

STATE OF IOWA AUDIT REPORTS

Action Requested: Receive the State of Iowa Comprehensive Annual Financial Report (CAFR) and the Single Audit Report (SAR) for the year ended June 30, 2004.

Executive Summary: On an annual basis, two State of Iowa audit reports are released that contain information regarding the five Regent institutions, the Board Office, and the rest of state government.

Background: The CAFR provides a broad perspective of the State of Iowa's financial activity with a general overview of the condition of the state, audited financial statements of the state, and a statistical section containing financial and demographic information. The CAFR may be accessed at the following web site: http://das.sae.iowa.gov/financial_reports/index.html.

The SAR, required by federal law, covers the disbursement of federal funds by all state agencies, institutions, and universities, as well as a review of internal controls, compliance with federal laws and regulations, and follow-up on prior year federal comments. The SAR may be accessed at the following web site: <http://auditor.iowa.gov/index.html>.

Analysis:

The State Auditor's report on the CAFR noted that:

- The various financial statements present fairly the financial position and changes in financial position and cash flow in conforming with generally accepted accounting standards.
- State appropriations of \$21.7 million were made from the Rebuild Iowa Infrastructure Fund (RIIF) for items that are inconsistent with the fund's legislatively established purpose, which was for public vertical infrastructure-related expenditures. The items considered by the auditor as inconsistent included transfers to the General Fund, technology support, routine maintenance of state buildings, establishment of loan programs, and a Housing Trust Fund.
- The net assets balance as of June 30, 2004, totaled \$10,346.0 million, an increase of \$400.9 million over the previous year.

The auditor's SAR report noted that:

- The auditor concluded that the State of Iowa complied, in all material respects, with the applicable requirements of its major federal programs for the fiscal year ended June 30, 2004.
- There were no reports of non-compliance for the Regent Institutions and the Board Office. However, the FY 2004 report included the following reportable conditions:
 - SUI - Subrecipient Monitoring, Due Diligence, and Effort Reports;
 - ISU - Grant Management; and
 - UNI - Allowability of Expenditures.

The universities have addressed all reported conditions.