

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

Response – The IEDA will continue to improve its process for the compilation of contractual commitments for the ACFR including having a dual review of the final totals. This will involve several staff other than the preparer doing a detailed review instead of a cursory one. The account(s) involved in the federal revenue and expenditure overstatements will be handled differently in FY24 due to the alignment of state government. However, the Authority will undertake additional steps and efforts to identify situations like this in future fiscal years and make corrections at the fund level to eliminate the overstatement(s).

Findings Related to Statutory Requirements and Other Matters:

No matters were reported.

Report of Recommendations to the
Iowa Economic Development Authority

June 30, 2023

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Deputy
Pamela J. Bormann, CPA, Director
Karen J. Kibbe, Senior Auditor II

Other individuals who participated in the audits include:

Ethan M. Snedigar, Senior Auditor II
Micaela A. Tintjer, CPA, Senior Auditor II
Mackenzie L. Johnson, Senior Auditor
Adam J. Sverak, Senior Auditor
Allison L. Carlon, Staff Auditor
Jon G. Hanson, Staff Auditor
Miranda L. Hoch, Staff Auditor
Hunter W. Penton, Staff Auditor
Amila Tursunovic, Staff Auditor
Claire E. Denning, Intern Auditor