

**INTERNAL CONTROLS
AND
COMPLIANCE SECTION**

**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***

Independent Auditor's Report

The Honorable Mayor and Members of City Council
City of West Des Moines, Iowa
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 (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2022, which contained an emphasis of matters paragraph regarding a change in accounting principle and change in reporting entity.

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) 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 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 that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-01, that we consider to be a significant deficiency.

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 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*.

City's Response to Findings

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

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.

BKD, LLP

West Des Moines, Iowa
March 16, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of West Des Moines, Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are 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 compliance for each of the City's major federal programs 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 types of 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and 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 type of compliance requirement of a federal program 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 over compliance 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.

BKD, LLP

West Des Moines, Iowa
March 16, 2022

City of West Des Moines, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Pass through from the City of Des Moines			
Homeland Security Grant Program	97.067	EMW-2019-SS-0032	1,283
Pass through from the State of Iowa			
Disaster Grants - Public Assistance	97.036	PA ID# 153-83910-00, Disaster DR- 4386-IA	94,224
Disaster Grants - Public Assistance	97.036	PA ID# 153-83910-00, Disaster DR- 4557-IA	235,407
Total Disaster Grants Public Assistance - CFDA 97.036			<u>329,631</u>
Total U.S. Department of Homeland Security			<u>330,914</u>
U.S. Department of Treasury			
Pass through from the State of Iowa			
COVID-19 Coronavirus Relief Fund	21.019	Contract 21019 Project #00326	1,613,726
Total U.S. Department of Treasury			<u>1,613,726</u>
U.S. Department of Health and Human Services			
Pass through from the State of Iowa Department of Human Rights			
Division of Community Action Agencies			
Red Rock Area Community Action Program			
Low Income Home Energy Assistance Program	93.568	LIHEAP 21-12	5,000
Community Services Block Grant	93.569	CSBG 21-12	6,000
Direct Payments			
COVID-19 Provider Relief Found and American Rescue Plan (ARP) Rural Distributions	93.498	N/A	66,439
Total US Department of Health and Human Services			<u>77,439</u>
US Department of Justice			
Direct Payments			
Bulletproof Vest Partnership Program	16.607	N/A	5,222
Pass through from the State of Iowa			
Governor's Office of Drug Control Policy			
Public Safety Partnership and Community Policing Grants	16.710	18-HEROIN-05	369
Public Safety Partnership and Community Policing Grants	16.710	18-CAMP-12	321
Public Safety Partnership and Community Policing Grants	16.710	19-HEROIN-01	208
Public Safety Partnership and Community Policing Grants	16.710	19-CAMP-12 Meth	496
Total Public Safety Partnership and Community Policing Grants CFDA 16.710			<u>1,394</u>
Total U.S. Department of Justice			<u>6,616</u>
U.S. Department of Housing and Urban Development			
Direct Payments			
Community Development Block Grants/Entitlement Grants Cluster,			
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	N/A	97,208
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	N/A	94,467
Community Development Block Grants/Entitlement Grants	14.218	N/A	296,914
Community Development Block Grants/Entitlement Grants	14.218	N/A	281,028
Total Community Development Block Grants/Entitlement Grants CFDA 14.218			<u>769,617</u>

The accompanying notes are an integral part of this Schedule.

City of West Des Moines, Iowa
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Pass through from the State of Iowa Finance Authority (Homelessness Emergency Assistance and Rapid Transition to Housing (HEARTH) Act Emergency Solutions Grant Program	14.231	77029-20	69,532
Emergency Solutions Grant Program	14.231	77029-21	36,285
Total Emergency Solutions Grant Program CFDA 14.231			<u>105,817</u>
Total U.S. Department of Housing and Urban Development			<u>875,434</u>
US Department of Transportation			
Pass through from the State of Iowa Department of Public Safety Governor's Traffic Safety Bureau Highway Safety Cluster			
State and Community Highway Safety	20.600	21-405d-F24, Task 12	1,484
State and Community Highway Safety	20.600	20-402-MOPT, Task 44	4,044
State and Community Highway Safety	20.600	21-402-MOPT, Task 50	34,058
Total Highway Safety Cluster CFDA 20.600			<u>39,586</u>
Pass through from the Iowa Department of Transportation Federal Transit Formula Grants	20.507	IA-2021-006-00	60,466
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237	FY2020 HP-CMV Grant Program	9,699
Total US Department of Transportation			<u>109,751</u>
Total Federal Awards			<u>\$ 3,013,880</u>

City of West Des Moines, Iowa
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of West Des Moines, Iowa (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule 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.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The City did not pass through any federal awards to subrecipients during the year ended June 30, 2021.
4. The City received protective personal equipment (PPE) that were funded with federal dollars in the amount of \$198,236 during the year ended June 30, 2021. The amount reported is based on the value of the property at the date it was received. (Unaudited)

City of West Des Moines, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards programs were:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

City of West Des Moines, Iowa
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

7. The City's major programs were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants Cluster	
COVID-19 Coronavirus Relief Fund	21.019

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee? Yes No

City of West Des Moines, Iowa
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2021-01	<p>Significant Deficiency</p> <p>Finding: The City was incorrectly reporting a net investment in joint venture by the general fund as an enterprise fund of the City.</p> <p>Criteria or specific requirement: Per GASB Statement No. 14, A governmental fund shall report its share of equity interests in joint ventures as an asset. However, it is inappropriate to report the entire net investment in joint venture as an asset in a governmental fund. All or a portion of the equity interest should be reported in the government wide statement of net position. The participating government's total equity interest should be calculated in accordance with the joint venture agreement. The amount that should be reported in the government wide statement of net position is the total equity interest adjusted for any portion of the equity interest that is included in the balance sheet of a governmental fund. For example, if the general fund reports an amount payable to, or receivable from, the joint venture, the "net investment" account in the government wide statement of net position should be adjusted by that amount. Thus, the combination of amounts reported in the governmental funds and in the government wide statement of net position should equal the total equity interest in the net assets of the joint venture. Governmental fund operating statements should report changes in joint venture equity interests only to the extent that the amounts received or receivable from the joint venture or the amounts paid or payable to the joint venture satisfy the revenue or expenditure recognition criteria for governmental funds.</p> <p>Condition: The City improperly identified Westcom as a blended component unit of the City when in fact, Westcom was a joint venture of the general fund of the City.</p> <p>Effect: The City improperly reported Westcom as an enterprise fund of the City when it should have been reported as a net investment in joint venture by the general fund.</p> <p>Cause: The City acts as the coordinating agency for Westcom and employs all personnel that operate Westcom. As such, it created confusion as to the proper treatment and who had the corporate powers of the entity.</p> <p>Recommendation: The City should review investment activities and work through a detailed analysis in accordance with the guidance to verify proper treatment and inclusion in the City's financials.</p> <p>Views of Responsible Officials: The City agrees with the finding. See separate auditee document for planned corrective actions.</p>

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	There were no findings to report.

City of West Des Moines, Iowa
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Finding	Status
2020-001	<p>Finding: Schedule of Expenditures of Federal Awards Preparation</p> <p>Prior Year Recommendation: The City does not have adequate internal controls to ensure the SEFA accurately reports all federal assistance the City receives. The City's SEFA included \$157,741 of state expenditures from a prior period. Total expenditures reported on the SEFA are \$1.048 million.</p>	Implemented
2020-002	<p>Finding: Equipment and Real Property Management</p> <p>Prior Year Recommendation: We noted the following conditions in our testing of equipment management:</p> <ul style="list-style-type: none"> a.) An inventory of capital assets has not been performed by the City within the last two years. b.) The City does not maintain a fixed asset listing that contains the federal participation in the cost of the asset. 	Implemented
2020-003	<p>Finding: Procurement, Suspension and Debarment</p> <p>Prior Year Recommendation: The City could not provide evidence that a verification was performed, nor was any language to this effect included in the contracts.</p>	Implemented

City of West Des Moines, Iowa
Other Findings Related to Required Statutory Reporting
Year Ended June 30, 2021

Reference Number	Finding
2021-IA-A	Certified Budget - Disbursements during the year ended June 30, 2021 did not exceed the amount budgeted as per Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under and annual or continuing appropriation."
2021-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.
2021-IA-C	Travel Expenses - No expenditures of City money for travel expenses of spouses or City officials or employees were noted.
2021-IA-D	<p>Business Transactions - Business transactions between the City and City Officials or employees are detailed as follows:</p> <p>According to Chapter 362.5 of the Code of Iowa, an officer or employee of the 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. Those transactions were for professional services.</p>
2021-IA-E	Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
2021-IA-F	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.
2021-IA-G	City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.
2021-IA-H	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.
2021-IA-J	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.

City of West Des Moines, Iowa
Other Findings Related to Required Statutory Reporting (Continued)
Year Ended June 30, 2021

Reference Number	Finding
2021-IA-K	Separately Maintained Records - Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.” No such transactions were noted.

2021-IA-L **Financial Condition** - At June 30, 2021, the City had deficit balances in the following funds:

Fund	Amount
Dallas County Local Housing Trust Fund	\$ (30,781)
Road Use Tax Fund	(8,282,648)
Fiber Conduit Utility Fund	(903,343)

See Note 5 of the financial statements for additional information about deficit balances.