

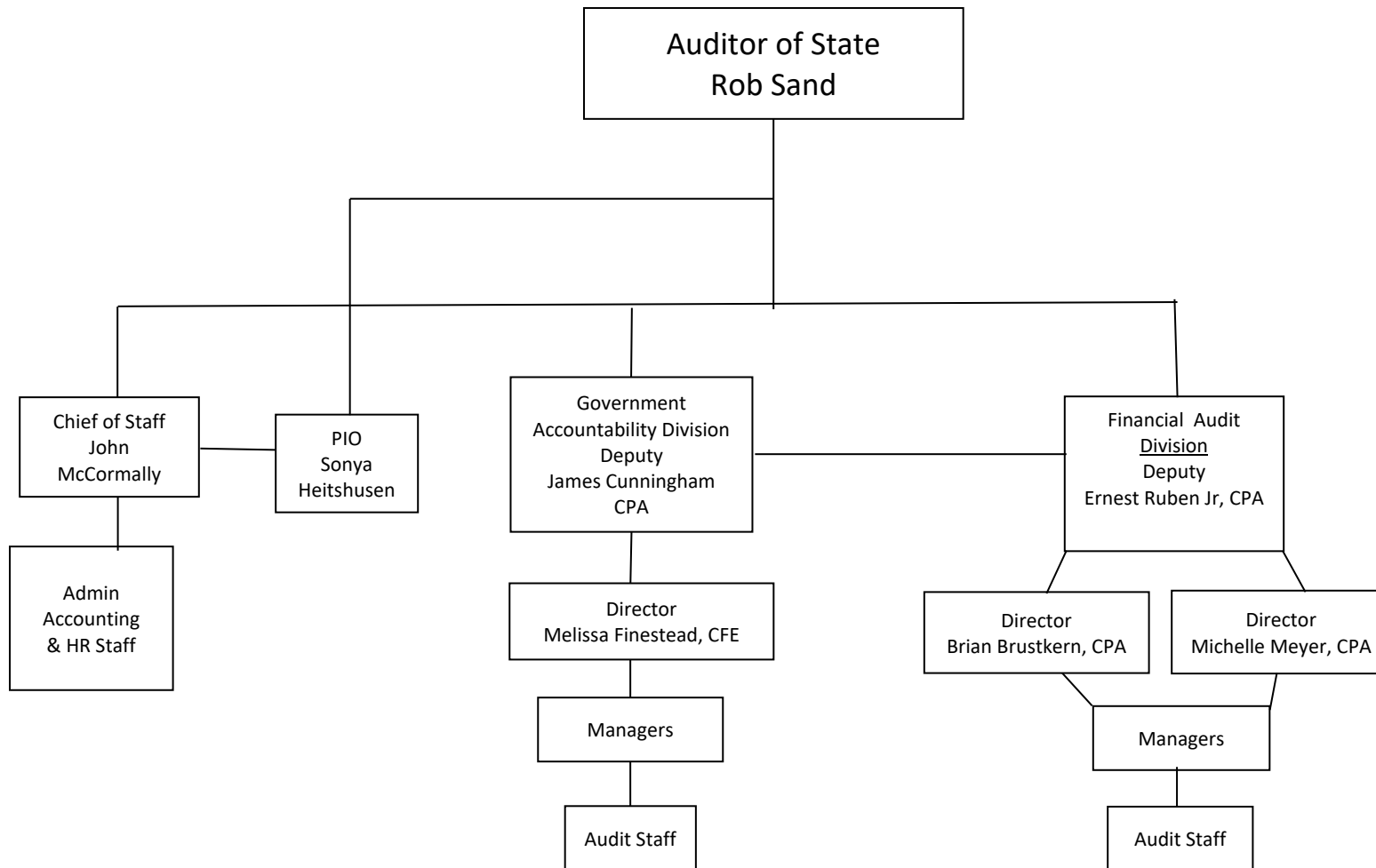
**Rob Sand**  
**Auditor of State**

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**Budget Overview**  
**February 6, 2023**

# OFFICE OF AUDITOR OF STATE

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## **Financial Audit Division**

Responsible for conducting annual audits of Iowa's Comprehensive Annual Financial Report and its Single Audit Report, auditing all state departments and agencies, as well as audits of counties, cities, school districts, and other governmental subdivisions as requested.

## **Government Accountability Division**

Responsible for conducting performance audits of state agencies and the programs they administer and investigating suspected embezzlements of state and local governments. The division also conducts special studies assigned by the Auditor of State or requested by the legislature.

# RESOURCES

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## ➤ **Local government audit billings**

### ➤ **Filing Fees**

- Local governments pay a fee upon filing annual audit reports with AOS
- Fund used to pay for special investigations, reaudits, and CPA workpaper reviews

### ➤ **Periodic Fees**

- Cities under 2000 population pay annual fee based on budget size
- Fees are pooled to provide examinations of these entities once every eight years

## ➤ **State agency audit billings**

- Department of Commerce
- Department of Human Services
- Department of Transportation
- Department of Public Health
- State Board of Regents
- Department of Agriculture and Land Stewardship
- Iowa Veterans Home
- Department of Education
- Department of Workforce Development
- Iowa Public Employees' Retirement System
- Department of Administrative Services
- Office of the Chief Information Officer
- Offices of the Clerks of District Court of the Judicial Branch
- Federal Financial Assistance
- Iowa Lottery

## ➤ **Agency audits paid from appropriation**

- Iowa State Fair
- Attorney General
- Auditor of State
- Department for the Blind
- Ethics & Campaign Disclosure Board
- Civil Rights Commission
- Department of Corrections
- Department of Cultural Affairs
- Economic Development Authority
- College Student Aid Commission
- Iowa Public Television
- Department on Aging
- Iowa Communications Network (ICN)
- Governor's Office
- Department of Human Rights
- Department of Inspections and Appeals
- Judicial Department
- Judicial Retirement System
- Judicial Districts
- Law Enforcement Academy
- Legislature
- Department of Management
- Parole Board
- Peace Officers' Retirement System
- Public Employment Relations Board
- Department of Homeland Security and Emergency Management
- Department of Public Safety
- Department of Revenue
- Governor's Office on Drug Control Policy
- Secretary of State
- State Appeal Board
- State Executive Council
- Treasurer of State
- Iowa Centennial Memorial Foundation

# FINANCIAL SUMMARY

	<b>Actual FY2019</b>	<b>Actual FY2020</b>	<b>Actual FY2021</b>	<b>Actual FY2022</b>	<b>BUDGET FY2023</b>	<b>REQUEST FY2024</b>
<b>RESOURCES:</b>						
Balance Forward	\$ 325,533	\$ -	\$ 411,824	\$ 1,085,938	\$ 717,791	\$ 768,024
Appropriation	1,100,178	986,193	986,193	986,193	986,193	986,193
Audit Billings:						
Local	3,373,785	3,759,517	3,638,164	3,451,900	3,902,483	3,902,483
State	5,480,928	6,391,061	6,055,549	5,483,251	6,177,955	6,177,955
Subtotal Audit Billings	8,854,713	10,150,578	9,693,713	8,935,151	11,231,822	11,231,822
Filing Fees	569,950	421,612	581,343	431,462	480,000	480,000
Periodic Exam Fees	367,449	356,600	390,775	365,050	375,000	375,000
Other	21,591	114,185	62,625	247,145	352,399	247,166
Total Resources	<u>\$ 11,239,414</u>	<u>\$ 12,029,168</u>	<u>\$ 12,126,473</u>	<u>\$ 12,050,939</u>	<u>\$ 12,991,821</u>	<u>\$ 12,936,821</u>
<b>DISPOSITION OF RESOURCES:</b>						
Personal Services	10,005,671	10,323,310	10,299,861	10,471,521	10,758,387	10,758,387
Travel & Subsistence	401,885	315,618	44,400	131,150	314,000	314,000
Supplies & Materials	23,418	32,143	30,254	23,046	42,000	42,000
Contractual Services	590,307	572,424	423,849	517,747	803,810	748,810
Equipment & Repairs	195,524	255,131	227,627	186,744	288,000	288,000
Licenses, Permits & Refunds	22,609	3,000	13,243	2,730	17,600	17,600
Reversion	-	115,718	1,301	210	-	-
Balance Forward	-	411,824	1,085,938	717,791	768,024	768,024
Total Disposition of Resources	<u>\$ 11,239,414</u>	<u>\$ 12,029,168</u>	<u>\$ 12,126,473</u>	<u>\$ 12,050,939</u>	<u>\$ 12,991,821</u>	<u>\$ 12,936,821</u>

# HUMAN RESOURCES

<b>FTES</b>	BUDGET REQUEST REQUEST						
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Audit	89.54	89.00	88.00	89.00	89.00	89.00	89.00
IT	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Support	8.34	7.00	7.00	7.00	7.00	7.00	7.00
Management	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total	<u>104.88</u>	<u>103.00</u>	<u>102.00</u>	<u>103.00</u>	<u>103.00</u>	<u>103.00</u>	<u>103.00</u>

## HOURS

<b>Type</b>	<b>FY2019</b>		<b>FY2020</b>		<b>FY2021</b>		<b>FY2022</b>		<b>BUDGET FY2023</b>		<b>REQUEST FY2024</b>		<b>REQUEST FY2025</b>	
Filing Fee	7,519	5% <span style="color: green;">▲</span>	1,157	1% <span style="color: red;">▼</span>	2,387	2%	3,774	3%	4,155	3%	4,155	3%	4,155	3%
Periodic Exams	1,974	1%	2,087	1%	1,178	1%	771	1%	1,126	1%	1,126	1%	1,126	1%
Local Audits	54,127	35% <span style="color: green;">▲</span>	53,107	35%	61,867	43%	56,494	44%	52,335	36%	52,335	36%	52,335	36%
State Audits	<u>89,064</u>	58% <span style="color: green;">▲</span>	<u>93,477</u>	62% <span style="color: red;">▼</span>	<u>79,387</u>	55% <span style="color: red;">▼</span>	<u>66,536</u>	52% <span style="color: red;">▼</span>	<u>88,516</u>	61% <span style="color: red;">▼</span>	<u>88,516</u>	61% <span style="color: red;">▼</span>	<u>88,516</u>	61% <span style="color: red;">▼</span>
Total	<u>152,684</u>		<u>149,828</u>		<u>144,819</u>		<u>127,575</u>		<u>146,132</u>		<u>146,132</u>		<u>146,132</u>	

## PERIODIC EXAMINATION LEGISLATION

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- Examinations of cities under 2000 people, with less than \$1M in budgeted expense (once every eight years).
- Began in FY2015 (Began performing follow-ups FY 2016).
- Current law caps fee collection at \$375,000, any excess must be used for training for local officials.
- Total costs have risen each year – due to need for additional procedures and follow-up.
- Projected cost outstripping fee collection by \$150K, due to need for follow-up.
- After 2020 Census, approximately 100 cities will enter periodic universe due to population falling below 2000
- Proposed legislation would increase cap to \$600,000.
- New fee schedule adopted in 2020 more evenly allocates cost.

### PRIOR FEE SCHEDULE

Budget (K)	number	fee	TOTAL
Under 50	120	\$100.00	\$ 12,000.00
50-300K	241	\$475.00	\$ 114,475.00
300-600K	121	\$900.00	\$ 108,900.00
600K +	120	\$1,200.00	\$ 144,000.00
	<b>602</b>		<b>\$ 379,375.00</b>

### NEW FEE SCHEDULE

Budget (K)	Fee	Number	Total		(+)	(-)
0-100	200	193	38600			
100-250	550	146	80300		222	85
250-500	800	141	112800			
500-750	1200	62	74400		141	54
750+	1500	60	90000		70	
		<b>602</b>	<b>396100</b>		No change for 30	

# FUNDING REFORM LEGISLATION

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## **The problem:**

- Legislative appropriation is about 10% of AOS budget. The rest of is generated by billing for the work we perform.
- Some state agency work is billed to state agencies—however the AOS currently only bills agencies enumerated in code.
- The enumerated billable agencies are recipients of the majority of federal dollars in Iowa.
- Federal officials contend the current statutory framework results in the federal government improperly subsidizing certain audits as indicated in the attached letter from USHHS.
- In sum, the Feds say Iowa has overcharged for federal audit work going back to FY17.

## **Solution:**

- ❖ Remove enumerated agencies from Iowa Code 11.5B and allow AOS to bill all state agencies.
- ❖ If this change is not made, Iowa will have to pay back the continuing overage
  - See attached letter from USHHS.

# FUNDING REFORM LEGISLATION

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## **Effects of reform bill:**

- Treat all departments equally
- Incentivizes agencies to manage spending and compliance to mitigate audit costs.
- Focuses audit efforts on where its needed, rather than if its billable.
- Lower hourly billing rate for state agencies by roughly 19%, lowest level in roughly a decade.
- Eliminate risk of further adverse findings and consequences from the feds.
- Coupled with reducing AOS current appropriation, net zero effect on state budget.
- Cost adjustments for both currently billed and non-billed agencies projected on following pages.