



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

January 4, 2022

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released a report on the Iowa Economic Development Authority for the year ended June 30, 2020.

The Authority's purpose is to enhance the economic development of Iowa and provide for job creation and increased prosperity and opportunities for citizens.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and expenditure of taxpayer funds. These findings are found on pages 3 through 7 of this report. Sand recommended the Authority establish procedures to ensure all timesheets for federal programs are properly approved and properly allocated and establish a review process that ensures the Schedule of Federal Expenditures is accurate. In addition, the Foundation should review controls and establish a review process that ensures Foundation investments obtain the maximum internal control possible.

One of the findings discussed above, pertaining to the Authority, is repeated from the prior year. Management of the Iowa Economic Development Authority have 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 web site at <https://www.auditor.iowa.gov/reports/file/67267/embed>.

###

**REPORT OF RECOMMENDATIONS TO THE
IOWA ECONOMIC DEVELOPMENT AUTHORITY**

JUNE 30, 2020

Iowa Economic Development Authority



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

December 3, 2021

Iowa Economic Development Authority
Des Moines, Iowa

To the Members of the Iowa Economic Development Authority:

I am pleased to submit to you the Report of Recommendations for Iowa Economic Development Authority for the year ended June 30, 2020. The report includes findings pertaining to the Department's internal control which resulted from the fiscal year 2020 audit.

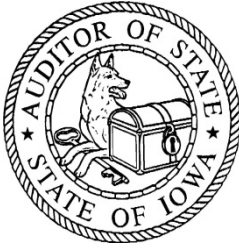
I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Economic Development Authority throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Iowa Economic Development Authority



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

December 3, 2021

To Deborah V. Durham, Director of the Iowa Economic Development Authority:

The Iowa Economic Development Authority is a discretely presented component unit of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report and the State's Single Audit Report for the year ended June 30, 2020.

In conducting our audits, we became aware of certain aspects concerning the Authority'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, as well as other recommendations pertaining to the Authority's internal control. These recommendations have been discussed with Authority personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Authority's responses, we did not audit the Iowa Economic Development Authority'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 Economic Development Authority, citizens of the State of Iowa and other parties to whom the Iowa Economic Development Authority 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 Authority during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Authority are listed on page 8 and they are available to discuss these matters with you.

A handwritten signature in black ink that reads "Marlys K. Gaston".

Marlys K. Gaston, CPA
Deputy Auditor of State

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

June 30, 2020

Findings Reported in the State's Single Audit Report:

CFDA Number: 21.019 – Coronavirus Relief Fund

Federal Award Year: 2020

Prior Year Single Audit Report Finding Number: N/A

**Iowa Economic Development Authority – Passed through Iowa Department of
Management**

State of Iowa Single Audit Report Comment: 2020-007

Timesheet Approval

Criteria – The Federal Register Volume 86, number 10 dated January 15, 2021, states that for employees not substantially dedicated to the COVID-19 public health emergency, the State government may track time spent by employees related to COVID-19 and apply fund payments on that basis.

Condition – The Authority uses timesheets which allocate time to various federal programs, however due to urgency of issuing payments for Small Business Emergency grants, the Authority implemented a supplemental timesheet to track time spent reviewing, approving and issuing Small Business Relief Grants. Effective internal control procedures over payroll include supervisory approval of timesheets used to track time spent working on Federal programs. This minimizes the risk of time being recorded inaccurately, and the improper amount of payroll being allocated to federal programs. Although, the supplemental timesheets were completed and signed by employees, there is no evidence of supervisory review.

Cause – Although the Authority has established policies and procedures to require employees to document actual hours worked on various federal programs by charging their time to the appropriate federal program codes, the employee timesheets for time to be charged to the Coronavirus Relief Fund did not include any evidence of supervisor approval.

Effect – Payroll costs could be charged to the incorrect program code which could result in allocating costs incorrectly to all programs, including the federal programs.

Recommendation – The Authority should implement procedures to ensure all timesheets for Federal programs are reviewed by supervisors and the review is documented.

Response and Corrective Action Planned – The IEDA has strengthened its policies and procedures to ensure all COVID related salary costs are now tracked via the State of Iowa's enterprise timesheet system which now includes the recent transition to the Work Day Human Resources/Time Management system. Work reporting codes will be established for any COVID related programs to enable appropriate staff to allocate time actually spent on the programs in addition to any other federal program already in place at IEDA.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2020

CFDA Number: 21.019 – Coronavirus Relief Fund

Federal Award Year: 2020

Prior Year Single Audit Report Finding Number: N/A

**Iowa Economic Development Authority – Passed through Iowa Department of
Management**

State of Iowa Single Audit Report Comment: 2020-008

Payroll Distribution

Criteria – According to the Federal Register Volume 86, number 10 dated January 15, 2021, the Cares Act provides that payments from the Coronavirus Relief Fund may only be used to cover costs that are:

- necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- costs that were not accounted for in the State’s budget that was approved at the time of the enactment of the CARES Act; and
- costs that were incurred during the period between March 1, 2020, and December 30, 2020

The Federal Register also allows a state to track time spent by employees related to COVID-19 and apply Fund payments on that basis, but the State would need to do so consistently within the relevant agency, department or authority. This means that a government could cover payroll expenses allocated on an hourly basis to employees’ time dedicated to mitigating or responding to the COVID-19 public health emergency.

Condition – The Small Business Relief Grant administered by the Authority is funded by the Coronavirus Relief Fund. For the period April 3, 2020 through June 25, 2020, twenty-four employees appropriately recorded their actual hours spent working on the Small Business Relief Grant program on their timesheets. Of the twenty-four employees allocating time to the program, thirteen employee’s hours did not deviate from the estimate, and eleven employees reported more or less hours worked on the Small Business Relief grant than estimated. However, the Authority used the estimated hours to allocate the Small Business Relief Grant administrative costs, resulting in a net \$958 in excess payroll expenses allocated to the Coronavirus Relief Fund.

Cause – Although the Authority has established policies and procedures to require employees to document actual hours worked on various federal programs by charging their time to the appropriate codes, the Authority used estimates to determine the reimbursement of payroll costs.

Effect – Payroll costs were charged incorrectly to the Small Business Relief Grant program, resulting in an overpayment made from the Coronavirus Relief Fund.

Recommendation – The Authority should ensure actual hours charged on the employee timesheets are used to charge payroll costs to federal programs.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2020

Response and Corrective Action Planned – The IEDA Accounting Manager was responsible for the final review and submission of the salary costs allocated to Small Business Relief Grant. The Authority will significantly strengthen this allocation and review process to ensure time records and salary and fringe costs charged to any future CARES programs and any possible American Rescue Plan relief initiatives are correct.

Conclusion – Response accepted.

Finding Reported in the State’s Report on Internal Control:

No material weaknesses in internal control over financial reporting were noted.

June 30, 2020

Other Finding Related to Internal Control:

(1) Foundation Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Foundation’s financial statements.

Condition – Generally, one individual has control over the following areas for which no compensating controls exist:

The individual responsible for the detailed record keeping of investments is not independent of the custodian. The investment records are not periodically inspected by individuals having no responsibility for custody or record keeping of investments. Also, more than one individual is not always required to be present during the inspection of the investments.

The individual responsible for the reconciliation process does not receive the original bank statement unopened or have access to the online bank statement the front/back of checks for reconciliation/review purposes. Both the person who reconciles and the person who reviews the reconciliation should have view access to the bank statement including the fronts and backs of checks.

Cause – Procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes. In addition, the Iowa Economic Development Authority failed to properly review online access to statements or ensure the original bank statements are delivered unopened to the reconciler.

Effect – Inadequate segregation of duties could adversely affect the Foundation’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions. In addition, the lack of online access or ensuring original statements are delivered to the reconciler unopened may allow for alterations and misappropriation of assets.

Recommendation – This finding has been repeated from the prior year. Control activities should be reviewed to obtain the maximum internal control possible under the circumstances. The Foundation should develop procedures to segregate duties of the custodian from the individual responsible for keeping detailed records. In addition, both the person who reconciles and the person who reviews the reconciliation should have view access to the bank statements including the fronts and backs of checks.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2020

Response – While the pandemic slowed the process IEDA had initiated to correct this finding earlier, the Authority has recently worked with the Foundation’s financial institution to acquire access for another accounting staff member. This staff has view/print access and will print the statements on a monthly basis and deliver them to the staff member responsible for reconciliation of the bank statements. Once these are completed the Foundation custodian will perform the necessary/requisite review to ensure the bank statements and account are in order.

Conclusion – Response accepted.

(2) 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.

Condition – The Authority understated AmeriCorp program expenditures on the Schedule of Federal Expenditures (SEFA) by \$45,373. In addition, the Authority reported funds received from other State agencies as direct expenditures, when they should have been reported as indirect expenditures. This was properly adjusted for reporting purposes.

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

Effect – The amounts reported as federal expenditures by the Authority were initially misstated.

Recommendation – The Authority should follow the established policies and procedures to ensure SEFA amounts are recorded correctly and establish a review process that ensures errors are caught and corrected.

Response – The Iowa Economic Development Authority will improve its procedures regarding the review of the SEFA to ensure the federal amounts are accurate. Additionally, with more familiarity with COVID related federal relief efforts and funding the IEDA will report the relief funds received via the U.S. Department of Treasury and Iowa Department of Management correctly.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

No matters were reported.

Report of Recommendations to the Iowa Economic Development Authority

Staff

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Pamela J. Bormann, CPA, Manager
Karen J. Kibbe, Senior Auditor II

Other individuals who participated in the audits include:

Kathryn A. Blumer, Staff Auditor
Allison L. Carlon, Staff Auditor
Maria R. Collins, Staff Auditor
April R. Davenport, Staff Auditor
Corey D. Hauptmann, Staff Auditor
Ridge G. Nennig, Staff Auditor
Steven D. Rater, Staff Auditor
Sarah B. Roemer, Staff Auditor
Tristan J. Swiggum, Staff Auditor
Thomas G. Engquist, Assistant Auditor