



Limited Scope Financial Investigation Idaho State University

For the period March 23, 2022, through February 28, 2025

Legislative Services Office Audits Division

Published August 12, 2025



SUMMARY

April Renfro, Legislative Auditor



We have conducted a limited scope financial investigation of Idaho State University (ISU) focusing on appropriations made in House Bill No. 776 (2022), Sections 7 and 8, for operating expenditures related to the Eastern Idaho Forensic Pathology Center (EIFPC) at ISU. The purpose of this financial investigation was not to provide an opinion on ISU's financial statements and was not conducted in accordance with generally accepted auditing standards in the United States, nor was it conducted in accordance with attestation standards established by the AICPA. The investigation was more limited than would be necessary to ensure discovery of all facts that could indicate malfeasance, illegal expenditure of public funds, misappropriation of public funds or property, or to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies are disclosed. We conducted the financial investigation to determine the amount of public funds misused or misappropriated, if any, during the period under investigation related to the appropriation in House Bill No. 776 (2022), Sections 7 and 8, to review specific matters brought to our attention, and make recommendations to strengthen and improve internal controls.

This report summarizes the procedures performed, communicates the results of those procedures, and provides recommendations to ISU. Any facts that may indicate malfeasance, illegal expenditure of public funds, or misappropriation of public funds or public property will be communicated to the Idaho State Governor, Attorney General, and Controller in compliance with Idaho Code, Section 67-702(2)(e). In summary, this investigation identified the results below. Facts that may indicate misappropriation of public funds will be referred to the Attorney General:

- ISU lacked adequate internal controls to administer funds for the EIFPC project in compliance with the requirements included in House Bill No. 776 (2022), Section 7.
- ISU paid an invoice for \$853,700 from Bannock County that was not supported by evidence of allowable expenses and appeared to have been directed and submitted to avoid reverting unspent general funds to the State of Idaho, as required.

If you have any questions regarding this investigation please contact April Renfro, Legislative Auditor, at arenfro@iso.idaho.gov.

ASSIGNED STAFF

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BACKGROUND

During the 2022 legislative session, Idaho State University (ISU) brought a proposal forward asking the legislature to fund a project with Bannock County to establish the Eastern Idaho Forensic Pathology Center (EIFPC) at ISU. The Eames Building, the campus location, was described as providing 5,000 square feet with ready access to power, water, drainage, roof stacks for ventilation, fire suppression, piped gases, radiological designation (for x-ray or CT scanning), and other infrastructure necessary to support a forensic pathology center. The site would require remodeling and the installation of items such as refrigeration units, specialized lighting, pathology suites, office space, and conferencing areas. Additional space was also identified for future expansion.

The proposal indicated that ISU was prepared to execute agreements with the county(ies) for the use of the space under two possible models:

- ISU receives rental income and provides tenant improvements prior to occupancy. The county(ies) provide one-time funds to outfit the forensic pathology suite with appropriate equipment.
- ISU provides the space and does not charge rent if the county(ies) provide funds for remodeling and outfitting the forensic pathology suite.

There was also a section describing the benefits to students of having this lab on campus and integrating the lab with various academic programs offered.

House Bill No. 776 (2022), Section 7, appropriated \$900,000 from the State of Idaho General Fund to be expended for operating expenditures for the period July 1, 2021, through June 30, 2022, for the EIFPC at ISU with an emergency clause that made it effective upon signature from the Governor. Section 8 re-appropriated the unexpended balance from the appropriation in Section 7 for the period July 1, 2022, through June 30, 2023. No further reappropriations were made, therefore, any unspent funds at the end of the appropriation period were to be returned to the State of Idaho General Fund.

The Idaho Freedom Foundation published an article on November 26, 2024, based on an investigation by the Idaho Freedom Foundation and Pocatello for Accountable Government Entities into this project (completed mainly through public records requests). The article asserted that "...officials of Bannock County and Idaho State University colluded to keep control over \$850,000 of state money and are using it like a slush fund..."

The article indicated that while no progress had been made on selecting and renovating an on-campus location for the EIFPC, ISU had disbursed two payments for a total of \$900,000: \$46,300 to SmithGroup for a site assessment and feasibility study that was received in January 2023; and \$853,700 to Bannock County for an invoice with a description of "forensic pathology project" and no other supporting documents. At the time of publication, inquiries showed

Bannock County had an unspent remaining balance of \$638,318 related to this project. We did not reach out to Bannock County to substantiate this claim but noted that ISU later received two separate checks from Bannock County as repayment: the first for \$684,817.68 dated December 19, 2024; and the second for \$168,882.32 dated January 9, 2025.

Prior to the 2025 legislative session, and after the Idaho Freedom Foundation article was published, Idaho State Senator Glenneda Zuiderveld issued a press release demanding accountability by ISU related to the (potential) misappropriation of \$853,700 in State funds intended for the now-defunct EIFPC. Senator Zuiderveld requested a comprehensive investigation by the Idaho State Attorney General, immediate return of the full \$853,700 to the State of Idaho General Fund, and a Legislative Audit of the one-time appropriation. Additionally, Senator Zuiderveld asked the Idaho Legislature to audit all one-time appropriations to ensure compliance.

In response, the co-chairs of the Joint Finance and Appropriations Committee (JFAC) requested a report from the Legislative Services Office (LSO) Budget and Policy Division. Kevin Campbell, LSO Budget Analyst, presented a summary report to the co-chairs on January 12, 2025.

On January 20, 2025, the Legislative Council, pursuant to Idaho Code, Section 67-702(2), directed the LSO Audits Division to perform an audit of ISU related to the monies appropriated for the pathology center by House Bill No. 776 (2022).

PROCEDURES AND RESULTS

We began our investigation in April 2025, after receiving the directive from Legislative Council. We requested all documents and relevant e-mails that had previously been provided to the LSO Budget and Policy Division from ISU and any additional documents we thought would be helpful in this investigation. We also scheduled meetings to discuss the processes and internal controls in place at ISU to ensure compliance with appropriation laws and, specifically, the appropriation for the EIFPC.

We reviewed the ISU's proposal requesting funding from the State to support the EIFPC on ISU's campus. Through discussions with ISU financial staff, we learned that they have policies and procedures for funds that are restricted for a specific designated use, such as research, grants, and federal financial aid funds. Restricted funds are generally subject to specific rules, practices, timelines, and other additional criteria in budget development and administration. These funds must be tracked separately from unrestricted funds, which are available for general use. Given this description by ISU staff, an appropriation for a specific purpose such as the EIFPC on the ISU campus and limited to operating expenses, appears to meet the criteria categorized as restricted funds by ISU, but ISU did not apply those policies and procedures to the administration of these funds.

Upon further questioning, ISU financial staff indicated that they requested additional guidance about the intent of the appropriation from the LSO Budget and Policy Budget Analyst and from the State Board of Education but did not receive any additional information. Consequently, ISU operated on the information received from their prior president that the funding should be used for "the start-up of a Forensic Pathology Lab to be operated by Bannock County" treating the appropriation as "pass through funds" rather than restricted funds. As a result of this decision, the ISU staff did not apply the requirements for restricted funds, and only minimal internal controls, such as invoice approvals, were in place over the management of these funds.

A memorandum of understanding (MOU) was executed on October 17, 2022, signed by representatives from ISU and Bannock County. In the background information of the MOU, it states that "Bannock County and ISU intend to develop a Forensic Pathology Center (FPC) for East Idaho based at an ISU owned property in Pocatello, Idaho, to be determined by mutual consent of the parties." The MOU also provides for ISU's responsibilities, which include allocating dedicated space as agreed to and to "...provide \$900,000 of State appropriated funds which may be used for site and design consultation or cost estimates with an architecture firm as needed. Any balance of remaining funds will be allocated as pass-through funding to Bannock County." This is a problematic statement as those funds were appropriated to ISU for operating costs related to the EIFPC at ISU, not as pass-through funds.

An e-mail from May 4, 2022, also appeared to indicate that ISU financial staff understood that Bannock County could "...only receive funding (through the form of reimbursement) for actual expenses incurred, so no, we cannot pre-pay operating expenses." An additional e-mail on May 5, 2022, provided additional guidance from the Senior Associate Vice President/Chief

Fiscal Officer stating that Bannock County should incur expenditures then invoice ISU for reimbursement of those expenses from the \$900,000 one-time funding. Passing through funds would not satisfy the “actual/incurred expenses” requirement described in these e-mails.

Other e-mails reviewed included plans to convert space in the Eames Building, mentioned in the proposal for funding, but also included the possibility of space in the Business and Technology Center (BTC) as a potential location. As part of the evaluation process, ISU, in conjunction with Bannock County, commissioned SmithGroup to complete a Regional Autopsy Facility Feasibility Assessment evaluating four on-campus locations. This assessment was completed in January 2023. The assessment stated that renovation of vacant space on the ISU campus was a valid option for development and provided estimated costs of \$8.99 million to \$9.19 million to complete. The study also provided the estimated additional construction costs of \$1.76 million to complete a new building at a different location. This would bring the cost of a new building with pathology facilities to \$10.75 million to \$10.95 million.

A Forensic Pathology Lab License Agreement was drafted but never executed. This license agreement indicated that ISU was granting Bannock County a license to enter into and utilize 7,500 square feet of space within the Business and Technology Center on Alvin Ricken Drive (on campus) and that the space would be used as a forensic pathology lab as agreed upon by the parties. It is unclear when this document was drafted.

An e-mail from June 14, 2022, indicated that ISU was concerned about ensuring that the appropriation was not reverted to the Idaho State General Fund by stating that “we need to expend the \$900K state appropriation to ISU by June 30, 2023. We think the cleanest path forward is for the county to invoice us for the \$900K. We’ll need a simple contract/MOU and approval from our board Executive Director...” Ultimately, ISU received an invoice from Bannock County on April 17, 2023, for \$853,700, the remaining balance of the \$900,000 after payment for the feasibility study to SmithGroup. The invoice description read that it was for the Forensic Pathology Project. The invoice processed from Bannock County did not include any details to determine if the request was for costs already incurred and if those costs were allowable and in compliance with House Bill No. 776 (2022), Section 7. Payment was issued by ISU on April 20, 2023.

E-mails sent in August 2023 indicated that ISU staff were notified that the county had decided they were no longer moving forward on a Forensic Pathology Lab in the BTC building on campus and instead were going to locate a facility on land owned by the County. Further e-mails showed that ISU staff raised concerns about the disbursed funds and questioned if they should request that the money be returned by Bannock County so that ISU could refund the State. E-mails also mentioned significant budgeted costs related to planned moves and renovations for other programs to accommodate a lab. Another ISU employee sent an e-mail on August 21, 2023, asking if anyone had spoken with the State to notify them of “this development.” It appears through other e-mails reviewed from August 21, 2023, that ISU decided that the \$853,700 was Bannock County’s resource to manage as they saw fit and no action was necessary by ISU.

On December 4, 2024, a Forensic Pathology Lab Termination Agreement was drafted with the intent to terminate the MOU, request the return of all previously distributed funds provided to Bannock County by ISU, and request that Bannock County provide a full accounting for any expended amounts. However, this document was not signed, and it is not clear if it was provided to Bannock County.

We found no evidence that ISU attempted to obtain additional documentation to support the expenditure or to recover the funds until after the media and Legislature began asking questions. ISU did ultimately recover the funds from Bannock County in two separate checks: the first for \$684,817.68 dated December 19, 2024, and the second for \$168,882.32 dated January 9, 2025, which were remitted to the Idaho State Treasurer.

ISU did not have procedures in place to properly monitor the general funds received to ensure compliance with the terms included in the appropriation law. In addition, many people were involved in the project but were not always included in all communications or decisions, which could have increased confusion and contradictory decision-making. This disconnected process could have also made it difficult to monitor or ensure compliance with the original appropriation.

In the absence of properly designed and documented procedures for monitoring of the funds, ISU disbursed \$853,700 without evidence of an appropriate expenditure and does not appear to have complied with the appropriation in House Bill No. 776 (2022), Section 7.

In February 2025, ISU's Administrative Council created an Appropriations Tracking and Oversight Team (Team). The purpose of the Team is to ensure that all State appropriations are expended in full compliance with legislative intent and all applicable laws, rules, and regulations. The Team includes personnel from ISU's finance, legal, facilities, and government relations divisions. The lead responsibilities are tracking appropriations and budgets, tracking projects, communicating progress, issues, and updates with the State Board of Education, Legislative Services Office, and other stakeholders, as appropriate. The document provided by ISU includes a table of various types of appropriations, a responsible party, and appropriate timing for reporting and check in.

Recommendation 1: We recommend that ISU develop and follow written policies and procedures to ensure proper monitoring and compliance with appropriation laws.

Recommendation 2: We recommend that ISU improve internal controls related to invoice approval to ensure that payments are supported by appropriate documentation and actual expenditures in compliance with appropriations and other requirements related to receiving the funds.

MANAGEMENT'S RESPONSE



July 31, 2025

Idaho State University Management Response to the Legislative Services Office Limited Scope Financial Investigation

Idaho State University appreciates the work of the Legislative Services Office Audits Division in investigating Eastern Idaho Forensic Pathology Center (EIFPC) appropriation and takes seriously the findings of the audit and its recommendations for use of public funds. We acknowledge the concerns raised in the report and agree to continue to implement measures to ensure appropriate accountability for financial transactions. Early this year, ISU implemented new procedures, including the formation of an Appropriations Tracking and Oversight Team, to strengthen internal controls, enhance communication and coordination, and ensure all appropriations are administered in full compliance with legislative intent.

A handwritten signature in black ink, appearing to read 'J Steele'.

Jennifer Steele
Vice President for Finance and University Planning/CFO

A handwritten signature in black ink, appearing to read 'Robert W. Wagner'.

Robert W. Wagner, Ph.D
President
Idaho State University