



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE: October 5, 2026

Contact: Brian Brustkern – (515) 281-5834

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

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 eight findings pertaining to the Department. The findings are on pages 3 through 10 of this report. Sand recommended the Department implement procedures to improve financial reporting of accounts receivable, accounts payable, construction and other significant commitments, subscription-based information technology arrangements, leases, inventory and the Schedule of Expenditures of Federal Awards. The Department's responses to the recommendations are included in the report.

Three 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 Reports – Auditor of State](#).

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

JUNE 30, 2025

Iowa Department of Transportation



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Rob Sand
Auditor of State

September 30, 2026

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, 2025. 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 2025 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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Rob Sand
Auditor of State

September 30, 2026

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 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 findings pertaining to the Department's internal control. 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 11, 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, 2025

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.

Condition – The following conditions were noted:

- (a) The Department understated accounts receivable by \$4,876,887. This was not adjusted for reporting purposes.
- (b) The Department understated accounts payable by \$538,224. This was properly adjusted for reporting purposes.
- (c) The Department overstated construction commitments by \$160,263,138. This was properly adjusted for reporting purposes.
- (d) The Department overstated Subscription-Based Information Technology Arrangements (SBITA) commitments by \$10,720,606. This was properly adjusted for reporting purposes.
- (e) The Department overstated other contractual commitments by \$1,885,754. This was properly adjusted for reporting purposes.
- (f) In addition, the Department used a point-in-time report to prepare the other contractual commitments amount reported in the GAAP package. The report included balances as of September 2025, not June 30, 2025. Auditor was unable to determine the amount of misstatement related to this issue due to the number of contracts held by DOT; therefore, no adjustment was made for reporting purposes.
- (g) The Department misstated amounts reported for Subscription-Based Information Technology Arrangements (SBITA). General Fund SBITA assets and accumulated amortization were overstated by \$2,338,578 and \$114,077, respectively. In addition, principal expense was overstated by \$114,246, interest expense was overstated by \$7,706 and the SBITA liability was overstated by \$2,224,332. These were properly adjusted for reporting purposes.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

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.

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

Response – In the instance of the receivable and payable understatements, the Department had accounting entries near fiscal year end that were incorrectly set to post to the following fiscal year. The result of this error would have been for the costs to be reflected in the following fiscal year. The issue has been reviewed with staff to more effectively identify these items moving forward.

In the case of construction, SBITA and other contractual commitments, the Department copies data from DOT accounting systems into a spreadsheet which is used to relay the information to the DAS State Accounting Enterprise. The Department's accounting systems accurately captured the information, but an error occurred while copying the data into the reporting spreadsheet which resulted in some prior year data being inadvertently reported. The result of the error was a \$157.4 million misstatement which was not identified during review. The team members involved in the data assembly understand how the issue occurred and know how to avoid it in the future. The error was subsequently corrected.

The Department revised its SBITA tracking processes to be an ongoing activity completed as the year progresses, instead of an end of year compilation in an effort to improve SBITA reporting accuracy moving forward.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

(2) Accounts Payable

Criteria – An effective internal control system provides for internal controls relating to ensuring expenditures are recorded in the fiscal year in which goods and services are received.

Condition – We noted three expenditures recorded in fiscal year 2025 that should have been recorded as payables in fiscal year 2024. This resulted in a total misstatement of \$203,860. This misstatement was not corrected by the Department.

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

Effect – Expenditures reported in fiscal year 2025 are overstated and expenditures reported in fiscal year 2024 were understated.

Recommendation – The Department should implement effective policies and procedures to ensure expenditures are reported in the correct fiscal year.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

Response – The Department concurs with this finding which was originally identified as part of the fiscal year 2024 audit. The Department took action at that time to train staff on the proper implementation of the fiscal year attribution during end of year period, but due to the timing of this issue being identified after an adjustment could be made, the error affected fiscal year 2025 without an opportunity to correct the issue.

The Department believes the steps taken at the time of the fiscal year 2024 finding were sufficient to address the cause of the error.

The Department wishes to emphasize that this issue impacted the data used for financial reporting, but did not impact accurate processing of payments.

Conclusion – Response accepted.

(3) Accounts Receivable

Criteria – An effective internal control system provides for internal controls related to ensuring revenues are recorded in the fiscal year in which goods and services are provided.

Condition – We noted the following conditions:

- Two revenues recorded in fiscal year 2025 that should have been recorded as receivables in fiscal year 2024. This resulted in a total misstatement of \$501,549. This misstatement was not corrected by the Department.
- The Department did not update the spreadsheet they use to record federal receivables on the GAAP Package. Federal receivables were misstated in the following ways: the primary road fund was understated by \$192,758, the farm-to-market fund was understated by \$184,687 and the Other Federal Funds-Cities, Counties Fund was overstated by \$346,489. These are all General Funds, so the net effect is an understatement of \$30,956.

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

Effect – Revenues reported in fiscal year 2025 are overstated and revenues reported in fiscal year 2024 were understated. Also, receivables reported on the GAAP Package were misstated.

Recommendation – The Department should implement effective policies and procedures to ensure revenues are reported in the correct fiscal year.

Response – The 2024 versus the 2025 issue was also the result of a finding identified in the prior year audit which the Department took steps to address at that time.

The Department recently modernized the software systems used to process construction payments and federal reimbursements. The result of this system change split data that had previously been contained in a single system to being located in multiple systems and the procedure for end of year reporting was not updated to reflect the change. During a similar timeframe a change in personnel assembling this information for year-end reporting occurred resulting in the oversight.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

The end of year procedures have been updated to reflect the new system structure, and the new staff is familiar with the new procedure needed to capture the information in full.

The Department wishes to emphasize that this issue impacted accurate data for end of year reporting but did not impact accurate collection of revenue.

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 two of the Department's building leases, additional expenditures were included in the calculation of account balances. As a result of these additional expenditures being included, right-to-use leased assets were overstated by \$110,171, lease liabilities were overstated by \$92,648 and accumulated amortization is overstated by \$18,090. These misstatements were not 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 \$7,427, lease liabilities were overstated by \$7,854, and accumulated amortization was overstated by \$31. 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.

Effect – The Department's financial activity may not be accurately reported.

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

Response – The Department incorrectly included CAM expenses as a part of the lease. Upon the auditor's identification and review of state procedures the Department has revised our processes to reflect those costs appropriately.

A transposition error of the lease data into the GAAP package resulted in the \$7,427 overstatement which wasn't identified during the review. The Department agrees that the overstatement occurred.

The Department wishes to emphasize that this impacted categorization for reporting purposes but did not impact the accuracy of payments.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

(5) Subscription-Based Information Technology Arrangements (SBITA)

Criteria – The Department has entered into various agreements to use information technology for performing certain duties the Department is responsible for. These agreements are considered subscription-based information technology arrangements (SBITA) according to Governmental Accounting Standards Board Statement Number 96.

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 Annual Comprehensive Financial Report (ACFR). This GAAP Package includes information related to SBITA's.

Condition – We noted the following conditions:

- One SBITA was amended, changing the annual payment amount made by the Department to the vendor. This amendment was not included in the calculation of account balances. As a result, right-to-use SBITA assets and accumulated amortization were understated by \$10,060 and \$20,915, respectively. In addition, principal expense was understated by \$2,537, interest expense was understated by \$136, and the SBITA liability is understated by \$5,208. This amount was not subsequently corrected by the Department.
- One SBITA was calculated using an incorrect ending date for the agreement. As a result, right-to-use SBITA assets accumulated amortization was understated by \$101,793. This amount was not subsequently corrected by the Department.

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 Department's financial activity may not be accurately reported.

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

Response – The Department is now maintaining SBITA changes on a continual basis instead of end of year assembly to reduce calculation errors.

The Department wishes to emphasize that this item impacted accurate end-of-year reporting but did not impact accuracy of payments.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

(6) 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 – The amount reported for central office inventory on the GAAP Package was overstated by \$309,416. This amount was not subsequently corrected by the Department.

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 Department's financial activity may not be accurately reported.

Recommendation – The Department should periodically review their operating procedures, including an independent review of each inventory listing, to ensure the completeness and accuracy of the listings.

Response – Similar inventory items are stored in multiple locations within the Department. As a part of computing the total inventory value, a query was used to extract the on-hand value of the inventory for all storage locations. The average values for each location were added together resulting in an improper valuation of the total inventory.

The inventory query and processes have been updated to avoid the calculation error in the future.

The Department wishes to emphasize that this impacted end-of-year asset reporting, but the inventory systems have accurate record of inventory valuation available, and the accuracy of payments and revenues were not impacted.

Conclusion – Response accepted.

(7) Construction Commitments

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.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

Condition – For five of forty construction contracts tested, the Department used an incorrect percentage to calculate their share of the total cost. This resulted in an overstatement of construction commitments of \$118,919. This amount was not subsequently corrected by the Department.

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 Department's financial activity may not be accurately reported.

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

Response – The Department has implemented a review process for all funding source rules to avoid future errors.

The Department wishes to emphasize that this item impacted end of year reporting but did not impact accurate processing of payments.

Conclusion – Response accepted.

(8) Schedule of Expenditures 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.

Condition – We noted the following conditions:

- Expenditures reported for Assistance Listing (AL)# 21.027, COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, were overstated by \$354,221. This was subsequently corrected.
- Expenditures reported for AL# 20.509, Formula Grants for Rural Areas and Tribal Transit Program, were overstated by \$90,486. This was subsequently corrected.
- Expenditures reported for AL# 20.513, Enhanced Mobility of Seniors and Individuals with Disabilities, were understated by \$63,921. This was subsequently corrected.
- Expenditures for AL# 20.616, National Priority Safety Programs, were understated by \$104,116. This was subsequently corrected.
- Expenditures for AL# 20.200, Highway Research and Development Program, were understated by \$495,159 and overstated for AL# 20.205, Highway Planning and Construction (COVID-19), by \$495,159. These were subsequently corrected.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

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.

Responses –

- This item was a duplicated adjustment from the prior year. Process documentation has been revised to avoid duplication of the error.
- The Department has implemented additional review processes for all funding source rules since the time the finding occurred.
- The Department has implemented additional review processes for all funding source rules since the time the finding occurred.
- The Department inadvertently included FY26 revenue in the FY25 figures. We have updated our process documents to ensure that this is captured in the proceedings.
- These costs were reflected in an incorrect AL# and the Department is assessing our review processes to reduce future errors.

The Department wishes to emphasize these issues impacted SEFA reporting but had no impact on accurate processing of expenses or revenues.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were reported.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2025

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:

Enoch Duval, Senior Auditor
Benjamin L. Albrecht, Staff Auditor
Audra N. Davis, Staff Auditor
Nathan A. DeWit, Staff Auditor
Christopher L. Poague, Staff Auditor
Stella F. Tsai, Staff Auditor
Amila Tursunovic, Staff Auditor
Marianna R. Fank, Assistant Auditor
Cohen A. Darsee, Audit Intern