



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

January 12, 2023

Auditor of State Rob Sand today released a report on the Office of the Treasurer of State for the year ended June 30, 2021.

The Office of the Treasurer of State acts as the state's banker, invests Iowa's pooled money, coordinates bonding, and is responsible for returning funds through the Great Iowa Treasure Hunt.

Sand recommended the Office develop additional procedures related to financial reporting. The Office responded favorably to these recommendations.

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 THE
OFFICE OF THE TREASURER OF STATE**

JUNE 30, 2021

Office of the Treasurer of State



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Rob Sand
Auditor of State

December 30, 2022

Office of the Treasurer of State
Des Moines, Iowa

To the Honorable Michael L. Fitzgerald, Treasurer of State:

I am pleased to submit to you the financial and compliance audit report for the Office of the Treasurer of State for the year ended June 30, 2021. The report includes a finding pertaining to the Office's internal control which resulted from the fiscal year 2021 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of the Office of the Treasurer of State 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

Office of the Treasurer of State



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December 30, 2022

To the Honorable Michael L. Fitzgerald, Treasurer of State:

The Office of the Treasurer of State 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 (ACFR) and the State's Single Audit Report for the year ended June 30, 2021.

In conducting our audits, we became aware of certain aspects concerning the Office's operations for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on the following page. We believe you should be aware of this recommendation, which includes a finding pertaining to the Office's internal control. This recommendation has been discussed with Office personnel and their response to this recommendation is included in this report. While we have expressed our conclusion on the Office's response, we did not audit the Office of the Treasurer of State's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Office of the Treasurer of State, citizens of the State of Iowa and other parties to whom the Office 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 Office 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 Department are listed on page 5, and they are available to discuss these matters with you.

A handwritten signature in cursive script, appearing to read "Ernest H. Ruben, Jr.".

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

June 30, 2021

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

(1) 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 submit their GAAP packages to DAS–SAE by the first week of September each year.

Condition – The Office did not record \$489,389 for the Flood Control Payment in Lieu of Taxes Program for fiscal year 2021, resulting in an understatement of receivables and an understatement of the corresponding payables due to Iowa county governments. These amounts were properly adjusted for reporting purposes.

In addition, the revenues were originally coded to an incorrect account. As a result, payments to subrecipients were not made on a timely basis.

Cause – Due to the timing of the receipt of program funds, the Office did not recognize receivables and the corresponding payables that should have been recorded to fiscal year 2021. Policies have not been established and procedures have not been implemented to require an independent review of year-end cut off transactions to ensure the State's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in employees not detecting the error in the normal course of performing their assigned functions.

Recommendation – The Office should establish policies and procedures to ensure all receivables and payables are identified and properly reported in the GAAP package.

Response – With a retirement at fiscal year-end, information was provided to staff to look for a specific payment from the Army Corps of Engineers, but an official procedure was not put in place. A procedure will be in place moving forward to contact the Army Corps of Engineers to determine the date and amount of the payment. Additionally, if the payment is not received by the Treasurer's office in time to disburse the funds in the current fiscal year, it will be recorded as a receivable.

Conclusion – Response acknowledged. The Office should also ensure the corresponding payables are identified and properly reported in the GAAP package.

Report of Recommendations to the Office of the Treasurer of State

June 30, 2021

Other Finding Related to Internal Control:

No matters were reported.

Findings Related to Statutory Requirements and Other Matters:

No matters were reported.

Report of Recommendations to the Office of Treasurer of State

Staff

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben Jr., CPA, Deputy
Lesley R. Geary, CPA, Manager
Brett S. Gillen, CPA, Senior II Auditor

Other individuals who participated in the audits include:

Edward G. Mollohan, Staff Auditor
Jon D. Hedgecock, Staff Auditor
Benjamin D. Wong, Audit Intern