

**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 6, 2019

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit of the Greenfield Plaza Hills of Coventry Sanitary District.

**FINANCIAL HIGHLIGHTS:**

The Sanitary District had total receipts of \$249,243 for the year ended June 30, 2019, a 2.1% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$221,505, a 15.0% decrease from the prior year. The significant decrease in disbursements is due primarily to no sewer rebates offered this year and less non-contracted sewer maintenance.

**AUDIT FINDINGS:**

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 20 through 25 of this report. The findings address issues such as a lack of segregation of duties, lack of monthly bank and sewer collection reconciliations and noncompliance with Internal Revenue Service requirements for issuing IRS Form 1099, where applicable. Sand provided the Sanitary District with recommendations to address each of the findings.

The Sanitary District has a fiduciary responsibility to provide oversight of the Sanitary District's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

###

**GREENFIELD PLAZA HILLS OF COVENTRY  
SANITARY DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENT  
AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2019**

**Greenfield Plaza Hills of Coventry Sanitary District**



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Des Moines, Iowa 50319-0004

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Rob Sand  
Auditor of State

October 30, 2019

Officials of the Greenfield Plaza Hills of Coventry Sanitary District  
Des Moines, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Greenfield Plaza Hills of Coventry Sanitary District for the year ended June 30, 2019. The audit was performed per the request of Sanitary District Trustees and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials of Greenfield Plaza Hills of Coventry Sanitary District throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand  
Auditor of State

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**Greenfield Plaza Hills of Coventry Sanitary District**

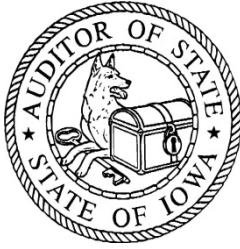
**Officials**

**Before January 2019 Election**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nelson Foster	Trustee President	Resigned Aug 2018
Joann Willers (Appointed Sep 2018)	Trustee President	Dec 2018
David Selby	Trustee Clerk	Dec 2018
Marlene Rivas	Trustee Treasurer	Dec 2019

**After January 2019 Election**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandy Doerring	Trustee President	Dec 2020
David Selby	Trustee Clerk	Dec 2020
Marlene Rivas	Trustee Treasurer	Dec 2019



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Independent Auditor's Report

To the Members of the Greenfield Plaza Hills of Coventry Sanitary District:

Report on the Financial Statement

We have audited the accompanying financial statement of the Greenfield Plaza Hills of Coventry Sanitary District as of and for the year ended June 30, 2019, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Sanitary District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sanitary District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Greenfield Plaza Hills of Coventry Sanitary District as of June 30, 2019, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

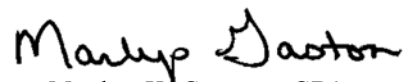
### Other Matters

#### *Other Information*

The other information the Budgetary Comparison Schedule of Receipts, Disbursements and Change in Balance on page 16, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2019 on our consideration of the Greenfield Plaza Hills of Coventry Sanitary District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Sanitary District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Greenfield Plaza Hills of Coventry Sanitary District's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

October 30, 2019



**Greenfield Plaza Hills of Coventry  
Sanitary District**

**Financial Statement**

**Greenfield Plaza Hills of Coventry  
Sanitary District**

## Greenfield Plaza Hills of Coventry Sanitary District

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balance

As of and for the year ended June 30, 2019

Operating receipts:	
Sewer service charges	<u>\$ 237,153</u>
Operating disbursements:	
Sewer service collection fees	6,697
Advertising	92
Wastewater reclamation authority fees	103,660
Audit fees	8,500
Legal fees	3,334
Outside service contract - maintenance	13,542
Sewer repair and maintenance	10,994
Trustees per diem	6,900
Trustees reimbursed expenses	2,457
Office supplies	307
Insurance	2,969
Utilities	<u>1,384</u>
Total operating disbursements	<u>160,836</u>
Excess of operating receipts over operating disbursements	<u>76,317</u>
Non-operating receipts (disbursements):	
Interest - income	8,602
Special assessments	3,488
Debt service - WRA (principle and interest)	<u>(60,669)</u>
Net non-operating disbursements	<u>(48,579)</u>
Change in cash balance	27,738
Cash balance beginning of year	<u>535,606</u>
Cash balance end of year	<u><u>\$ 563,344</u></u>

Greenfield Plaza Hills of Coventry Sanitary District

Notes to Financial Statement

June 30, 2019

**(1) Summary of Significant Accounting Policies**

The Greenfield Plaza Hills of Coventry Sanitary District was formed in 1996 pursuant to the provisions of Chapter 358 of the Code of Iowa and is under the management and control of the Board of Trustees. The purpose of the Sanitary District is to provide sewer services to customers of the Greenfield Plaza Hills of Coventry area of Warren County, Iowa. All of the sewer service is disposed of through the Wastewater Reclamation Authority (WRA) of metropolitan Des Moines.

A. Reporting Entity

For financial reporting purposes, the Greenfield Plaza Hills of Coventry Sanitary District has included all funds, organizations, agencies, boards, agencies and authorities. The Sanitary District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Sanitary District are such that exclusion would cause the Sanitary District's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Sanitary District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Sanitary District. The Sanitary District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Joint Ventures

The Sanitary District participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 3)

C. Basis of Presentation

The accounts of the Sanitary District are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Basis of Accounting

The Sanitary District maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Sanitary District is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Sanitary District in accordance with U. S. generally accepted accounting principles.

E. Budgets and Budgetary Accounting

The Trustees annually adopt a budget on the cash basis of all funds. The annual budget may be amended during the year utilizing prescribed procedures. During the year ended June 30, 2019, disbursements did not exceed the amount budgeted. The budgetary comparison and related disclosures are reported as other information.

**(2) Cash and Investments**

The Sanitary District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Sanitary District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Sanitary District; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Joint Venture**

The Sanitary District is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The amended and restated agreement for the WRA was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) agreement to provide continued operation, improvements and expansion. The WRA agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, established an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The Sanitary District retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2013B and 2015E include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2015E and 2013B bonds were issued for capital expansion. The WRA agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2019, the Series 2015E and 2013B bonds had a balance of \$75,285,000 and the Sanitary District's estimated future allocation based on the WRA flows is currently \$216,870 or 0.29%. The state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2019, the state revolving loans had a balance of \$320,172,134 and the Sanitary District's estimated future allocation based on WRA flows is currently \$1,138,191 or 0.36%.

The WRA agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the Sanitary District's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The Sanitary District retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2019, the Sanitary District paid the WRA \$164,329 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

#### **(4) Agreements**

On November 1, 2005 the Sanitary District entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the Des Moines Water Works for billing and collection services. The initial term of this agreement is until July 2, 2015 and continues thereafter from year to year unless either party shall give the other party six months written notice of its intent to terminate the agreement. During the year ended June 30, 2019, the Sanitary District paid the Des Moines Water Works \$6,697 for billing and collection services.

The Sanitary District has entered into an agreement with Thorpe Water Development Company for monthly maintenance and operation of the sewage system. The term of this agreement was signed for three (3) years effective November 20, 2014 to November 20, 2017. The maintenance agreement is on a month to month basis until a new agreement is signed. During the year ended June 30, 2019, the Sanitary District paid the Thorpe Water Development Company \$13,542 for monthly maintenance and operation of the sewage system.

The Sanitary District has entered into an agreement with Municipal Pipe and Tool Co., Inc. for cleaning the sewers. The agreement was signed for a term of five (5) years effective January 6, 2015 to January 6, 2020. However, the agreement was amended to end May 30, 2019. A new agreement was signed for a term of five (5) years effective June 2019 to June 2024. During the year ended June 30, 2019 the Sanitary District paid Municipal Pipe and Tool \$5,374 for cleaning the sewers.

**(5) Risk Management**

The Sanitary District is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Sanitary District's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Sanitary District's contributions to the Pool for the year ended June 30, 2019 were \$2,573.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Sanitary District's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Sanitary District's risk-sharing certificate.



The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Sanitary District's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

## **Other Information**

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Greenfield Plaza Hills of Coventry Sanitary District

Budgetary Comparison Schedule of Receipts, Disbursements and  
Changes in Cash Balance - Budget and Actual

Other Information

As of and for the year ended June 30, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Budget to Actual Variance</u>
Total receipts	\$ 249,243	238,000	11,243
Total business type activities disbursements	<u>221,505</u>	<u>255,450</u>	<u>33,945</u>
Excess (deficit) of receipts (under) disbursements	<u>\$ 27,738</u>	<u>(17,450)</u>	<u>45,188</u>

Greenfield Plaza Hills of Coventry Sanitary District

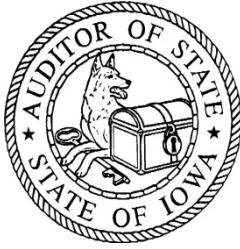
Notes to Other Information – Budgetary Reporting

June 30, 2019

In accordance with the Code of Iowa, the Sanitary District annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The sewer disbursements are budgeted in the business type activities function. The sewer budget was not amended during the year.

During the year ended June 30, 2019 disbursements did not exceed the amount budgeted.



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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 a Financial Statement Performed in Accordance with  
Government Auditing Standards

To the Members of the Greenfield Plaza Hills of Coventry Sanitary District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Greenfield Plaza Hills of Coventry Sanitary District as of and for the year ended June 30, 2019, and the related Notes to Financial Statement, and have issued our report thereon dated October 30, 2019. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Greenfield Plaza Hills of Coventry Sanitary District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Greenfield Plaza Hills of Coventry Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenfield Plaza Hills of Coventry Sanitary District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 a material misstatement of the Greenfield Plaza Hills of Coventry Sanitary District's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (F) to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Greenfield Plaza Hills of Coventry Sanitary District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Sanitary District's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Sanitary District. 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.

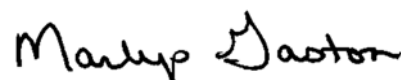
### Greenfield Plaza Hills of Coventry Sanitary District's Responses to the Findings

Greenfield Plaza Hills of Coventry Sanitary District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Greenfield Plaza Hills of Coventry Sanitary District's responses were not subjected to the auditing procedures applied in the audit of the financial statement 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 Sanitary District'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 Sanitary District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Greenfield Plaza Hills of Coventry Sanitary District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

October 30, 2019

Greenfield Plaza Hills of Coventry Sanitary District

Schedule of Findings

Year ended June 30, 2019

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Sanitary District's financial statements.

Condition – Generally, one individual in the Sanitary District has control over the following areas:

- (1) Investing, custody of investments and recording of interest.
- (2) Purchasing, disbursement preparation, recording, check writing and check signing.

Cause – The Sanitary District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Sanitary District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Sanitary District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff or designate a member of the Sanitary District to provide additional control through review of financial transactions.

Response – We have hired a bookkeeper to help segregate accounting duties. All mail will go to the P.O. Box and be opened and distributed by the Clerk.

Conclusion – Response accepted.

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments, including an independent review.

Condition – Monthly bank reconciliations, including a list of outstanding checks, were not prepared.

Cause – Policies and procedures do not require monthly bank reconciliations be performed and documented.

Greenfield Plaza Hills of Coventry Sanitary District

Schedule of Findings

Year ended June 30, 2019

Effect – Lack of monthly bank reconciliations could result in undetected errors or unauthorized activity.

Recommendation – The Sanitary District should implement procedures to ensure bank reconciliations are performed monthly.

Response – We have hired a bookkeeper and will prepare a monthly bank reconciliation.

Conclusion – Response accepted.

(C) Utility Billings and Service Fees

Criteria – An effective internal control system provides for internal controls related to ensuring the accuracy of fees collected by reconciling those collections to amounts billed. An effective system also provides controls to ensure service fees are properly recorded as disbursements.

Condition – Des Moines Water Works (Water Works) bills and collects sewer fees on behalf of the Sanitary District. Each month, the Sanitary District receives a summary of collections and a list of customer account balances. However, there is no evidence these reports are reviewed by the Sanitary District to ensure collections are reasonable based on amounts billed. In addition, Des Moines Water Works charges \$0.85 per household as a monthly service fee which is withheld from payments to the Sanitary District rather than recording sewer fees intact and recording an appropriate disbursement for the service fee.

Cause – Management has not required procedures to identify what should be collected for sewer charges each billing period, to reconcile expected collections to actual collections and to record sewer fees as a disbursement rather than a reduction of receipts.

Effect – Lack of monthly sewer collection reconciliations to billings and customer account balances could adversely affect the Sanitary District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis. The Sanitary Districts' receipts and disbursements are understated when monthly service fees are withheld from collections rather than remitting a check to the Water Works for services performed.

Recommendation – The Sanitary District should establish procedures to ensure the proper amount of sewer fees are collected, including reconciling billings, collections and customer account balances for each billing cycle. The Sanitary District should remit a check to Des Moines Water Works for the monthly service fee rather than allowing it to be withheld from collections.

Response – We will develop new policies and procedures and have the Clerk or Treasurer review statements and report monthly to the Board.

Conclusion – Response accepted.



Greenfield Plaza Hills of Coventry Sanitary District

Schedule of Findings

Year ended June 30, 2019

(D) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the Sanitary District’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure compliance with applicable laws and regulations.

Condition – The Sanitary District does not have a written policy addressing the use of computers, password requirements, back up procedures or directions for use of the accounting system. In addition, the financial software and all related accounting records were removed from the Treasurer’s computer without Board knowledge and an electronic backup of the information was not maintained. Reliable financial records for fiscal year 2019 were recreated from paper copies of monthly financial reports which were approved by the Board and monthly bank statements which we reconciled to the monthly reports.

Cause – Management has not required written policies for the above computer-based controls.

Effect – Lack of written policies for the District’s computer system could result in transactions not being recorded in the accounting system in a timely manner, improper use of computers or unauthorized individuals gaining access to the accounting system. Backing up the computer system regularly would prevent the loss of electronic financial information from an employee’s intentional or unintentional removal of the information and would help ensure financial and other information is readily available in the case of a disaster or other emergency.

Recommendation – The Sanitary District should establish policies and procedures to address the above items in order to improve the Sanitary District’s control over its computer system.

Response – We will implement new policies and procedures on use of computers.

Conclusion – Response accepted.

(E) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

- Aid in training additional or replacement staff.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Condition – The Sanitary District does not have an accounting and procedures manual.

Cause – Management has not required an accounting policies and procedures manual be developed.

Greenfield Plaza Hills of Coventry Sanitary District

Schedule of Findings

Year ended June 30, 2019

Effect – Lack of an accounting policies and procedures manual could result in the Sanitary District’s lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the Sanitary District.

Response – We will implement financial policies as directed by the auditor and new bookkeeper.

Conclusion – Response accepted.

(F) Travel Policy

Criteria – An effective internal control system provides for internal controls related to payment of allowable expenses and includes establishing policies addressing reimbursement of mileage and other travel related expenses.

Condition – The Sanitary District does not have a written policy addressing reimbursement of mileage and other travel related expenses.

Cause – Management has not required written policies for reimbursement of mileage and other travel related expenses.

Effect – Lack of written policies for reimbursement of mileage and other travel related expenses could result in unauthorized and unsupported transactions.

Recommendation – The Sanitary District should establish policies providing guidelines for reimbursement of mileage and other travel related expenses.

Response – We will adopt a travel reimbursement policy. Our new bookkeeper has provided us with the IRS reimbursement guidelines.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Greenfield Plaza Hills of Coventry Sanitary District

Schedule of Findings

Year ended June 30, 2019

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

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Sanitary District money for travel expenses of spouses of Sanitary District officials or employees were noted.
- (3) Sanitary District Minutes – No transactions were found that we believe should have been approved in the Sanitary District minutes but were not. However, two of the twelve meeting minutes reviewed did not show sufficient information to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – The Sanitary District should ensure the minutes show sufficient information to indicate the vote of each member present, as required.

Response – We will discuss this with the Clerk and comply with the Code of Iowa.

Conclusion – Response accepted.

- (4) Deposits and Investments – The Sanitary District has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the Sanitary District as required by Chapter 12C.2 of the Code of Iowa

Recommendation – A formal written investment policy and depository resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapters 12B and 12C of the Code of Iowa.

Response – We will develop policies and resolutions, as directed.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of Sanitary District officials is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the certified budget.
- (7) Business Transactions – There were no business transactions noted between the Sanitary District and Sanitary District officials or employees.

Greenfield Plaza Hills of Coventry Sanitary District

Schedule of Findings

Year ended June 30, 2019

- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Sanitary District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Sanitary District does not receive an image of the back of each cancelled check.

Recommendation – The Sanitary District should obtain and retain check images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will contact our bank and try to obtain copies as directed.

Conclusion – Response accepted.

- (9) Internal Revenue Service Form 1099 – The Sanitary District did not file Internal Revenue Service (IRS) Form 1099 for payments to contractors and others totaling \$600 or more during calendar year 2018, as required.

Recommendation – The Sanitary District should complete and file IRS Form 1099, as required.

Response – We will notify our new bookkeeper that we plan to issue 1099's.

Conclusion – Response accepted.

- (10) Request for Additional Procedures – Except as noted above, all items included in the request for additional procedures over fiscal year 2018 records have been resolved.

Greenfield Plaza Hills of Coventry Sanitary District

Staff

This audit was performed by:

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