



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: Brian Brustkern
515/281-5834

FOR RELEASE

July 23, 2025

Auditor of State Rob Sand today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2024.

The Iowa Department of Workforce Development is comprised of eight divisions: Administrative Services, Unemployment Insurance, Informational Technology, Business Engagement, Workforce Services, Labor Market Information, Iowa Disability Determination and Vocational Rehabilitation Services. The Department is responsible for administration of the statutes and regulations relating to unemployment compensation insurance, job placement and training, apprenticeship programs and to serve Iowans with disabilities.

AUDIT FINDINGS:

Sand reported twenty-two findings related to the Department. The findings are on pages 3 through 28 of this report. Sand recommended the Department comply with established policies and procedures to ensure reports are submitted timely, that quarterly reports are reviewed and approved by an independent person and information generated for financial reporting purposes is properly tested and reviewed for accuracy. Sand also recommended the Department establish policies and procedures to ensure matches are performed to identify ineligible claims, to ensure compliance with Uniform Guidance requirements for subrecipient monitoring and subaward documents, identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process, reconciliations are independently reviewed and approved and comply with the Code of Iowa or continue to seek the repeal of outdated Code sections.

Nineteen of the findings discussed above are repeated from the prior year. Management of the Iowa Department of Workforce Development has 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 DEPARTMENT OF WORKFORCE DEVELOPMENT**

JUNE 30, 2024

Iowa Department of Workforce Development



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

July 21, 2025

Iowa Department of Workforce Development
Des Moines, Iowa

To Beth Townsend, Director of the Iowa Department of Workforce Development:

I am pleased to submit to you this Report of Recommendations for the Iowa Department of Workforce Development for the year ended June 30, 2024. The report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2024 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Department of Workforce Development 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 Department of Workforce Development



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

July 21, 2025

To Beth Townsend, Director of the Iowa Department of Workforce Development:

The Iowa Department of Workforce Development 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, 2024.

In conducting our audits, we became aware of certain aspects concerning the Department'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 Department's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Workforce Development'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 Department, citizens of the State of Iowa and other parties to whom the Department 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 Department 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 Department are listed on page 29 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
Timothy McDermott, Director, Legislative Services Agency

June 30, 2024

Findings Reported in the State's Single Audit Report:

U.S. Department of Labor

INTERNAL CONTROL DEFICIENCIES:

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MVO, UI34715Z50, UI34715KDO, UI34715CIO, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SL0, UI34715SN0, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VL0, UI34715NV0, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024

Prior Year Single Audit Report Finding Number: 2023-002

Iowa Department of Workforce Development

2024-001

Allocable Cost

Criteria – The Uniform Guidance, Part 200.405(a), states “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost: is incurred specifically for the Federal award; benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.” Uniform Guidance, Part 200.405(a) states, “Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

Condition – The Department has established program codes to allocate costs to both Federal and non-Federal programs. The allocation of the expenditures charged to these program codes is based on a combination of square footage and actual time reported on Federal and non-Federal programs. Department policies require rates to be updated quarterly. Some rates were not updated quarterly during fiscal year 2024 affecting \$892,043 for 1000 East Grand cost allocations.

Cause – The Department transitioned to a new payroll system and policies and procedures to identify time reporting requirements for staff and report capabilities were not in place to properly allocate costs. In addition, due to staff turnover, staff were not available to review rates and compare allocated costs to time entries.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Effect – Allocable costs could be charged to the incorrect program code, resulting in allocating costs incorrectly to all programs, including federal programs. The effect on individual programs is undeterminable.

Recommendation – The Department should follow policies and procedures and review the allocable rates used during the period and determine if corrective disbursement entries are needed for all programs, including federal programs.

Response and Corrective Action Planned – The Department will review its policies and procedures to determine how often cost rates should be updated to its cost allocation plan. IWD will be moving to an annual review, with quarterly updates only being made in the case of material changes or reorganizations – when and if they occur. If a material event does not occur, an annual review would suffice by the end of fiscal year 2025.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MV0, UI34715Z50, UI34715KD0, UI34715CI0, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SLO, UI34715SNO, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VLO, UI34715NVO, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024

Prior Year Single Audit Report Finding Number: 2023-003

Iowa Department of Workforce Development

2024-002

IRS 940 Match

Criteria – Uniform Guidance Compliance Supplement states, “States are required to annually certify for each taxpayer the total amount of contributions required to be paid under state law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the FUTA (Federal Unemployment Tax Act) tax (26 CFR sections 31.3302(a)-3(a)). In order to accomplish this certification, states annually perform a match of employer tax payments with credit claimed for these payments on the employer’s IRS 940 FUTA tax form.”

The Internal Revenue Service (IRS) sends the Department a secure file typically in October of each year following the prior calendar year. Taxes received for calendar year ending December 31, 2022, were received in October 2023. IWD must certify and respond to each Federal Employer Identification Number even if there is no discrepancy.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

The Department is also required to send back to the IRS the Federal Non-Filers file. This file lists all employers that filed with the state but did not file an IRS 940 FUTA tax form. Both the Certification file and the Non-Filers file must be sent back to the Internal Revenue Service by January 31, 2024. The Certification file is used to assign discrepancies to field auditors to determine the disposition of the discrepancy identified. The Department's policy is designed to review each individual case within 180 days.

Condition – For the secure file received in October 2023, 5 of 25 discrepancies were not resolved within the 180-day period, as required, and an additional 19 of 25 discrepancies have not been resolved. For the secure file received in October 2022, 1 of 17 discrepancies were not resolved within the 180-day period, as required, and an additional 16 of 17 discrepancies have not been resolved.

Cause – Due to continued turnover of experienced field audit staff and the hiring and training timeline of new staff, the 940 workflows were not able to be resolved within the 180-day period.

Effect – The Department did not have discrepancies resolved in a timely manner.

Recommendation – The Department should follow the established policies and procedures to ensure discrepancies are followed up within 180 days.

Response and Corrective Action Planned – The Bureau has a new Bureau Chief and Management along with several newly hired and trained Field audit staff. The Department will follow policies and procedures in place for fiscal year 2025. As of this response, the fiscal year 2025 file currently only has 23 open 940 discrepancies remaining and will have those resolved by April 2025.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MVO, UI34715Z50, UI34715KDO, UI34715CIO, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SLO, UI34715SNO, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VLO, UI34715NVO, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024

Prior Year Single Audit Report Finding Number: 2023-004

Iowa Department of Workforce Development

2024-003

Cash Management Improvement Act

Criteria – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds by the Department. Effective cash management also minimizes the amount of state and other federal funds used to supplant programs until federal funds are received. Generally, a maximum of three days is considered acceptable between the receipt of federal funds and the disbursement of those funds.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Condition – A review of the Department’s records identified cash balances averaged approximately \$25.8 million and were greater than a significant amount of approximately \$7.9 million for the fiscal year.

Cause – Although procedures have been established to draw federal funds only in amounts sufficient to cover current needs, the Department did not review or update procedures to account for federal draws associated with pandemic related administrative programs and unemployment benefits.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should follow established procedures to ensure federal funds are drawn only in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The agency is currently having discussions with both Department of Labor, as well as with Department of Administrative Services to see if UI benefits would be able to be added as an exemption to the Treasury Stat agreement for CMIA requirements.

Conclusion: Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MV0, UI34715Z50, UI34715KD0, UI34715CI0, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SLO, UI34715SNO, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VLO, UI34715NVO, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024

Prior Year Single Audit Report Finding Number: 2023-006

Iowa Department of Workforce Development

2024-004

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The ETA 9050 report, “Time Lapse of All First Payments Except Workshare”, provides information on the time it takes, states to pay benefits to claimants for the first compensable week of unemployment. The ETA 9052 report, “Nonmonetary Determination Time Lapse Detection”, provides information on the time it takes, states to issue nonmonetary determinations from the date the issues are first detected by the agency.

The UI Reports Handbook No. 401 requires the reports to be submitted on the 20th of the month following the month to which the data relates.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Condition – Supporting documentation for the monthly reports was not retained.

Cause – Department procedures have not been established to retain supporting documentation for the data fields in the report.

Effect – The lack of supporting documentation increases the risk for undetected reporting errors or misstatements.

Recommendation – The Department should establish policies and procedures to ensure the support for the preparation of the report is retained.

Response and Corrective Action Planned – The current UI mainframe system only allows for this data to be shown in summary form and cannot be obtained at the more detailed level. As modernization is set to go live in summer 2025, the new UI system will allow for this data to be obtained at a more detailed level and then saved as support for these reports.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MV0, UI34715Z50, UI34715KD0, UI34715CI0, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SL0, UI34715SN0, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VL0, UI34715NV0, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2018, 2019, 2020, 2021, 2022, 2023, 2024

Prior Year Single Audit Report Finding Number: 2023-007

Iowa Department of Workforce Development

2024-005

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulation and the terms of the federal award. The ETA 2112 report, “UI Financial Transaction Summary”, is a monthly summary of transactions in a state unemployment fund which consists of the 8405 Clearing Account Unemployment Trust Fund (UTF) Account, and Benefit Payment Account. UI Reports Handbook No. 401 requires the report to be submitted to the Employment and Training Administration of the U.S. Department of Labor monthly, by the first day of the second month following the month of reference.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Condition – Short Time Compensation (STC) is an alternative to layoffs for employers experiencing a reduction in available work, STC allows employers to reduce the hours of work rather than laying off some employees. The Federal Employee Compensation Act (FECA) provides workers' compensation coverage for employment-related injuries and occupational diseases. The Department did not report Short Time Compensation and FECA benefit payments on the transaction summaries throughout the fiscal year. There were unexplained variances in fiscal year 2023 between the prior year ending balance and current year beginning balances, these variances were not resolved in fiscal year 2024. The Department's UC Benefit payment account did not include FECA benefit draws and Unemployment Compensation for Ex-Servicemembers (UCX) benefit draws throughout the fiscal year. General ledgers were not maintained properly throughout fiscal year 2024. ETA 2112 reports did not match the monthly 8401 reports due to supporting documents not being updated timely.

In addition, balances reported on the June 2024 ETA 2112 report for the Benefit Payment Account column did not agree to support, the ETA 2112 figure for the beginning benefit payment account balance was overstated by \$5,287,695 and the ending benefit payment account balance was overstated by \$5,134,989.

The Department has indicated the ETA 2112 reports submitted during fiscal year 2024 were reviewed and approved; however, this review was not documented for two of twelve months.

Cause – The Department utilizes an external accounting system for the processing of Unemployment Insurance (UI) benefit payments to claimants. The benefit claimant system processes the claims, then communicates the information to the State's accounting system, Iowa Advantage, for payment.

The benefit claimant system identifies benefit payments by State Unemployment and Federal Unemployment programs, including Federal Unemployment claims covered under various Acts enacted during the pandemic.

The Department has developed a process to reconcile benefit payments by type and in total between the Department's benefit claimant system and Iowa Advantage daily to ensure benefit payments are accurately recorded for financial reporting purposes. Although the Department performed the reconciliations, variances were identified and remained uncorrected at the time of reporting for the ETA 2112 reports.

Effect – Incorrect supporting documentation, such as the ETA 8405 report and accounting ledgers, resulted in undetected reporting errors and misstatements and the lack of a documented review of these reports resulted in the errors being undetected and increases the risk for further undetected reporting errors or misstatements.

Recommendation – The Department should follow policies and procedures already established to ensure variances in the reconciliation process are investigated and corrected immediately. If errors are noted on the ETA 2112 reports after initial submission, the Department should amend the completed report to agree with the corrected supporting documentation.

The Department should establish policies and procedures to ensure the monthly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer's signature or initials and date of review prior to submission.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Response and Corrective Action Planned – The Department will review with staff and retrain as necessary to follow existing policies and procedures to ensure variances identified during the year end reconciliation process are appropriately documented and reconciled to ending and beginning balances. In addition, management will review ETA 2112 reports for accuracy and to identify if an amended report should be filed.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MV0, UI34715Z50, UI34715KD0, UI34715CI0, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SL0, UI34715SN0, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VL0, UI34715NV0, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024
Prior Year Single Audit Report Finding Number: 2023-008
Iowa Department of Workforce Development

2024-006

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulation and the terms of the federal award. The ETA 2208A report, “Quarterly UI Contingency Report”, provides information on the number of staff years worked and paid for various UI program categories, and provides the basis for determining above-base entitlements. UI Reports Handbook No. 336 requires the report to be submitted electronically for each calendar quarter to the Employment and Training Administration of the U.S. Department of Labor within 30 days after the end of the reporting quarter to which it relates.

Condition – Three of four quarterly reports were submitted between one and twenty-four days late. In addition, the Department has stated the reports were reviewed and approved; however, this review was not documented for two out of four quarterly reports.

Cause – Turnover of Financial leadership resulted in lack of independent review and approvals required for filing.

Effect – The lack of a documented review of these reports increases the risk for undetected reporting errors or misstatements. In addition, the lack of established policies and procedures resulted in the late submission of the three reports.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely in accordance with UI Reports Handbook. The policies established should also ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review prior to submission.

Response and Corrective Action Planned – During fiscal year 2024, Iowa Workforce Development was without a CFO and Deputy CFO for a majority of the year. Once a CFO and Deputy were onboarded, these reviews began as required by internal policies and procedures.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI34715CA0, UI34715MV0, UI34715Z50, UI34715KD0, UI34715CI0, UI34715NJ0, UI34715Z70, UI34715C80, UI34715MT0, UI34715Z30, UI34715SJ0, UI34715VJ0, UI34715SLO, UI34715SNO, UI37223PU0, UI37223PU1, UI38018PW0, UR000038SU0, UR000038SU1, UI38018PW1, UI38399MO0, UI393220B1, UI000034YT0, UR000055YU0, UB00003SB0, UB000011SB0, UB000099SB0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UD000040UQ0, UD000040UE0, UI34715VLO, UI34715NV0, UI37280MK0, IU37280MJ0, UI39268RS0, UI39268RR0, UT000027UW0, UT000027UX0

Federal Award Year: 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-007

Benefit Accuracy Measurement (BAM) Cases

Criteria – Benefit Accuracy Measurement was designed to determine the accuracy of paid and denied claims in the unemployment insurance program. BAM investigators reconstruct the Unemployment insurance claims process for samples of weekly payments and denied claims. Once investigations are complete, states are required to submit their findings to the Office of Unemployment Insurance database. Cases are to be reviewed timely. State agencies must complete 98% of the valid cases sampled in the Payment Integrity Information Act year by October 30th. This is 120 days after the end of the Payment Integrity Information Act year end for June 30th.

Condition – Management decided to close cases if they were over 150 days old so that the Quality Control Department could focus on current cases. However, Workforce Development did not have written instruction from the Department of Labor to close these cases and was denied relief by the Department of Labor when requested. For the year ended June 30, 2024, Workforce Development closed 75.42% of paid cases. In addition, out of the 40 cases selected for testing, 11 were missing at least one of the required documents.

Cause – The BAM team was pulled off BAM cases during the pandemic to assist claimants in getting UI benefits. After the pandemic, the Department had a complete turnover in BAM staff with several retirements and promotions to other units.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Effect – The lack of required documents and timely review increases the risk for undetected claim errors.

Recommendation – The Department should establish policies and procedures to ensure 98% of the valid cases sampled in the Payment Integrity Information Act year by October 30th. The Department should also establish policies and procedures to ensure all required documents are retained.

Response and Corrective Action Planned – Iowa has been working with our region five UI program specialist at Department of Labor and other region five states to set goals and make major changes to our processes. Iowa BAM team as of February 1, 2025, is now paperless. This will reduce the amount of time printing, scanning and manually reviewing cases. We will have seven BAM Auditors at this point with one retiring in March. This position has already been posted to refill. Additionally, we still have part-time help from previous BAM Auditors who are still employed in the Unemployment Division.

As stated above we have gone paperless. The amount of time spent printing each case, organizing etc. was extraordinary. We have also updated all documents, and they are located in a central location for use by the team. We will meet with BAM Auditors on a weekly basis (done by Workforce Program Coordinator) to keep Auditors on track and to assist them with any case issue. They will also self-report on case progress weekly so they can be assisted in the event the timeline is in danger of not being met. The Quality Control Manager will send weekly progress updates to the Bureau Chief on each person's case management workload in addition to meeting with each Auditor.

Conclusion – Response accepted.

ALN: WIOA Cluster

Agency Number: AT000003IFO, AT000003TJO, AW000003IQO, AW000003TLO, AY000052ISO

Federal Award Year: 2020, 2021, 2022, 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-008

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms of the federal award. The ETA 9130, "Financial Status Report", is the quarterly summary of program and administrative expenditures. All ETA grantees are required to submit quarterly financial reports for each grant award which they operate, including standard program and pilot, demonstration, and evaluation projects. U.S. Department of Labor Employment and Training Administration Financial Report Instructions requires the report to be submitted electronically no later than 45 calendar days after each specified reporting period. A closeout report is required to be submitted no later than 90 calendar days after the grant end date.

Condition – Of the 26 reports tested, two for program year 2024 for State and Local Youth programs were submitted and certified one day late.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

For four of the 14 final reports, the total expenditures do not agree with the state's accounting system. In total the reports were overstated \$503,067, with ranges of an overstatement of \$517,797 to an understatement of \$14,730.

Cause – Due to staff turnover, the Department didn't have enough adequate resources to ensure reconciliation of the state accounting system by program was performed, or ETA 9130 reports were independently reviewed, supporting records, and documentation was retained.

Effect – Reports submitted to the federal government could be inaccurate and not reflect actual program expenditures made by the Department. The Department is not in compliance with federal reporting deadlines.

Recommendation – The Department should establish policies and procedures to ensure expenditures are properly reported and a reconciliation to the state accounting system is performed. The Department should also establish policies and procedures to ensure reports are submitted timely.

Response and Corrective Action Planned – The Department has implemented a procedure to ensure ETA 9130 reports are filed timely and reconcile to supporting documentation. Moreover, all staff have access to a reporting calendar that flags reporting deadlines, so that way adequate reviews can be completed ahead of deadlines.

Conclusion – Response accepted.

ALN: WIOA Cluster

Agency Number: AT000003IF0, AT000003TJ0, AW000003IQ0, AW000003TL0, AY000052IS0

Federal Award Year: 2020, 2021, 2022, 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-009

Reporting for Federal Funding Accountability and Transparency Act

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred to as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Subaward information should be reported no later than the last day of the month following the month in which the subaward was made.

Condition – The Department did not report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) for WIOA Cluster subrecipients.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Cause – The Department did not have proper procedures in place to ensure the necessary reporting was completed.

Effect – The Department was not in compliance with reporting first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS), as required by 2 CFR Part 170.

Recommendation – The Department should establish policies and procedures to ensure first-tier subawards of \$30,000 or more are reported to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Policies and procedures should ensure the reporting is reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review prior to submission.

Response and Corrective Action Planned – As of the beginning of fiscal year 2025, the Department has established the necessary policies and procedures surrounding FFATA reporting, and all necessary reporting has been completed for the current fiscal year.

Conclusion – Response accepted.

ALN: WIOA Cluster

Agency Number: AT000003IFO, AT000003TJO, AW000003IQO, AW000003TLO, AY000052ISO

Federal Award Year: 2020, 2021, 2022, 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-010

Awards to Subrecipients

Criteria – The Uniform Guidance, Part 200.332 states, “All pass-through entities must: ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.” Required information includes identification of whether the award is research and development and the indirect cost rate for the Federal award (including if the de minimis rate is charged) per § 200.414.

Condition – For five out of six subawards, the Department did not include identification of whether the award is research and development or indirect cost rate for the Federal award (including if the de minimis rate is charged) per § 200.414. These contracts also did not include the subrecipient’s Unique Entity Identifiers, nor the Federal Award Date.

Cause – At the time the tested agreements were established, the Department had not established policies and procedures to ensure all required information is included in the subaward to the subrecipients.

Effect – The information required in the subaward to subrecipients would result in grantee’s not being aware of their current indirect cost rate allowance, or if the award was for R&D purposes.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Recommendation – The Department should establish policies and procedures to ensure all required information is included in the subaward to subrecipients as required by Uniform Guidance, Part 200.332.

Response and Corrective Action Planned – Effective late fiscal year 2024; new sub-awards and pass thru grant agreements utilize a cover sheet to ensure all required elements listed in 2 CFR 200.332 are clearly included in the subaward agreements.

Conclusion – Response accepted.

ALN: WIOA Cluster

Agency Number: AT000003IFO, AT000003TJO, AW000003IQO, AW000003TLO, AY000052ISO

Federal Award Year: 2020, 2021, 2022, 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-011

Subrecipient Monitoring

Criteria – The Uniform Guidance, Part 200.332 states in part, “All pass-through entities must: evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.” The Uniform Guidance, Part 200.332 also states, “All pass-through entities must: monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include reviewing financial and performance reports required by the pass-through entity, following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward and issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by Part 200.521.”

The Uniform Guidance further states, “Depending upon the pass-through entity’s assessment of risk posed by the subrecipient the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: providing subrecipients with training and technical assistance on program-related matters, performing on-site reviews of the subrecipient’s program operations and arranging for agreed-upon-procedures engagements as described in Part 200.425.”

The Uniform Guidance, Part 200.332 also states, “All pass-through entities must: Verify that every subrecipient is audited as required by Subpart F when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Part 200.501.” and that “All pass-through entities must: consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records.”

Report of Recommendations to the Iowa Department of Workforce Development

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Iowa Workforce Development's written procedures regarding subrecipient monitoring related to WIOA onsite monitoring read, in part, as follows: "Iowa Workforce Development will issue a monitoring report to the Local Workforce Development Board within 30 business days from the conclusion of the monitoring review, summarizing the oversight activity results, which may include findings and required corrective actions, areas of concern and suggestions and promising practices." Also stated, "Within 20 business days of the receipt of the corrective action plan, Iowa Workforce Development will review the plan and make an initial determination addressing the acceptability of the implemented or planned corrective actions to resolve any findings."

Condition – The only region to have audit report monitoring performed in fiscal year 2024 included an audit report routing sheet noting a required follow-up. However, there was no documentation on the audit report routing sheet noting that the follow-up was performed.

For one out of six regions tested for program monitoring, the region did not receive their initial monitoring report within 30 days after the onsite review ended. For three out of six regions tested, the regions did not receive an initial determination letter from the Department within 20 days of submitting their corrective action plan.

Cause – The Department has not adhered to established policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h). Also, the Department has not adhered to established policies and procedures to ensure all required aspects of the WIOA Program Monitoring Letters are followed.

Effect – The Department is not in compliance with subrecipient monitoring as required by the Uniform Guidance, Part 200.332 and Part 200.501(h). The Department is not in compliance with their written subrecipient monitoring policies.

Recommendation – The Department should review established policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h). The Department should also establish policies and procedures to ensure compliance with their written subrecipient monitoring policies and either ensure established policies and procedures are followed or update their written subrecipient monitoring policies

Response and Corrective Action Planned – The Department established policies and procedures to perform financial subrecipient monitoring for subawards related to WIOA and began that process in May 2023. This finding centers on the timing of monitoring reports and determination letters. While not all monitoring reports and/or determination letters were issued timely per the policy, all local areas were notified if/when a report or determination letter could be expected to be sent after the established time frames in state policy. This is not because monitoring was not complete, but rather, to ensure comprehensive and effective monitoring reports and determination letters were issued, demonstrating Iowa Workforce Development's commitment to thorough and effective monitoring of its subrecipients. The Department is also enhancing its fiscal review process starting with funding requests from sub-recipients and partnering with WIOA Title I program staff to identify areas of risk. Monitoring will continue to be performed to ensure compliance with WIOA and Uniform Guidance, Part 200.332 and Part 200.501(h).

Conclusion – Response accepted.

June 30, 2024

ALN: WIOA Cluster

**Agency Number: AT000003IFO, AT000003TJO, AW000003IQO, AW000003TLO,
AY0000052ISO**

Federal Award Year: 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-012

Subrecipient Monitoring Questionable Cost- Children and Families of Iowa

Criteria – The Uniform Guidance, Part 200.332 states in part, “All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.” The Uniform Guidance, Part 200.332 also states, “All pass-through entities must: monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include reviewing financial and performance reports required by the pass-through entity, following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward, issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by Part 200.521.”

The Uniform Guidance further states: “Depending upon the pass-through entity's assessment of risk posed by the subrecipient the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: providing subrecipients with training and technical assistance on program related matters, performing on-site reviews of the subrecipient's program operations and arranging for agreed-upon-procedures engagements as described in Part 200.425.”

The Uniform Guidance, Part 200.332 also states, “All pass-through entities must: Verify that every subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Part 200.501. Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

In addition, Uniform Guidance, Part 200.501(h) states in part, “the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients.” and “Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits.”

Condition – Based on our observations, discussions with the Department officials, and the procedures we performed, we determined proper subrecipient monitoring was not performed for the period of our review, April 1, 2015, through May 31, 2022. According to the Department officials we spoke with, the fiscal agent changed several times during Ms. Spragur-Tate's employment and fiscal monitoring did not happen.

Report of Recommendations to the Iowa Department of Workforce Development

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Cause – The Department has not established policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h).

Effect – The Department is not in compliance with subrecipient monitoring as required by the Uniform Guidance, Part 200.332 and Part 200.501(h).

Recommendation – The Department should establish policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h).

Response and Corrective Action Planned – To begin, Iowa Workforce Development did conduct monitoring of subrecipient activities throughout the relevant period. However, the sophistication and intent behind the fraud, coupled with structural weaknesses in the oversight processes, allowed these actions to persist undetected. While the monitoring in place adhered to Federal standards, the circumstances demonstrated the need for a more targeted approach to identify potential vulnerabilities proactively, especially when dealing with sophisticated methods employed by fraudsters. Second, the findings in this report clearly highlight a significant breakdown in internal controls that allowed fraudulent activities to occur over an extended period of time. The misuse of \$436,179.92 in program funds, including \$321,520.32 in questioned costs under the Workforce Innovation and Opportunity Act (WIOA), underscores the exploitation of these weaknesses by an individual who acted with intent to defraud. When an individual willfully circumvents internal controls at multiple levels, including fiscal agents, the subrecipient organization, and the external auditors – this highlights the importance of strong internal controls, and risk assessments by all parties involved. Effective oversight requires reciprocal diligence by all stakeholders, and in this instance, the extended period during which irregularities occurred suggests an opportunity for more proactive intervention at all levels.

Moreover, Iowa Workforce Development has already initiated measures to address the issues raised within this report, including:

- **Enhanced Monitoring Protocols:** Revising and expanding monitoring practices to include more frequent on-site reviews, enhanced financial documentation requirements, and stricter oversight of subrecipient compliance with state & federal statutes.
- **Training and Capacity Building:** Conducting mandatory training sessions for Iowa Workforce Development staff and providing necessary technical assistance to subrecipients to ensure a thorough understanding of grant management requirements.
- **Auditor Accountability:** Collaborating and creating a more transparent relationship with the state auditor's office to establish clearer expectations for identifying and reporting financial discrepancies promptly, as well as discussing potential issues that arise more frequently.

Iowa Workforce Development remains committed to continue collaborating with all stakeholders – at the Federal and State level – to ensure situations such as this do not occur hereafter.

Conclusion – Response accepted.

June 30, 2024

U.S. Department of the Treasury

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

ALN: 21.027 – COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

**Agency Number: 309-AA2C-CCC, 309-AA2D-SYI, 309-AA2E-HCR,309-PF2E-HC2,
309-AA2H-HBP, 309-AA2L-LMI, 309-AA2I-CCB, 309-AANL-CDL,
309-AATU-TRP, 309-AAPP-PPS, 309-PFIL-ELL,309-AAIW-MWS,
309-IUTF-UTF,309-AA2A-GSM,309-AALK-ADS,309-PFCL-CDI**

Federal Award Year: 2021, 2023, 2024

Prior Year Single Audit Report Finding Number: 2023-010

**Iowa Department of Workforce Development – Passed through Iowa Department of
Management**

2024-013

Awards to Subrecipients

Criteria – The Governor allocated Coronavirus State and Local Recovery Funds to the Department for Child Care Business Incentive to encourage and enable businesses and employer consortiums to build on-site childcare centers or partner with local and regional childcare services to renovate and expand. Health Careers Registered Apprenticeship 2.0 Grant was created to establish new or expand existing, high school-based and/or adult registered apprenticeship programs for health careers in nursing, emergency medical services, direct support care and behavioral health career pathways. The Healthy Childhood Environments: Child Care Challenge project was to create new childcare slots across the State and help communities improve their childcare options and bolster opportunities for Iowans to reenter the workforce. All the projects are designed to address childcare shortages and alleviate local childcare need.

The Uniform Guidance, Part 200.332 states, “All pass-through entities must: ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.” Required information includes, in part, subrecipient's unique entity identifier, federal award identification number (FAIN), subaward budget period start and end date, identification of whether the award is research and development and the indirect cost rate for the federal award (including if the de minimis rate is charged) per Part 200.414.

Condition – For the subawards provided, the Department did not include the identification of whether the award is research and development and the indirect cost rate for the Federal award (including if the de minimis rate is charged) per § 200.414.

Cause – The Department has not established policies and procedures to ensure all required information is included in the subaward to the subrecipients.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Effect – The information required in the subaward to subrecipients was not included due to the lack of policies and procedures.

Recommendation – The Department should establish policies and procedures to ensure all required information is included in the subaward to subrecipients as required by Uniform Guidance, Part 200.332.

Response and Corrective Action Planned – Effective August 2023; new sub-awards and pass thru grant agreements have elements specified in the respective agreement as required by Uniform Guidance, Part 200.332. In addition, Iowa Workforce Development is in the process of reaching out to grantees whose awards did not clearly state that the specified award is research and development, and that there will be no indirect costs assumed for reimbursement, as this was assumed given the nature of the projects as well as discussions that were had during the awarding process.

Conclusion – Response accepted.

June 30, 2024

Department of Education

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

ALN: 84.126 – Rehabilitation Services Vocational Rehabilitation Grants to States

Agency Number: H126A240101

Federal Award Year: 2024

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2024-018

Case Service Report RSA-911

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulation and the terms of the federal award. The RSA-911 report provides information on the job candidate applicants and eligible individuals records of services. These services include, “In the event that an individual obtains competitive employment, verification that the individual is compensated at or above the minimum wage and that the individual’s wage and level of benefits are not less than that customarily paid by the employer for the same or similar work performed by non-disabled individuals”, in accordance with §361.5(c)(9)(i).

The Compliance Supplement requires the report to be submitted electronically for each calendar quarter to the Rehabilitation Services Administration of the U.S. Department of Education within 45 days after the end of the reporting quarter to which it relates.

Condition – The Department has indicated the RSA-911 reports submitted during fiscal year 2024 were reviewed and approved; however, this review was not documented for four out of four quarterly reports.

Cause – Department procedures have not been established to ensure reports are independently reviewed and approval of the reports are documented.

Effect – The lack of a documented review of these reports increases the risk for undetected reporting errors or misstatements.

Recommendation – The Department should establish policies and procedures to ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review prior to submission.

Response and Corrective Action Planned – Iowa Vocational Rehabilitation Service staff have made the necessary internal control updates to assure that appropriate staff certify the accuracy of the report and is inclusive of signature for approval at the necessary approver level.

Conclusion – Response accepted.

June 30, 2024

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

(B) Unemployment Benefits

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 financial statements.

(1) Unemployment Benefits Fund Employer Accounts

Condition – To comply with governmental accounting and financial reporting standards for the Unemployment Benefits Fund, the Iowa Department of Workforce Development (IWD) has developed the MYIOWAUI system to track employer unemployment insurance contributions based on quarterly employer payroll reports. The system generates information regarding the balance of employer contributions receivable and delinquent accounts, including penalty and interest calculations, for financial reporting purposes. This activity is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package.

According to IWD, an account goes to non-collectible status when the most recent debt creation date on the account is older than 720 days and the last payment was not received within 90 days. These accounts should be written off for reporting purposes and should not be included in the balance reported in the GAAP package. For the year ended June 30, 2024, \$159,897 of \$20,488,723 of contributions, \$173,238 of \$9,465,240 of interest and \$16,889 of \$3,351,561 of penalties older than 720 days were included in the accounts receivable balance reported in the GAAP package.

Cause – Although policies and procedures have been established to require independent review of year-end cut-off transactions to ensure financial statements are accurate and reliable, the independent review did not identify material errors in the GAAP package.

Effect – IWD employees did not detect the errors in the normal course of performing their assigned functions. As a result, material adjustments to the financial statements were necessary.

Recommendation – IWD should ensure financial information generated for the GAAP package is properly reviewed for accuracy. IWD should continue to modify the MYIOWAUI system to ensure the data is accurate, timely and conforms to established policy.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

Response – We have identified an issue with our reporting where some accounts are not pulling in the data needed to determine if the uncollected debt is older than 720 days. This report is being corrected in conjunction with the UI Modernization project that is currently occurring and will begin correctly pulling data beginning in July 2025. Until the report is corrected, we have identified additional reports for the IWD Financial Management Team to use by having them pull the Contributory Report and the Non-Collectible Debt report and find the common account numbers. As this is a manual process, it will decrease the material misstatement risk that comes with the current reporting process. The Contributory Report with the Non-Collectible Debt report account numbers removed will provide the IWD Financial Management Team with the information they are looking for and provide a materially acceptable reportable value.

Conclusion – Response accepted.

(2) Unemployment Benefits Fund Reconciliation

Condition – IWD utilizes an external accounting system for processing Unemployment Insurance (UI) benefit payments to claimants, and billings and collections to and from other states for UI claimants. In addition, IWD utilizes a system to track employer unemployment insurance contributions, and each state maintains its own UI trust fund reserve built from state taxes, primarily from employers, and used only to pay for UI benefits. IWD has developed a process to reconcile the systems daily to ensure payments agree by program type and in total for financial reporting purposes. IWD has also developed procedures to maintain accurate account balances using a manual general ledger to produce a monthly trial balance for external accounting systems which is reconciled to State accounting records.

The following were noted for the year ended June 30, 2024:

- (a) The manual general ledger was not maintained during the fiscal year. After year end, manual ledgers were adjusted for reporting purposes.
- (b) Monthly financial statements were not prepared during the fiscal year. After year end, financial statements of the external accounts were updated for reporting purposes.
- (c) Reconciliations of the manual general ledger and monthly financial statements to the State accounting records were not properly performed during the fiscal year. After year end, reconciliations were performed. There was no evidence of independent review or approval of the reconciliations.

Cause – Although policies and procedures are established to maintain the manual general ledger, prepare monthly financial statements and perform a reconciliation to the State accounting system, IWD did not perform these tasks during fiscal year 2024 until it was brought to their attention during the audit. As a result, IWD did not correct these errors for several months.

Effect – The lack of maintaining manual general ledgers, monthly financial activity reports and reconciliations to the State accounting system can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – IWD should follow policies and procedures already established to ensure the manual general ledger and monthly financial activity is maintained. In addition, monthly reconciliations should be performed, and variances between the systems should be investigated and resolved timely.

Report of Recommendations to the Iowa Department of Workforce Development

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Response – The Department acknowledges these critical ledgers, reports, and reconciliations were not maintained throughout state fiscal year 2024. IWD did not have a Chief Financial Officer to provide oversight to the unit for a majority of the fiscal year in order for this to occur. During the GAAP reporting and audit process, IWD worked with both the GAAP Team and the Auditor’s Office to ensure that it has the detail it needs in order to maintain and reconcile these ledgers for subsequent fiscal years.

Conclusion – Response accepted.

(C) Reconciliation of Unemployment Insurance Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling Unemployment Insurance (UI) overpayment billings, collections and delinquent accounts and comparing UI overpayment collections to deposits to ensure proper recording of UI overpayment receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – UI overpayment billings, collections and delinquent accounts were reconciled monthly throughout the year, and a delinquent accounts listing was prepared. However, the reconciliation performed showed unexplained variances between the ending of one month and the beginning of the next month. Reconciliations were subsequently corrected, and the activity was reported to DAS-SAE in a GAAP package. Although policies and procedures have been established to require independent review of the reconciliation, no evidence exists that the review was performed.

Cause – Policies have not been established and procedures have not been implemented to investigate variances in the monthly reconciliations of the UI overpayment billings, collections and delinquent accounts and UI overpayment collections to deposits.

Effect – This condition could result in unrecorded or misstated UI overpayment receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to investigate variances in the reconciliation of UI overpayment billings, collections and delinquent accounts for each billing period and collections to deposits. The Department designated independent person should review the reconciliation and monitor delinquents. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

Response – Each month when there is a variance between the ending of one month and the beginning of the next month, when IWD Financial Management is reconciling the UI overpayments billings, collection and delinquent accounts, the team member from Financial Management will work with the Benefits Collection Manager to determine what is causing the variances. This will be initiated by an email from the team member in IWD Financial Management and we can provide copies of the emails that took place during the last year.

Conclusion – Response accepted.

June 30, 2024

(D) Financial Reporting

Criteria – The 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 Iowa Advantage system throughout the year, including the accrual period. Activity not recorded in the Iowa Advantage 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 following conditions were noted for the Unemployment Insurance Trust Fund:

- a) The Department understated the allowance for taxes receivable by \$3,507,334, resulting in the net receivable being overstated by the same amount. This was properly adjusted for reporting purposes.
- b) The Department overstated interest and penalty on accounts receivable and the related allowance by \$7,443,825 and \$1,910,075, respectively. This was properly adjusted for reporting purposes.
- c) The Department understated wage claims benefits receivables by \$1,210,925. This was properly adjusted for reporting purposes.

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

Effect – The amounts reported for accounts receivable were misstated requiring adjustments to the financial statements.

Recommendation – The Department should implement effective policies and procedures to ensure information reported to DAS-SAE on the GAAP package is accurate.

Response – The Department went through an unprecedented turnover rate of its’ financial management staff, including its Chief Financial Officer during state fiscal year 2024. This resulted in many new and current staff who were completing the GAAP package for the first time – as the majority had not been exposed to this in prior years. The IWD Finance Team worked with both the GAAP Team and the Auditor’s Office to identify instances where inefficiencies and inaccuracies exist in the GAAP reporting process. The IWD Financial Management Team made sure to flag these inefficiencies and inaccuracies to ensure that repeat errors do not occur in future reporting periods.

Conclusion – Response accepted.

June 30, 2024

Other Findings Related to Internal Control:

- (1) Financial Reporting – 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 Advantage system throughout the year, including the accrual period. Activity not recorded in the Iowa Advantage 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. The following conditions were noted:

- (a) Summary of Changes in Lease Liability building increase was understated \$78,905.
- (b) Summary of Changes in Lease Liability building decrease was overstated \$451,097.

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

Response – For the SFY2025 GAAP Package the Department has assigned various pages to Financial team members for compilation. In addition, there will be additional reconciliations that will be implemented in order to ensure all lease costs are properly accounted for and presented. The pages will be reviewed by the Accountant’s or Budget Analyst’s supervisor as well as the Deputy CFO or CFO before submission to the GAAP team.

Conclusion – Response accepted.

- (2) Background Investigations – The Department hires employees for various positions, including positions which are sensitive in nature, such as information technology staff, individuals with access to cash, etc. Background investigations are not routinely done as part of the hiring process.

Recommendation – The Department should develop procedures to identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process for those positions.

Response – The Department’s background check policy has been identified for select areas of the Department. Background checks are completed for new hires, and they are offered conditional positions pending a successful background check. The Department also requires all applicants selected for interviews to complete a notice of felony conviction form.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2024

- (3) Combined Wage Claims Receipts Adjustment and Reconciliation – Data processing (DP) creates an automated billing system quarterly report known as an IB-6 for each state. The combined wage claims chargeback Employer Liability Specialist then reviews the billings for accuracy and makes any adjustments deemed necessary. The other states pay based on the IB-6. The IB-6 should match the paper billings. There are times when a fact finding, or change happens that causes the IB-6 and paper bill to not match. When there is a change, an adjustment will happen on the combined wage claim reconciliation. The chargeback Department receives quarterly billings from DP. They are reviewed and a total is entered into a general journal and ledgers. Journal entries are then created. Workforce Development sets up billing to other states. We noted the following:
- (a) Due from other states combined wage claim reconciliation is not properly reviewed and approved.
 - (b) The reconciliation is not proper due to pulling paid amount from Treasury Direct instead of an internal source.
 - (c) The combined wage claims due to other states and due from other states do not have separate beginning balances on the reconciliation.
 - (d) During the quarter one 2023 combined wage claims due to other states, the Department sent out a duplicate payment for Idaho for \$8,566.

Recommendation – The reconciliations should be independently reviewed and approved. A reconciliation should be created using an internal source of information. There should be separate beginning balances for due to other states and due from other states. The Department should ensure duplicate payments are not sent out.

Response – Processes are being implemented by IWD Finance and UI Tax Departments to identify the reconciliation and control procedures for accurate tracking and reporting of Combined Wage Claim. However, with legislation being passed via SF607 Employers now count all wages paid in Iowa and any other state (if that state has reciprocity with Iowa) when calculating taxable wages.

Conclusion – Response accepted.

June 30, 2024

Findings Related to Statutory Requirements and Other Matters:

(1) Iowa Code Compliance – The following were noted:

- (a) Iowa Conservation Corps – Chapter 84A.7 of the Code of Iowa establishes the Iowa conservation corps to provide meaningful and productive public service jobs for youth, unemployed persons, persons with disabilities, disadvantaged persons and elderly persons and to provide participants with an opportunity to explore careers, gain work experience and contribute to the general welfare of their communities and the state. The Department is to administer the Iowa conservation corps and its account.

This program and the account are currently inactive.

- (b) Statewide Mentoring Program – Chapter 84A.9 of the Code of Iowa states the Department shall establish and administer, in collaboration with the Departments of Human Services, Education and Human Rights, a statewide mentoring program to recruit, screen, train and match individuals in a mentoring relationship.

This program is currently inactive.

- (c) New Employment Opportunity Program – Chapter 84A.10 of the Code of Iowa states the Department shall implement and administer a new employment opportunity program to assist individuals in underutilized segments of Iowa’s workforce, including, but not limited to, persons with physical or mental disabilities, persons convicted of a crime or minority persons between the ages of 12 and 25, to gain and retain employment.

This program is currently inactive.

- (d) Nursing Workforce Data Clearinghouse – Chapter 84A.11 of the Code of Iowa states the Department shall submit a report to the Governor and the General Assembly annually, by January 15, regarding the nursing workforce data clearinghouse, and, following establishment of the data clearinghouse, the status of the nursing workforce in Iowa.

The required report was not submitted to the Governor and the General Assembly.

Recommendation – The Department should comply with these Code sections. Also, the Department should submit the nursing workforce data clearinghouse report to the Governor and the General Assembly by January 15 of each year.

Response – The Department requested repeal of these Code sections in collaboration with the Governor's Office. Senate File 603 repealing sections 84A.7, 84A.9, 84A.10 and 84A.11 was signed by the Governor on March 28, 2025.

Conclusion – Response accepted.

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- (2) Service Contracts – Iowa Administrative Code Chapter 11, Sections 117, 118 and 119 govern the Departments responsibilities for entering into service contracts. We noted the following:
- (a) The Department did not properly maintain a personal service contract listing throughout the year.
 - (b) For one contract exceeding \$50,000 (or \$150,000 in the case of multi-year agreements), out of twenty-five contracts tested, the Department did not issue a Request for Proposal or utilize another authorized formal competitive process to select the vendor. The contract does not appear to be connected to decision-makers or others who have power over the process.

Recommendation – The Department should establish policies and procedures to ensure compliance with the Iowa Administrative Code Chapter 11, Sections 117, 118 and 119.

Response – The Department is taking a full look at contracts that were received during the realignment process in 2023 to assure that no other one-off situations like this are present.

Conclusion – Response accepted.

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Staff:

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