



**VIRTUAL CONFERENCE**

APRIL 10, 2025 | APRIL 15, 2025

# Making Audits a Positive Experience

**April 15, 2025**





# Presenter

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*Roxanne Stotler*

*Senior Internal Auditor, County Services*

- *Graduated Maryville University of St. Louis, 2013*
  - Bachelor of Science Degree – Accounting
  - Bachelor of Science Degree – Information Systems
- *15 Years of Accounting and Auditing Experience*
- *Staff Auditor, Office of the Auditor of State, State of Iowa, 2022 to 2024*



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# Audit Background

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- Prior to 2025, the Iowa Auditor of State (AOS) was performing consolidated agreed upon procedure audit reports for all 100 County Agricultural Extension Districts.
- In 2024, the AOS advised their workload could not accommodate the extension audits. AOS recommended an internal audit program.
- The last audits completed by AOS in FY22; ISU Extension and Outreach internal audits are starting with FY23.
- These audits will determine if extensions are compliant with county fiscal policy and the Code of Iowa.



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# Why do we need audits?





# Public Sector Governance

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## Encompasses Policies and Procedures (County Fiscal Policy)

- Directs an organization's activities

## Provides Reasonable Assurance

- Objectives are met
- Operations are ethical and accountable

## Includes Activities That

- Ensures government's credibility
- Establishes equitable provision of services
- Assures appropriate behavior of government officials

**Public sector governance reduces the risk of fraud.**

# Role of Government Auditing

Government auditing is a cornerstone of good public sector governance.

Auditors:

- Provide unbiased, objective assessments to determine if public resources are responsibly and effectively managed.
- Help achieve accountability and integrity.
- Improve operations.
- Instill confidence among citizens and stakeholders.
- Role supports governance responsibilities of oversight, insight and foresight.

# Oversight. Insight. Foresight.

- Oversight.
  - Addresses whether government entities are doing what they are supposed to do.
  - Determines whether they are serving to detect and deter public corruption.
- Insight.
  - Assists decision-makers by providing an independent assessment of government programs, policies, operations and results.
- Foresight.
  - Identifies trends and challenges.



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# Iowa Codes





# **Policy and Laws Reviewed in Audit**

## **Section 4.6 of Fiscal Policy**

The extension district budgeting procedures shall follow the instructions, rules, deadlines and guidelines as provided by the Iowa Department of Management. The budgeting process begins in the fall of the year and concludes with the certification of the budget by the IDOM in the spring.

§176A.8(6) – Local Budgets



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# **Policy and Laws Reviewed in Audit**

## **Section 6: Roles and Responsibilities**

### **Public Accounting of Funds**

Annually, the extension council shall publish in two district newspapers prior to September 1, a full and detailed report of all receipts and expenditures in the Operating Account and Summary of Agency Account for the last fiscal year consistent with extension law, Iowa Code Chapter 176A.8.14.

§176A.8(14) – Publication of Annual Report



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# Policy and Laws Reviewed in Audit

- §176A.8(13) – Cumulative Carryover of Education Funds
- To carry over unexpended county agricultural extension education funds into the next year so that funds will be available to carry on the program until such time as moneys received from taxes are collected by the county treasurer. However, the unencumbered funds in the county agricultural extension education fund in excess of one-half the amount expended from the fund in the previous year shall be paid over to the county treasurer. The treasurer of the extension council with the approval of the council may invest agricultural extension education funds retained by the council and not needed for current expenses in the manner authorized for treasurers of political subdivisions under section 12C.1.



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# Iowa Laws Reviewed in Audit

Iowa Code	Pertaining to
§21.3	Meetings of Governmental Bodies
§21.4	Public Notice
§21.5	Closed Session
§554D.114(5)	Electronic record of front and back of cleared checks
§556.11(4)	Report of unclaimed property to the Iowa State Treasurer
§24.9	Budgets and Budget Amendments



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# Difference: Procedural vs. Financial Audit

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**Procedural** – Evaluates a business's internal controls, accounting policies, laws and other procedures and then tests to ensure the business is following said laws, policies and procedures.

**Financial** – Designed to validate the accuracy, completeness, and authorization of financial transactions, records and account balances of the audited area, as well as to evaluate adequacy and effectiveness of internal controls.



# Council Roles





# Council Roles and Responsibilities



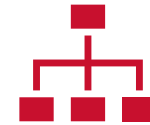
**Legally responsible for ALL money in the extension office.**

Held accountable for said money.

Provide direction to extensions and 4-H clubs on the handling of monies.



**Voucher Report must be reviewed and approved monthly.**



**Delegate responsibility in an extension office.**



**Council members can choose how much involvement they want in the audit process.**

# An Example: Reviewing Bank Reconciliations

System: 7/3/2023 11:11:48 AM User Date: 7/3/2023	RECONCILIATION POSTING JOURNAL Bank Reconciliation	Page: 1 User ID: KLH
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Audit Trail Code: [REDACTED] Checkbook ID: HSB Description: [REDACTED]	Bank Statement Ending Balance: \$228,046.67 Bank Statement Ending Date: 6/30/2023 Cutoff Date: 6/30/2023
--	--

Statement Ending Balance	\$228,046.67
Outstanding Checks (-)	\$1,276.32
Deposits in Transit (+)	\$0.00
Adjusted Bank Balance	\$226,776.35
Checkbook Balance as of Cutoff	\$226,747.28
Adjustments	\$29.07
Adjusted Book Balance	\$226,776.35
Difference	\$0.00

COUNTY AG EXTENSION  
EDUCATION FUND  
[REDACTED]

7-3-23  
Date  
[REDACTED]  
Signature

STATEMENT SUMMARY June 01, 2023 through June 30, 2023

Account Description	Account #	Beginning Balance	Ending Balance
<b>Deposit Accounts</b>			
Civic Org Checking	[REDACTED]	245,899.56	228,046.67
<b>Total on Deposit</b>			\$228,046.67

8/23/23  
Date  
[REDACTED]  
Signature

# An Example: Reviewing Bank Reconciliations

System: 7/3/2023 11:11:48 AM User Date: 7/3/2023		RECONCILIATION POSTING JOURNAL Bank Reconciliation		Page: 1 User ID: KLH	
Audit Trail Code: [REDACTED] Checkbook ID: HSB Description: [REDACTED]		Bank Statement Ending Balance: \$228,046.67 Bank Statement Ending Date: 6/30/2023 Cutoff Date: 6/30/2023			
Statement Ending Balance		\$228,046.67		System: 7/3/2023 11:12:14 AM	
Outstanding Checks (-)		\$1,270.32		User Date: 7/3/2023	
Deposits in Transit (+)		\$0.00		OUTSTANDING TRANSACTIONS REPORT Bank Reconciliation	
Adjusted Bank Balance		\$226,776.35		Page: 1 User ID: KLH	
Checkbook Balance as of Cutoff		\$226,747.28			
Adjustments		\$29.07			
Adjusted Book Balance		\$226,776.35			
Difference		\$0.00			
		=====			
		4 Transaction(s)			
		Totals:			
		Number of Payments		4	
		Amount of Payments		\$1,270.32	
		Number of Deposits		0	
		Amount of Deposits		\$0.00	



# An Example: Reviewing Bank Reconciliations

System: 7/3/2023 11:12:14 AM  
User Date: 7/3/2023

OUTSTANDING TRANSACTIONS REPORT  
Bank Reconciliation

Page: 1  
User ID: KLH

Audit Trail Code:   
Checkbook ID: HSB  
Description:   
Sorted By: Type  
Sort Order: Ascending

Type	Number	Date	Paid To/Rcvd From	Trx Amount
CHK	05326	6/15/2023		(\$145.00)
CHK	05328	6/22/2023		(\$246.14)
CHK	05329	6/23/2023		(\$759.18)
CHK	05331	6/27/2023		(\$120.00)

4 Transaction(s)

Totals:  
Number of Payments 4  
Amount of Payments \$1,270.32  
Number of Deposits 0  
Amount of Deposits \$0.00

Civic Org Checking xxxx2019 \$216,556.71								Continued			
Balancing Checklist											
X	Check #	Date	Amount	X	Check #	Date	Amount	X	Check #	Date	Amount
<input checked="" type="checkbox"/>	5326	07/12	145.00	<input checked="" type="checkbox"/>	5331	07/14	120.00	<input checked="" type="checkbox"/>	5335	07/24	500.00
<input checked="" type="checkbox"/>	5328	07/06	246.14	<input checked="" type="checkbox"/>	5332	07/25	50.00	<input checked="" type="checkbox"/>	5336	07/13	664.00
<input checked="" type="checkbox"/>	5329	07/03	759.18	<input checked="" type="checkbox"/>	5333	07/26	500.00	<input checked="" type="checkbox"/>	5337	07/27	750.00

# An Example: Reviewing Bank Reconciliations

System: 7/3/2023 11:11:48 AM User Date: 7/3/2023	RECONCILIATION POSTING JOURNAL Bank Reconciliation	Page: 1 User ID: KLH
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Adjusted Bank Balance	\$226,776.35	
Checkbook Balance as of Cutoff \$226,747.28 Adjustments \$29.07		
Adjusted Book Balance	\$226,776.35	
Difference	\$0.00	

County Agricultural Extension District Balance Sheet Cash Basis 6/30/2023	
Current Assets	
Cash Accounts:	
Operating Checking - [REDACTED] State B...	226,776.35
Petty Cash	70.00
Total Cash Accounts	226,846.35
Total Current Assets	226,846.35

# An Example: Reviewing Bank Reconciliations

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## Signatures

Per fiscal policy 3.4 and 6.2, **after review**, each page of the reconciliation and bank statement should be signed and dated by:

- The staff completing the reconciliation
- Council member that does not have other fiscal responsibility
- Council treasurer



# Public Purpose

- **Article 31 – Constitution of the State of Iowa**

“.....no public money or property shall be appropriated for local, or private purposes....”

- **AG Opinion 79-4-26 dated April 25, 1979. - Questionable Disbursements**

- Line to be drawn is very thin.
- Subject to close scrutiny.
- Infrequent and modest in cost.
- Governing body must document.

**Thoughts from former Iowa Auditor of State Mary Mosiman:**

- The harder it is to document a public purpose; the less likely one exists.
- If it's not for a public purpose, why should the public pay for it?



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# Internal Controls

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The individual collecting cannot be the same individual entering.

The person entering receipts cannot be the person depositing.

The person reconciling cannot be the same person that enters deposits.

# Internal Controls - continued

Petty cash or cash box is not assigned to one individual.

The functions of preparing, approving and recording payroll cannot be completed by the same person.

The person opening the mail cannot update the accounting records.



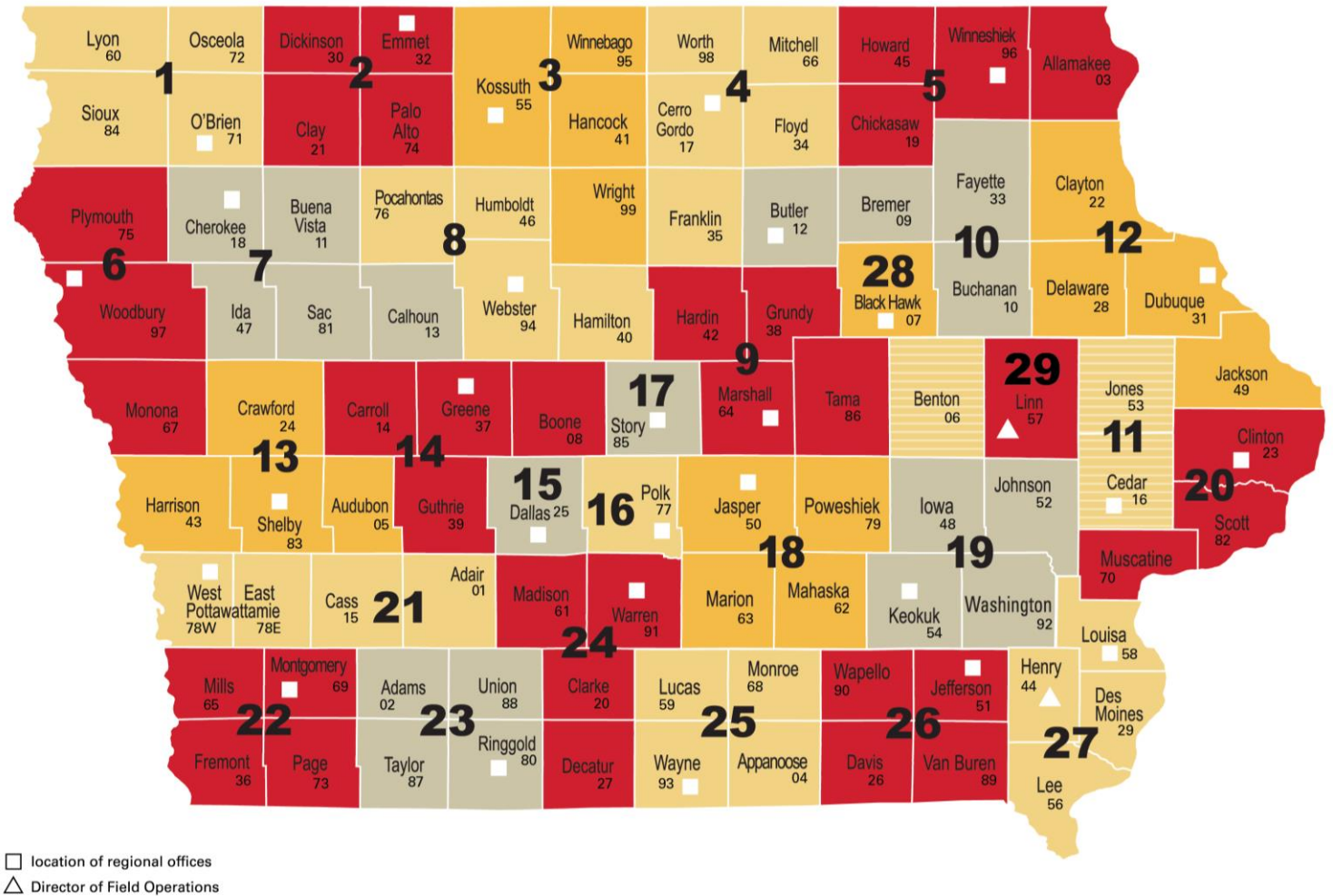
# Audit Process





# FY23 Audits

- All 100 extensions will be audited, unless the councils decide to use an external audit firm
- Started with five pilot counties
  - Polk
  - Cherokee
  - Montgomery
  - Dickinson
  - Linn



# Audit Timeline – Important Documents

## Document Request Letter

List of documents needed for the audit

## \*Procedural Engagement Agreement

Documents the terms of engagement as well as amount of the audit

## \*Planning Entrance Conference

Documents details of particular audit, such as scope, timing, personnel changes, etc.

## \*Exit Conference

Documents report and non-report comments, recommendations and responses.

## \*Representation Letter

Attests Extension provided all documents and other attestations

## Agreed-Upon Procedures Audit Report

Final audit report

\*Requires council chair/member signatures



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# Information To Be Audited

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- Council Minutes
- Internal Controls
- Bank Reconciliations
- Bank Statements @ June 30, 2023
- Unclaimed Property Report
- Depository Resolution
- Investments
- Agency Funds
- 4-H Clubs
- Cumulative Carryover Balance
- Tax Receipts
- Published Annual Report
- Disbursements
- Credit Card Statements
- Gift Cards
- Payroll
- Budgets



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# Audit Examples





# Johnson County Conservation Department

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- \$38,068.99 of unauthorized payroll and related payroll costs for Mr. Schultz.
- \$13,897.68 of improper disbursements for the loway gathering.
- \$8,370.77 of improper disbursements to various vendors.
- \$2,511.89 of improper Mr. Gullett's credit card transactions.
- \$523.38 of improper Mr. Schultz credit card transactions.
- \$131.86 of improper fuel purchases.

# Tama County HR Director

- HR Director Ms. Wise was terminated after an audit of human resources policies and practices.
- Alerted by a complaint from a member of the community that she may have personally benefited financially as a result of the purchase of an item without paying required sales tax.
- Acceptance of gifts Iowa Code 68B, Government Ethics and Lobbying — “Ms. Wise did not pay sales tax on the item in question resulting in a financial savings exceeding \$500.”



# City of Delhi

- \$29,539.50 of unauthorized payroll costs resulting from excess wages, excess longevity payments, unearned vacation hours, and unauthorized insurance stipends issued to Ms. Tucker;
- \$1,369.25 of excess insurance premiums issued on behalf of Ms. Tucker;
- \$21,788.59 of improper contributions to HSA account on behalf of Lori Tucker;
- \$334.71 of reimbursement checks issued to Ms. Tucker for excessive mileage and other costs;
- \$189.12 of late fees and interest to IPERS;
- \$12,735.15 of excess insurance premiums, improper contributions to an HSA account on, and improper medical expense issued on behalf of a former maintenance employee;
- \$602.96 of improper purchases made with the City's credit card, late fees, and interest.



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# City of Yale – Press Release

- Without oversight, an Iowa city clerk allegedly used the small town's credit card for \$19,000 in improper spending, tapping public funds for purchases that included six packs of Nerds Gummy Clusters, five cans of smokeless tobacco, three frozen breakfast pizzas, two boxes of tampons and a bag of chili cheese Fritos.
- Iowa State Auditor Rob Sand wrote that Jill White, former city clerk for Yale, population 250, used the town's credit card and bank account to pay personal bills, cover grocery expenses and fill her vehicle with gas.



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# City of Yale

- \$7,753.29 of personal purchases from other vendors using the City's operating account
- \$5,008.38 of unauthorized checks to Ms. White
- \$1,396.12 of personal purchases from Fareway and Hy-Vee
- \$1,977.27 of personal purchases on the City's credit cards
- \$724.49 of personal purchases from gas stations
- \$2,525.15 of late fees, penalties, and interest issued to the Internal Revenue Service, IPERS, Department of Revenue, and Iowa Workforce Development



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# Positive Change



# Audits = Positive Change

## Key Points

- Identifying operational inefficiencies
- Strengthening internal controls
- Improving compliance by highlighting weaknesses and opportunities
- Enhancing decision-making
- Learning Experience
- Creating a more positive organizational culture



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# Questions?

[www.extension.iastate.edu/countyservices](http://www.extension.iastate.edu/countyservices)

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County Services

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