



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

December 22, 2025

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

The Iowa Department of Revenue collects taxes and fees imposed by the General Assembly, enforces state revenue statutes to assure taxpayer compliance and apportions revenue collections for distribution to various state funds and local governments.

AUDIT FINDINGS:

Sand reported two findings pertaining to the Iowa Department of Revenue. The findings are on pages 4 through 7 of this report. Sand recommended the Department document their procedures, processes and controls over the various aspects of the ESA program and provide documentation to the Auditor of State's Office. The Department should also develop and adhere to additional procedures to ensure accurate financial reporting.

Management of the Iowa Department of Revenue 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 exercise 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](#).

###

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

JUNE 30, 2024

Iowa Department of Revenue



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

Rob Sand
Auditor of State

December 19, 2025

To Mary Mosiman, Director
of the Iowa Department of Revenue:

I am pleased to submit to you the Report of Recommendations for the Iowa Department of Revenue for the year ended June 30, 2024. The report includes audit findings pertaining to the Department's internal control and compliance which resulted from the fiscal year 2024 audit. The report also includes data provided by Department Personnel related to individual income tax refunds.

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



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

December 19, 2025

To Mary Mosiman, Director
of the Iowa Department of Revenue:

The Iowa Department of Revenue 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) for the year ended June 30, 2024.

In addition to this report, we also prepare a separate report of recommendations pertaining to each Department's internal control, compliance with statutory requirements and other matters when our audits disclose findings we believe should be brought to your attention.

In conducting our audits, we became aware of 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 includes findings pertaining to the Department's internal control which resulted from the fiscal year 2024 audit. 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 Revenue's responses and, accordingly, we express no opinion on them.

We have included certain unaudited financial and other information on page 9 and 10 of this report to report information related to individual income tax refunds for the three calendar years ended December 31, 2024 and to report taxes owed but unpaid to the Iowa Department of Revenue at the end of fiscal year 2024.

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 Revenue, citizens of the State of Iowa and other parties to whom the Iowa Department of Revenue 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 audit. Should you have any 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 Iowa Department of Revenue are listed on page 8 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 Report on Internal Control:

(1) Controls over Eligibility

Criteria – Chapter 257.11B.2(a) provides for the school budget year beginning July 1, 2023, pupils who attend a nonpublic school for that school budget year shall be eligible to receive an education savings account if they are eligible to enroll in grades one through twelve and were enrolled in a nonpublic school year immediately preceding the school year for which the education savings account payment is requested if the pupil’s household has an annual income less than or equal to three hundred percent of the most recently revised poverty income guidelines published by the United States Department of Health and Human Services.

The contract with Odyssey states “Contractor shall coordinate with the Iowa Department of Revenue for joint application development and/or integrations as appropriate for the purposes of income verification and program eligibility.”

Condition – The Iowa Department of Revenue did not provide documentation on how they coordinated with Odyssey for income verification and program eligibility. Therefore, we were unable to determine whether there was a system of controls over income verification and program eligibility.

Cause – The Iowa Department of Revenue initially responded to inquiries stating that on face value it wasn’t relevant to the ACFR. Further inquiries with the Department did not receive a response.

Effect – Inadequate controls could affect the Department’s ability to prevent or detect and correct misstatements, errors or misappropriation in the ESA program on a timely basis by employees in the normal course of performing their assigned functions. Pupils whose households did not meet the income guidelines could have received education savings accounts.

Recommendation – The Department should provide documentation to the Office of Auditor of State on how income verification and program eligibility was determined and documented and how they coordinated with Odyssey in compliance with the Contractor agreement.

Response – The Department disagrees with the Office of the Auditor of State (“AOS”) in its determination of criteria, condition, cause, effect, and recommendation. The documentation sought in this matter related to the Education Savings Accounts (“ESA”) program is beyond the scope of the engagement letter for the Annual Comprehensive Financial Report (“ACFR”). The Department, including the Department of Management and other state agencies, have repeatedly advised the AOS that unrelated program information sought under the guise of the ACFR requires a separate engagement letter pursuant to Iowa law.

AOS attempted to use the ACFR to request information outside of the ACFR on the ESA program (i.e., documentation on how the Department coordinated with Odyssey for income verification and program eligibility). The information sought by AOS is, however, obtainable simply by sending an engagement letter to the Department for the ESA program. Iowa Code section 11.3 provides that an “examination commences when the period of professional engagement begins pursuant to the government auditing standards prescribed by the comptroller general of the United States and published by the United States government accountability office or as specified in Code of Federal Regulations, Title 2, Part 200.”

Report of Recommendations to the Iowa Department of Revenue

June 30, 2024

The comptroller general of the United States has consistently recognized the importance of engagement letters. They are a written agreement that document the objectives and scope, roles and responsibilities of both management and the auditor, and detail other matters of the engagement. Rather than submitting an engagement letter, the AOS decided to issue a finding on the Department's ACFR for the lack of production of documents related to the ESA program, and erroneously imply that there could be a lack of internal controls. To be clear, the ESA program does not lack adequate controls. This approach by the AOS is disingenuous and improper.

A more concerning issue, however, is the glaring conflict of interest and extreme bias that Auditor Sand has regarding the ESA program. The Generally Accepted Government Audit Standards ("GAGAS") 3.30 instructs auditors to evaluate their own independence for bias threats and self-interest threats. A bias threat is when an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective. A self-interest threat is when an auditor has a financial or other interest that will inappropriately influence the auditor's judgment or behavior. Examples of circumstances that create bias threats for an auditor include when there are preconceptions about the objectives of a program under the audit that are strong enough to affect the auditor's objectivity. See, e.g., GAGAS 3.40.

Auditors should be, but are not always, apolitical. Auditor Sand not only has a preconception about the ESA program, but he has spoken at length about the program, campaigned against the program, and even encouraged others to challenge the program.

There have been dozens of posts by Auditor Sand on social media attacking ESAs. For example, Auditor Sand has said:

- "The vouchers plan would give YOUR money to the wealthy" (1/15/2023)
- "vouchers as a path to ending public education" (12/28/2022)
- "Vouchers supporters want to skip checks and balances and avoid an actual cost assessment of vouchers. Tell them how bad it is" (1/12/2023)
- "Giving Iowa's private schools roughly \$1,000,000,000.00 over the next few years is not the right priority" (2/10/2023)
- "the vouchers bill had 0 rules for how private schools spend your \$" (4/13/2024)
- "Iowa taxpayers gave \$84 million from public schools to people who could already afford private school" (1/27/2024)
- "Call them vouchers, call them ESA, whatever – just don't expect them to be successful" (8/20/2023)

It is unfortunate that Auditor Sand does not want the ESA program to be successful. These hyperbolic and overly politicized comments from Auditor Sand evidence a lack of impartiality and objectivity regarding the ESA program.

GAGAS discusses independence in paragraph 3.19. That provision states, "Auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that auditors and audit organization are not independent and thus not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work."

Report of Recommendations to the Iowa Department of Revenue

June 30, 2024

The Department is aware of the rights, duties, and responsibilities of Auditor Sand as prescribed by Iowa Code Chapter 11. The Department reaffirms its opposition to Auditor Sand's determination of criteria, condition, cause, effect, and recommendation in the ACFR. The ESA program has adequate controls. The detailed information sought regarding the ESA program is outside the scope of the ACFR and requires a separate engagement letter to audit (by an unbiased auditor).

Conclusion – The ESA program spent approximately \$104,000,000 during the year ended June 30, 2024. Under auditing standards generally accepted in the United States of America (GAAS) planning materiality is required on all engagements. The ESA program is considered a material class of transactions for the State's Annual Comprehensive Financial Report (ACFR). Under GAAS the auditor is obligated to audit the program included in the ACFR which also includes documenting proper internal controls over taxpayer funding. U.S. Auditing Standards – AICPA (Clarified) AU-C 300.07 states "The auditor should establish an overall audit strategy that sets the scope, timing, and direction of the audit and that guides the development of the audit plan." This means that the scope of the engagement is determined by the auditor, not the auditee. Therefore, the engagement letter signed for the ACFR by the Iowa Department of Administrative Services and the Iowa Department of Management encompasses this program. As previously stated, AU-C 315 requires the auditor to perform risk assessment procedures to obtain an understanding of the components of the Department's system of internal control. Income verification and program eligibility for the year ended June 30, 2024 was required by Chapter 257.11B.2(a) of the Code of Iowa, therefore documentation of controls over income verification and program eligibility are within the scope of the ACFR and should have been provided.

(2) 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.

Condition – The Department understated amounts reported on the GAAP package for Subscription-Based Information Technology Arrangements (SBITA). The SBITA assets were understated by \$36,117,998 and current year amortization was overstated by \$1,001,557. These amounts were properly adjusted for reporting purposes.

Cause – A portion of one of the contracts qualifying as SBITA was excluded from the GAAP package. Although policies and procedures are in place to review GAAP package information, the review did not identify the misstatements.

Effect – The amounts reported for SBITA were misstated.

Report of Recommendations to the Iowa Department of Revenue

June 30, 2024

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

Response – The expense was classified as an intangible asset in previous fiscal years. The Department agrees with the GAAP Team that it should be classified as a SBITA asset and will do so for future reports.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

No material weaknesses in internal control over financial reporting were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were reported.

Report of Recommendations to the Iowa Department of Revenue

June 30, 2024

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Deputy
Alexander N. Kawamura, CPA, Manager
Luke M. Bormann, CPA, Senior Auditor II

Other individuals who participated in the audits include:

Erin J. Sietstra, Senior Auditor II
Matthew W. Beerman, Staff Auditor
Aria G. Puetsch, Staff Auditor
Jennifer H. Wagner, Staff Auditor

Iowa Department of Revenue
 Individual Income Tax Refund Data
 (Unaudited)

Calendar year ended December 31, 2024
 with comparative information for the two preceding years

Calendar Year	Method of Return Filing	Count of Refunds	Total Refunds Issued	Average Refund Issued	Average Days between Return Receipt and Refund Issuance
2024	Electronic	983,359	\$ 914,683,392	\$ 930.16	27.58
2024	Paper	43,160	53,467,009	1,238.81	61.76
2023	Electronic	934,476	\$ 884,502,545	946.52	27.68
2023	Paper	50,153	54,466,211	1,086.00	51.92
2022	Electronic	886,650	\$ 701,267,405	790.92	28.57
2022	Paper	57,626	106,568,182	1,849.31	45.59

Iowa Department of Revenue

Tax Receivable

(Unaudited)

June 30, 2024

<u>Tax Type</u>	<u>Number of Accounts</u>	<u>Unpaid Tax as of 6/30/24</u>
Individual Income	92,104	\$ 399,991,619
Withholding	6,948	46,925,513
Fiduciary	768	15,471,849
Corporation Income	2,322	195,038,207
S Corporation Income	601	10,074,794
Partnership Income	429	12,463,843
Composite	1,493	15,080,032
Franchise	43	18,467,636
Retail Sales	13,439	596,694,095
Retail Use	1,724	117,684,756
Consumer Use	600	19,742,280
Motor Vehicle Use	327	789,183
Motor Fuel	33	1,473,591
Cigarette/Tobacco	32	269,096
Inheritance	117	2,651,049
Drug Tax	223	28,359,960
HHM	9	225
Elderly Credit	18	13,886
Water Service Excise	30	2,169,955
Refund Claim	3	2,077
Total	<u>121,263</u>	<u>\$ 1,483,363,646</u>