



## Educational Services Center

2255 N Dubuque Road

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[www.iowacityschools.org](http://www.iowacityschools.org)

**Matthew Degner**

Superintendent of Schools

February 23rd, 2026

### **Subject: FY23 Internal Control Audit Findings and Corrective Actions**

To Whom It May Concern:

This memorandum is intended to provide an overview of the internal control findings identified during the FY23 audit of the Iowa City Community School District's financial operations. The audit assessed key processes related to cash management, disbursements, reconciliations, and oversight procedures. While certain control deficiencies were noted, the District has taken prompt and appropriate corrective actions to strengthen internal controls, enhance accountability, and ensure full compliance with applicable financial policies and regulatory requirements. The details of the findings and the corresponding corrective measures implemented are outlined below.

#### **Finding 2023-001: Material Weakness: Inadequate Controls over Financial Reporting**

The District's financials required significant revisions and were significantly delayed.

**Condition:** The District does not have processes and controls in place for timely financial reporting. The District was performing year-end close procedures over significant financial statement accounts over an extended period of time

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and did not complete reconciliations over all accounts and preparation of a financial report draft until December 2024. In addition, the District's controls were not operating effectively over financial reporting because during the audit, there were significant adjustments provided subsequent to the original trial balance, which materially affected year-end balances. In addition, supporting schedules and reconciliations did not agree to financial statement amounts and required revisions.

**Corrective Action:** The previous accounting leadership did not appear to properly reconcile the District's balance sheet, and what reconciliations were available contained unknown variances or other errors that compounded misstatement of the draft financials. Additionally, record keeping was difficult to follow and frequently contained errors. Other transactions recorded were booked as estimates without documentation or resolution. The controller is working to formalize the reconciliation process and return to a status where bank and investment accounts are reconciled on at least a monthly basis and reviewed by the controller. Additionally, the capital project the capital projects portfolio will be updated on at least a monthly basis and reviewed by the controller. All balance sheet accounts will be reviewed and reconciled on at least an annual basis. Account reconciliations will be current and regular monthly or annual review in place by August 31, 2026. Alan Moran is responsible for the corrective action plan.

**Operational Milestones:** The finance team has worked with external auditors to develop a roadmap to bring financial

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statements current. We have begun working on the 2024 audit with the external auditors and have a roadmap in place to be current for the March 15, 2027 filing deadline.

### **Finding 2023-002: Significant Deficiency: Inadequate Controls over Bank Reconciliations**

The District's bank reconciliations required corrections for unreconciled amounts.

**Condition:** During audit procedures performed, and testing of the accuracy of bank reconciliations, two improper reconciling items were identified. It was determined that approximately \$1 million of reconciling items on two different bank accounts should have been classified as due to/from other funds, however, were not presented in the financial statements correctly. These amounts netted across the two funds and therefore District cash was misstated by an immaterial amount, however the District's bank reconciliations did not identify this error. It was further identified that an additional \$55,000, which reduced general ledger cash and increased payroll-related expenditures, should be reversed. An adjusting entry was recognized in the financials to eliminate these reconciling items.

**Corrective Action:** Bank accounts were not being properly reconciled and frequently contained "miscellaneous variances." Bank reconciliations will be completed on an at least monthly basis by a member of the business services

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team and reviewed by the controller. Unknown variances will no longer be permissible on reconciliations. All reconciliations will be current and completed on an at least monthly basis by August 31, 2026. Alan Moran is responsible for the corrective action plan.

**Operational Milestones:** The finance team is in the process of resolving this issue to bring finances current. FY24 cash reconciliations are complete, and we are underway with the reconciliation of certain FY25 reconciliations. We have completed the cash reconciliation for the general fund through May 2025, which has historically been the most time consuming to complete and correct.

### **Finding 2023-006: Significant Deficiency: Inadequate Segregation of Duties over Cash Disbursements and Journal Entries**

The District's Chief Financial Officer has the ability to update and add new vendors, process invoices, post journal entries, and has access to the electronic signature for cash disbursements.

**Condition:** During audit procedures performed, it was identified the District's Chief Financial Officer has the ability to update and add new vendors, process invoices, post journal entries, and has access to the electronic signature for cash disbursements. These are incompatible duties that should be segregated when performing financial accounting and

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reporting. The District's compensating controls include other individuals performing bank reconciliations, as well as superintendent reviews of the financial statements, including budget to actual comparisons. These compensating controls and reviews help minimize the risk when they are operating effectively.

**Corrective Action:** We will remove account maintenance, invoice processing and Journal Entry Post capabilities from the CFO. This was removed August 27th, 2025 by the controller, Alan Moran.

**Operational Milestones:** The CFO no longer has ledger access. Any entries drafted by the controller are subject to independent review and may not be posted by the controller. Control is as of date of end of report and will likely repeat as a result for the FY24 audit.

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