

**INTERNAL CONTROLS  
AND  
COMPLIANCE SECTION**

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**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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 24, 2013. Our Independent Auditor's Report dated January 24, 2013, contains an emphasis of the matter paragraph containing a material restatement of beginning equity. 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of West Des Moines, Iowa, 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.

We noted certain other matters that we reported to management of the City in a separate letter dated January 24, 2013.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Dubuque, Iowa  
January 24, 2013



**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on 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

**Compliance**

We have audited the compliance of the City of West Des Moines, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. The City's major federal programs are identified in the summary of the independent 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's management. Our responsibility is to express an opinion on the City'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'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 of the City's compliance with those requirements.

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 each of its major federal programs for the year ended June 30, 2012.

## Internal Control over Compliance

Management of the City of West Des Moines, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Mayor, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Dubuque, Iowa  
January 24, 2013

City of West Des Moines, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct program:			
Community Development Block			
Grants/Entitlement Grants	14.218		\$ 75,021
Supportive Housing Program	14.235		<u>101,796</u>
Total U.S. Department of Housing and Urban Development			<u>176,817</u>
U.S. Department of Justice:			
Direct program:			
Edward Byrne Memorial Formula Grant			
Program	16.579		<u>17,590</u>
Bulletproof Vest Partnership Program	16.607		<u>10,054</u>
JAG Program Cluster:			
Direct program:			
Edward Byrne Memorial Justice			
Assistance Grant Program	16.738		20,874
Edward Byrne Memorial Justice			
Assistance Grant Program	16.738		9,599
Pass-through program from:			
Polk County Mid-Iowa Narcotics Task			
Force:			
ARRA - Recovery Act - Edward			
Byrne Memorial Justice Assistance			
Grant (JAG) Program/Grants to			
States and Territories	16.803	08-09JAG/ARRA-16168C	77,060
City of Des Moines:			
ARRA - Recovery Act - Edward Byrne			
Memorial Justice Assistance Grant			
(JAG) Program/Grants to Units of			
Local Government	16.804	2009-SB-B9-0580	82
Total JAG Program Cluster			<u>107,615</u>
Direct program:			
Equitable Sharing Program	16.922		<u>13,614</u>
Total U.S. Department of Justice			<u>148,873</u>

City of West Des Moines, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:			
Pass-through program from:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-8260(615)--71-77	\$ 1,907,906
Highway Planning and Construction	20.205	STP-U-8260(626)--70-77	1,000,000
Highway Planning and Construction	20.205	STP-U-8260(613)-70-77	450,899
			<u>3,358,805</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 11-410	37,445
State and Community Highway Safety	20.600	PAP 12-410	26,149
			<u>63,594</u>
Total U.S. Department of Transportation			<u>3,422,399</u>
U.S. Department of Energy:			
Direct program:			
ARRA - Energy Efficiency and Conservation			
Block Grant Program	81.128		82,389
Pass-through program from:			
Iowa Office of Energy Independence:			
ARRA - Energy Efficiency and			
Conservation Block Grant Program	81.128	DE-EE000812	36,663
Total U.S. Department of Energy			<u>119,052</u>
U.S. Department of Health and Human Services:			
Direct program:			
Low-Income Home Energy Assistance	93.568		5,500
Community Services Block Grant	93.569		5,500
Total U.S. Department of Health and Human Services			<u>11,000</u>
Total			<u>\$ 3,878,141</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 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	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 Circular A-133, Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program
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:**

**MATERIAL WEAKNESS:**

**II-A-12 Material Audit Adjustments**

**Criteria** – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles and the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Part II: Findings Related to the Financial Statements: (continued)**

**Condition** – During the course of our engagement, we proposed material audit adjustments, including a restatement of beginning equity, to the financial statements and Schedule of Expenditures of Federal Awards that would not have been identified as a result of the City’s existing internal controls and, therefore, could have resulted in a material misstatement of the City’s financial statements and Schedule of Expenditures of Federal Awards.

**Cause** – There is a limited number of office employees with varying levels of experience with the reporting requirements.

**Effect** – The effect of this condition was financial data not in accordance with generally accepted accounting principles or the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Recommendation** – We recommend that finance staff continue to receive relevant training and that management review all documentation completed by staff for use in preparing the financial statements and Schedule of Expenditures of Federal Awards. The City may also benefit from implementing an accounts receivable/billing system and adding a capital asset module to their general ledger system.

**Response** – City agrees with the recommendation and has and will implement various strategies to improve the financial statement preparation and accounting processes, including training and an improved financial recordkeeping system.

As an example of the commitment to training, more training money for the department has been budgeted, a new employee with the Certified Public Accountant designation was hired, one current employee completed training to receive the Certified Public Accountant designation, and third employee completed governmental and not-for-profit coursework towards an accounting degree.

Plans are developed for implementation of an improved general ledger system which would include the modules recommended by the auditor. Funds are included in the proposed fiscal year 2013-14 budget to provide an assessment of the current system and to find an appropriate solution which will address the shortcoming and meet the City’s future needs.

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

None reported.

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

**IV-A-12 Certified Budget** – Disbursements during the year ended June 30, 2012, did not exceed the amount budgeted.

**IV-B-12 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.

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

**IV-C-12 Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**IV-D-12 Business Transactions** – No business transactions between the City and City officials or employees were noted.

**IV-E-12 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.

**IV-F-12 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.

**IV-G-12 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.

**IV-H-12 Revenue Notes** – No instances of non-compliance with the sewer revenue note provisions were noted.

**IV-I-12 Bond Sale** – Chapter 75 of the Code of Iowa states the advertisement for the sale of bonds shall be published at least once, the last one of which shall be not less than four nor more than twenty days before the sale. The City did not publish the advertisement for the 2011A \$6,900,000 General Obligation bond issuance as required by Chapter 75 of the Code of Iowa.

**Recommendation** – Before selling bonds, the City should publish a notice of the sale in accordance with Chapter 75 of the Code of Iowa.

**Response** – The City is aware of the requirement and generally has adhered to the publishing parameters with each of its bond issuances; however the requirement was inadvertently overlooked by all parties at the time of the sale, including Bond Counsel and staff. As the bonds were successfully sold without question or incident, corrective action was limited to issuing a reminder of the requirement to all involved parties.