

**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Auditor of State

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March 2, 2023

Kraig Paulsen  
Director  
Department of Management  
VIA EMAIL

Re: ACFR Issuance

Director Paulsen:

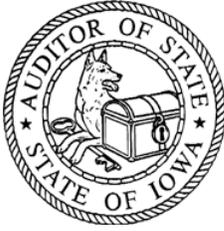
This letter is to inform you of significant delays in the State of Iowa's provision of state financial information to our Office, which is delaying the issuance of the State of Iowa's Annual Comprehensive Financial Report (ACFR). That, in turn, will delay the issuance of the Statewide Single Audit. These delays will likely cause adverse consequences for the State, specifically for agencies that receive federal grants.

To review, the GAAP Team at Department of Administrative Services is responsible for preparing financial documents and a draft of the ACFR, submitting that information and draft report to the Auditor's office for independent audit. In a normal year, our office completes its work on the ACFR for the previous fiscal year by December 31. For example, the FY22 ACFR (for the year ending June 30, 2022) would be issued by December 31, 2022.

Following the issuance of the ACFR, our office is required to issue an internal control letter over financial reporting and compliance commonly referred to as the SAS 122 letter within sixty days. Following the ACFR and the SAS 122 letter, the Statewide Single Audit report is issued. That report has a federal statutory deadline of March 31 (9 months following the close of the fiscal year), but the Single Audit Report cannot be completed until the ACFR is finalized. Last year, Federal officials provided an automatic extension until September 30, 2022 to file their FY21 single audit due to the pandemic. No such extension is available this year. The Single Audit Report is late if filed after March 31, 2023.

As you may remember, all four members of the GAAP Team were new to this project last year. DAS devoted additional resources to complete the work, but the ACFR and the Single Audit Report were still delayed. This year, as described below, the work of the DAS GAAP Team is further behind than this time last year.

The information and documents the GAAP Team is responsible for preparing are complicated and numerous. The new GAAP Team has had a steep learning curve and has not provided the information our office needs to complete an opinion on the ACFR.



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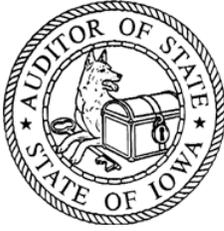
Due to the GAAP Team turnover and the complicated nature of preparing the State's financial statements, we have received only a small portion of what we need to perform our work. We understand some of the delay may have been caused by the GAAP Team attempting to gather information from the human resources module of Workday and compilation of lease information from departments to implement GASB 87, as well as GAAP Team member participation in the attempted implementation of Workday financial.

AOS staff have been regularly meeting with the GAAP Team, most recently meeting on Wednesday (2/22) to go over the progress and discuss what is left to complete. I have attached a spreadsheet demonstrating progress to date (end of February). This spreadsheet is updated and shared with the GAAP Team by AOS ACFR manager Tammy Hollingsworth. Everything up to the blue highlight has been received, except that which is highlighted green has partially been received. The information in blue highlight is items received in the prior year by February 22, 2022, yet to be completed this year. While the GAAP Team has been working to complete these items, their progress must significantly improve or the state risks significant delays in receiving federal funds. Such delays could have serious consequences.

Originally, the goal was to issue the ACFR by the end of May; during the February 22, 2023 meeting, the goal was pushed back to the end of June. Given the significant amount of work yet to complete, issuing the FY22 ACFR by the end of June is unlikely. For certain, the State will not meet the federal March 31, 2023 deadline for the issuance of the FY22 State Single Audit report.

The delay of the Single Audit during fiscal year 2020 caused significant concern for state agencies and universities, who were on the cusp of federal agencies withholding federal dollars due to the delay in issuance. This year, the OMB has not extended the deadline for the Single Audit.

Between September 2022 and February 2023, based on expected audit documentation, we scheduled 1,290 staff hours to audit the information, ultimately we only were able to effectively use 604 hours, rescheduling the other 686 hours on other engagements. We still have a total of 1,753 hours of work to complete our review of the audit documentation and draft report when received. We currently have 825 of those hours scheduled between now and April 2023. As each week ticks by, it is a week lost and those hours will need to be rescheduled on other engagements, further delaying our ability to complete our audit of the ACFR. For comparison, last year as of 3/4/22, we had an estimated 1,537 staff hours left to audit and complete the FY21 ACFR. As stated earlier, we are behind this time last year.



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Internally, AOS continues to reschedule staff and move around priorities in order to meet legal deadlines for other reports. However, this becomes more challenging in the months of March through June. We will still make the scheduling changes where we can, but our ability to do so grows more limited each day that passes.

We continue to recommend the following order for completion:

- a. GAAP package compilations/Fund level JE's
- b. Fund financial statements & cash flow statements (prioritizing governmental funds)
- c. Entity-wide JE's
- d. Entity-wide financial statements
- e. Budget to Actual
- f. Footnotes
- g. MD&A
- h. Statistical information

We continue to collaborate with the GAAP Team. Meetings are helpful and our folks appreciate the information exchange between our office and the GAAP Team.

Please take whatever steps are possible to prioritize the completion of this critical project.

Thank you for your attention to this matter. Please contact me with any questions or ideas to improve our timeline.

Sincerely,

John McCormally  
Chief of Staff  
Auditor of State

cc: Jay Cleveland, (DAS)  
Adam Steen, (DAS)  
Joel Lunde (IDOM)  
Ernie Ruben (AOS)