



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

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Auditor of State

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**NEWS RELEASE**

**FOR RELEASE**

**February 16, 2023**

Contact: Ernest Ruben  
515/281-5834

Auditor of State Rob Sand today released a report on the Iowa Economic Development Authority for the year ended June 30, 2021.

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 four findings related to the receipt and expenditure of taxpayer funds. These findings are found on pages 3 through 7 of this report. Sand recommended the Authority establish procedures to ensure all timesheets for federal programs are properly approved. Sand also 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 and the Foundation should consider upgrading or replacing their accounting software.

Two of 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 web site at [Audit Reports – Auditor of State](#).

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

**JUNE 30, 2021**

**Iowa Economic Development Authority**



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

Rob Sand  
Auditor of State

January 9, 2023

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, 2021. The report includes findings pertaining to the Department's internal control which resulted from the fiscal year 2021 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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January 9, 2023

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, 2021.

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 Single Audit Report and 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 8 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  
Tim McDermott, Director, Legislative Services Agency

June 30, 2021

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

**Assistant Listing Number: 21.019 – Coronavirus Relief Fund**

**Federal Award Year: 2020**

**Prior Year Single Audit Report Finding Number: 2020-007**

**Iowa Economic Development Authority – Passed through Iowa Department of Management**

**State of Iowa Single Audit Report Comment: 2021-012**

Timesheet Approval

Criteria – The Federal Register Volume 86, number 10 dated January 15, 2021, states that for employees not substantially dedicated to the COVID-19 public health emergency, the State government may track time spent by employees related to COVID-19 and apply fund payments on that basis. Effective internal control procedures over payroll include supervisory approval of timesheets used to track time spent working on Federal programs. This minimizes the risk that time being recorded inaccurately, and the improper amount of payroll being allocated to federal programs.

Condition – The Authority uses timesheets which allocate time to various federal programs and the Authority implemented a supplemental timesheet to track time spent on the Non-Profit Relief Grants. Although, the supplemental timesheets were completed and signed by employees there is no evidence of supervisory review.

Cause – Although the Authority has established policies and procedures to require employees to document actual hours worked on various federal programs by charging their time to appropriate federal program codes, the employee timesheets for time charged to the Coronavirus Relief Fund did not include any evidence of supervisor approval.

Effect – Payroll costs could be charged to the incorrect program code which could result in allocating costs incorrectly to all programs, including the federal programs.

Recommendation – The Authority should implement procedures to ensure all timesheets for Federal programs are reviewed by supervisors and the review is documented.

Response and Corrective Action Planned – Beginning in January 2021 the IEDA began using the existing State of Iowa payroll system to track hours and costs applicable to all COVID-19 relief programs (as it has done for all previous departmental programs). This will ensure appropriate tracking of costs charged along with requisite supervisory approvals.

Conclusion – Response accepted.

June 30, 2021

**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.

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) Unspent Coronavirus Relief Funds (CRF) of \$181,164, were not recorded as unearned revenue.
- (b) Contractual commitments were overstated by \$294,555.

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

Effect – The amounts reported as unearned revenue and contractual commitments were misstated.

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

Response – The Authority will improve its processes and review procedures in order to ensure sufficient oversight to recognize unearned revenue in the future. Late in calendar year 2021 the Authority revised its process for tracking contractual commitments in order to establish uniformity with how these are actually reviewed by the Auditor of State. This revision will enable the Authority to more accurately reflect the Authority's commitments are the end of each fiscal year.

Conclusion – Response accepted.



June 30, 2021

**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, 2021

Response – Beginning with State Fiscal Year 2023 the foundation investments will be independently reviewed on a semi-annual basis instead of the current practice of an annual review. This review will be performed by the Chief Operating Officer for IEDA. Additionally, beginning last January 2022 another individual separate from the custodian began pulling foundation bank statements for Wells Fargo online access. The IEDA will expand this access to where the current individual will only pull banking reports from the software used by the foundation and the staff member who reconciles the bank statements will acquire access to Wells Fargo in order to download the actual bank statements for reconciliation.

Conclusion – Response accepted.

## (2) Foundation Timely Bank Reconciliations

Criteria – The Iowa Department of Economic Development Foundation maintains a separate account for receiving and disbursing funds obtained from public and private sources to be used to further the overall development and well-being of the State. Proper internal control procedures require bank account balances to be reconciled to the Foundation's accounting records in a timely manner.

Condition – Bank reconciliations were not completed from March 2021 through June 2021.

Cause – The Foundation uses a personal computer-based accounting software system for Foundation recordkeeping. The software is an older version which is no longer supported by the vendor. There was a software malfunction in March 2021, resulting in loss of information which resulted in bank reconciliations not being performed until January 2022.

Effect – Since reconciliations of the Foundation's bank account balances, including investments, were not performed timely, misstatements or errors may not have been prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – The Authority should consider upgrading or switching accounting software to avoid software malfunctions in the future. In addition, the Authority should take steps to ensure accounting information data is backed up, so the Authority can recreate records and perform bank reconciliations in a timely manner.

Response – With the as yet unexplained disruption to the old software file (the Authority could still make deposits and pay disbursements in the old version) manual inspections comparing bank statement information to system information were performed during the transition period. IEDA upgraded the software in December 2022. Receipts and disbursements were compared and corrected as noted due to some data corruption in the older version. All bank statement reconciliations were made current by late January/early February 2022 with no exceptions noted. In the future IEDA will ensure that necessary updates/upgrades to the software are performed every three years.

Conclusion – Response acknowledged. The Authority should also ensure steps are taken to ensure accounting information data is backed up.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2021

**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, Deputy  
Pamela J. Bormann, CPA, Manager  
Karen J. Kibbe, Senior Auditor II

Other individuals who participated in the audits include:

April R. Davenport, Senior Auditor  
Kathryn A. Blumer, Staff Auditor  
Allison L. Carlon, Staff Auditor  
Laurel P. Hoogensen, Staff Auditor  
Mackenzie L. Johnson, Staff Auditor  
Ashley A. Kraber, Staff Auditor  
Tristan J. Swiggum, Staff Auditor  
Miranda L. Hoch-deGuzman, Assistant Auditor