

**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

October 18, 2019

Contact: Marlys Gaston
515/281-5834

The Office of Auditor of State today released a report on the Iowa Economic Development Authority for the year ended June 30, 2018.

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

Sand recommended the Authority should review controls over Foundation investments to obtain the maximum internal control possible and the Authority should ensure receipts for the Foundations are deposited timely.

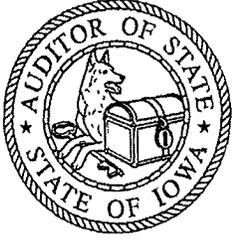
A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2018

Iowa Economic Development Authority



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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

October 14, 2019

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, 2018. The report includes findings pertaining to the Department's internal control which resulted from the fiscal year 2018 audit.

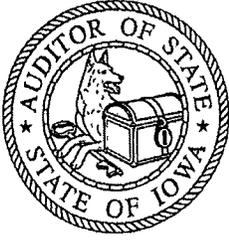
I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Economic Development Authority throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

Iowa Economic Development Authority



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Auditor of State

October 14, 2019

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 (CAFR) and the State's Single Audit Report for the year ended June 30, 2018.

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 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 7 and they are available to discuss these matters with you.

Marlys K. Gaston
Marlys K. Gaston, CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

June 30, 2018

Other Finding Related to Internal Control:

Foundation Segregation of Duties

- (1) 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 Agency's financial statements.

Condition – Generally, one individual may have 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.

Cause – The Iowa Department of Economic Development Foundation has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, control activities should be reviewed to obtain the maximum internal control possible under the circumstances. The agency should develop procedures to segregate duties of the custodian from the individual responsible for keeping detailed records.

Response – With the recent addition of new staff mid-way thru FY18 and FY19 the IEDA now has enough capacity to segregate all internal functions related to investments, cash receipts, disbursements, and bank reconciliations from the custodian. In addition, the independent review of foundation bank records by an individual separate from foundation day-to-day responsibilities will increase in frequency.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Economic Development Authority

June 30, 2018

Foundation Timely Deposits

- (2) Criteria – The Iowa Department of Economic Development Foundation maintains a separate account for receiving and disbursing funds from public or private sources to be used to further the overall development and well-being of the State. Proper internal control procedures require receipts be deposited in a timely manner. Foundation deposits are not being made timely and in one instance noted the deposit was not made for ninety days.

Cause – The Iowa Department of Economic Development Foundation has a limited number of individuals and procedures have not been designed to ensure timely deposit of the Foundation receipts.

Effect – Deposits could be lost or misappropriated and not be detected in a timely manner. In addition, the Foundation's management does not have accurate information available to make financial decisions.

Recommendation – All receipts should be deposited in a timely manner to ensure revenue is properly recorded.

Response – With several retirements during FY18 this function was not always completed in a timely manner. Recent staff additions will enable the IEDA to develop and implement a more timely and repetitive process of completing foundation deposits at least three times per month.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Economic Development Authority

Staff

Staff:

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Marlys K. Gaston, CPA, Deputy

Other individuals who participated in the audits include:

Alex N. Kawamura, Senior Auditor
Sarah J. Swisher, Senior Auditor
Mallory A. Peters, Senior Auditor
Elizabeth P. Dawson, Staff Auditor
Cody J. Pifer, Staff Auditor
Micaela A. Tintjer, Staff Auditor
Brett S. Gillen, Staff Auditor
Sarah K. Nissen, Staff Auditor
Matthew A. Miller, Staff Auditor
Luke M. Borman, Staff Auditor
Taylor I. Cook, Staff Auditor
Jason J. Miller, Staff Auditor
Nicholas J. Rustin, Staff Auditor
Jon G. Hanson, Assistant Auditor
Ronica H. Drury, Assistant Auditor
Noelle M. Luebbers, Assistant Auditor
April R. Davenport, Assistant Auditor
Ethan M. Snedigar, Assistant Auditor
Drake J. Caple, Assistant Auditor
Alyson Logan, Intern Auditor

Statement of Net Position

Iowa Economic Development Authority	Combined
ASSETS	
Current assets:	
Cash & investments	\$ 168,162,348
Cash & investments - restricted	\$ -
Deposits with trustees	\$ -
Accounts receivable (net)	\$ 10,440,654
Interest receivable	\$ -
Loans receivable (net)	\$ 7,886,428
Internal balances	\$ -
Inventory	\$ -
Prepaid expenses	\$ 293,178
Other assets	\$ -
Total current assets	<u>186,782,608</u>
Noncurrent assets:	
Cash & investments	\$ -
Deposits with trustees	\$ -
Accounts receivable (net)	\$ -
Interest receivable	\$ -
Loans receivable (net)	\$ 77,718,577
Capital assets - nondepreciable	\$ -
Capital assets - depreciable (net)	\$ 84,844
Prepaid expenses	\$ 1,035
Other assets	\$ -
Total noncurrent assets	<u>77,804,456</u>
TOTAL ASSETS	<u>264,587,064</u>
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decrease in fair value of hedging derivatives	\$ -
Pension related	\$ 1,665,820
OPEB related	\$ 31,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,696,820</u>
LIABILITIES	
Current liabilities	
Accounts payable & accruals	\$ 11,243,031
Interest payable	\$ -
Unearned revenue	\$ 2,500
Compensated absences	\$ 781,527
Capital leases	\$ -
Notes payable	\$ -

Other financing arrangements payable	\$ -
Funds held in custody	\$ -
Total current liabilities	<u>12,027,058</u>
Noncurrent liabilities:	
Accounts payable & accruals	\$ 14,687
Unearned revenue	\$ -
Compensated absences	\$ 634,311
Net pension liability	\$ 6,424,685
Capital leases	\$ -
Notes payable	\$ -
Other financing arrangements payable	\$ -
OPEB Liability	\$ 978,000
Total noncurrent liabilities	<u>8,051,683</u>
TOTAL LIABILITIES	<u>20,078,741</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related	\$ 27,762
Pension related	\$ 813,146
Grants received in advance of meeting timing requirements	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>840,908</u>
NET POSITION	
Net investment in capital assets	\$ 85,879
Restricted for:	\$ -
Education	\$ -
Justice & public defense	\$ -
Human services	\$ -
Transportation	\$ -
Agriculture & natural resources	\$ -
Capital projects	\$ -
University Funds - expendable	\$ -
University Funds - nonexpendable	\$ -
Permanent Funds - nonexpendable	\$ -
Unemployment Benefits Fund	\$ -
Other	\$ 55,527,421
Unrestricted	<u>\$ 189,750,935</u>
TOTAL NET POSITION	<u>\$ 245,364,235</u>

**STATEMENT OF CHANGES IN NET POSITION
 FY19**

**COMBINED
 IOWA
 ECONOMIC
 DEVELOPMENT
 AUTHORITY**

Expenses:	<u>\$103,317,716</u>
Program revenues:	
Charges for services	\$8,189,920
Operating grants & contributions	<u>\$106,768,774</u>
Capital grants & contributions	<u>\$0</u>
Total program revenues	<u>114,958,694</u>
Net program (expenses) revenues	<u>11,640,978</u>
General revenues:	
Investment income (loss)	\$4,132,315
Other	\$6,422,667
Total general revenues	<u>10,554,982</u>
Change in net assets	22,195,960
NET POSITION - JULY 1	\$223,168,275
NET POSITION - JUNE 30	<u><u>\$245,364,235</u></u>