

**OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE

October 27, 2021

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Auditor of State Rob Sand today released an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters on Iowa State University of Science and Technology, Ames, Iowa for the year ended June 30, 2020. The University was unable to produce timely and accurate financial statement reports which caused several misstatements in the draft financial statements and a significant delay in issuing the University's report. Adjustments were subsequently made by the University to properly correct the misstatements in the University's audited financial statements. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2020.

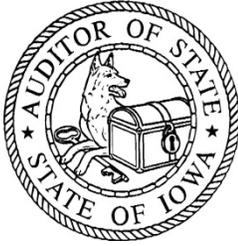
AUDIT FINDINGS:

Sand reported a finding related to financial reporting. It is found on page 5 of this report.

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/>.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

JUNE 30, 2020



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business type activities and the fiduciary activities of Iowa State University of Science and Technology (University) and its discretely presented component unit as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 10, 2021. Our report includes a reference to other auditors who audited the financial statements of the Iowa State University Foundation, the Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), the Iowa State University Research Foundation, Incorporated and the Iowa State University Veterinary Services Corporation as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters which are reported on separately by those auditors. The financial statements of the Foundation and the Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control 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 on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

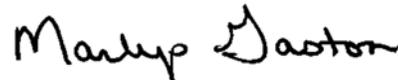
Iowa State University of Science and Technology's Response to the Finding

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa State University of Science and Technology during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

September 10, 2021

Iowa State University
Schedule of Findings
Year ended June 30, 2020

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (A) Criteria – Iowa State University’s financial statements are to be prepared in accordance with Generally Accepted Accounting Principles 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).

Condition – Iowa State University implemented a new financial system on July 1, 2019. The new financial software system was implemented to allow the University to go from a previous cash basis financial system to a GAAP basis financial reporting system. The University was unable to produce timely and accurate financial statement reports which caused several misstatements in the draft financial statements and a significant delay in issuing the University’s report. Material amounts of investments, accounts payable, current OPEB liability, deferred revenue, bond segment financials, defeased bond debt, and refunded bond debt were not properly reflected in the University’s draft financial statements. Adjustments were subsequently made by the University to properly report these amounts in the University’s audited financial statements.

Cause – There was lack of understanding of recording transactions and obtaining reports in the new accounting software. In addition, there were not policies and procedures in place to ensure an independent review of the financial statements or the underlying transactions.

Effect – Lack of policies and procedures and lack of proper training resulted in University employees not properly recording transactions or detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the University financial statements were necessary.

In addition, the University’s financial statements were not prepared timely causing a significant delay in the completion of the State of Iowa’s ACFR.

Recommendation – The University should ensure accounting personnel have a proper understanding of the financial accounting system, including how to properly record transactions and how to obtain reports and other information, and should implement procedures to ensure the University is able to prepare accurate financial statements. Entries underlying the financial statements should be reviewed by an independent person to help ensure their accuracy, including ensuring all investments, accounts payable, current OPEB liability, deferred revenue, bond segment financials and defeased bond debt are identified and properly reflected.

Response – Management acknowledges the deficiencies in processes and lack of appropriate training on the Workday system. Training has been developed and delivered to staff to support their understanding of higher education transaction cycles and the Workday system. An in-depth project plan for management of future engagements has been developed to include assignments, reviewer responsibilities, and deadlines to support timely completion of financial reports and supporting documentation. Further, journal entries, supporting documentation and financial statements are being reviewed by financial leadership to ensure material accuracy and presentation.

Conclusion – Response accepted.