



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

September 6, 2023

Auditor of State Rob Sand today released a report on Iowa State University of Science and Technology, Ames, Iowa for the year ended June 30, 2022. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2022.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2022, the full-time equivalent student enrollment was 29,657 with an average cost per student of \$16,548, compared to 31,108 students and an average cost per student of \$14,839 for the year ended June 30, 2021.

AUDIT FINDINGS

Sand reported two findings related to financial reporting. The findings are found on pages 3 through 5 of this report. Sand recommended the University implement procedures to ensure all journal entries are supported and independently reviewed and approved, and also recommended the University ensure all bond segment financial statements and construction commitment disclosures are properly reported in the University financial statements and expenses are properly reported in the University's GAAP reporting package compiled for the State's ACFR.

Management of the Iowa State University have a fiduciary responsibility to provide oversight to the University'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](#).

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**REPORT OF RECOMMENDATIONS TO
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

JUNE 30, 2022

Iowa State University of Science and Technology



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STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

August 30, 2023

Board of Regents, State of Iowa
Urbandale, Iowa

Dear Members of the Board of Regents:

I am pleased to submit to you the Report of Recommendations for Iowa State University of Science and Technology for the year ended June 30, 2022. This report includes audit findings, if any, pertaining to the University's internal control and compliance which resulted from the fiscal year 2022 audit. This report also includes cost per student information required by Chapter 11.28 of the Code of Iowa.

I appreciate the cooperation and courtesy extended by the officials and employees of Iowa State University of Science and Technology 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".

Rob Sand
Auditor of State

Iowa State University of Science and Technology



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August 30, 2023

To the Members of the Board of Regents, State of Iowa:

Iowa State University of Science and Technology (Iowa State University or University) is a part of the State of Iowa and, as such, has been included in our audit of the State's Annual Comprehensive Financial Report. We have also audited the financial statements of the University as of and for the year ended June 30, 2022 and have issued our report thereon dated April 10, 2023. We have also audited the University's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022 and have issued our report thereon dated June 22, 2023.

In conducting our audits, we became aware of certain aspects concerning Iowa State University'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 relate to the University's internal control. These recommendations have been discussed with university personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the University's responses, we did not audit Iowa State University's responses and, accordingly, we express no opinion on them.

We have included certain unaudited financial and other information on page 7 to report an average cost per student for Iowa State University for the five years ended June 30, 2022, as required by Section 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Iowa State University, citizens of the State of Iowa and other parties to whom Iowa State University 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 University 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 University are listed on page 6 and they are available to discuss these matters with you.

A handwritten signature in black ink, appearing to read "Ernest H. Ruben, Jr." with a stylized flourish at the end.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor
Kraig Paulsen, Director, Department of Management
Tim McDermott, Director, Legislative Services Agency

Report of Recommendations to Iowa State University

June 30, 2022

Findings Reported in the University's Single Audit Report:

No matters were reported.

Findings Reported in the University's Report on Internal Control:

(A) Segregation of Duties – Journal Entries

Criteria – Management is responsible for establishing and maintaining internal control. An effective internal control system provides for internal controls related to preparing, supporting, and reviewing manual journal entries. Supporting documentation for all manual journal entries helps ensure the accuracy of entries prepared by employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the University's financial statements.

Condition – Not all journal entries require approval by an independent person, as users with certain security roles have the ability to manually create and record accounting journal entries that do not require supporting documentation, additional review, or business process approvals.

While accounting system activity is logged, and there is a review process during preparation and review of financial statement audit workpapers which includes journal entry activity, there is not a clearly documented process ensuring all manually created journal entries have been independently reviewed and approved.

Cause – For efficiency purposes, the accounting system allows certain individuals to initiate and approve journal entries that do not require supporting documentation, independent review and approval. Procedures are not in place to ensure all journal entries are independently reviewed, approved and properly supported.

Effect – Lack of supporting documentation and independent approval of manually created journal entries could adversely affect the University's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The University should implement procedures to ensure all journal entries are supported and independently reviewed and approved.

Response – As noted in the 2020 audit exit memo received June 2, 2022, Management acknowledges that there are certain individuals with the ability to post manual journal entries within the system without a recorded approval within Workday. This capability is limited to the financial reporting accountants involved in the monthly/year end close process and certain other individuals with a need to process balancing entries and allocations.

Iowa State has implemented the following changes to enhance the controls around manual journal entries:

- Launched the certification process within Workday. This records and documents reconciliations of accounts on a monthly/quarterly basis to ensure account balances are accurate and all journal entries have been properly recorded.

Report of Recommendations to Iowa State University

June 30, 2022

- Created a manager role within Workday that allows for the routing of manual journal entries within the Controller's office. This requires an approval to be recorded within the Workday flow.
- Perform an annual review of employees with the Account Closer role each June to ensure only those with a business need possess the role prior to year-end close.

Conclusion – Response accepted.

(B) 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, misstatement 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 University's financial statements.

Iowa State University's financial statements are prepared in accordance with General Accepted Accounting Principles (GAAP) and are due to the State of Iowa by October 1 of each year. Because Iowa State University is operated by the State of Iowa and is not legally separate, the University's financial information is included in the State of Iowa's Annual Comprehensive Financial Report (ACFR). The Iowa Department of Administrative Services and the Iowa Department of Management are responsible for the issuance of the ACFR. The DAS-SAE GAAP Team compiles activity reported in each Department's and University's GAAP package in preparation of the State of Iowa's financial statements.

Condition – Material amounts of bond segment financial statements and construction commitment footnote disclosures were not properly reflected in the University's financial statements, and expenses were misclassified in the University's GAAP reporting package to the State of Iowa for inclusion in the State's ACFR. Adjustments were subsequently made by the University to properly report these amounts in the University's audited financial statements and GAAP reporting package.

Cause – Policies have not been established and procedures have not been implemented to require a detailed independent review of financial statements and year-end cut off transactions to ensure the University's financial statements and GAAP reporting package to the GAAP Team are accurate and reliable.

Effect – A lack of policies and procedures and detailed independent reviews resulted in the University employees not detecting errors in the normal course of performing their assigned functions.

Recommendation – Procedures should be implemented to ensure the University is able to prepare accurate financial statements and GAAP package information. The University should establish policies and procedures to ensure all bond segment financial statements and construction commitment disclosures are properly reported in the University financial statements, and expenses are properly reported in the University's GAAP reporting package compiled for the State's ACFR.

Report of Recommendations to Iowa State University

June 30, 2022

Response – Management acknowledges the deficiencies in processes and lack of appropriate procedures for certain financial statement segments. 2022 was unique in having a condensed time frame for completion of the financial statements, contributing to the situation. A comprehensive review of the bond segment process is currently underway and will be the basis for future statement preparation and disclosures. This will be in place for the 2023 financial statements.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to Iowa State University

June 30, 2022

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Brandon J. Vogel, Senior Auditor II

Other individuals who participated in the audits include:

Ashley J. Moser, Senior Auditor
Adam J. Sverak, Senior Auditor
Charles P. Duff, Staff Auditor
Jon D. Hedgecock, Staff Auditor
Vivian J. Luna, Staff Auditor
Kari L. Middleton, Staff Auditor
Brandon L. Weddell, Staff Auditor
Derrick Aaron, Assistant Auditor
Therese A. Berning, Assistant Auditor
Christofer S. Kingrey, Assistant Auditor
Brandon A. Krug, Assistant Auditor
Patrick A. Stewart, Assistant Auditor
Tyler Huntley, Auditor Intern

Report of Recommendations to Iowa State University

Cost per Student
(unaudited)

Year ended June 30, 2022
with comparative figures for prior years

| | | |
|--|--------------------|-----------------------|
| Total General Educational Fund expenditures | | \$ 689,502,308 |
| Deduct: | | |
| Expenditures not related to teaching programs: | | |
| General University research | \$ 10,021,406 | |
| Public service | 4,853,143 | |
| Scholarships | <u>183,864,066</u> | <u>198,738,615</u> |
| Net expenditures for teaching programs | | <u>\$ 490,763,693</u> |
| Full-time equivalent enrollment 2021-2022 | | <u>29,657</u> |
| Cost per student 2021-2022 | | <u>\$ 16,548</u> |

Comparative enrollment statistics and cost per student for the year ended June 30, 2022 and the four previous years:

| <u>Year</u> | <u>Enrollment</u> | <u>Cost per Student</u> |
|-------------|-------------------|-------------------------|
| 2021-2022 | 29,657 | \$ 16,548 |
| 2020-2021 | 31,108 | 14,839 |
| 2019-2020 | 32,347 | 14,865 |
| 2018-2019 | 33,930 | 14,654 |
| 2017-2018 | 34,902 | 14,068 |