

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

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

November 12, 2025

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

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

AUDIT FINDINGS:

Sand reported six findings pertaining to the Department. The findings are on pages 3 through 8 of this report. Sand recommended the Department implement procedures to improve controls over inventory, financial reporting and reporting of leases and Subscription-Based Information Technology Arrangements (SBITA). The Department's responses to the recommendations are included in the report.

Four of the findings discussed above are repeated from the prior year. Management of the Iowa Department of Transportation 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.

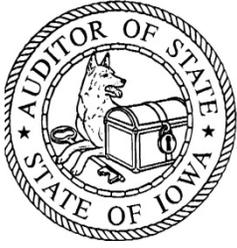
A copy of the report is available for review on the Auditor of State's website at [Audit Report – Auditor of State](#).

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION**

JUNE 30, 2024

Iowa Department of Transportation



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

November 6, 2025

Iowa Department of Transportation
Ames, Iowa

To Scott Marler, Director of the Iowa Department of Transportation:

I am pleased to submit to you the Report of Recommendations for the Iowa Department of Transportation for the year ended June 30, 2024. This 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 Department of Transportation 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", written in a cursive style.

Rob Sand
Auditor of State

Iowa Department of Transportation



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STATE OF IOWA

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November 6, 2025

Iowa Department of Transportation
Ames, Iowa

To Scott Marler, Director of the Iowa Department of Transportation:

The Iowa Department of Transportation is a part of the State of Iowa and, as such, has been included in our audit 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 findings pertaining to the Department's internal control and statutory compliance 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 Transportation'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 Department of Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation 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 9 and they are available to discuss these matters with you.

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

Brian R. Brustkern, CPA
Deputy Auditor of State

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

June 30, 2024

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

(1) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State's financial statements.

Departments record receipts and disbursements in the 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.

(a) Condition – The following conditions were noted:

- (1) The Department understated unearned revenues by \$4,681,082. This was properly adjusted for reporting purposes.
- (2) The Department understated sales revenue from the disposal of capital assets by \$1,646,100. This was properly adjusted for reporting purposes.
- (3) The Department overstated accounts receivable by \$1,076,211 due to an error when transferring accounting data to a new system. This was not adjusted for reporting purposes.
- (4) The Department understated accounts payable by \$41,456,078 and understated the related accounts receivable by \$20,138,534. During testing, the auditor discovered one transaction totaling \$962,295 that was recorded to the incorrect fiscal year. After Department staff were notified of the error, they were able to determine that there were multiple transactions incorrectly coded, and the total misstatement was identified. These were properly adjusted for reporting purposes.
- (5) The Department overstated construction commitments by \$2,218,999 and overstated other contractual commitments by \$8,496,728. These were properly adjusted for reporting purposes.
- (6) The Department misstated amounts reported for Subscription-Based Information Technology Arrangements (SBITA). General Fund SBITA assets and accumulated amortization were overstated by \$1,677,659 and \$1,879,820, respectively. In addition, amortization expense was overstated by \$324,892, principal expense was understated by \$41,790, interest expense was overstated by \$38,525 and the SBITA liability was overstated by \$1,734,350. Internal Service Fund SBITA accumulated amortization was understated by \$16,227. These were not adjusted for reporting purposes.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2024

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

Effect – The amounts reported were misstated and required adjustments to the financial statements.

Recommendation – The Department should implement effective policies and procedures to ensure that all financial reporting is accurate.

Response – The Department believes it has the appropriate policies and procedures in place to ensure sound internal controls for this purpose. The issues noted above resulted from human errors related to new GASB standards, grant processes the Department had no experience with, and the implementation of accounting systems that altered internal procedures.

The Department acknowledges that these items were inaccurate, as noted by the auditor, but emphasizes that all discrepancies were corrected prior to the publication of the state financial statements. To address these findings, the Department has taken steps to provide additional training to staff involved with the new systems, processes, and standards. This training aims to enhance their ability to accurately identify and resolve issues during review processes, ensuring these matters have been effectively addressed moving forward.

Conclusion – Response accepted.

- (b) Condition – The Department is required to submit financial information related to inventory on hand as of June 30, 2024. The Department is not reporting fuel and salt as inventory.

Cause – Policies and procedures adopted by the Department do not include fuel and salt as items reported as inventory.

Effect – The amount reported for inventory is not accurate.

Recommendation – The Department should implement procedures to ensure inventory amounts are being accurately reported.

Response – In fiscal year 2022, the Department revised accounting policies to only include materials stored in the Department central warehouse as a part of the Department inventory and eliminated material stored at field locations.

Fuel – The Department removed fuel from inventory in accordance with the fiscal year 2022 inventory policy change. Salt – The Department stores salt in field locations, as a result salt was not reported as inventory in alignment with the accounting policy change in fiscal year 2022.

Additionally, since the Department’s fuel storage tanks lack automated reporting for on-hand quantities, expensing fuel upon delivery ensures consistent and accurate reporting for the fiscal year based on delivered and invoiced amounts without relying on manual measurements of tank level to produce estimates of on hand quantities.

Conclusion – Response acknowledged. The Department should implement procedures to ensure inventory amounts at all locations are being accurately reported.

June 30, 2024

Other Findings Related to Internal Control:

(2) Inventory

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all inventory by maintaining appropriate accounting records along with independent reviews. Inventory is not recorded in the Iowa Advantage system; however, it is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year.

Condition – We noted the following condition:

- Segregation of Duties – Central Warehouse/Sign Shop inventory – Two employees have access to all areas of the inventory system.

Cause – Policies and procedures have not been implemented to ensure that employees only have access to the inventory system functions that are necessary for their normal job duties.

Effect – Inadequate segregation of duties could adversely affect the Department’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Department should review their operating procedures to obtain the maximum internal control possible under the circumstances.

Response – This finding was included in the Department’s prior year audit. The Department indicated in the prior audit that a new inventory system was in the process of being implemented and the controls issue would be addressed using the new system’s functionality.

The new inventory system is now in production and the updated segregation of duty controls have been implemented.

Conclusion – Response accepted.

(3) Capital Asset Deletions

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all capital assets, including asset deletions, by maintaining appropriate accounting records and ensuring the records are reviewed by an independent person.

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. Activity for capital assets is reported in the GAAP package, including additions and deletions of capital assets.

Condition – One of the twenty capital asset deletions tested was mistakenly recorded as a deletion when the asset was still in use. This was subsequently corrected.

Cause – Policies and procedures have not been developed to ensure that capital asset activity is accurately reported in the Department’s GAAP package.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2024

Effect – The Department’s capital asset deletions may not be accurately reported.

Recommendation – The Department should develop procedures to ensure all capital asset deletions are accurately reported.

Response – The Department has an annual asset observation process in place where all capital equipment is observed by the employee in charge of the equipment. Many pieces of department equipment are moved during daily business activity to conduct department operations.

After consultation with the auditor the Department believes that the design of the controls and procedures in place are appropriate and that this finding was caused by a human error. The Department will continue to take appropriate actions to ensure accurate reporting of capital assets are completed and will aim to reduce human error to the greatest extent possible.

Conclusion – Response accepted.

(4) Leases

Criteria – The Department has leased various buildings for office space and storage, as well as leases for certain office equipment. The Department is required to create and submit an annual GAAP Package each year to the Iowa Department of Administrative Services, GAAP Team, to assist in the creation of the State’s ACFR. The Department is required to report in the GAAP package leases the Department is involved in as the lessor or the lessee as of the end of the fiscal year.

Condition – We noted the following conditions:

- For three of the Department’s building leases, the incorrect interest rate was used to calculate the assets, liabilities, and amortization. As a result of incorrect interest rates being used, right-to-use leased assets were overstated by \$131,819, lease liabilities were overstated by \$83,080, and accumulated amortization is overstated by \$3,759. These misstatements were subsequently corrected by the Department.
- The Department reported on their GAAP Package two building leases that had ended during fiscal year 2024. As a result, right-to-use leased assets were overstated by \$69,419, lease liabilities were overstated by \$847, and accumulated amortization is overstated by \$69,684. These misstatements were subsequently corrected by the Department.
- For one office equipment lease, the Department used the incorrect end date for the lease to calculate the right-to-use leased asset, the lease liability and the amortization. As a result, right-to-use leased assets were overstated by \$36,301, lease liabilities were overstated by \$37,463, and accumulated amortization was understated by \$579. These misstatements were not corrected by the Department.
- There was one lease for office equipment that the Department entered into during the fiscal year that was not reported on the GAAP Package. As a result, right-to-use leased assets were overstated by \$172,062, lease liabilities were understated by \$290,912, and accumulated amortization was overstated by \$400,779. These misstatements were not corrected by the Department.

Cause – Policies and procedures have not been developed to ensure that leases entered into by the Department are being accurately reported in the Department’s GAAP package.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2024

Effect – The Department’s leases may not be accurately reported.

Recommendation – The Department should implement procedures to ensure leases are accurately reported on the GAAP Package.

Response – The Department agrees. The Department’s financial activity was accurately reported to the GAAP team prior to publication of the ACFR. The Department will work to implement a more effective review.

Conclusion – Response accepted.

(5) Sick Leave Insurance Program (SLIP) Liability

Criteria – The Department participates in the Sick Leave Insurance Program (SLIP) that the State of Iowa offers to its employees. The Department is required to create and submit an annual GAAP Package each year to the Iowa Department of Administrative Services, GAAP Team, to assist in the creation of the State’s ACFR. The Department is required to disclose the liability for the Department related to the Sick Leave Insurance Program.

Condition – The SLIP liability reported on the GAAP Package for the fiscal year ended June 30, 2024 was understated by \$170,378. This misstatement was not corrected by the Department.

Cause – Policies and procedures have not been developed to ensure that the SLIP liability is accurately reported in the Department’s GAAP package.

Effect – The Department’s SLIP liability may not be accurately reported.

Recommendation – The Department should implement procedures to ensure liabilities related to the Sick Leave Insurance Program (SLIP) are accurately reported on the GAAP Package.

Response – The Department agrees with the finding. This condition was caused by a filter on a report. The Department has discussed with the employee and will verify as part of our GAAP review.

Conclusion – Response accepted.

(6) Schedule of Expenditure of Federal Awards (SEFA)

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.

The Department prepares a Schedule of Expenditure of Federal Awards (SEFA) for each fiscal year. The SEFA is submitted to the Office of Auditor of State each year.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2024

Condition – The following conditions were noted:

- The Department reported \$25,578,935 in expenditures passed through to subrecipients for Assistance Listing (AL)# 21.027, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, even though the expenditures fell under the revenue replacement expenditure category for AL# 21.027, which means they should not have been shown as expenditures passed through to subrecipients. This was subsequently corrected.
- Expenditures reported for AL# 21.027 were understated by \$6,319,421. This was subsequently corrected.
- The amount reported as passed through to subrecipients for AL# 20.205, Highway Planning and Construction (COVID-19), was overstated by \$9,372,056. This was subsequently corrected.
- One project for AL# 97.036, Disaster Grants – Public Assistance (Presidentially Declared Disasters), was incorrectly not included in the SEFA. This resulted in an understatement of \$848,624. This was subsequently corrected.

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

Effect – The amounts reported were misstated and required adjustments to the SEFA.

Recommendation – The Department should implement effective policies and procedures to ensure that all financial reporting is accurate.

Response – The Department had a different interpretation on the appropriate accounting treatment of the pass-through funds going to another State entity than the interpretation of the auditor. As a result, the internal department review processes in place did not identify this as an issue.

Upon consultation with the auditor the Department will incorporate the auditor’s interpretation and recommendations moving forward.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

No matters were reported.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2024

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Deputy
Tiffany M. Ainger, CPA, Manager
Brett S. Gillen, CPA, Senior Auditor II

Other individuals who participated in the audits include:

Tristan J. Swiggum, Senior Auditor
Nathan A. DeWit, Staff Auditor
Nolan R. Larsen, Staff Auditor
Hunter W. Penton, Staff Auditor
Christopher L. Poague, Staff Auditor
Stella F. Tsai, Staff Auditor
Amila Tursunovic, Staff Auditor