State of Idaho
Internal Control Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Fiscal Year 2025

Legislative Services Office
Idaho State Legislature

Serving Idaho's Citizen Legislature

Terri Kondeff
Director

July 8, 2026

Honorable Brad Little, Governor
Honorable Senator Scott Grow, JFAC Co-Chair
Honorable Josh Tanner, JFAC Co-Chair
Honorable Brandon D Woolf, State Controller

We are pleased to submit the State of Idaho *Internal Control Report* as it relates to our audit of the statewide *Annual Comprehensive Financial Report* (ACFR) covering the fiscal year ended June 30, 2025. This *Internal Control Report* is an integral part of the ACFR audit process and is required by *Government Auditing Standards* issued by the Comptroller General of the United States.

These standards require that we consider the internal control over financial reporting and disclose weaknesses that could have a material effect on the financial statements. We are also required to perform and disclose the results of tests of compliance with certain laws, regulations, and other requirements that could have a direct and material effect on the financial statement amounts.

The results of our audit identified 10 material weaknesses and 4 significant deficiencies in internal control required to be reported under *Governmental Auditing Standards*. As explained in Finding 2025-102, we were unable to obtain sufficient appropriate evidence related to Pooled Cash & Investments, Restricted Cash & Cash Equivalents, and related equity accounts. Our opinion was modified on the following opinion units: Governmental Activities, Business-Type Activities, Governmental Fund General, Governmental Fund Health and Welfare, Governmental Fund Transportation, Governmental Fund Federal Stimulus, and Enterprise Fund Loan. Additional issues were identified during the course of the audit. There is a risk that misstatements still exist in the financial statement. In regard to the identified issues, all material misstatements were corrected prior to issuance of the ACFR, except for any potential errors related to Finding 2025-102.

This report is available on our website at www.legislature.idaho.gov, and the ACFR can be obtained from the Office of the Idaho State Controller's website at www.sco.idaho.gov.

Sincerely,

April Renfro

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Legislative Services Office
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Terri Kondeff
Director

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

July 8, 2026

Honorable Brad Little, Governor
Honorable Senator Scott Grow, JFAC Co-Chair
Honorable Josh Tanner, JFAC Co-Chair
Honorable Brandon D Woolf, State Controller

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise State of Idaho's basic financial statements, and have issued our report thereon dated May 21, 2026. Our report includes a reference to other auditors who audited the financial statements of the following entities as described in our report on the State of Idaho's financial statements:

Idaho State Bar
Idaho Bond Bank Authority
Idaho State Building Authority
Idaho Dairy Products Commission
Idaho Endowment Fund Investment Board
Idaho Fish and Wildlife Foundation
Idaho Health Insurance Exchange
Idaho Small Employer Health Reinsurance Program
Idaho Individual High Risk Reinsurance Pool
Idaho Housing and Finance Association, and component unit
Idaho Lottery
Idaho Potato Commission
Public Employee Retirement System of Idaho
Idaho State Treasurer – Assets Under Management
Idaho Wheat Commission
Lewis-Clark State College and component unit
Boise State University, and component unit
Idaho State University, and component unit
University of Idaho, and component unit

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Boise State University Foundation, Idaho State University Foundation, and University of Idaho Foundation were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Idaho's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of

expressing an opinion on the effectiveness of the State of Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Basic Financial Statement Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State of Idaho's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Basic Financial Statement Findings to be material weaknesses: 2025-101, 2025-102, 2025-103, 2025-104, 2025-105, 2025-107, 2025-108, 2025-110, 2025-113, and 2025-114.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Basic Financial Statement Findings to be significant deficiencies: 2025-106, 2025-109, 2025-111, and 2025-112.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State of Idaho's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State of Idaho's response to the findings identified in our engagement and described in the accompanying Basic Financial Statement Findings. The State of Idaho's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Idaho's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Idaho's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

April Renfro, CPA
Legislative Auditor

STATE OF IDAHO
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SCHEDULE OF BASIC FINANCIAL STATEMENTS FINDINGS

STATE OF IDAHO
INTERNAL CONTROL REPORT
SCHEDULE OF BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

STATE AGENCY		PAGE
IDAHO DEPARTMENT OF ADMINISTRATION		
2025-101	The Department entered incorrect in-service dates for nine capital assets causing Capital Assets, Net of Depreciation to be overstated by $10,724,635 on the *Annual Comprehensive Financial Report* (ACFR).	5
OFFICE OF THE STATE CONTROLLER		
2025-102	The Office did not complete reconciliations by fund for fiscal years 2024 or 2025 resulting in unverified pooled cash and cash equivalent amounts on the financial statements.	7
2025-103	The Office's internal review failed to prevent misstatements on the Federal Stimulus fund on the Governmental Funds balance sheet.	8
2025-104	Inappropriate classification of transfers and intrafund activity caused multiple misstatements on the ACFR.	10
2025-105	Long-term liability and contractual commitment disclosures were significantly misstated on the ACFR.	12
2025-106	The Office's internal review process did not prevent or detect multiple misstatements in the statewide ACFR submitted for audit that were greater than the trivial threshold but less than material.	13
2025-107	The Office's inadequate data reconciliation process established during the audit period continues to allow duplicate payments to occur.	15
2025-108	Incomplete review of existing interfaces between the State agencies and Luma increases the risk of errors occurring and going undetected.	17
2025-109	Multiple control deficiencies were identified in Luma's Security and Privacy Program increasing the risk of fraud, unauthorized transactions, data manipulation, or undetected errors.	19
IDAHO DEPARTMENT OF CORRECTION		
2025-110	The Department did not record two capital assets valued at $35,698,085 in the statewide accounting system, Luma.	21
2025-111	The Department recorded budgeted amounts as capital assets instead of actual expenditures resulting in an overstatement of $570,721.	23

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INTERNAL CONTROL REPORT
SCHEDULE OF BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

STATE AGENCY		PAGE
IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY		
2025-112	The Department was unable to reconcile the Loans and Notes Receivable ending balance between the Department's Loan & Grant Tracking System (LGTS) and the State's accounting system, LUMA, for the Clean Water and Drinking Water State Revolving funds, resulting in incorrected reported balances.	24
IDAHO DIVISION OF FINANCIAL MANAGEMENT		
2025-113	The Division's internal review failed to prevent a material misstatement on the Grants Advances closing package for the American Rescue Plan Act (ARPA) funds.	25
IDAHO STATE TREASURER'S OFFICE		
2025-114	The State Treasurer's Office does not have procedures in place to comply with its investment policies that state monthly distributions will be calculated from the figures provided by TATRS and reconciled against third-party information.	28

STATE OF IDAHO
INTERNAL CONTROL REPORT
BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

IDAHO DEPARTMENT OF ADMINISTRATION (Department)

Finding 2025-101

The Department entered incorrect in-service dates for nine capital assets causing Capital Assets, Net of Depreciation to be overstated by $10,724,635 on the *Annual Comprehensive Financial Report* (ACFR).

Type of Finding: Material Weakness, Substantive Error

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

Management is responsible for establishing a process for preparing accounting information based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include segregation of duties, adequate review and authorization of financial transactions, and maintaining supporting documentation or other reliable records as the basis for reports.

Each year the Office of the State Controller (Office) prepares the statewide *Annual Comprehensive Financial Report* (ACFR) in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) establishes GAAP for state and local governments. The GASB Statement 34, paragraphs 20 and 21, states that capital assets should be depreciated over their useful lives and should be reported net of accumulated depreciation in the statement of net position.

Condition: We tested the Department's Building and Improvement capital assets to verify that the assets' value, useful lives, depreciation expense, and accumulated depreciation were calculated correctly. We selected 15 assets we consider to be individually significant items (ISIs) based on their dollar value and selected 14 other assets for a total of 29 assets to be reviewed. We identified errors in 8 of the ISIs and identified that they were all part of the Chinden Campus acquisition. Because the errors were all related to the Chinden Campus acquisition, we searched for other assets involved in that purchase. After identifying errors in all the Chinden Campus assets in our sample, we identified and tested the final asset included in that acquisition and also identified the same error. All 9 Chinden Campus assets had incorrectly calculated useful lives, depreciation expense, and accumulated depreciation. When the Department entered assets into Luma during the implementation of the new accounting system, incorrect in-service dates were used causing Luma to calculate the useful life, depreciation expense, and accumulated depreciation incorrectly.

Cause: The Department did not have a control in place to review the entries for the assets for accuracy prior to posting in Luma.

Effect: The incorrect in-service dates caused the accumulated depreciation to be understated and the net capital asset value to be overstated from the date of implementation, July 1, 2023, by the same amount, $10,724,635, as shown in the following table:

Auditor Calculated Amounts								Luma Amounts	
Description	Basis	Life	Monthly Depreciation	In-Service Date	Fiscal Year End	Months In Service	Fiscal Year End Depreciation	Depreciation in Luma as of Fiscal Year End 2025	Over/ Under Statement of Accumulated Depreciation
CHINDEN CAMPUS BUILDING #1	$14,609,719.38	480	$30,436.92	6/30/2018	6/30/2025	84	$2,556,700.89	$60,969	($2,495,731)
CHINDEN CAMPUS BUILDING #2	$14,999,023.03	480	$31,247.96	6/30/2018	6/30/2025	84	$2,624,829.03	$424,975	($2,199,854)
CHINDEN CAMPUS BUILDING #3	$13,388,052.73	480	$27,891.78	6/30/2018	6/30/2025	84	$2,342,909.23	$334,701	($2,008,208)
CHINDEN CAMPUS BUILDING #4	$13,206,155.86	480	$27,512.82	6/30/2018	6/30/2025	84	$2,311,077.28	$5,799,650	$3,488,573
CHINDEN CAMPUS BUILDING #5	$16,174,845.75	480	$33,697.60	6/30/2018	6/30/2025	84	$2,830,598.01	$404,371	($2,426,227)
CHINDEN CAMPUS BUILDING #6	$14,500,950.98	480	$30,210.31	6/30/2018	6/30/2025	84	$2,537,666.42	$211,472	($2,326,194)
CHINDEN CAMPUS BUILDING #7	$11,928,293.44	480	$24,850.61	6/30/2018	6/30/2025	84	$2,087,451.35	$880,145	($1,207,306)
CHINDEN CAMPUS BUILDING #8	$12,984,774.08	480	$27,051.61	6/30/2018	6/30/2025	84	$2,272,335.46	$958,099	($1,314,237)
CHINDEN CAMPUS CAFETERIA	$2,413,534.75	480	$5,028.20	6/30/2018	6/30/2025	84	$422,368.58	$186,919	($235,450)
							Total Understatement of Accumulated Depreciation		**($10,724,635)**

We did not identify any errors in the other capital assets tested. The error exceeded our materiality of $9,953,018 for the Department's Capital Assets, Net of Depreciation.

Recommendation: We recommend that the Department design and implement procedures to ensure the accuracy of capital asset entries in Luma, including the review and approval of these entries by a qualified second person with accounting and capital asset knowledge.

Management's View: *The agency disagrees with the finding.*

The in service date proposed in the letter attributes depreciation to the Department prior to the transfer of the asset itself to the department.

Corrective Action: *Corrective action will include full review of transfer documents in cooperation with LSO and SCO to determine appropriate dates and values for the assets to include any additions, capitalized interest, and accumulated depreciation. Admin will also work with SCO to develop or update training guides in conjunction with the documented procedure for recording such transfers in LUMA.*

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We would like to clarify that the purpose of our capital asset testing at the Department was to verify the amount reported on the statewide financial statements as capital assets, net of depreciation. In June 2023, the state switched to a new accounting system, Luma, and the amounts the Department entered in Luma as in-service dates, asset values, and accumulated depreciation for these assets were incorrect.

We calculated the correct amounts using the best information available from the Department at the time of our testing. The amount that should have been reported as capital assets, net of depreciation at the end of fiscal year 2025 is the same regardless of whether the depreciation is attributed to the Idaho State Building Authority or the Department. We agree that establishing procedures for entering assets into Luma, including a review for accuracy, is a good step to prevent errors in the future, and we encourage the Department to work with the Office of the State Controller to accurately report these assets.

STATE OF IDAHO
INTERNAL CONTROL REPORT
BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OFFICE OF THE STATE CONTROLLER (Office)

Finding 2025-102
The Office did not complete reconciliations by fund for fiscal years 2024 or 2025 resulting in unverified pooled cash and cash equivalent amounts on the financial statements.

Related to Prior Finding: 2024-100 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Related to Current Finding: 2025-114

Type of Finding: Material Weakness, Material Misstatement

Criteria: The *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Information and communication relates to obtaining quality information and effective internal and external communication of that information to achieve management objectives. Monitoring is the evaluation of results of the internal controls system and remediation of deficiencies in a timely manner. Best practices for identifying errors in cash amounts include timely reconciliations and regularly reviewing procedures.

Condition: When the State of Idaho implemented a new statewide enterprise resource planning system, Luma, in July 2023, the Office discontinued a standard reconciliation process that agreed the State's accounting system to the Idaho State Treasurer's Office system of record and the bank. The Office did not implement a new process to ensure that cash amounts continued to reconcile among the various systems. The process was not corrected in fiscal year 2025 resulting in unverified cash balances on the financial statements.

The lack of adequate reconciliations between the bank and the accounting system increases the risk that material misstatements may exist within the State of Idaho's pooled cash and cash equivalents. In addition, the amount of outstanding warrants could not be confirmed. Warrants are the State's version of a check that a consumer would use to draw funds on their account. Outstanding warrants are warrants that have not yet cleared the bank but have already been recorded in the accounting system. Typically, when reconciling an account to the bank, one would add outstanding warrants to the accounting system cash balance then subtract any outstanding deposits (included in the system but not received by the bank) in order to reconcile to the account balance according to the bank statement. Luma does not currently have adequate reports, or static reports, to verify the accuracy of outstanding warrant amounts. Support provided by the Idaho State Treasurer's Office does not match reports provided by the Office, and reports that are reperformed in Luma do not match those provided by the Office.

The lack of adequate reconciliations increases the risk that mark-to-market adjustments for the IDLE funds may contain material errors. The accuracy of IDLE allocation amounts across the State's funds in the

financial statements could not be fully verified as the Office did not reconcile cash reported in Luma to the system of record maintained by the Idaho State Treasurer's Office by fund and to cash held by the bank.

Cause: During the implementation of Luma and the integration of required interfaces from the Idaho State Treasurer's Office systems, there was a lack of sufficient interface testing, including end-user acceptance testing, completed by the Office. In addition, the Office discontinued a standard reconciliation process and did not implement an effective replacement to ensure that Luma fund account balances agreed to the Idaho State Treasurer's Office systems and the bank.

Effect: As a result of the lack of reconciled balances, we were unable to verify that pooled cash balances are materially accurate. In addition, we were unable to verify adjustments for fair value of the investments since its calculation relies upon an accurate balance to determine the amount needed to be adjusted to arrive at fair value. There is insufficient evidence to verify that the pooled cash amount was materially accurate for the following opinion units:

- Governmental Activities
- Business-Type Activities
- General Fund
- Health and Welfare Fund
- Transportation Fund
- Federal Stimulus Fund
- Loan Fund

Recommendation: We recommend that the Office implement reconciliation procedures between Luma, the Idaho State Treasurer's Office, and the bank to ensure pooled cash and cash equivalents can be accurately determined. We further recommend that this reconciliation process be applied back to the date of implementation.

Management's View: *The State Controller's Office agrees with this finding and acknowledges the lack of a cash reconciliation like the one done in previous years.*

Corrective Action: *The Office has developed a sustainable and effective cash reconciliation and has finished the reconciliation for fiscal years 2024 and 2025, as well as 2026 up to the month that is available.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit. As of the date we issued our opinion on the fiscal year 2025 ACFR, May 21, 2026, the Office had not provided any evidence of completed cash reconciliations from July 1, 2023, through June 30, 2025. We continue to assert that this process is critical in ensuring accurate financial statements and look forward to reviewing any evidence the Office can provide during the fiscal year 2026 ACFR audit.

Finding 2025-103
The Office's internal review failed to prevent misstatements on the Federal Stimulus fund on the Governmental Funds balance sheet.

Related to Prior Finding: 2024-102 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Related to Current Finding: 2025-113

STATE OF IDAHO
INTERNAL CONTROL REPORT
BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Type of Finding: Material Weakness, Material Misstatement

Criteria: The *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Information and communication relates to obtaining quality information and effective internal and external communication of that information to achieve management objectives. Monitoring is the evaluation of results of the internal controls system and remediation of deficiencies in a timely manner. Best practices for identifying errors in cash amounts include timely reconciliations and regularly reviewing procedures.

Condition: The Division of Financial Management submitted the Grants Advances closing package for American Rescue Plan Act (ARPA) with inaccurate amounts. The Division included prior-year interest revenue in the amount of $53.4 million and current-year interest in the amount of $25.7 million. This resulted in a $79.1 million overstatement of unearned revenue and restricted cash and understatement of pooled cash and cash equivalents for the Federal Stimulus fund on the Governmental Funds balance sheet. It also resulted in a $25.7 million understatement of grant and contribution revenue for the current year and understated prior-years' grant and contribution revenue by $53.4 million.

Cause: The Office did not review journal entries, including those from closing packages and adjustments, at a level sufficient to prevent misstatements. In addition, the financial statements were not reviewed at a sufficient level of detail to identify potential misstatements. The original submission of the grant advance closing package by the Division of Financial Management included interest revenues that should not have been considered advance funds, and agency personnel were not sufficiently trained to properly complete the closing package.

Effect: The financial statements submitted for audit contained misstatements that exceeded our materiality threshold for the Federal Stimulus column of the Governmental Fund statements. These errors were corrected prior to issuance of the ACFR.

- On the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, Grants and Contributions were understated by $25.7 million and prior-period revenues were understated by $53.4 million. On the Balance Sheet, unearned revenues and restricted cash were overstated by $79.1 million and pooled cash and cash equivalents were understated by $79.1.
- On the Governmental Activities of the Government-Wide Statement of Net Position, unearned revenues and restricted cash were overstated by $79.1 million and pooled cash and cash equivalents were understated by $79.1. On the Statement of Activities, Governmental Activities Operating Grants and Contributions of the General Government function were understated by $25.7 million and prior-period revenues were understated by $53.4 million.

Recommendation: We recommend that the Office strengthen internal controls to ensure all appropriate closing packages are processed and included in the financial statements correctly.

Management's View: *The State Controller's Office agrees with this finding.*

Corrective Action: *The Office has met and worked with the Division of Financial Management to ensure that the correct amounts are being reported. The process has been added to the instructions as well.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit. We are concerned that the corrective action provided above, indicating that the issue has been addressed and adjustments to instructions have been made, will not prevent errors from occurring in the future. We suggest that the Office evaluate current review procedures and determine long-term improvements to the process including, but not limited to, additional training for staff completing the review and incorporation of closing package information in the financial statements.

Finding 2025-104
Inappropriate classification of transfers and intrafund activity caused multiple misstatements on the ACFR.

Related to Prior Finding: 2024-103 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Type of Finding: Material Weakness, Material Misstatement

Criteria: The *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Information and communication relates to obtaining quality information and effective internal and external communication of that information to achieve management objectives.

Management objectives should include the preparation and fair presentation of the ACFR in conformity with accounting principles generally accepted in the United States of America and compliance with applicable laws and regulations.

Additionally, Governmental Accounting Standards Board (GASB*) Statement No. 54, Paragraph 30*, states that specific restricted or committed revenues may initially be received in one fund and subsequently distributed to a special revenue fund. Such amounts should not be recognized as revenue in the initial receiving fund but instead recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes. Proper classification of revenues and transfers is necessary to ensure accurate presentation within the governmental fund financial statements.

Condition: Multiple misstatements related to inappropriate classification of tax revenues as transfers and the elimination of intrafund activity were noted on the initial draft of the ACFR.

Misclassification of tax revenues as transfers resulted in material errors in sales tax and transfers in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund balance in the General Fund and Transportation Fund. We noted the following errors that exceeded the materiality threshold for the opinion unit due to misclassification of tax revenues as transfers:

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

- General Fund
  - Sales tax overstated by $171.9 million
  - Transfers out overstated by $171.9 million
- Transportation Fund
  - Sales tax understated by $117.5 million
  - Transfers in overstated by $117.5 million

Additional errors related to intrafund activity and misclassification of transfers resulted in errors that exceeded our trivial thresholds but did not exceed the materiality threshold for the applicable opinion unit for revenues, expenditures, and transfers of the General Fund, Transportation Fund, Health and Welfare Fund, and Nonmajor Governmental Fund. This also resulted in errors and the grossing up of revenues and expenses in the Statement of Activities for the Governmental Activities opinion unit.

The Office made corrections on the final ACFR properly reclassifying amounts related to transfers.

Cause: The Office did not review the financial statements at a level sufficient to prevent the misclassification of transfers. In addition, inadequate training of agency personnel resulted in difficulty in appropriately classifying transfers from revenues for different opinion units.

Effect: Various misstatements in the Government-Wide Statement of Activities and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance.

The impact to the initial draft of the financial statements is detailed in the condition statement for the material errors, had they not been corrected. Errors were subsequently corrected on the final ACFR.

Recommendation: We recommend that the Office provide additional training to State agency personnel on proper classification of revenues and transfers to ensure accurate presentation within the governmental fund financial statements. In addition, we recommend that the Office review the financial statement data at a level sufficient to identify such errors.

Management's View: *The State Controller's Office agrees with this finding.*

Corrective Action: *The process of how we pull data into the statements was updated to present as revenue and expenses, rather than transfers. Due to this change, the process had to once again be looked at and adjusted. We have determined the best process for the adjustments and have updated the instructions to ensure proper classification.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

STATE OF IDAHO
INTERNAL CONTROL REPORT
BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Finding 2025-105
Long-term liability and contractual commitment disclosures were significantly misstated on the ACFR.

Type of Finding: Material Weakness, Material Misstatement

Criteria: The *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Information and communication relates to obtaining quality information and effective internal and external communication of that information to achieve management objectives. Monitoring is the evaluation of results of the internal controls system and remediation of deficiencies in a timely manner. Best practices for identifying errors in cash amounts include timely reconciliations and regularly reviewing procedures.

Condition: Note 13, "Bonds, Notes and Other Long-Term Liabilities," initially included incorrect amounts related to the Transportation Expansion and Congestion Mitigation fund (TECM) total principal and interest payments, remaining on the notes, and total pledged revenues. Specifically, disclosed amounts of $1.2 trillion and $2.0 trillion related to the total principal and interest payments remaining on the notes and total pledged revenues should have been reported as $1.2 billion and $2.0 billion, respectively. Additionally, Note 16, "Litigation, Contingencies, Commitments, and Encumbrances," initially omitted required disclosures related to significant contractual commitments identified in the Department of Health and Welfare (DHW) closing package information. Specifically, multiple contracts with $1.6 billion commitments remaining. These commitments exceeded the minimum disclosure threshold of $5 million but were not initially included in the ACFR note disclosures. Both issues were subsequently corrected on the final ACFR.

Cause: The Office did not review the note disclosures at a level sufficient to prevent the misstatements and omitted disclosures.

Effect: The ACFR note disclosures contained inaccurate and incomplete information related to long-term liabilities, pledged revenues, and contractual commitments. Specifically, the total principal and interest payments remaining on the TECM notes were overstated by $1.2 trillion, total pledged revenues were overstated by $2 trillion, and the DHW commitments were omitted in the amount of $1.6 billion. These issues did not affect the underlying financial statement balances; however, the notes are an integral part of the financial statements, and errors of this size, if undetected and uncorrected, would likely mislead the user.

The errors were subsequently corrected on the final ACFR.

Recommendation: We recommend that the Office strengthen the review process over the compilation of the ACFR to ensure that note disclosure amounts are properly identified, included, and agree to the support documentation.

Management's View: *The State Controller's Office agrees with this finding.*

Corrective Action: *The team will utilize tracking sheets to ensure that all miscellaneous questions are reviewed for each task. We will attach the documentation in Wdesk for review.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

Finding 2025-106
The Office's internal review process did not prevent or detect multiple misstatements in the statewide ACFR submitted for audit that were greater than the trivial threshold but less than material.

Related to Prior Finding: 2024-105 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Type of Finding: Significant Deficiency

Criteria: The *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Information and communication relates to obtaining quality information and effective internal and external communication of that information to achieve management objectives. Monitoring is the evaluation of results of the internal controls system and remediation of deficiencies in a timely manner. Best practices for identifying errors in cash amounts include timely reconciliations and regularly reviewing procedures.

Management objectives should include the preparation and fair presentation of the ACFR in conformity with accounting principles generally accepted in the United States of America and compliance with applicable laws and regulations.

Idaho Code, Section 67-1001(2), requires that the Office submit *Generally Accepted Accounting Principles (GAAP)* financial statements to the governor and Legislative Services on or before the first day of January for the preceding fiscal year. The Office achieves compliance through the preparation and submission of the ACFR.

Idaho Code, Section 67-1007, states that the Office may examine any of the books, papers, accounts, bills, vouchers, or other documents of property of any or all of the State officers and custodians of State funds.

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Condition: Several misstatements and presentation errors were either identified by us and communicated to management during the audit process or identified by the Office after the financial statements were provided to us for audit. The following is a summary of the identified items that exceeded our trivial thresholds but did not exceed the materiality thresholds for the applicable opinion unit and were corrected prior to issuing the ACFR:

Financial Statement Area	Number of Identified Items
Financial Statements	12
Note 2: Deposits, Investments, and Restricted Assets	6
Note 4: Intraentity Transactions	1
Note 6: Capital Assets	2
Note 8: Pension Plans	1
Note 9: Postemployment Benefits Other than Pensions	1
Note 12: Short-Term Debt	2
Note 13: Long-Term Liabilities	10
Note 14: Equity	4
Note 16: Litigation, Contingencies, Commitments, and Encumbrances	3
Management Discussion and Analysis	5
Required Supplementary Information	3

Cause: Internal controls over the compilation process for the ACFR included review of work by a staff member independent of the staff member completing the work; however, these review processes were not at a detailed level sufficient to prevent or detect and correct the misstatements, errors, and omissions listed above.

Effect: The financial statements and note disclosures submitted contained several misstatements and information that were not clearly presented. The amounts of which were not material but exceeded our trivial threshold. All but 3 of the items identified above were corrected on the final ACFR and those that were not corrected were not material.

Recommendation: We recommend that the Office strengthen the review process over the compilation of the ACFR to ensure that the financial statements, note disclosures, and other information contained therein agree to the documentation that supports those amounts, including closing packages and outside audits.

Management's View: *The State Controller's Office agrees with this finding and acknowledges the misstatements and presentation errors identified by the auditors.*

Corrective Action: *Most errors were corrected prior to the issuance of the financial statements. The Office will continue to evaluate and make improvements to the internal review procedures. We have scheduled and will train the team on how to review and what to look for to ensure the review process is complete and accurate. We have switched which team members do tasks, to help with reviewing tasks that they are familiar with. Our team will review GASB guidance and take opportunities for training when available. We will be implementing the use of task checklists and prior year findings to ensure a complete and timely review of the notes.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

Finding 2025-107
The Office's inadequate data reconciliation process established during the audit period continues to allow duplicate payments to occur.

Related to Prior Finding: 2024-106 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Type of Finding: Material Weakness

Criteria: The Federal Information System Controls Audit Manual (FISCAM) provides a methodology for assessing information system (IS) controls published by the Government Accountability Office (GAO). The FISCAM framework is an objective-based control framework that provides guidance in (1) identifying relevant control objectives and (2) identifying and understanding the entity's information systems (IS) controls that are likely to achieve the relevant control objectives and are most efficient for testing. The FISCAM controls are consistent with and mapped to management requirements for information security and privacy controls included in the National Institute of Standards and Technology (NIST) Computer Security Resource Center publications and specifically include the information security and privacy controls presented in the *NIST Special Publication (SP) 800-53, Security and Privacy Controls for Information Systems and Organizations*.

Business process controls relate to the structure, policies, and procedures for the input, processing, storage, retrieval, and output of data that operate over individual transactions; activities across business processes; and events between business process applications, their components, and other systems.

Condition: The Office replaced the State's dated mainframe accounting system, STARS, with a cloud-based enterprise resource planning (ERP) system, Luma, on July 1, 2023.

We contracted with an independent advisory firm, Baker Tilly, to conduct an information technology (IT) audit of Luma in fiscal year 2024. Baker Tilly reviewed 101 relevant IT General Controls (ITGC) identified within the FISCAM framework and assessed the reliability of key data across 62 sampled interfaces in 21 modules within Luma from adjacent systems. That report identified 23 deficiencies related to data validation with 16 of them designated as high risk and 7 as moderate risk. High risk indicates a significant likelihood, and moderate risk indicates a moderate likelihood for material loss or misstatement, compliance concerns, reputational risk, availability and completeness of critical management information, or misappropriation of the State's assets or data. In addition, one deficiency noted the lack of validation control to reconcile master transactional data.

We reviewed the Office's progress in correcting those deficiencies and the deficiencies noted through our audit of the fiscal year 2024 ACFR.

One of the recommendations from the Baker Tilly report suggested that the Office evaluate Luma to determine if an automated process to reconcile data was possible. We found that the Office is now utilizing tools within Luma to monitor and produce processing logs. Our review also found that the Office has established formal written procedures for validating data in Luma transactions; however, an automated data validation process did not start until April 2025.

The Office designed a script control that compares current data records to recent prior data records processed to prevent multiple instances of the same data record from being produced or duplicate payments being issued. Automated business processes and corresponding application controls were also designed to help ensure that interfaced data is processed once and only once. However, this process was designed and tested in April 2026 and not implemented during the audit period.

Duplicate payments occurred in fiscal year 2024 and continued to occur in fiscal year 2025. The duplication of payments only occurred through the banking system and were only recorded in Luma once, resulting in the inability to identify or track the erroneous payments through Luma. However, implementation of an appropriate reconciliation process related to the 517 files uploaded to the bank and Luma, or a cash reconciliation of State bank activity would have assisted in the identification of duplicate payments; however, a statewide, by fund and agency, cash reconciliation has not been completed during fiscal year 2025.

Cause: Following the implementation of Luma, several root causes for the origination and/or persistence of issues were identified.

The Office utilizes tools within Luma to monitor and produce processing logs, specifically for interfaced data. However, the Office had not established an appropriate reconciliation process for banking transactions during the audit period that would help detect errors of this nature.

There were a variety of root causes for each instance when duplicate payments were processed. However, the common denominator between the events was the lack of suitable and effective controls, such as reconciliations, to prevent payments from being issued or discovered in a timely manner.

Effect: Unplanned events and errors are to be expected within a large recently implemented ERP system; however, effective controls can mitigate the effects of the errors. The continued lack of data reconciliations failed to prevent or detect and correct the system from processing duplicate payments.

The lack of data integrity resulted in the State continuing to issue duplicate payments in fiscal year 2025. Without appropriately designed and implemented controls, duplicate payments may continue to occur without being detected.

Recommendation: We recommend that the Office design and implement appropriate policies and procedures that include data reconciliation controls.

While the Office implemented a quarterly data validation process in April 2025, given the errors identified and lack of a full reconciliation of transactions processed between the bank and Luma, the risk remains that errors could occur and go undetected. To ensure that the data records are complete, accurate, and valid, a periodic reconciliation process of master and transaction data should also be performed.

Management's View: *The State Controller's Office agrees with this finding.*

Corrective Action: *The Office has incorporated automated checks to prevent duplicate payments in the future. The automated script compares the data to the previous files and will send notification to the Office of any issues that need to be reviewed prior to routing to the bank. The Office has also implemented a process whereby validation reports have been built and are sent to agency representatives quarterly that*

will allow agencies to validate that the data interfaced into Luma from their local systems is correct in Luma.

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit. Data validation on a quarterly basis is an improvement, however, identifying errors and making corrections in a timely manner may prove more difficult with such large time frames.

Finding 2025-108
Incomplete review of existing interfaces between the State agencies and Luma increases the risk of errors occurring and going undetected.

Type of Finding: Material Weakness

Criteria: The Federal Information System Controls Audit Manual (FISCAM) provides a methodology for assessing information system (IS) controls published by the Government Accountability Office (GAO). The FISCAM framework is an objective-based control framework that provides guidance in (1) identifying relevant control objectives and (2) identifying and understanding the entity's IS controls that are likely to achieve the relevant control objectives and are most efficient for testing. The FISCAM controls are consistent with and mapped to management requirements for information security and privacy controls included in the National Institute of Standards and Technology (NIST) Computer Security Resource Center publications and specifically include the information security and privacy controls presented in the *NIST Special Publication (SP) 800-53, Security and Privacy Controls for Information Systems and Organizations*.

Business process controls relate to the structure, policies, and procedures for the input, processing, storage, retrieval, and output of data that operate over individual transactions; activities across business processes; and events between business process applications, their components, and other systems.

Condition: The Office replaced the State's dated mainframe accounting system, STARS, with a cloud-based enterprise resource planning (ERP) system, Luma, on July 1, 2023.

We contracted with an independent advisory firm, Baker Tilly, to conduct an information technology (IT) audit of Luma in fiscal year 2024. Baker Tilly reviewed 101 relevant IT General Controls (ITGC) identified within the FISCAM framework and assessed the reliability of key data across 62 sampled interfaces in 21 modules within Luma from adjacent systems. That report identified 23 deficiencies related to data validation with 16 of them designated as high risk and 7 as moderate risk. High risk indicates significant likelihood, and moderate risk indicates a moderate risk for material loss or misstatement, compliance concerns, reputational risk, availability and completeness of critical management information, or misappropriation of the State's assets or data.

Deficiencies related to interface controls were largely a result of inconsistent configurations, incomplete or informally managed specification documentation, and a lack of established data validation controls.

We completed a review of the Office's progress in correcting deficiencies noted in the fiscal year 2024 ACFR, including recommendations that existing interfaces be reviewed and validated and that interfaced data be reconciled from the source to the target systems to verify the integrity of the interfaced data.

The Office originally identified 164 interfaces across State agencies; however, the total number of interfaces has expanded to 255. The Office reviewed 194 of the existing interfaces at the time of our inquiry with intentions of completing the other interface reviews before the end of fiscal year 2026.

In addition, a schedule was established to validate the interface systems on an annual basis each April, May, June, and July. However, the Office has not identified the resource requirements to continue the ongoing data validation and reviews of system interfaces.

The Office also established formal processes for data validation controls, including completing a roadmap with major milestones and establishing a data reconciliation process. These validation controls include a quarterly data validation process to match master and transaction data records between agency systems and Luma. However, a quarterly review, largely independent of agency feedback, lacks the control structure to ensure that the data processed was complete, accurate, and valid.

Cause: Data validation and interface controls were not effectively designed or implemented. The Office did not design and implement processes to periodically review data validation or other interface controls to assess the completeness and accuracy of interfacing data during the audit period. In addition, reporting capabilities were not utilized to aid in the reconciliation of data source systems. Finally, design documentation and build specifications were informally reviewed and maintained and did not consistently document expected processes and procedures related to interfaced data handling.

Effect: Appropriate and adequate information system controls support the design, implementation, and operational integrity of system interfaces by ensuring clear documentation, periodic validation, and effective error handling. The Office's failure to follow these controls may lead to undocumented or misconfigured interfaces, and incomplete or inaccurate data exchanges, resulting in a lack of trust in Luma outputs.

Additionally, errors in interface data may go undetected or unresolved, resulting in data loss, corruption, or delays. Without proper logging, alerting, and escalation mechanisms, the Office may not become aware of critical issues in time to mitigate them, leading to data corruption and increased risk of financial misstatements or fraud.

Data integrity is a core component of any information system. Without periodic data validation procedures, the integrity of system data will continually be scrutinized, and errors will persist.

Recommendation: We recommend that the Office continue to design and implement appropriate validation controls. These policies and procedures should include data reconciliation procedures; policies regarding how the Office will address system errors, specifically regarding "manual interventions"; timing of periodic testing and review of business process effectiveness, including all implemented interfaces.

Management's View: *The State Controller's Office agrees with this finding.*

Corrective Action: *The Office has reviewed 240 out of 253 interfaces and has the remaining 13 in progress.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

Finding 2025-109
Multiple control deficiencies were identified in Luma's Security and Privacy Program increasing the risk of fraud, unauthorized transactions, data manipulation, or undetected errors.

Related to Prior Finding: 2024-107 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Type of Finding: Significant Deficiency

Criteria: The Federal Information System Controls Audit Manual (FISCAM) provides a methodology for assessing information system (IS) controls published by the Government Accountability Office (GAO). The FISCAM framework is an objective-based control framework that provides guidance in (1) identifying relevant control objectives and (2) identifying and understanding the entity's IS controls that are likely to achieve the relevant control objectives and are most efficient for testing. The FISCAM controls are consistent with, and mapped to, management requirements for information security and privacy controls included in the National Institute of Standards and Technology (NIST) Computer Security Resource Center publications and specifically include the information security and privacy controls presented in the *NIST Special Publication (SP) 800-53, Security and Privacy Controls for Information Systems and Organizations*.

Business process controls relate to the structure, policies, and procedures for the input, processing, storage, retrieval, and output of data that operate over individual transactions; activities across business processes; and events between business process application, their components, and other systems.

Security management controls provide the foundation of a security-control structure and reflect senior management's commitment to addressing security risks. Information security management programs provide a framework and continuous cycle of activity for managing risk, developing and implementing effective security policies, assigning and communicating responsibilities, and monitoring the adequacy of the entity's IS controls.

Access controls, also known as logical and physical access, limit access or detect inappropriate access to information resources (i.e., data and information technology), thereby protecting these resources against unauthorized modification, intentional or unintentional loss, impairment, and disclosure. Logical access controls require users to authenticate themselves and limit the files and other resources that authenticated users can access and the actions that they can execute. Physical access controls involve restricting physical access to information resources and facilities.

The segregation of duties category relates to the policies, procedures, and an organizational structure for managing who can control key aspects of computer-related operations and thereby prevent unauthorized actions or unauthorized access to assets or records. Segregation of duties involves segregating work responsibilities so that one individual does not control all critical stages of a process. Effective segregation of duties is achieved by splitting responsibilities between two or more individuals or organizational units, which diminishes the likelihood that errors and wrongful acts will go undetected because the activities of one group or individual will serve as a check on the activities of the other.

Contingency planning provides for the continuation of critical or essential mission and business functions in the event of a system disruption, compromise, or failure and the restoration of the information system following a system disruption. Contingency planning involves protecting against losing the capability to

process, retrieve, and protect electronically maintained information. Effective contingency planning is achieved by having procedures for protecting information resources and minimizing the risk of unplanned interruptions. It also involves having a plan to recover and reconstitute information systems should system disruptions occur.

Condition: The Office replaced the State's dated mainframe accounting system, STARS, with a cloud-based enterprise resource planning (ERP) system, Luma, on July 1, 2023.

We contracted with an independent advisory firm, Baker Tilly, to conduct an IT audit of Luma in fiscal year 2024. Baker Tilly reviewed 101 relevant IT General Controls (ITGC) identified within the FISCAM framework and assessed the reliability of key data across 62 sampled interfaces in 21 modules within Luma from adjacent systems. Baker Tilly identified 37 deficiencies related to an informally managed security and privacy program and classified the deficiencies as moderate or low risk. Moderate risk indicates a moderate likelihood and low risk indicates a low likelihood for material loss or misstatement, compliance concerns, reputational risk, availability and completeness of critical management information, or misappropriation of the State's assets or data.

We completed a review of the Office's progress in correcting these deficiencies. We found that the Office had not formally designed and documented all of the recommended policies and procedures in relation to the security and privacy program for Luma to be maintained and updated on a periodic basis. In addition, critical security processes such as a formal risk assessment, access reviews and restriction of privileged access, incident response program, business continuity and disaster recovery plan, audit logging and monitoring capabilities were not designed, documented, or implemented during the audit period to the expected level of maturity outlined in the FISCAM framework.

While a role-based access model was utilized, the Office did not implement controls during the audit period to periodically and continuously evaluate potential segregation of duties conflicts and enforce the principle of least privilege when allocating permissions to users.

When an employee requires access to Luma or a modification to their current authorizations, an appointed authority (Security Request Administrator) at the agency will submit an online Security Access Request (SAR) form to the Office. The Office security team uses this information to manually update the employees' permissions and access roles within Luma.

The Office implemented the Authorization Insights tool in December 2025, after the audit period, and plans to implement the Certification Manager tool in late fiscal year 2026 or early fiscal year 2027. The Authorization Insights tool performs a daily separation of duties conflict scan within Luma. The Certification Manager tool will automate functionality to identify SAR-approved roles and current Luma access roles.

Cause: Key security and privacy processes, including the lack of updated or managed policies and procedures and inadequately designed security and privacy controls were informally designed and implemented during the audit period. Specifically, a formal security and privacy management program had not been established during the implementation of Luma and were not updated during fiscal year 2025. Critical security processes such as a formal risk assessment, access reviews and restriction of privileged access, incident response program, business continuity and disaster recovery plan were not designed, implemented, or documented during the implementation of Luma and were not improved upon during the

audit period. Security and privacy controls that existed within the control environment continued to be informal, unoptimized, and performed on a case-by-case basis during the audit period.

During the audit period, there was no review or reconciliation of user SAR forms to actual Luma user access roles and user permissions. While the Office purchased the Infor Governance, Risk, and Compliance (GRC) software, it was not implemented during the fiscal year.

Effect: Ensuring system users have the appropriate system permissions and access roles is a critical component of an effective information system. Failure to implement key controls may result in users having excessive or conflicting access, increasing the risk of fraud, unauthorized transactions, data manipulation, or undetected errors. This lack of segregation may lead to financial misstatements, weakened internal control environments, and audit findings.

Recommendation: We recommend that the Office continue to formalize and strengthen governance of existing security and privacy processes and controls, ensure user access controls incorporate segregation of duties considerations, and implement key incident response and risk assessment programs.

We further recommend that the Office continue to monitor routine reconciliation procedures to ensure user access roles and system permissions match SAR forms. We also recommend that the Office regularly review SAR forms to verify accuracy. through the implementation of the GRC software to aid user provisioning and user access monitoring.

Management's View: *The State Controller's Office agrees with this finding.*

Corrective Action: *The Office is implementing the use of Governance Risk and Compliance (GRC) software to identify control deficiencies. The Office has developed policies prioritized in the IT audit and continues to review and refine the policies on an ongoing basis.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

IDAHO DEPARTMENT OF CORRECTION (Department)

Finding 2025-110
The Department did not record two capital assets valued at $35,698,085 in the statewide accounting system, Luma.

Type of Finding: Material Weakness, Substantive Error

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

Management is responsible for establishing a process for preparing accounting information based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include segregation of duties,

adequate review and authorization of financial transactions, and maintaining supporting documentation or other reliable records as the basis for reports.

Condition: The state of Idaho implemented Luma on July 1, 2023. The Department did not properly identify a leased asset and correctly enter it in Luma during the transition. The Department reported the lease purchase asset to the Office in a closing package in fiscal year 2023 and it was correctly reported in the ACFR for fiscal year 2023. The Department then entered this asset in Luma in fiscal year 2024, but the entry did not include the correct general ledger and posting codes. The Office identified this asset as part of its ACFR compilation procedures and reported it correctly in fiscal years 2024 and 2025, but the Luma entry was not corrected.

We also identified an asset that was recorded as construction in progress (CIP) in fiscal year 2024 even though it was completed in fiscal year 2023 and should have been removed from CIP and included as an addition to capital assets. The CIP asset was eventually removed from CIP, and entered into Luma in fiscal year 2025, but the entry was listed as pending and not completed so the asset was not included in the initial draft of the ACFR.

Cause: The Department did not have adequate procedures in place to identify leased assets that should be converted to owned assets or CIP that should be converted to an owned asset and make the correct entries in Luma in the subsequent fiscal years.

Effect: Luma is the system of record for the State, and tracking assets outside the system of record could cause errors in ACFR reporting that would remain undetected.

The asset that was removed from CIP but not added to capital assets was valued at $13,117,843. This asset was not included in the initial draft of the fiscal year 2025 ACFR resulting in an understatement of capital assets.

The asset that was leased and then purchased was valued at $22,580,242, and was accurately reported in the statewide financial statements, but not correctly recorded in Luma.

Recommendation: We recommend that the Department design and implement procedures to ensure the accuracy of capital asset entries in Luma, including procedures to verify the completeness of the capital assets recorded.

Management's View: *The agency agrees with the finding.*

Corrective Action: *The corrective action plan being implemented is that when a major asset (IE buildings) is purchased or acquired, communication will be made with both Division of Public Works and Idaho State Building Authority for supporting documentation and value of asset.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

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Finding 2025-111
The Department recorded budgeted amounts as capital assets instead of actual expenditures resulting in an overstatement of $570,721.

Type of Finding: Significant Deficiency, Substantive Error

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

Management is responsible for establishing a process for preparing accounting information based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include segregation of duties, adequate review and authorization of financial transactions, and maintaining supporting documentation or other reliable records as the basis for reports.

Condition: We tested the Department's capital asset additions to verify that the total cost, useful lives, and accumulated depreciation were calculated and recorded correctly. We selected 4 individually significant items (ISIs), based on high dollar value, and 21 other assets for a total sample of 25 tested assets.

Our testing found that 2 ISI assets were entered into the statewide accounting system, Luma, at their original budgeted amounts rather than the actual final cost of the assets.

Cause: The Department has an internal control procedure in place for capital asset additions to be reviewed for accuracy and financial coding before they are recorded in Luma. Our testing verified that this procedure occurred for both incorrectly recorded assets, however, the review did not detect the errors.

Effect: The amounts entered for the two assets were $8,231,368 and $905,750. The correct amounts should have been $7,864,357 and $702,040. The assets were overstated by $367,011 and $203,710 for a total overstatement of $570,721.

The total overstatement is below materiality for ACFR reporting; however, the internal control deficiency increases the risk that additional errors could occur and go undetected, resulting in more significant errors in reporting.

Recommendation: We recommend that the Department design and implement procedures to ensure the accuracy of capital asset entries in Luma, including the review and approval of these entries by a qualified second person with accounting and capital asset knowledge.

Management's View: *The agency agrees with the finding.*

Corrective Action: *The corrective action plan being implemented is that when a major asset (IE buildings) is purchased or acquired, communication will be made with Division of Public Works for supporting documentation and value of asset. Once received, paperwork will be reviewed by 2nd level approver before submission.*

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. The corrective action provided by the Department does not appear to address the cause of the error; which was that reviewers failed to identify that budgeted costs were entered as actual costs prior to approving the transaction. The Department should consider developing training programs and documented procedures to ensure review and approval of transactions accomplish the objective of accurate and supported reporting.

IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY (Department)

Finding 2025-112

The Department was unable to reconcile the Loans and Notes Receivable ending balance between the Department's Loan & Grant Tracking System (LGTS) and the State's accounting system, LUMA, for the Clean Water and Drinking Water State Revolving funds, resulting in incorrected reported balances.

Related to Prior Finding: 2024-111 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Type of Finding: Significant Deficiency

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

Each year, State agencies are required to report accounting information to the Office of the State Controller (Office) in the form of closing packages, which provide the information necessary to prepare the statewide *Annual Comprehensive Financial Report* (ACFR). The Office provides instructions for preparing the closing packages in accordance with Generally Accepted Accounting Principles (GAAP). The Department submitted an accounts receivable closing package for the amounts expected to be collected for outstanding loans and notes receivable.

Management is responsible for establishing a process for preparing accounting information based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include segregation of duties, adequate review and authorization of financial transactions, and maintaining supporting documentation or other reliable records as the basis for reports.

Condition: The Department is required to report the loans and notes receivable balances for the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) to the Office as of June 30, 2025. The Department utilizes LGTS to track loans and notes receivable activity. The Department runs a report in LGTS to obtain the current and noncurrent loan balances for the CWSRF and DWSRF. During fieldwork, we found that the closing package information was compiled using an LGTS report that was not properly supported and contained incorrect loan balances.

Further, the LGTS reports are also used to reconcile loan payments and loan balances recorded in LGTS to Luma, the book of record for the State. However, the Department was unable to provide evidence that the

Loans and Notes Receivable balances for the CWSRF and DWSRF in LGTS agrees to the balances shown in LUMA for fiscal year 2025.

Cause: Incorrect and inaccurate LGTS reports were used to report Loans and Notes Receivable closing package amounts. The Department did not complete a detailed review or compare the report balances to other source information to verify the accuracy of the balances prior to submitting the closing packages to the Office.

In addition, the Department was unable to reconcile fiscal year 2025 Loans and Notes Receivable balances for the CWSRF and DWSRF in LGTS to the ending balances shown in Luma. This is a continuation of non-reconciled balances from fiscal year 2024.

Effect: The loan receivable amounts reported on the closing packages were understated by $62,903 for the CWSRF and overstated by $336,634 for the DWSRF. The Loans and Notes receivable balances for the CSWRF and DWSRF are understated in Luma by $2,538,241 in CWSRF and $1,347,747 in the DWSRF.

These amounts are not material to the statewide financial statements; however, the extent of errors increases the risk of additional errors occurring and not being detected and corrected.

Recommendation: We recommend that the Department strengthen the controls over the closing package reporting process to ensure closing package amounts are reported accurately and appropriately. We also recommend that the Department work with the Office to reconcile loan balances in Luma on a regular basis to ensure accurate tracking and reporting.

Management's View: *The agency agrees with the finding.*

Corrective Action: *The Department will perform a reconciliation of LGTS and Luma on a semi-annual basis, beginning with the fourth quarter of FY2026, to ensure accurate and complete financial reporting. The Department will use the reconciled and verified data to prepare closing packages.*

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit.

IDAHO DIVISION OF FINANCIAL MANAGEMENT (Division)

Finding 2025-113
The Division's internal review failed to prevent a material misstatement on the Grants Advances closing package for the American Rescue Plan Act (ARPA) funds.

Related to Prior Finding: 2024-113 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Related to Current Finding: 2025-103

Type of Finding: Material Weakness

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure

management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

Additionally, each year, State agencies are required to report accounting information to the Office of the State Controller (Office) in the form of closing packages, which provide the details necessary to prepare the statewide *Annual Comprehensive Financial Report* (ACFR). The Office provides instructions for preparing the closing packages in accordance with Generally Accepted Accounting Principles (GAAP).

Condition: The Division submitted a Form 15B - Grants Advances closing package, related to Fund 0344 (American Rescue Plan Act) advances received to the Office. After completing our initial review of the original submission of the closing package, we found that it included errors. We noted that the beginning balance of $638,821,497.35 of the grant advances for fiscal year 2025 did not equal the ending balance amount of $640,490,302.87 of grant advances reported in the ACFR for fiscal year 2024. The difference was a beginning balance understatement of $1,668,805.52. We also noted that the closing package included activity usually not associated with grant advances including interest earned, amounts received by State agencies possibly on a reimbursed basis from the federal government, capital projects funds reimbursed by the federal government, negative revenues(adjustments), accounts payable, and accounts receivable. The discrepancies in beginning balance and activities occurring throughout the year resulted in an incorrect ending balance.

After meeting with the Division and the Office to discuss the errors identified in the reported closing package amounts, the Division submitted updated information to the Office removing $25,725,032.96 of interest earned in fiscal year 2025. However, the second submission of the closing package did not include adjustments for the beginning balance error identified or for interest earned and received in prior years that should not have been included as grant advances. The beginning balance was understated by $1,668,805.52. The prior-year interest inclusion resulted in an overstatement of $53,395,431.03. The total is a net overstatement of $51,726,625.51. In addition, the Division could not provide sufficient documentation to support $6,748,113.29 of additions to the grants advances reported balance. If the additional amounts were improperly included, then the closing package would be overstated by a total of $58,474,738.80. The original closing package was overstated by a known amount of $77,451,658.47 and a possible amount of $84,199,771.76.

The State agencies included in the transactional data that were possibly also receiving funds on a reimbursement basis from the federal government were the Department of Education, the Commission on Aging, the Office of Drug Policy, the Department of Commerce, and the State Board of Education.

Cause: The original closing package submission was created using the Luma account analysis for the cash account for all of Fund 0344, American Rescue Plan Act. However, the account analysis included amounts unrelated to grant advances. For example, interest earned on the advanced funds should have been tracked separately as they are not part of the grant award, and not required to be expended for grant purposes, or returned if not expended for allowable grant purposes. The Division's personnel who completed the Grants Advances closing package were not sufficiently trained, and the Division's review procedures were not performed at a level sufficient to identify and correct the errors prior to submission to the Office.

Effect: The statewide ACFR would have included overstatements of grant advances ranging from $77,451,658.47 to $84,199,771.76 related to ARPA funding had the misstatements not been discovered

during the audit process. After the resubmission of the closing package the statewide ACFR would include overstatements of grant advances ranging from $51,726,625.51 to $58,474,738.80.

Recommendation: We recommend that the Division strengthen the review process over the completion and submission of closing packages to ensure that accurate and reliable financial information is provided to the Office of the State Controller.

Management's View: *Management agrees with the recommendation and generally agrees that improvements to the preparation and review process for the Form 15B – Grants Advances closing package are warranted.*

The Division acknowledges that the methodology used to prepare the FY 2025 Form 15B closing package resulted in amounts being included that did not meet the intended reporting definition of grant advances for Annual Comprehensive Financial Report (ACFR) purposes. Specifically, the preparation process relied on Fund 0344 cash activity that included transactions requiring additional analysis and exclusion from the closing package, including interest earnings and other activity not representative of grant advances.

Management notes that the issue identified was related to the methodology and review process used in preparing the closing package rather than the accuracy of the Division's underlying accounting records, cash balances, expenditures, or federal grant reporting. The Division worked collaboratively with the Office of the State Controller and the auditors, both prior to and during the audit process, to identify, analyze, and correct the reported amounts.

The Division further notes that the finding did not result from inaccurate cash balances, missing funds, unsupported expenditures, or errors in the State's accounting records. The issue identified relates to the classification and reporting of certain transactions for ACFR reporting purposes and not to the existence, valuation, or accuracy of the underlying cash balances. The amounts identified in the finding resulted from the inclusion of transactions recorded within the fund that did not meet the reporting definition of grant advances rather than inaccuracies in the State's accounting records or cash management processes.

The Division further notes that ARPA funding and grant advance reporting involve unique and complex reporting requirements. Management believes the primary control deficiency was the absence of sufficiently documented procedures, reconciliation requirements, and review controls governing the preparation of the closing package. Additional documentation and review procedures would have better ensured that only transactions meeting the reporting definition of grant advances were included in the reported balances.

Corrective Action: *To strengthen controls over future financial reporting, the Division has implemented and will continue to implement the following corrective actions:*

1. *Develop and document formal procedures for the preparation of the Form 15B – Grants Advances closing package, including specific criteria for identifying transactions that qualify as grant advances and those that should be excluded.*
2. *Establish a formal reconciliation process that ties beginning balances to prior-year audited ending balances and documents all reconciling items.*
3. *Develop supporting schedules for all additions, reductions, and adjustments included in the reported grant advance balance and retain documentation supporting each reported amount.*
4. *Implement an enhanced supervisory review process requiring independent review and approval of the methodology, reconciliations, supporting schedules, and final reported balances prior to submission to the Office of the State Controller.*

5. *Provide periodic training and guidance to staff responsible for statewide financial reporting to ensure consistent application of GAAP reporting requirements and statewide closing instructions.*

Several of these corrective actions have already been implemented as part of the FY 2026 reporting cycle, and the Division will continue to evaluate and strengthen its review procedures to ensure the accuracy and reliability of future closing package submissions.

Management believes these corrective actions will strengthen internal controls over financial reporting and improve the accuracy, consistency, and reliability of information submitted for inclusion in the State's Annual Comprehensive Financial Report.

Auditor's Concluding Remarks: We thank the Division for its cooperation and assistance throughout the audit.

IDAHO STATE TREASURER'S OFFICE

FINDING 2025-114

The State Treasurer's Office does not have procedures in place to comply with its investment policies that state monthly distributions will be calculated from the figures provided by TATRS and reconciled against third-party information.

Related to Prior Finding: 2024-118 communicated on September 18, 2025, in the State of Idaho Internal Control Report

Related to Current Finding: 2025-102

Type of Finding: Material Weakness

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the *Internal Control Integrated Framework*, which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Additionally, auditing standards provide guidance on required elements when estimates are used for financial information. Management is responsible for establishing a process for preparing accounting information based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include segregation of duties, adequate review and authorization of financial transactions, and maintaining supporting documentation or other reliable records as the basis for reports.

Pursuant to the Office's IDLE Investment Policy, the Office uses an internal banking system, TATRS, as the book of record. The policy further states the following:

- All monthly distributions will be calculated from the figures provided by TATRS and reconciled against third-party information.
- A monthly reconciliation will be performed between TATRS and the custodian to ensure that all securities are accounted for.

The policy is reviewed and approved annually and had no changes during fiscal year 2025.

Condition: The IDLE pool is an involuntary internal investment pool for agencies. The IDLE pool consists of moneys belonging to specific agency funds and the General Fund. The IDLE pool is classified as Pooled Cash and Investments in the ACFR. Account balances for each fund are determined by the net amount of deposits, withdrawals, and distributed interest. Historically, the Office used TATRS to track and record investment portfolio activity by fund and reconcile to the bank. During fiscal year 2024, and continuing through fiscal year 2025, the Office was unable to reconcile fund account balances between TATRS and Luma. The Office of the State Controller discontinued a standard reconciliation process that agreed the State's prior accounting system (STARS) fund account balances to TATRS fund account balances with the transition to Luma. The Office of the State Controller has attempted to establish a reconciliation process, but reconciliations from the implementation of Luma have not been completed as of April 2026. The Office also had difficulties with data integration between Luma and TATRS and without a reconciliation process in place, decided to use data from Luma to make distributions.

Monthly distributions are calculated using amortized cost based on each fund's average daily balance and the net income earned within the IDLE pool each month. Net income earned each month is calculated by netting beginning and ending accrued income, realized gains and losses, interest, purchased and sold accrued interest, amortization and management fees.

During fiscal year 2025, distributions were made monthly; however, these distributions were based on a report generated from Luma that contained undetected errors. The lack of reconciliations from the custodian banks through TATRS and to Luma increased the risk of errors occurring and going undetected. Distribution amounts also would have been affected by misstatements in cash balances. For example, interest was distributed to the General Fund when it should have been distributed to a Department of Education Fund, and interest was distributed to an incorrect fund within the Department of Health and Welfare.

Cause: During the implementation of Luma and the integration of required interfaces from TATRS, there was a lack of sufficient interface testing, including end-user acceptance testing, completed by the Office of the State Controller. In addition, the Office of the State Controller discontinued the previous reconciliation process and did not have an effective replacement to ensure that Luma fund account balances were properly reconciled to the bank.

Effect: The use of Luma reports to calculate interest distributions to participants rather than TATRS reporting is inconsistent with internal policies and reduces the Office's ability to ensure the average daily fund balance is accurate. Difficulties in the interface between Luma and TATRS combined with a lack of completed reconciliations between TATRS and Luma by fund increases the risk that inaccurate distributions and fund balances could be included in both systems. The inaccurate balances could be material at the fund level.

Recommendation: We recommend that the Office continue to work with the Office of the State Controller to ensure that proper fund-level reconciliations between TATRS and Luma can be completed and that data interfaces work as intended to support accurate reporting. This will ensure a full reconciliation between the State's book of record that supports the financial statements and cash held in the bank. In addition, we recommend that the Office, continue to review past distributions and supporting documentation through the end of fiscal years 2024 and 2025 to ensure accurate interest distributions were made to IDLE pool participants.

Management's View: *The State Treasurer's Office (STO) concurs with the Legislative Audits Division finding.*

STO has worked with the State Controller's Office (SCO) to address this issue and has even tried using Luma data for Idle interest distributions after identifying interface issues. However, the State Controller's Office failure to anticipate the need for reliable reporting, and the inability to identify and extract data from Luma to provide the Treasurer's Accounting Transaction and Reporting System (TATRS) with transactions that affect cash in interface files, and the lack of a reconciliation process between the two systems, originally the function of SCO, hindered our ability to ensure accuracy. Even though there are reconciliation challenges at the fund accounting level, the STO has been able to consistently reconcile accounting transactions to bank account transactions.

Corrective Action*: State monthly distributions will be calculated from the figures provided by the Treasurer's Accounting Transaction and Reporting System (TATRS) and reconciled against third-party information: The State Treasurer's Office (STO) is actively working with the State Controller's Office (SCO) to develop and implement a reliable fund-level reconciliation process between TATRS and Luma. Progress has been made during FY 2026, and reconciliations for FY 2024 and FY 2025 are nearing completion. Both STO and SCO will continue to work together until a timely monthly reconciliation is in place.*

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

STATE OF IDAHO
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

MANAGEMENT'S CORRECTIVE ACTION PLAN

STATE OF IDAHO
CONTROLLER'S OFFICE
BRANDON D WOOLF

Corrective Action Plan - ACFR
For the Fiscal Year Ended June 30, 2025

Idaho Department of Administration

Finding 2025-101:
The Department entered incorrect in-service dates for nine capital assets causing Capital Assets, Net of Depreciation to be overstated by $10,724,635 on the Annual Comprehensive Financial Report (ACFR).

Related to Prior Finding:
N/A

Agency's view:
The agency disagrees with the finding.

Corrective Action Plan:
The in-service date proposed in the letter attributes depreciation to the Department prior to the transfer of the asset itself to the department.

Corrective action will include full review of transfer documents in cooperation with LSO and SCO to determine appropriate dates and values for the assets to include any additions, capitalized interest, and accumulated depreciation. Admin will also work with SCO to develop or update training guides in conjunction with the documented procedure for recording such transfers in LUMA.

Anticipated Corrective Action Date:
Pending receipt of final transfer documents from ISBA to the Department, resolution for the specified assets should be completed in FY2026. Procedures to add assets to LUMA have been updated and will be used for all future acquisitions.

Responsible for Corrective Action: Name: Glenda Smith
Title: Financial Officer
Phone: (208) 332-1815
Email: glenda.smith@adm.idaho.gov

Office of the State Controller

Finding 2025-102:

The Office did not complete reconciliations by fund for fiscal years 2024 or 2025 resulting in unverified pooled cash and cash equivalent amounts on the financial statements.

Related to Prior Finding:
2024-100

Agency's view:
The State Controller's Office agrees with this finding and acknowledges the lack of a cash reconciliation like the one done in previous years.

Corrective Action Plan:
The Office has developed a sustainable and effective cash reconciliation and has finished the reconciliation for fiscal years 2024 and 2025, as well as 2026 up to the month that is available.

Anticipated Corrective Action Date:
The State Controller's Office anticipates completing the corrective actions for the June 30, 2026, reporting period.

Responsible for Corrective Action: Name: Tiffini LeJeune
Title: Reporting and Review Bureau Chief
Phone: (208) 334-3100
Email: tlejeune@sco.idaho.gov

Finding 2025-103:
The Office's internal review failed to prevent misstatements on the Federal Stimulus fund on the Governmental Funds balance sheet.

Related to Prior Finding:
N/A

Agency's view:
The State Controller's Office agrees with this finding.

Corrective Action Plan:
The Office has met and worked with the Division of Financial Management to ensure that the correct amounts are being reported. The process has been added to the instructions as well.

Anticipated Corrective Action Date:
The State Controller's Office will complete the corrective actions for the June 30, 2026, reporting period.

Responsible for Corrective Action: Name: Tiffini LeJeune
Title: Reporting and Review Bureau Chief
Phone: (208) 334-3100
Email: tlejeune@sco.idaho.gov

Finding 2025-104:
Inappropriate classification of transfers and intrafund activity caused multiple misstatements on the ACFR.

Related to Prior Finding:
N/A

Agency's view:
The State Controller's Office agrees with this finding.

Corrective Action Plan:
The process of how we pull data into the statements was updated to present as revenue and expenses, rather than transfers. Due to this change, the process had to once again be looked at and adjusted. We have determined the best process for the adjustments and have updated the instructions to ensure proper classification.

Anticipated Corrective Action Date:
The State Controller's Office will complete the corrective actions for the June 30, 2026, reporting period.

Responsible for Corrective Action: Name: Tiffini LeJeune
Title: Reporting and Review Bureau Chief
Phone: (208) 334-3100
Email: tlejeune@sco.idaho.gov

Finding 2025-105:
Long-term liability and contractual commitment disclosures were significantly misstated on the ACFR.

Related to Prior Finding:
N/A

Agency's view:
The State Controller's Office agrees with this finding.

Corrective Action Plan:
The team will utilize tracking sheets to ensure that all miscellaneous questions are reviewed for each task. We will attach the documentation in Wdesk for review.

Anticipated Corrective Action Date:
The State Controller's Office will complete the corrective actions for the June 30, 2026, reporting period.

Responsible for Corrective Action: Name: Tiffini LeJeune
Title: Reporting and Review Bureau Chief
Phone: (208) 334-3100
Email: tlejeune@sco.idaho.gov

Finding 2025-106:
The Office's internal review process did not prevent or detect multiple misstatements in the statewide ACFR submitted for audit that were greater than the trivial threshold but less than material.

Related to Prior Finding:
2024-105

Agency's view:
The State Controller's Office agrees with this finding and acknowledges the misstatements and presentation errors identified by the auditors.

Corrective Action Plan:
Most errors were corrected prior to the issuance of the financial statements. The Office will continue to evaluate and make improvements to the internal review procedures. We have scheduled and will train the team on how to review and what to look for to ensure the review process is complete and accurate. We have switched which team members do tasks, to help with reviewing tasks that they are familiar with. Our team will review GASB guidance and take opportunities for training when available. We will be implementing the use of task checklists and prior year findings to ensure a complete and timely review of the notes.

Anticipated Corrective Action Date:
The State Controller's Office will complete the corrective actions for the June 30, 2026, reporting period.

Responsible for Corrective Action: Name: Tiffini LeJeune
Title: Reporting and Review Bureau Chief
Phone: (208) 334-3100
Email: tlejeune@sco.idaho.gov

Finding 2025-107:
The Office's inadequate data reconciliation process established during the audit period continues to allow duplicate payments to occur.

Related to Prior Finding:
2024-106

Agency's view:

The State Controller's Office agrees with this finding.

Corrective Action Plan:
The Office has incorporated automated checks to prevent duplicate payments in the future. The automated script compares the data to the previous files and will send notification to the Office of any issues that need to be reviewed prior to routing to the bank. The Office has also implemented a process whereby validation reports have been built and are sent to agency representatives quarterly that will allow agencies to validate that the data interfaced into Luma from their local systems is correct in Luma.

Anticipated Corrective Action Date:
The State Controller's Office has implemented these corrective actions for the June 30, 2026 reporting period.

Responsible for Corrective Action: Name: Patrick Hodges
Title: Deputy Controller, Division of Accounting
Phone: (208) 334-3100
Email: phodges@sco.idaho.gov

Finding 2025-108:
Incomplete review of existing interfaces increases the risk of errors occurring and going undetected.

Related to Prior Finding:
N/A

Agency's view:
The State Controller's Office agrees with this finding.

Corrective Action Plan:
The Office has reviewed 240 out of 253 interfaces and has the remaining 13 in progress.

Anticipated Corrective Action Date:
The State Controller's Office will complete the corrective actions July 31, 2026.

Responsible for Corrective Action: Name: Patrick Hodges
Title: Deputy Controller, Division of Accounting
Phone: (208) 334-3100
Email: phodges@sco.idaho.gov

Finding 2025-109:
Multiple control deficiencies were identified in Luma's Security and Privacy Program increasing the risk of fraud, unauthorized transactions, data manipulation, or undetected errors.

Related to Prior Finding:

Agency's view:
The State Controller's Office agrees with this finding.

Corrective Action Plan:
The Office is implementing the use of Governance Risk and Compliance (GRC) software to identify control deficiencies. The Office has developed policies prioritized in the IT audit and continues to review and refine the policies on an ongoing basis.

Anticipated Corrective Action Date:
The State Controller's Office will complete the corrective actions by December 31, 2026.

Responsible for Corrective Action: Name: Patrick Hodges
Title: Deputy Controller, Division of Accounting
Phone: (208) 334-3100
Email: phodges@sco.idaho.gov

Idaho Department of Correction

Finding 2025-110:
The Department did not record two capital assets valued at $35,698,085 in the statewide accounting system, Luma.

Related to Prior Finding:
N/A

Agency's view:
The agency agrees with this finding.

Corrective Action Plan:
The corrective action plan being implemented is that when a major asset (IE buildings) is purchased or acquired, communication will be made with both Division of Public Works and Idaho State Building Authority for supporting documentation and value of asset.

Anticipated Corrective Action Date:
Immediately implemented

Responsible for Corrective Action: Name: Dan Hansen
Title: Financial Officer
Phone: (208) 658-2107
Email: danhanse@idoc.idaho.gov

Finding 2025-111:

The Department recorded budgeted amounts as capital assets instead of actual expenditures resulting in an overstatement of $570,721.

Related to Prior Finding:
N/A

Agency's view:
The agency agrees with this finding.

Corrective Action Plan:
The corrective action plan being implemented is that when a major asset (IE buildings) is purchased or acquired, communication will be made with Division of Public Works for supporting documentation and value of asset. Once received, paperwork will be reviewed by 2nd level approver before submission.

Anticipated Corrective Action Date:
Immediately implemented

Responsible for Corrective Action: Name: Dan Hansen
Title: Financial Officer
Phone: (208) 658-2107
Email: danhanse@idoc.idaho.gov

Idaho Department of Environmental Quality

Finding 2025-112:
The Department was unable to reconcile the Loans and Notes Receivable ending balance between the Department's Loan & Grant Tracking System (LGTS) and the State's accounting system, LUMA, for the Clean Water and Drinking Water State Revolving funds, resulting in incorrected reported balances.

Related to Prior Finding:
2024-111

Agency's view:
The agency agrees with this finding.

Corrective Action Plan:
The Department will perform a reconciliation of LGTS and Luma on a semi-annual basis, beginning with the fourth quarter of FY2026, to ensure accurate and complete financial reporting. The Department will use the reconciled and verified data to prepare closing packages.

Anticipated Corrective Action Date:
September 30, 2026

Responsible for Corrective Action: Name: Linda Brown
Title: Financial Executive Officer
Phone: (208) 373-0292
Email: Linda.brown@deq.idaho.gov

Idaho Division of Financial Management

Finding 2025-113:
The Division's internal review failed to prevent a material misstatement on the Grants Advances closing package for the American Rescue Plan Act (ARPA) funds.

Related to Prior Finding:
2024-113

Agency's view:
Management agrees with the recommendation and generally agrees that improvements to the preparation and review process for the Form 15B – Grants Advances closing package are warranted.

Corrective Action Plan:
The Division acknowledges that the methodology used to prepare the FY 2025 Form 15B closing package resulted in amounts being included that did not meet the intended reporting definition of grant advances for Annual Comprehensive Financial Report (ACFR) purposes. Specifically, the preparation process relied on Fund 0344 cash activity that included transactions requiring additional analysis and exclusion from the closing package, including interest earnings and other activity not representative of grant advances.

Management notes that the issue identified was related to the methodology and review process used in preparing the closing package rather than the accuracy of the Division's underlying accounting records, cash balances, expenditures, or federal grant reporting. The Division worked collaboratively with the Office of the State Controller and the auditors, both prior to and during the audit process, to identify, analyze, and correct the reported amounts.

The Division further notes that the finding did not result from inaccurate cash balances, missing funds, unsupported expenditures, or errors in the State's accounting records. The issue identified relates to the classification and reporting of certain transactions for ACFR reporting purposes and not to the existence, valuation, or accuracy of the underlying cash balances. The amounts identified in the finding resulted from the inclusion of transactions recorded within the fund that did not meet the reporting definition of grant advances rather than inaccuracies in the State's accounting records or cash management processes.

The Division further notes that ARPA funding and grant advance reporting involve unique and complex reporting requirements. Management believes the primary control deficiency was the absence of sufficiently documented procedures, reconciliation requirements, and review controls governing the preparation of the closing package. Additional documentation and

review procedures would have better ensured that only transactions meeting the reporting definition of grant advances were included in the reported balances.

To strengthen controls over future financial reporting, the Division has implemented and will continue to implement the following corrective actions:

1. Develop and document formal procedures for the preparation of the Form 15B – Grants Advances closing package, including specific criteria for identifying transactions that qualify as grant advances and those that should be excluded.
2. Establish a formal reconciliation process that ties beginning balances to prior-year audited ending balances and documents all reconciling items.
3. Develop supporting schedules for all additions, reductions, and adjustments included in the reported grant advance balance and retain documentation supporting each reported amount.
4. Implement an enhanced supervisory review process requiring independent review and approval of the methodology, reconciliations, supporting schedules, and final reported balances prior to submission to the Office of the State Controller.
5. Provide periodic training and guidance to staff responsible for statewide financial reporting to ensure consistent application of GAAP reporting requirements and statewide closing instructions.

Several of these corrective actions have already been implemented as part of the FY 2026 reporting cycle, and the Division will continue to evaluate and strengthen its review procedures to ensure the accuracy and reliability of future closing package submissions.

Management believes these corrective actions will strengthen internal controls over financial reporting and improve the accuracy, consistency, and reliability of information submitted for inclusion in the State's Annual Comprehensive Financial Report.

Anticipated Corrective Action Date:
Implemented for FY 2026 closing package preparation and ongoing thereafter

Responsible for Corrective Action: Name: Justin Collins
Title: State Financial Officer
Phone: (208) 334-3063
Email: Justin.collins@dfm.idaho.gov

Idaho State Treasurer's Office

Finding 2025-114:
The State Treasurer's Office does not have procedures in place to comply with its investment policies that state monthly distributions will be calculated from the figures provided by TATRS and reconciled against third-party information.

Related to Prior Finding: 2024-118

Agency's view:
The State Treasurer's Office (STO) concurs with the Legislative Audits Division finding and the cause it identified which states:

During the implementation of Luma and the integration of required interfaces from TATRS there was a lack of sufficient interface testing, including end-user acceptance testing, completed by the Office of the State Controller. In addition, the Office of the State Controller discontinued the previous reconciliation process and did not have an effective replacement to ensure that Luma fund account balances were properly reconciled to the bank.

STO has worked with the State Controller's Office (SCO) to address this issue and has even tried using Luma data for Idle interest distributions after identifying interface issues. However, the State Controller's Office failure to anticipate the need for reliable reporting, and the inability to identify and extract data from Luma to provide the Treasurer's Accounting Transaction and Reporting System (TATRS) with transactions that affect cash in interface files, and the lack of a reconciliation process between the two systems, originally the function of SCO, hindered our ability to ensure accuracy. Even though there are reconciliation challenges at the fund accounting level, the STO has been able to consistently reconcile accounting transactions to bank account transactions.

Corrective Action Plan:
State monthly distributions will be calculated from the figures provided by the Treasurer's Accounting Transaction and Reporting System (TATRS) and reconciled against third-party information:

The State Treasurer's Office (STO) is actively working with the State Controller's Office (SCO) to develop and implement a reliable fund-level reconciliation process between TATRS and Luma. Progress has been made during FY 2026, and reconciliations for FY 2024 and FY 2025 are nearing completion. Both STO and SCO will continue to work together until a timely monthly reconciliation is in place.

Anticipated Corrective Action Date:
The anticipated completion date is July 1, 2027. The process for monthly reconciliations may be in place prior to that date, but the transition back to using TATRS as the system for monthly distributions is planned for the beginning of the fiscal year.

Responsible for Corrective Action:
Name: Laura Steffler
Title: Chief Deputy Treasurer
Phone number: (208) 332-2999
Email: laura.steffler@sto.idaho.gov

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