OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834
www.auditor.iowa.gov

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE: August 20, 2026

Contact: Brian Brustkern – (515) 281-5834

Auditor of State Rob Sand today released an audit report on Iowa Utilities Commission (IUC) for the year ended June 30, 2025.

The Commission regulates the rates and services of investor-owned electric, natural gas, water, sanitary sewer, and storm water drainage public utilities and has specific regulatory authority over municipal electric and natural gas utilities and electric cooperatives (RECs). The IUC also has authority over the siting and construction of electric transmission lines, intrastate natural gas pipelines and hazardous liquid pipelines.

AUDIT FINDINGS:

Sand reported two findings pertaining to the Commission. The findings are on pages 3 and 4 of this report. Sand recommended the Commission review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and improve controls over the receipt process. The Commission's responses to the recommendations are included in the report.

Both of the findings discussed above are repeated from the prior year. Management of the Iowa Utilities Commission has a fiduciary responsibility to provide oversight of the Commission'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.

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REPORT OF RECOMMENDATIONS TO THE IOWA UTILITIES COMMISSION

JUNE 30, 2025

OFFICE OF AUDITOR OF STATE
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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

August 19, 2026

Iowa Utilities Commission
Des Moines, Iowa

To Sarah Martz, Iowa Utilities Commission, Chair

I am pleased to submit to you the Report of Recommendations for the Iowa Utilities Commission for the year ended June 30, 2025. The report includes audit findings, if any, pertaining to the Commission's internal control which resulted from the fiscal year 2025 audits.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Utilities Commission 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,

Rob Sand
Auditor of State

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0006

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August 19, 2026

To Sarah Martz, Iowa Utilities Commission, Chair:

The Iowa Utilities Commission is part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual 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 Commission'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 Commission's internal control. These recommendations have been discussed with Commission personnel and their responses to these recommendations are included in this report. While we have express our conclusions on the Commission's responses, we did not audit the Iowa Utilities Commission'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 Utilities Commission, citizens of the State of Iowa and other parties to whom the Iowa Utilities Commission may report. This report is not intended to be and should not be used by anyone other than these parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Commission during the course of the audits. 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 Commission are listed on page 5 and they are available to discuss these matters with you.

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 Reported in the State's Report on Internal Control:

No matters were reported.

Findings Reported in the State's Single Audit Report:

No matters were reported.

Other Findings Related to Internal Control:

(1) Segregation of Duties

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another.

Condition – Generally, one individual may have control over the collection, deposit preparation and the reconciliation of receivable records for which no compensating controls exist.

Cause – The Board does not have procedures in place to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties over receipts could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The Iowa Utilities Commission (IUC) promotes the segregation of duties, particularly as it pertains to payments received. The IUC only has the capacity to accept physical payments in the form of a check that is received in our office. Virtually all of those payments are received in the mail. Based on feedback received the IUC updated its processes in July 2025. All agency mail is opened by the Accounting Technician 3 and stamped with the date received and logs it onto a spreadsheet. The physical payments (checks) are then transferred to the Accountant, who prepares the deposit and enters into Iowa Advantage. The Accounting Technician 3 member that logs the payments does not enter the deposit into the Iowa Advantage system. Once the deposit has been posted in Iowa Advantage, the Accounting Technician 3 compares the amount received, enters each paid invoice, updates the Accounts Receivable (AR) Journal, and verifies that the individual invoice amounts match the total deposit in Iowa Advantage. On a monthly basis the accounting Technician 3 performs a reconciliation to verify that all deposits are posted to the AR Journal, and the Accountant or Manager of Accounting confirms these postings. No single individual handles more than one step at a time. Furthermore, in response to auditor recommendations to limit access to the AR Journal only three individuals have permission to make changes to it, the Accounting Technician 3, the Accountant, and the Manager of Accounting.

Conclusion – Response accepted.

(2) Receipt Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling amounts collected and recorded to the accounting system to amounts recorded in the receivables journal to ensure the accuracy of the receivable balances.

Condition – A reconciliation is performed between receipts collected and receipts posted, however, the reconciliation is not performed by an independent person.

Cause – Policies have not been established, and procedures have not been implemented to reconcile receipt deposits to the receivable journal to ensure the accuracy of the receivable balances.

Effect – Since reconciliations were not performed by an independent person, misstatements of receivables may not have been prevented or detected and corrected on a timely basis in the normal course of operation.

Recommendation – To improve controls over the receipt process, receipts posted in the receivables journal should be periodically reconciled to the deposits recorded in the Iowa Advantage system by an independent person.

Response – The IUC implemented a reconciliation practice on September 15, 2025, the beginning of the new fiscal year, where the accounts receivable journal is reconciled to Iowa Advantage by the Accounting Technician 3 on a monthly basis.

Each month, the Accounting Technician 3 reviews all payments posted to the AR Journal to the FR008 Report in Iowa Advantage and confirms that all deposits have been posted to each invoice. The IUC practices rigorous segregation of duties practices and once the reconciliation is completed, the Accounting Technician 3 provides the spreadsheet to the Accountant or the Manager of Accounting to review and verify that the amounts are correct. It is signed off by one of them stating it has been reviewed and confirmed correct.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Question or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Deputy
Alexander N. Kawamura, CPA, Manager
April R. Davenport, Senior Auditor

Other individuals who participated in the audits include:

Jason A. Weave, Staff Auditor