



## OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834  
[www.auditor.iowa.gov](http://www.auditor.iowa.gov)

Rob Sand  
Auditor of State

### NEWS RELEASE

**FOR RELEASE:** June 9, 2026

Contact: Brian Brustkern – (515) 281-5834

Auditor of State Rob Sand today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2025.

The Iowa Department of Workforce Development is comprised of eight divisions: Administrative Services, Information Technology Services, Unemployment Insurance, Business Engagement, Workforce Services, Labor Market Information, Disability Determination Services 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 fourteen findings related to the Department. The findings are on pages 3 through 20 of this report. Sand recommended that the Department, comply with established policies and procedures to ensure reports are reviewed and submitted timely, establish policies and procedures to ensure matches are resolved timely to identify ineligible claims, monthly reporting variances are reviewed and resolved, review transaction coding properly, ensure compliance with Uniform Guidance requirements for subaward documents, reconciliations are independently reviewed and is in compliance with Code of Iowa.

Eleven 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 audit 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 WORKFORCE DEVELOPMENT**

**JUNE 30, 2025**

**Iowa Department of Workforce Development**



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Rob Sand  
Auditor of State

June 5, 2026

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, 2025. 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 2025 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 that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

**Iowa Department of Workforce Development**



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Rob Sand  
Auditor of State

June 5, 2026

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, 2025.

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 21 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

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

**Department of Labor**

**INSTANCES OF NONCOMPLIANCE:**

**ALN: 17.225 – Unemployment Insurance**

**ALN: 17.225 – COVID-19, Unemployment Insurance**

**Agency Number: REEDMOD09, UT000027UW0, UT0000534J0, UI34715C10, UI34715CA0, UI34715MV0, UI38399MO0, UR000055YU0, UR000038SU1, UR000055YU1, UD000040UQ0, UD000040UE0, UI34715KD0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UB000011SB0, UB000099SB0, UI37223PU0, UI39322OB0, UI000034YT0, UI0000816G0, UI39322OB1, UI000034YT1, UB00003SB0, UI34715C80**

**Federal Award Year: 2025**

**Prior Year Single Audit Report Finding Number: N/A  
Iowa Department of Workforce Development**

**2025-001**

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, “Unemployment Insurance (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.

Condition – Three out of twelve monthly reports were submitted between five and twenty-two days late.

Cause – Department procedures have not been followed to ensure reports are submitted timely.

Effect – The Department was not in compliance with UI Reports Handbook No. 401 for timely submittal.

Recommendation – The Department should follow policies and procedures to ensure the monthly reports are submitted timely.

Report of Recommendations to the Iowa Department of Workforce Development

Year ended June 30, 2025

Response and Corrective Action Planned – Iowa Workforce Development (IWD) maintains a centralized tracker for all Employment and Training Administration (ETA) reports to monitor deadlines and support timely submission. The tracker is maintained in Microsoft Teams under Unemployment Insurance – ETA Reports, and the assigned reviewer follows up with report preparers to allow time for review prior to submission. The ETA tracker was implemented in response to the state fiscal year 2024 single audit, to strengthen the internal monitoring and oversight processes.

Conclusion – Response accepted.

**ALN: 17.225 – Unemployment Insurance**

**ALN: 17.225 – COVID-19, Unemployment Insurance**

**Agency Number: REEDMOD09, UT000027UW0, UT0000534J0, UI34715CI0, UI34715CA0, UI34715MV0, UI38399MO0, UR000055YU0, UR000038SU1, UR000055YU1, UD000040UQ0, UD000040UE0, UI34715KD0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UB000011SB0, UB000099SB0, UI37223PU0, UI39322OB0, UI000034YT0, UI0000816G0, UI39322OB1, UI000034YT1, UB00003SB0, UI34715C80**

**Federal Award Year: 2025**

**Prior Year Single Audit Report Finding Number: N/A**

**Iowa Department of Workforce Development**

**2025-002**

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, regulations and the terms of the federal award. The ETA 191 report, “Statement of Expenditures and Financial Adjustments of Federal Funds for Unemployment Compensation for Federal Employees and Ex-service members”, is the quarterly summary of unemployment compensation expenditures and adjustments and the total amount of benefits paid to claimants of each federal and military agency. UI Reports Handbook No. 401 requires the report to be submitted electronically to the Employment and Training Administration of the U.S. Department of Labor by the 25<sup>th</sup> of the month following the close of the quarter.

Condition – One of the four quarterly reports was submitted twenty days late.

Cause – The Modernized UI System was not equipped with a proper reporting feature upon implementation in June 2025. Therefore, required USDOL reports were not able to be created for submission until this was addressed.

Effect – The Department was not in compliance with the UI Reports Handbook No. 401 reporting deadline.

Recommendation – The Department should follow policies and procedures to ensure reports are submitted timely in accordance with the unemployment insurance Reports Handbook.

Report of Recommendations to the Iowa Department of Workforce Development

Year ended June 30, 2025

Response and Corrective Action Planned – IWD acknowledges that one report was not submitted timely, due to system limitations that occurred during the implementation of the Modernized UI system, where this data is received from. Once this report was created, it was submitted to USDOL and has been submitted timely then after.

Conclusion – Response accepted.

**ALN: 17.225 – Unemployment Insurance**

**ALN: 17.225 – COVID-19, Unemployment Insurance**

**Agency Number: REEDMOD09, UT000027UW0, UT0000534J0, UI34715C10, UI34715CA0, UI34715MV0, UI38399MO0, UR000055YU0, UR000038SU1, UR000055YU1, UD000040UQ0, UD000040UE0, UI34715KD0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UB000011SB0, UB000099SB0, UI37223PU0, UI39322OB0, UI000034YT0, UI0000816G0, UI39322OB1, UI000034YT1, UB00003SB0, UI34715C80**

**Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024, 2025**

**Prior Year Single Audit Report Finding Number: 2024-006**

**Iowa Department of Workforce Development**

**2025-003**

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 – Two of four quarterly reports were submitted between one and 190 days late. Although the report was prepared on time, it remained in “Save” instead of being submitted, causing a 190-day delay unnoticed until the audit.

Cause – Department procedures have not been followed to ensure reports are submitted timely.

Effect – The Department was not in compliance with the UI Reports Handbook No. 336.

Recommendation – The Department should follow policies and procedures to ensure reports are submitted timely in accordance with the UI Reports Handbook.

Response and Corrective Action Planned – The Department has created a quarterly reminder and assigned this task to multiple staff members in order to ensure timely submittal.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

Year ended June 30, 2025

**ALN: WIOA Cluster**

**Agency Number: AT000102VX0, AT000102400, AW000068VZ0, AW0000684W0,  
AY000088WB0**

**Federal Award Year: 2025**

**Prior Year Single Audit Report Finding Number: 2024-009**

**Iowa Department of Workforce Development**

**2025-004**

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 – Of the five reports tested, all five reports were submitted late by 123 days, and two subaward amounts were understated by \$100,297, for subawards submitted to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) or SAM.gov during the fiscal year ended June 30, 2025, as follows:

Transactions Tested	Subawards not reported	Report not Timely	Subaward Amount Incorrect	Subaward missing key elements
5	0	5	2	0
Dollar Amount of Tested Transactions	Subawards not reported	Report not Timely	Subaward Amount Incorrect	Subaward missing key elements
\$9,157,125	\$0	\$9,157,125	\$100,297	\$0

Cause – The Department has not established policies and procedures to ensure support of timely and correct submission for subawards reported to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) or SAM.gov.

Effect – The Department was not in compliance with the Federal Funding Accountability and Transparency Act, as required by 2 CFR Part 170 Appendix A.

Recommendation – The Department should establish policies and procedures to ensure the timely and correct submission for subawards reported to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) or SAM.gov. Policies and procedures should ensure the report 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.

Report of Recommendations to the Iowa Department of Workforce Development

Year ended June 30, 2025

Response and Corrective Action Planned – The Department agrees with the finding. During the fiscal year ended June 30, 2025, certain subaward reports submitted to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) were not filed within the required timeframe and two subaward amounts were reported inaccurately. The delays and reporting discrepancies occurred due to the absence of formally documented internal procedures governing the timing, preparation, and review of FFATA subaward reporting. The Department has taken steps to strengthen internal controls over FFATA reporting. Policies and procedures are being established to clearly define responsibilities, required timelines, and documentation standards for reporting first-tier subawards of \$30,000 or more in accordance with 2 CFR Part 170. These procedures will require that subaward information be prepared and submitted no later than the end of the month following the month in which the subaward is issued.

Conclusion – Response accepted.

**INTERNAL CONTROL DEFICIENCIES**

**ALN: 17.225 – Unemployment Insurance**

**ALN: 17.225 – COVID-19, Unemployment Insurance**

**Agency Number: REEDMOD09, UT000027UW0, UT0000534J0, UI34715C10, UI34715CA0, UI34715MV0, UI38399MO0, UR000055YU0, UR000038SU1, UR000055YU1, UD000040UQ0, UD000040UE0, UI34715KD0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UB000011SB0, UB000099SB0, UI37223PU0, UI39322OB0, UI000034YT0, UI0000816G0, UI39322OB1, UI000034YT1, UB00003SB0, UI34715C80**

**Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024, 2025**

**Prior Year Single Audit Report Finding Number: 2024-002**

**Iowa Department of Workforce Development**

**2025-005**

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

Year ended June 30, 2025

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 2024, 1 of 25 discrepancies were not resolved within the 180-day period, as required. For the secure file received in October 2023, 6 of 35 discrepancies were not resolved within the 180-day period, as required, and an additional 29 of 35 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 – Field auditors continue to prioritize the newest received 940 certification files to ensure compliance with the 180-day processing requirement. Once the most recent files have been completed and returned to the IRS, auditors proceed with older certification files as time and workload capacity permit.

The Field Audit unit continues to experience ongoing staff turnover and persistent job vacancies. These staffing dynamics may affect processing timelines and overall workload distribution. Leadership will continue monitoring staffing levels and operational impacts to ensure continuity of service.

To support accurate and consistent processing, Field Auditors will be reviewing 940 certifications as part of in-person refresher training in April 2026. This training is intended to reinforce procedures, address common challenges, and promote uniform application of standards across the team.

Conclusion – Responses accepted.

Year ended June 30, 2025

**ALN: 17.225 – Unemployment Insurance**

**ALN: 17.225 – COVID-19, Unemployment Insurance**

**Agency Number:** REEDMOD09, UT000027UW0, UT0000534J0, UI34715C10, UI34715CA0, UI34715MV0, UI38399M00, UR000055YU0, UR000038SU1, UR000055YU1, UD000040UQ0, UD000040UE0, UI34715KD0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UB000011SB0, UB000099SB0, UI37223PU0, UI39322OB0, UI000034YT0, UI0000816G0, UI39322OB1, UI000034YT1, UB00003SB0, UI34715C80

**Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024, 2025**

**Prior Year Single Audit Report Finding Number: 2024-003**

**Iowa Department of Workforce Development**

**2025-006**

Cash Management Improvement System

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.

Condition – A review of the Department’s records identified cash balances averaged approximately \$29.3 million and were greater than a significant amount of approximately \$8.3 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 had not communicated with Federal USDOL on the return of 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 has reviewed historical reports of expenditures and revenues for Covid-period UI programs to determine status of current cash balances held. The Agency has submitted a reconciliation to USDOL which would be the initial review necessary in order to return any excess funds. IWD anticipates this return to occur prior to June 30, 2026.

Conclusion – Response accepted.

Year ended June 30, 2025

**ALN: 17.225 – Unemployment Insurance**

**ALN: 17.225 – COVID-19, Unemployment Insurance**

**Agency Number:** REEDMOD09, UT000027UW0, UT0000534J0, UI34715C10, UI34715CA0, UI34715MV0, UI38399MO0, UR000055YU0, UR000038SU1, UR000055YU1, UD000040UQ0, UD000040UE0, UI34715KD0, UD000039UQ0, UD000039UW0, UD000044UQ0, UD000044UE0, UB000011SB0, UB000099SB0, UI37223PU0, UI39322OB0, UI000034YT0, UI0000816G0, UI39322OB1, UI000034YT1, UB00003SB0, UI34715C80

**Federal Award Year: 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025**

**Prior Year Single Audit Report Finding Number: 2024-005**

**Iowa Department of Workforce Development**

**2025-007**

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.

Condition – The Unemployment Trust clearing account general ledger had significant unexplained variances when compared to supporting documentation. Monthly 8401 and 2112 reports had significant variances between each other due to the Department pulling support from two different places and supporting documents not being updated timely. The October 2024, and April 2025, 2112 reports understated the Benefit Payment Account beginning balances by \$5,909,602 and \$844,599, and ending balances by \$3,947,539 and \$2,574,371, respectively.

Cause – The Department utilizes an external accounting system for the processing of Unemployment Insurance 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.

Report of Recommendations to the Iowa Department of Workforce Development

Year ended June 30, 2025

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.

Response and Corrective Action Planned – The Department acknowledges the variances identified in the reconciliation between the Unemployment Insurance (UI) benefit claimant system and the State’s accounting system, Iowa Advantage. The Department utilizes an external benefit payment system to process UI claims, which then transmits payment information to Iowa Advantage for financial processing. Due to differences in timing and the use of multiple reporting sources, variances may occur during the reconciliation process. The Department performs reconciliations between the benefit claimant system and Iowa Advantage to validate the accuracy of benefit payments recorded for financial reporting. As noted in the finding, certain variances remained unresolved at the time the ETA 2112 reports were prepared. Since implementation of the new UI system, the Department has strengthened its reconciliation procedures and established a more formalized process to reconcile balances between the UI benefit payment system and Iowa Advantage and to identify and resolve variances in a more timely manner. The Department will continue refining these processes to ensure supporting documentation aligns with ETA reporting requirements and that any necessary adjustments are addressed promptly.

Conclusion – Response accepted.

**ALN: WIOA Cluster**

**Agency Number: AT000102VX0, AT000102400, AW000068VZ0, AW0000684W0,  
AY000088WBO**

**Federal Award Year: 2019, 2020, 2021, 2022, 2023, 2024, 2025**

**Prior Year Single Audit Report Finding Number: 2024-001**

**Iowa Department of Workforce Development**

**2025-008**

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 allocations for the Workforce Innovation and Opportunity Act (WIOA) object code for intrastate adjustments did not net to zero, resulting in a \$400,825 balance at the end of fiscal year 2025.

Report of Recommendations to the Iowa Department of Workforce Development

Year ended June 30, 2025

Cause – The Department has encountered significant staff turnover in recent years. Employees did not receive adequate training on State of Iowa's object coding system.

Effect – Allocable costs could be charged to the incorrect object code, resulting in allocating costs incorrectly to all programs, including federal programs.

Recommendation – The Department should follow policies and procedures and review the State of Iowa's coding processes.

Response and Corrective Action Planned – The cost accountant will work with Budget Analysts to allocate all costs according to state policies and ensure the allocation is reconciled timely.

Conclusion – Response accepted.

Year ended June 30, 2025

**Other Findings Related to the Department's Single Audit**

**Department of Education**

**INTERNAL CONTROL DEFICIENCIES**

**ALN: 84.126 Rehabilitation Services Vocational Rehabilitation Grants to States**

**Federal Award Year: 2024, 2025**

**Prior Year Single Audit Report Finding Number: 2024-018**

**Iowa Department of Workforce Development**

**2025-009 – Follow up-001**

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 – Four out of four quarterly reports did not have evidence of independent review.

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 will update the RSA-911 Internal Control to identify a separation of duties with the Data Analyst designated as the individual responsible for preparing the quarterly RSA-911 for submission and the Quality Improvement Manager acting as the reviewer. Upon review and approval by the Quality Improvement Manager, the Data Analyst submits the report to the Rehabilitation Services Administration.

Conclusion – Response accepted.

Year ended June 30, 2025

**Findings Reported in the States's Report on Internal Control:**

(A) 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, 2025, \$137,234 of \$20,283,135 of contributions, \$166,836 of \$9,528,200 of interest and \$15,182 of \$3,171,814 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.

Response – The UI Modernization project went live in the first week of June 2025. At fiscal year-end, several financial and aging reports in the new system were not yet fully available, while reports from the legacy system were no longer valid because it was no longer the system of record as of June 30. This created a temporary gap in IWD's ability to independently validate certain aging criteria within the standard reporting workflow.

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During this period, IWD Finance worked with UI program management and the system vendor to identify interim reporting alternatives and validate data integrity. Since year-end, required reports have been brought online, and IWD Finance staff now have direct access to system-generated aging and non-collectible debt information. These reports are being incorporated into the standard GAAP review process, and documented review procedures are being implemented to ensure accounts exceeding policy thresholds are appropriately excluded from financial reporting.

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, 2025:

- (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 performed during the fiscal year. After year end, reconciliations were performed; however, they contained unexplained variances. There was no evidence of independent review or approval of the reconciliations.
- (d) The claimant system reports did not accurately match the system used to account for payments to and from other states.
- (e) Duplicate payments received from other states totaling \$6,693 were not being processed for refund.

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 2025 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.

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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.

Response – The Department acknowledges that the control environment surrounding these ledgers and reconciliations was significantly strained during state fiscal year 2025 due to a combination of extended staffing disruptions and the implementation of the UI Modernization system in mid June 2025 with no financial reporting capabilities until November 2025. The transition required parallel system support while legacy reports became obsolete, and replacement reports were not yet fully operational.

During the GAAP reporting and audit process, IWD worked closely with DAS-SAE and the Auditor’s Office to reconstruct activity, validate balances, and establish a sustainable framework for future periods. Since year-end, IWD Finance has re-established these ledgers, implemented a monthly close calendar, and assigned ownership for preparation and independent review. These reconciliations are now being performed on a routine basis and retained as audit support.

Conclusion – Response accepted.

(B) 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.

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Response – Beginning in fiscal year 2026, this process has been updated to be governed by written procedures that require documentation of the variance and resolution, retention of supporting correspondence, and independent supervisory review evidenced by signature and date.

Conclusion – Response accepted.

(C) 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 following conditions were noted for the Unemployment Insurance Trust Fund:

- (a) The Department overstated interest and penalty on accounts receivable and understated the allowance for interest and penalty receivable by \$6,002,183 and \$3,707,476, respectively. These were properly adjusted for reporting purposes.
- (b) The Department understated taxes receivable and the allowance for taxes receivable by \$180,733 and \$67,759,224, respectively. These were properly adjusted for reporting purposes.
- (c) The Department overstated combined wage claims benefits receivable by \$2,577,519. This was properly adjusted for reporting purposes.
- (d) The Department overstated federal benefit reimbursable receivable for benefits paid by \$2,575,910. This was properly adjusted for reporting purposes.
- (e) The Department overstated federal benefits paid/funds to be drawn by \$5,053,352. This was properly adjusted for reporting purposes.
- (f) The Department understated state unemployment insurance benefits payable by \$1,066,582. This was properly adjusted for reporting purposes.
- (g) The Department overstated federal benefit overpayments payable back to the Department of Labor by \$22,726,243. This was properly adjusted for reporting purposes.
- (h) The Department overstated revenue corrections and overstated unearned revenues by \$18,309,608 and \$2,590,024, respectively. These were properly adjusted for reporting purposes.
- (i) The Department understated interest income by \$14,760,110 due to errors made in the previous fiscal year when recording interest income. This was properly adjusted for reporting purposes.

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The following conditions were noted for the General Fund:

- (a) The Department overstated the net lease asset by \$869,172 and overstated the lease liability by \$829,764. These were not adjusted for reporting purposes.
- (b) The Department overstated revenue corrections by \$2,905,146. 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 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 UI Modernization project went live in the first week of June 2025. At fiscal year-end, several core financial reports in the new system were not yet fully available, while reports from the legacy system were no longer valid because it was no longer the system of record. This required IWD Finance to rely on transitional data sources and manual processes during GAAP preparation.

In response, IWD Finance worked with DAS-SAE and the Auditor's Office to identify reporting gaps, validate data sources, and redesign portions of the GAAP preparation and review process. Since year-end, required reports have been implemented in the new system, and Finance has established a layered review model that includes standardized GAAP workpapers, source report validation, and independent supervisory review prior to submission.

Conclusion – Response accepted.

Year ended June 30, 2025

**Other Findings Related to Internal Control:**

- (1) 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 are paid 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 amounts 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) Combined wage claims from other states contained duplicate payments from Maryland and Montana for \$1,692 and \$5,001 respectively. These were not processed for refunds until brought to the department's attention during the audit.

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 – IWD has been working with its external vendor to create reports that would allow the UI & Finance teams to appropriately reconcile these amounts with Treasury Direct.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements and Other Matters**

- (1) Targeted Small Businesses – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for the Department for fiscal year 2025 was not set at a level exceeding the fiscal year 2024 actual TSB spending.

Recommendation – The Department should ensure they establish a goal in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

Response – IWD has updated its internal procedures to create appropriate targets for this state statute requirement.

Conclusion – Response accepted.

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**Staff:**

Questions or requests for further assistance should be directed to:

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