



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

March 4, 2022

Adam Steen
Director
Department of Administrative Services
VIA EMAIL

Re: ACFR Issuance

Adam:

I wanted to follow-up on our discussions regarding the GAAP Team and ACFR progress. I am requesting that you devote additional resources toward completion of the GAAP Team's work in order to avoid adverse financial consequences for the state.

To recap, the GAAP Team at DAS is responsible for preparing financial documents and a draft of the Annual Comprehensive Financial Report (ACFR), on behalf of the State, and then submitting that information to the Auditor's office for audit. Due to retirements and staff transitions, all four members of the GAAP Team are new to this project this year. The information and documents that the GAAP Team is responsible for preparing are complicated and numerous. The new GAAP Team has had a steep learning curve, and is struggling to provide the information our office needs to complete ACFR. While the Team does not provide information specifically for the Statewide Single Audit, that report cannot be issued until after the ACFR is issued. The ACFR is normally issued by 12/31, which means we are already well past the normal issue date for the FY21 ACFR. Moreover, 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.

AOS staff have been regularly meeting with the DAS GAAP Team, most recently meeting on Tuesday (3/1) 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. The information in yellow highlight is yet to be completed. While the GAAP Team has been working to complete these items, their progress must significantly improve immediately or the state risks significant delays in receiving federal funds. Such delays could have serious consequences.

On January 4, 2021, Deputy Auditor Marlys Gaston emailed Jay Cleveland at DAS providing a status of the ACFR. That email is attached. In that email, she stated if the GAAP team provided everything to AOS by the end of February, we would be in a position to release the ACFR sometime between late April to late June. The estimated timeline depends on whether



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there are corrections needed to information provided by the GAAP Team. At the January 18, 2022 meeting with the GAAP Team, they felt confident AOS would have all information by the end of February. During the January 25, 2022 meeting, the goal was pushed back to the end of March. Now, during Tuesday's meeting the GAAP Team was not able to commit to the end of March for completion of all GAAP Team prepared documents.

While the GAAP Team's previous goal was the end of February, now that we are in March, the GAAP Team estimates they are only 50% complete. Based on the current GAAP Team lack of progress towards providing our Office with the materials we need to conduct the required review, if additional resources are not provided to assist the GAAP Team, it is not realistic that the ACFR or the Single Audit can be completed in time to meet required federal deadlines.

Last year, the ACFR was delayed due to difficulties experienced by Iowa State University, which Iowa State stated were exacerbated by the transition to Workday. That delay also impacted the Single Audit, because the Single Audit cannot be issued until after ACFR is complete. The FY20 ACFR was issued on October 8, 2021 and the Single Audit Report was issued on November 15, 2021, well beyond the Federal deadline of September 30, 2021. The delay of the Single Audit last year 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 again extended the deadline for the Single Audit to September 30, 2022. It is critical the State meet this deadline.

This year, the GAAP Team delay means we are looking at a far more significant delay in ACFR issuance, which will in turn lead to a longer delay for the Single Audit. By way of comparison, after 3/1/2021, our office spent 446 hours to get the FY20 ACFR completed and issued on October 8, 2021. This time was used for reworking/updating sections due to ISU final numbers and reviewing and testing the final ACFR draft. All other work related to the ACFR was completed prior to March, in large part because we had the necessary data from the previous GAAP Team. We can only do our work once the GAAP Team has completed theirs.

As of 3/4/22, because of the DAS GAAP Team delays, we still have an estimated 1,537 staff hours left to audit and complete the FY21 ACFR. In other words, we have 4 times the work left to do (over 1000 staff hours) than this time last year. You will note our estimated work left to do has *increased* since the estimate I provided you last month. This is due to the fact that our staff has had to redo and/or request corrections from the GAAP Team for those pieces that we have been provided. This estimate is expected to increase as we receive additional information that will likely also need corrections.

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 month of



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March. We will still make the scheduling changes where we can, but our ability to do so grows more limited each day that passes.

In short, there is still much work to be done. It is our opinion that additional resources and a reshuffling of priorities are necessary to complete this work. Our professional staff would like to suggest revising the GAAP Team priorities going forward, so that we can most efficiently complete the ACFR given the time crunch. While the GAAP Team has had to wait for some corrections to come through from IWD and ISU, there are significant working papers that could be prepared without this information. We 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. Meeting weekly is helpful and our folks appreciate the information exchange between our office and the GAAP Team. However, it is apparent that the GAAP Team needs additional resources to complete the work necessary. Please take whatever steps are possible to prioritize the completion of this critical project. Our professional staff have communicated with Marilyn Hanson, one of the former GAAP Team members that recently retired, and are under the impression that she would be willing to take a break from retirement to help the GAAP Team. We cannot more strenuously recommend she be brought back in to train and assist, along with any other former GAAP Team members other experienced outsiders.

Thank you for your attention to this matter. Please contact me with any questions.

Sincerely,

John McCormally
Chief of Staff
Auditor of State

cc: Jay Cleveland, (DAS)
Kraig Paulson, Joel Lunde (IDOM)
Marlys Gaston, Ernie Ruben (AOS)