
***CITY OF UNIVERSITY CITY, MISSOURI
INFORMATION REQUIRED FOR GOVERNMENTAL
AND FEDERAL AWARDS REPORTING
AND INDEPENDENT AUDITORS' REPORTS***

JUNE 30, 2012

CITY OF UNIVERSITY CITY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' 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 and on Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9



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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

The Honorable Mayor and
Members of the City Council
City of University City, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of University City, Missouri (the "City") 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 3, 2013. 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over

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Internal Control Over Financial Reporting (continued)

financial reporting, described in the accompanying schedule of findings and questioned costs (2012-01, 2012-02 and 2012-03) that we consider to be significant deficiencies in internal control over financial reporting. 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.

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*.

We noted certain other matters that we reported to management in a separate letter dated January 3, 2013.

This report is intended solely for the information and use of the Honorable Mayor, City Council, management, others within the entity, and 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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
January 3, 2013



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**INDEPENDENT AUDITORS' 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 AND ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

The Honorable Mayor and
Members of the City Council
City of University City, Missouri

Compliance

We have audited the City of University City, Missouri's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 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 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 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'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.

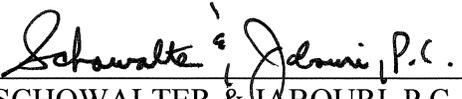
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 3, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

We noted certain other matters that we reported to management in a separate letter dated January 3, 2013.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.


SCHOWALTER & LABOURI, P.C.

St. Louis, Missouri
January 3, 2013

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Direct:			
Tiger II Planning Grant - Parkview Gardens	14.704	MO-79-1001	\$ 99,661 *
Passed through Saint Louis County:			
Community Development Block Grant - Entitlement Grants	14.218	4590-4109-656110-NPP16	25,000
Passed through Missouri Department of Economic Development:			
Community Development Block Grant - State Grants	14.228	2008-DI-76	<u>461,082</u>
Total U.S. Department of Housing and Urban Development			<u>585,743</u>
<u>U.S. Department of Justice:</u>			
Direct:			
ARRA - COPS Hiring Recovery Program	16.710	2009-RX-WX-0495	228,818
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2422	24,854
ARRA - Edward Bryne Memorial Justice Assistance Grant	16.804	2009-SB-B9-0319	<u>6,057</u>
Total JAG Program Cluster			<u>30,911</u>
Total U.S. Department of Justice			<u>259,729</u>
<u>U.S. Department of Transportation:</u>			
Direct:			
Tiger Discretionary Grant - Parkview Gardens	20.933	MO-79-1001	83,204 *
Passed through Missouri Department of Transportation:			
Highway Planning and Construction:			
Olive Street Phase III	20.205	STP-5402(604)	459,641
Ferguson Bridge	20.205	STP-5402(605)	52,771
Delmar Street Enhancement Phase II	20.205	STP-5402(606)	655
Sidewalk upgrades	20.205	STP-5402(607)	15,463
Jackson Ave. Pedestrian Signal	20.205	STP-5402(608)	<u>6,554</u>
Total CFDA# 20.205			<u>535,084</u>
Alcohol Open Container Requirements:			
DWI Enforcement	20.607	11-154-AL-58	<u>2,335</u>
Total U.S. Department of Transportation			<u>620,623</u>

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

U.S. Department of Energy:

Direct:

ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002235	<u>47,428</u>
Total U.S. Department of Energy			<u>47,428</u>

U.S. Department of Homeland Security:

Direct:

ARRA - Assistance to Firefighters Grant	97.115	EMW-2009-FC-03208R	203,850
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Passed through Missouri State Emergency

Management Agency:

Hazardous Mitigation Grant Program	97.039	FEMA-1749-DR-MO (0007)	<u>2,845,215</u>
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Total U.S. Department of Homeland Security			<u>3,049,065</u>
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Total			<u><u>\$ 4,562,588</u></u>
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* Total Combined Project - Tiger II - Parkview Gardens - \$182,865

CITY OF UNIVERSITY CITY, MISSOURI

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Note 2: Insurance

The City did not have any federal insurance in effect during the year ended June 30, 2012.

Note 3: Loans/Loan Guarantees

The City did not have any loans and loan guarantees outstanding as of June 30, 2012.

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
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
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

Type of auditors' 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)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant - State Grants
97.039	Hazardous Mitigation Grant Program

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

Auditee qualified as low-risk auditee? Yes No

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

2. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 2012-01 Internal Control over Financial Reporting

Condition: Although improved from the prior year, the City relied, in part, on the independent external auditors to assist in the preparation of the financial statements.

Criteria: Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters Identified in an Audit, indicates that auditor assistance with financial statement preparation is an indicator of a control deficiency that should be communicated in writing to those charged with governance.

Cause: During the year, the City reorganized the Finance Department and is still in the process of implementing new processes and procedures.

Effect: The City relies, in part, on the independent external auditors to assist in the preparation of the financial statements.

Recommendation: We recommend the City implement effective internal controls over financial reporting. In addition, the City should consider implementing a comprehensive year-end closing schedule that indicates who would perform each procedure, who would review each procedure and when completion of each procedure was due and accomplished.

Finding No. 2012-02 Documentation of Internal Controls

Condition: Although the City has their daily accounting procedures documented, information related to the five components of internal control (risk assessment, control environment, control activities, information and communication and monitoring) have not been documented.

Criteria: Internal control is a process effected by the Governing Body, management and other personnel, designed to provide reasonable assurance regarding the achievement of the entity's objectives and mission.

Cause: Internal controls are not documented in such a fashion to permit effective use by management, the Governing Body, cognizant agencies and other parties.

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

2. FINANCIAL STATEMENT FINDINGS (continued)

Effect: A well-documented system of internal control can help safeguard assets and promote accountability within an organization. In addition, the documentation can be used to reinforce established policies and procedures, evaluating performance, or training a new employee.

Recommendation: We recommend that the City develop and implement procedures to document the components of internal control. In addition, we recommend studying the COSO (Committee of Sponsoring Organizations) internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Finding No. 2012-03 Risk Assessment

Condition: Management addresses risks as they arise in the normal course of business, however, these actions are not documented and are not provided to members of management and the City Council for their consideration.

Criteria: Risk assessment, including fraud risk assessment, is one element of internal control. This assessment of risks and internal controls should be documented to provide the foundation for appropriate communication concerning the City's responsibility for the evaluation and monitoring of the effective operation of controls.

Cause: Management has not formally documented their risk assessment to identify risks and mitigating controls.

Effect: Opportunities to commit and conceal fraud may exist and there may be inadequate controls to prevent or detect the fraud.

Recommendation: We recommend that the City document their risk assessment to identify, analyze and manage the risk of asset misappropriation. Once completed, risks assessments should be reviewed and updated annually or as significant changes occur.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

4. SCHEDULE OF PRIOR YEAR FEDERAL FINDINGS AND QUESTIONED COSTS

There were no prior year federal findings and questioned costs.