

City of West Des Moines, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Direct:			
U.S. Department of Justice:			
Office of Community Oriented Policing Services Universal Hiring Program	16.710	N/A	\$ 230,210
Office of Justice Program, Bureau of Justice Assistance, Bulletproof Vest Partnership Program	16.607	N/A	5,108
Drug Enforcement Administration, DEA Overtime Reimbursement	16.005	N/A	13,035
			<u>248,353</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	N/A	57,853
Assistance to Firefighters Grant	97.044	N/A	225,269
			<u>283,122</u>
Indirect:			
U.S. Department of Health and Human Services:			
Administration for Children and Families, State of Iowa, 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 2205-12CU	6,000
Community Services Block Grant	93.569	CSBG 05-12	6,000
			<u>12,000</u>
U.S. Department of Housing and Urban Development:			
Community Planning and Development, City of Des Moines, Supportive Housing Program	14.235	IA26B202002	87,325
U.S. Department of Transportation:			
National Highway Traffic Safety Administration, Iowa Department of Public Safety, Governor's Traffic Safety Bureau State and Community Highway Safety	20.600	410-36/410-41	24,392
U.S. Department of the Interior, Fish and Wildlife Service, State of Iowa, Department of Natural Resources, Sport Fish Restoration			
	15.605	WDM-07-03	150,000
U.S. Department of Homeland Security, State of Iowa, Iowa Homeland Security and Emergency Management:			
Polk County Emergency Management Agency State Domestic Preparedness Equipment Support Program	97.004	2003 SHSGP II-CIPA	129,731
Public Assistance Grants	97.036	DR-1518-IA	51,047
			<u>180,778</u>
			<u>\$ 985,970</u>

See Notes to Schedule of Expenditures of Federal Awards.

City of West Des Moines, Iowa

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

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 for the year ended June 30, 2005. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

City of West Des Moines, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2005

	Finding	Status	Corrective Action Plan or Other Explanation
Other Findings Related to Required Statutory Reporting			
04-IV-G	Council minutes were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	Not corrected.	See corrective action plan at 05-IV-G.
04-IV-N	The Economic Development Special Revenue Fund and the Vehicle Maintenance Internal Service Fund had deficit fund balances.	Not corrected.	See corrective action plan at 05-IV-N.

McGladrey & Pullen

Certified Public Accountants

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
West Des Moines, Iowa

We have audited 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 as of and for the year ended June 30, 2005, which collectively comprise the City of West Des Moines, Iowa's basic financial statements and have issued our report thereon dated September 22, 2005. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Des Moines, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of West Des Moines, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 05-II-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of West Des Moines, Iowa in a separate letter dated September 22, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Des Moines, Iowa's financial statements are free of 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 that 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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. 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 in Section IV of the Schedule of Findings and Questioned Costs are not intended to constitute legal interpretation of those statutes.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 22, 2005

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of West Des Moines, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of West Des Moines, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of West Des Moines, Iowa's management. Our responsibility is to express an opinion on the City of West Des Moines, Iowa's compliance based on our audit.

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 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 of West Des Moines, Iowa'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. Our audit does not provide a legal determination on the City of West Des Moines, Iowa's compliance with those requirements.

In our opinion, the City of West Des Moines, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of West Des Moines, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of West Des Moines, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-III-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 22, 2005

City of West Des Moines, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

I. Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16.710	Public Safety Partnership and Community Policing Grant
97.004	State Domestic Preparedness Equipment Support Program
97.044	Assistance to Firefighters Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005

II. Findings Relating to the Basic Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Reportable conditions in internal control over financial reporting:

05-II-A

Finding: The City does not have an adequate system in place over the evidence room in the police department.

Condition: The cash and other assets seized by the police department is accessible to the individual supervising the maintenance of the inventory with no separate reconciliation or log procedures. The cash is not immediately deposited.

Effect: Misappropriation of assets could occur.

Recommendation: We recommend the City implement controls to segregate the recording and reconciling of the assets from the access to the assets. In addition, we recommend that all cash seized be immediately deposited into a separate bank account.

Response and corrective action plan: Procedures have been implemented which prohibit access to assets by any one individual, segregate the recording and reconciling of assets, and result in monetary assets being promptly receipted into the financial system and deposited into a bank account specifically designated for this purpose.

B. Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

A. Reportable conditions in internal control

05-III-A

U.S. Department of Homeland Security:
State Domestic Preparedness Equipment Support Program (CFDA 97.004); Award Year 2003
Assistance to Firefighters Grant (CFDA 97.044); Award Year 2003 and 2004

Finding: The City does not have a system in place for ensuring that vendors used are not suspended or debarred from participation in federal programs.

Condition: Currently, the City's purchasing policy and bid documents, that vendors certify, do not include the verbiage to ensure the vendors are not suspended or debarred. In addition, the City does not check the suspended/debarred listing to ensure those contracted with are not suspended or debarred.

(Continued)

City of West Des Moines, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005

Criteria: OMB Circular A-133 dictates that when a nonfederal entity (i.e. the City) enters into a contract (through a bidding process) with an entity (vendor), the nonfederal entity must verify that the entity is not suspended or debarred from participation in federal programs/grants.

Recommendation: We recommend the City implement a system by updating its purchasing policy and bid documents to ensure vendors are not suspended or debarred, prior to entering into contracts, for all transactions (federal and nonfederal).

Response and Corrective Action Plan: The City is currently in the process of adding wording to all bid documents requiring vendors to certify that they have not been debarred or suspended from participation in federal programs/grants.

B. Instances of noncompliance

None

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005

IV. Other Findings Related to Required Statutory Reporting

- 05-IV-A Official Depositories - A resolution naming official depositories has been adopted by City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- 05-IV-B Certified Budget:
Finding: Disbursements during the year ended June 30, 2005, exceeded the amount budgeted in the debt service function and the public works function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.
Response: The budget will be amended in the future, if applicable.
Conclusion: Response accepted.
- 05-IV-C Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 05-IV-D Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 05-IV-E Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, transactions with City employees and City officials do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.
- 05-IV-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 coverage is adequate for current operations.
- 05-IV-G Council Minutes - We noted no transactions requiring council approval which had not been approved in the Council minutes.
Finding: Although minutes of Council meetings were published, they were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.
Recommendation: The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.
Response and Corrective Action Plan: The City publishes the minutes as soon as possible after the Council meetings. The 15-day requirement is not met due to the timing of meeting dates and publication dates.
Conclusion: Response accepted.
- 05-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 05-IV-I Revenue Notes - The City has complied with the revenue bond provisions.
- 05-IV-J Payment of General Obligation Bonds - The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.
- 05-IV-K Economic Development - We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.
- 05-IV-L Notice of Public Hearing for Public Improvements - We noted no instance of noncompliance with Chapters 384.102 and 362.3 of the Code of Iowa.
- 05-IV-M Sales Tax - We noted no instance of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- 05-IV-N Financial Condition:
Finding: The Economic Development Special Revenue Fund and the Vehicle Maintenance Internal Service Fund had deficit fund balances of \$104,813 and \$21,961, respectively, as of June 30, 2005.
Recommendation: The City should investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial position.
Response and Corrective Action Plan: The City will fund the deficits through future transfers from the General Fund.
Conclusion: Response accepted.

City of West Des Moines, Iowa

**Corrective Action Plan
Year Ended June 30, 2005**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable Conditions in Internal Control:				
05-II-A	Inadequate system over the evidence room in police department.	See response and corrective action plan at 05-II-A.	June 30, 2006	Jack O'Donnell
Reportable Conditions in Administering Federal Awards:				
05-III-A	The City does not have an adequate system in place for ensuring that vendors used are not suspended or debarred from participation in federal programs.	See response and corrective action plan at 05-III-A.	June 30, 2006	Jody Smith
Other Findings Related to Required Statutory Reporting:				
05-IV-B	Disbursements during the year exceeded the amount budgeted in the debt service and public works functions.	See response and corrective action plan at 05-IV-B.	June 30, 2006	Jody Smith
05-IV-G	Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	See response and corrective action plan at 05-IV-G.	June 30, 2006	Jody Smith
05-IV-N	The Economic Development Special Revenue Fund and Vehicle Maintenance Internal Service Fund had deficit fund balances as of June 30, 2005.	See response and corrective action plan at 05-IV-N.	June 30, 2006	Jody Smith