

**INTERNAL CONTROLS  
AND  
COMPLIANCE SECTION**





**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 10, 2020.

**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 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 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, 2019, 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 Responses 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa  
January 10, 2020



## **Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

### **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 to report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, professional style.

Dubuque, Iowa  
January 10, 2020

City of West Des Moines, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
U.S. Department of Housing and Urban Development				
Direct program				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 459,484	\$ -
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	64,100	64,100
Iowa Finance Authority				
Emergency Solutions Grant Program	14.231	77029-19	23,709	-
City of Des Moines				
Continuum of Care	14.267	IA0088L7D021702	<u>105,540</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>652,833</u>	<u>64,100</u>
U.S. Department of Justice				
Direct program				
Bulletproof Vest Partnership Program	16.607		<u>8,665</u>	<u>-</u>
Pass-through program from				
Governor's Office of Drug Control Policy				
Public Safety Partnership and Community Policing Grants	16.710	17-CAMP-02	2,995	-
Public Safety Partnership and Community Policing Grants	16.710	16-CAMP-11	<u>766</u>	<u>-</u>
			<u>3,761</u>	<u>-</u>
City of Des Moines Police Department				
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2017-DJBX-0998	32,895	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2018-DJBX-0941	<u>15,500</u>	<u>-</u>
			<u>48,395</u>	<u>-</u>
Direct program				
Equitable Sharing Program	16.922		<u>6,629</u>	<u>-</u>
Total U.S. Department of Justice			<u>67,450</u>	<u>-</u>

City of West Des Moines, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
U.S. Department of Transportation				
Pass-through program from				
Iowa Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	HDP-8260(629)--71-25	\$ 7,980	\$ -
Highway Planning and Construction	20.205	STP-A-8260(645)-86-25	288,000	-
Total Highway Planning and Construction Cluster			<u>295,980</u>	<u>-</u>
Iowa Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	15-402-M00P, Task 13	-	-
Alcohol Impaired Driving Counter-Measures Incentive Grants I	20.601	18-402-M00P, Task 10	12,818	-
Alcohol Impaired Driving Counter-Measures Incentive Grants I	20.601	19-402-M00P, Task 13	23,022	-
Total Highway Safety Cluster			<u>35,840</u>	<u>-</u>
Total U.S. Department of Transportation			<u>331,820</u>	<u>-</u>
U.S. Department of Health and Human Services				
Pass-through program from				
Iowa Department of Human Rights				
Low-Income Home Energy Assistance 477 Cluster	93.568	LIHEAP 19-12	5,000	-
Community Services Block Grant	93.569	CSBG 19-12	6,000	-
Iowa Department of Public Health				
National Bioterrorism Hospital Preparedness Program	93.889	GAX-588-2019WG	478	-
Total U.S. Department of Health and Human Services			<u>11,478</u>	<u>-</u>
U.S. Department of Homeland Security				
Pass-through program from				
Iowa Department of Homeland Security				
Disaster Grants- Public Assistance	97.036	PA-07-IA-4386-PW00363	10,454	-
Total			<u>\$ 1,074,035</u>	<u>\$ 64,100</u>



**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of West Des Moines, Iowa, (the City) under programs of the federal government for the year ended June 30, 2019. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**Note 2 - Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

The City has not elected to use the 10% de minimis cost rate.

**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 program: 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 program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
CDBG - Entitlement Grants Cluster Community Development Block Grants/ Entitlement Grants	14.218
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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 federal findings and questioned costs to report.

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

**2019-IA-A Certified Budget** – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the debt services function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

**Response** – The budget will be amended in the future, if applicable.

**2019-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.

**2019-IA-C Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**2019-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
Jenna Ehler, Librarian, Husband owns Studio Melee	Service	\$ 93,673
Benjamin Bruening, Firefighter, Father-in-law owns Premier A & B Services	Service	45,316
Greg Siembieda, Firefighter Owner of Walnut Creek Promotions, Inc.	Uniform Supplies	6,012
Brian Ascheman, Police Officer, Father, Philip Ascheman, is a medical service provider	Medical	3,560
Matthew Sonnenburg, Firefighter, Owner of Plugugly Customs	Repair Supplies	850

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

According to Chapter 362.5 of the Code of Iowa, an officer or employee of a City shall not have an interest, direct or indirect, in a contract with that City. The provision does not apply to transactions that do not exceed a cumulative total purchase price of \$1,500 in a fiscal year or to contracts made by a city upon competitive bid. All the transactions with Walnut Creek Promotions, Inc. were entered into through competitive bidding. All other transactions were not entered into through competitive bidding.

**2019-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.

**2019-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.

**Views of Responsible Officials** – 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.

**2019-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.

**2019-IA-H Annual Urban Renewal Report** – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City misreported information in its original submission.

**Recommendation** – The City should implement additional preparation and review procedures relating to the annual urban renewal report.

**Views of Responsible Officials** – The City will review all TIF reconciliations, internal cash flow models, and annual Urban Renewal reports with its financial advisors, as well as State and County officials, as needed to ensure accurate certifications and reports.

**2019-IA-I Tax Increment Financing** – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. While performing audit procedures, we noted some amounts certified inaccurately.

**Recommendation** –The City should reconcile future TIF needs with the annual County TIF Reconciliation.

**Views of Responsible Officials** – The City will review all TIF reconciliations, internal cash flow models, and annual Urban Renewal reports with its financial advisors, as well with State and County officials, as needed to ensure accurate certifications and reports.