



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

Rob Sand  
Auditor of State

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Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

Contact: Ernest Ruben  
515/281-5834

**FOR RELEASE**

**August 26, 2022**

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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, 2020. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2020.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2020, the full-time equivalent student enrollment was 32,347 with an average cost per student of \$14,865, compared to 33,930 students and an average cost per student of \$14,654 for the year ended June 30, 2019.

**AUDIT FINDINGS:**

Sand reported two findings related to financial reporting. The findings are found on pages 3 through 5 of this report. Sand recommended the University implement procedures to ensure all investments, bond segment financial statements, and cash flows and net position classifications are identified and properly reported in the financial statements, to ensure all journal entries are supported and independently reviewed and approved.

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](#).

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

**JUNE 30, 2020**

**Iowa State University of Science and Technology**



**OFFICE OF AUDITOR OF STATE**  
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Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

August 19, 2022

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, 2020. This report includes audit findings, if any, pertaining to the University's internal control and compliance which resulted from the fiscal year 2020 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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August 19, 2022

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, 2020. We have also audited the financial statements of the University as of and for the year ended June 30, 2020 and have issued our report thereon dated September 10, 2021.

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. This recommendation has been discussed with university personnel and their response to the recommendation is 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 7 to report an average cost per student for Iowa State University for the five years ended June 30, 2020, 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 6 and they are available to discuss these matters with you.

A handwritten signature in black ink, appearing to read "Ernest H. Ruben, Jr.", is written over a light blue horizontal line.

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

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

## Report of Recommendations to Iowa State University

June 30, 2020

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

No matters were reported.

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

- (A) Criteria – Iowa State University's financial statements are to be prepared in accordance with Generally Accepted Accounting Principles 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 – Iowa State University implemented a new financial system on July 1, 2019. The new financial software system was implemented to allow the University to go from a previous cash basis financial system to a GAAP basis financial reporting system. The University was unable to produce timely and accurate financial statement reports which caused several misstatements in the draft financial statements and a significant delay in issuing the University's report. Material amounts of investments, accounts payable, current OPEB liability, deferred revenue, bond segment financials, defeased bond debt, and refunded bond debt were not properly reflected in the University's draft financial statements. Adjustments were subsequently made by the University to properly report these amounts in the University's audited financial statements.

Cause – There was lack of understanding of recording transactions and obtaining reports in the new accounting software. In addition, there were not policies and procedures in place to ensure an independent review of the financial statements or the underlying transactions.

Effect – Lack of policies and procedures and lack of proper training resulted in University employees not properly recording transactions or detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the University financial statements were necessary.

In addition, the University's financial statements were not prepared timely causing a significant delay in the completion of the State of Iowa's ACFR.

Recommendation – The University should ensure accounting personnel have a proper understanding of the financial accounting system, including how to properly record transactions and how to obtain reports and other information, and should implement procedures to ensure the University is able to prepare accurate financial statements. Entries underlying the financial statements should be reviewed by an independent person to help ensure their accuracy, including ensuring all investments, accounts payable, current OPEB liability, deferred revenue, bond segment financials and defeased bond debt are identified and properly reflected.

Response – Management acknowledges the deficiencies in processes and lack of appropriate training on the Workday system. Training has been developed and delivered to staff to support their understanding of higher education transaction cycles and the Workday system. 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.

Conclusion – Response accepted.

## Report of Recommendations to Iowa State University

June 30, 2020

### **Other Findings Related to Internal Control:**

Segregation of Duties – Journal Entries – 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. 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 financials 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.

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

Response – 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.
- 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.

Report of Recommendations to Iowa State University

June 30, 2020

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

No matters were noted.

Report of Recommendations to Iowa State University

June 30, 2020

**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:

Brett S. Gillen, Senior Auditor  
Ashley J. Moser, Senior Auditor  
Jenna M. Paysen, Senior Auditor  
Mason R. Brown, Staff Auditor  
Adrian T. Duer, Staff Auditor  
Charles P. Duff, Staff Auditor  
Vivian J. Hustad, Staff Auditor  
Taran E. McCusker, Staff Auditor  
Edward G. Mollohan, Staff Auditor  
Adam J. Sverak, Staff Auditor  
Tristan J. Swiggum, Staff Auditor  
Nathan A. DeWit, Assistant Auditor  
Savannah R. Fitz, Assistant Auditor  
Brad M. Hofer, Assistant Auditor  
Conner G. McMurphy, Assistant Auditor  
Kari L. Middleton, Assistant Auditor  
Brandon L. Weddell, Assistant Auditor  
Yi-Shan Sheu, Auditor Intern

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Report of Recommendations to Iowa State University

Cost per Student  
(unaudited)

Year ended June 30, 2020  
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 668,558,323
Deduct:		
Expenditures not related to teaching programs:		
General University research	\$ 11,204,298	
Public service	5,231,764	
Scholarships	<u>171,290,449</u>	<u>187,726,511</u>
Net expenditures for teaching programs		<u>\$ 480,831,812</u>
Full-time equivalent enrollment 2019-2020		<u>32,347</u>
Cost per student 2019-2020		<u>\$ 14,865</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2020 and the four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2019-2020	32,347	\$14,865
2018-2019	33,930	14,654
2017-2018	34,902	14,068
2016-2017	35,448	13,691
2015-2016	35,379	13,364