

**INTERNAL CONTROLS  
AND  
COMPLIANCE SECTION**

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**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***

To the Honorable Mayor and  
Members of the City Council  
City of West Des Moines, Iowa

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, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. 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*. However, we noted certain immaterial instances of noncompliance which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying schedule of findings and questioned costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa  
December 11, 2014

## **Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council  
City of West Des Moines, Iowa

### **Report on Compliance for the Major Federal Program**

We have audited the City of West Des Moines, Iowa's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on the Major Federal Program**

In our opinion, the City of West Des Moines, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Dubuque, Iowa  
December 11, 2014

City of West Des Moines, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Direct program:			
Community Development Block Grants/Entitlement Grants	14.218		\$ 226,370
Pass-through program from:			
Iowa Economic Development Authority:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-214	2,041,997
Direct program:			
Supportive Housing Program	14.235		<u>101,352</u>
Total U.S. Department of Housing and Urban Development			<u>2,369,719</u>
U.S. Department of Justice:			
Direct program:			
Bulletproof Vest Partnership Program	16.607		<u>5,616</u>
Direct program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		13,670
Pass-through program from:			
Mid-Iowa Narcotics Enforcement Task Force:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-JAG-58707	<u>64,045</u> <u>77,715</u>
Direct program:			
Equitable Sharing Program	16.922		<u>12,040</u>
Total U.S. Department of Justice			<u>95,371</u>

City of West Des Moines, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation:			
Pass-through program from:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-8260(629)--71-78	\$ 285,677
Highway Planning and Construction	20.205	STP-U-8260(624)-70-77	770,291
Highway Planning and Construction	20.205	STP-A-8260(632)--86-77	171,256
			<u>1,227,224</u>
Highway Safety Cluster			
Pass-through program from:			
Iowa Department of Public Safety:			
State and Community Highway Safety Alcohol Impaired Driving	20.600	PAP 13-03, Task 13	10,320
Countermeasures Incentive Grants I Alcohol Impaired Driving	20.601	14-402-M00P, Task 11	15,512
Countermeasures Incentive Grants I Alcohol Impaired Driving	20.601	PAP 13-410, Task 61	2,109
Countermeasures Incentive Grants I	20.601	14-405d-M6OT, Task 59	2,190
			<u>19,811</u>
Total Highway Safety Cluster			<u>30,131</u>
Total U.S. Department of Transportation			<u>1,257,355</u>
U.S. Department of Health and Human Services:			
Pass-through program from:			
Iowa Department of Human Rights:			
Low-Income Home Energy Assistance	93.568	LIHEAP 14-12	6,000
Community Services Block Grant	93.569	CSBG 14-12	6,000
Total U.S. Department of Health and Human Services			<u>12,000</u>
Total			<u>\$ 3,734,445</u>



**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of West Des Moines, Iowa, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Governmental fund types account for the City’s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

**Note 2 – Subrecipients of Grant Awards**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 2,030,227

**Part I: Summary of the Independent Auditor's Results:**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	No
Identification of major programs:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**Part II: Findings Related to the Financial Statements:**

There were no findings to report.

**Part III: Findings and Questioned Costs for Federal Awards:**

There were no findings and questioned costs to report.

**Part IV: Other Findings Related to Required Statutory Reporting:**

**2014-IA-A Certified Budget** – Disbursements at June 30, 2014 exceed the amount budgeted in the community and economic development function. In addition, before the budget was amended, disbursements exceeded the amount budgeted for the community and economic development function at time of the May amendment.

**Recommendation** – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

**Response** - Community and Economic Development (CED) staff has been retrained on the handling of subrecipient grant payments, which were the cause of the overspend condition. Communication has been improved to identify the need for future budget amendments and CED staff has been made aware of the lead time needed for published notice and a public hearing on any budget amendment. It is also anticipated that the move to a new financial software system should improve the process.

**2014-IA-B Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

**2013-IA-C Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**2014-IA-D Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Cameron Coppess, employee, Brother is owner in Heartland Co-op LP Gas	LP Gas	\$ 3,640
Greg Siembieda, Employee, owner in Walnut Creek Promotions, Inc.	Supplies	665

The transaction with Heartland Co-op LP Gas does not appear to represent a conflict of interest, since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with Walnut Creek Promotions, Inc. does not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

**Part IV: Other Findings Related to Required Statutory Reporting: (continued)**

**2014-IA-E Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**2014-IA-F Council Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were normally not published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

**Recommendation** – The City should take measures to publish Council minutes within 15 days of the meeting.

**Response** – The City’s practice is to publish Council meeting minutes immediately after approval by Council at the subsequent meeting, generally two weeks following. Minutes are made available to the public via the City’s website along with the upcoming meeting Council packet within two weeks, however they are generally considered to be a proposed version until acted upon by the Council.

**2014-IA-G Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

**2014-IA-H Urban Renewal Annual Report** – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

**Findings Related to the Financial Statements:**

None reported

**Findings Related to the Federal Program:**

None reported

**2013-001 U.S. Department of Energy  
CFDA # 81.128  
ARRA –Energy Efficiency and Conservation Block Grant Program**

**Davis-Bacon Act  
Material Weakness in Internal Control over Compliance and Noncompliance**

*Finding:*

Criteria – A properly designed system of internal control over compliance with the requirements of federal programs allows entities to meet those requirements set forth by the federal government in administering federal grants. Sections 40-USC 3141-3144, 3146, and 3147 require that entities expending federal awards on construction projects in excess of \$2,000 ensure that contractors are paying wages not less than those established for the locality of the project by the United States Department of Labor, and that the contractors are submitting their certified payrolls weekly to the grantee.

Condition – The City did not enforce or monitor the requirements of the Davis-Bacon Act on a contract in place during the year.

Cause – It appears the cause was due to miscommunication between the City and the awarding agency.

Effect – The City did not comply with federal requirements regarding the Davis-Bacon Act.

Recommendation – The City should put procedures in place to insure that they are following all requirements of federal grants related to the provisions of the Davis-Bacon Act.

Status: Resolved