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

***JUNE 30, 2011***

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CITY OF UNIVERSITY CITY, MISSOURI

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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 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2011. 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'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 certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 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 deficiencies described in the accompanying schedule of findings and questioned costs (2011-01 and 2011-02) to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2011-03, 2011-04, 2011-05 and 2011-06) to be significant deficiencies.

#### 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 December 22, 2011.

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 the City's responses.

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  
December 22, 2011



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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, 2011. The City's major federal program is 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 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, 2011.

## 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.

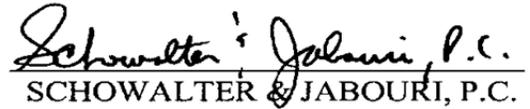
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did 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, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. 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 information 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 December 22, 2011.

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  
December 22, 2011

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through Saint Louis County:			
Community Development Block Grant - Entitlement Grants	14.218	4580-4109-656110-NPP16 4580-4009-657280-NPY16 4580-4109-656110-NCE26 4580-4109-656410-NSD11	\$ 27,695 5,000 8,135 <u>11,816</u>
Total CFDA# 14.218			<u>52,646</u>
Passed through Missouri Department of Economic Development:			
Community Development Block Grant - State Grants	14.228	2008-DI-76	<u>4,888</u>
Total U.S. Department of Housing and Urban Development			<u>57,534</u>
<u>U.S. Department of Justice:</u>			
Direct:			
ARRA - COPS Hiring Recovery Program	16.710	2009-RX-WX-0495	202,894
Bulletproof Vest Program	16.607	N/A	7,374
Edward Bryne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0106	13,739
Edward Bryne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0062	<u>30,619</u>
Total CFDA# 16.738			44,358
ARRA - Edward Bryne Memorial Justice Assistance Grant	16.804	2009-SB-B9-0319	<u>25,468</u>
Total JAG Program Cluster			69,826
Passed through Missouri Department of Public Safety:			
Enforcing Underage Drinking Laws Program	16.727	2008-EUDL-0038	2,879
Enforcing Underage Drinking Laws Program	16.727	2009-EUDL-0026	<u>2,744</u>
Total CFDA# 16.727			<u>5,623</u>
Total U.S. Department of Justice			<u>285,717</u>
<u>U.S. Department of Transportation:</u>			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction:			
Olive Street Phase III	20.205	STP-5402(604)	446,975
Delmar Street Enhancement Phase I	20.205	STP-9900(619)	53,431
Delmar Street Enhancement Phase II	20.205	STP-5402(606)	196,447
Pershing/Midvale Traffic Signal	20.205	STP-5401(612)	4,934
Ferguson Bridge	20.205	STP-5402(605)	<u>7,487</u>
Total CFDA# 20.205			709,274
State and Community Highway Safety:			
Hazardous Moving Violations	20.600	10-PT-02-100	3,672
Hazardous Moving Violations	20.600	11-PT-02-75	3,833
Hazardous Moving Violations	20.600	11-PT-02-55	<u>2,150</u>
Total CFDA# 20.600			9,655

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation (continued):</u>			
Alcohol Open Container Requirements:			
Sobriety Checkpoint	20.607	10-154-AL-122	120
DWI Enforcement	20.607	10-154-AL-121	415
DWI Enforcement	20.607	11-154-AL-58	1,773
DWI Enforcement	20.607	11-154-AL-71	1,800
Total CFDA# 20.607			<u>4,108</u>
Total U.S. Department of Transportation			<u>723,037</u>
<u>U.S. Environmental Protection Agency:</u>			
Passed through Missouri Department of Natural Resources:			
Nonpoint Source Implementation Grants:			
River Des Peres Southwest Branch Water Quality Project	66.460	G06-NPS-18	<u>57,108</u>
Total U.S. Environmental Protection Agency			<u>57,108</u>
<u>U.S. Department of Energy:</u>			
Direct:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002235	<u>15,277</u>
Total U.S. Department of Energy			<u>15,277</u>
<u>U.S. Department of Homeland Security:</u>			
Direct:			
ARRA - Assistance to Firefighters Grant	97.115	EMW-2009-FC-03208R	<u>46,360</u>
Total U.S. Department of Homeland Security			<u>46,360</u>
Total			<u>\$ 1,185,033</u>

**CITY OF UNIVERSITY CITY, MISSOURI**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of 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, 2011.

Note 3: Loans/Loan Guarantees

The City did not have any loans and loan guarantees outstanding as of June 30, 2011.

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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

Noncompliance material to financial statements  
noted?    Yes   X   No

Federal Awards

Internal control over major programs:  
Material weakness(es) identified?    Yes   X   No  
Significant deficiency(ies) identified  
not considered to be material weaknesses?    Yes   X   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)?   X   Yes    No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee?   X   Yes    No

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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2. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

Finding No. 2011-01    Bank Reconciliation Procedures

Condition:                      During our audit, we noted the following items relating to bank reconciliation procedures:

1. Bank reconciliations contain material reconciling items that need further investigation before they can be cleared.
2. Bank transfers are not made timely and therefore, remain as reconciling items for several months.
3. Bank reconciliations do not appear to be reviewed and approved timely. In addition, no indication of such review was evident on several of the reconciliations selected for review.

Criteria:                      Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Cause:                              Bank reconciliations do not appear to be reviewed timely.

Effect:                              Errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Recommendation:              We recommend the City implement procedures to ensure:

1. Reconciling items are promptly investigated and resolved.
2. Bank transfers are made timely.
3. Bank reconciliations are reviewed and approved on a timely basis and signed as an indication of approval.

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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Finding No. 2011-02    Internal Control over Financial Reporting

Condition:                      During our audit, we noted the following items relating to internal control over financial reporting:

1. During our audit, we noted numerous account balances that were not reconciled. In addition, the auditors of the City identified several discrepancies in the City's account balances that were not initially detected by City personnel.
2. As in prior years, the City relied 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 and identification by the auditor of a significant misstatement in the financial statements is an indicator of a control deficiency that should be communicated in writing to those charged with governance.

Cause:                              The City does not appear to have an effective year-end closing process.

Effect:                              Significant adjusting journal entries were recorded to correct certain account balances.

Recommendation:              We recommend the City implement effective internal controls over financial reporting. The year-end financial records should be adequately reviewed prior to the audit to ensure all material adjustments have been made. 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.

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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SIGNIFICANT DEFICIENCIES

Finding No. 2011-03    Accounts Receivable – Segregation of Duties

Condition:                    During our audit, we noted the accounts receivable clerk prepares the sanitation bills, collects monies and posts payments to customer accounts.

Criteria:                      A good system of internal control provides for proper segregation of duties. Employees who prepare bills should not handle the cash receipts and should not have access to post accounts receivable.

Cause:                         The City does not have the proper segregation of duties over accounts receivable.

Effect:                        Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected.

Recommendation:        We recommend that cash receipts be opened and controlled by a person independent of the person responsible for the accounts receivable subsidiary ledger. The accounts payable clerk could open the mail, endorse the checks, and prepare the deposit slip and daily list of receipts. The cash and deposit slip would then be forwarded to the Senior Accountant or Finance Officer for deposit. The daily list of receipts would be forwarded to the accounts receivable clerk to post to customer's accounts.

Finding No. 2011-04    Allowance for Doubtful Accounts

Condition:                    The allowance for doubtful accounts is not being analyzed periodically.

Criteria:                      Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables.

Cause:                         The City has a significant number and size of past-due accounts.

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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Effect: This practice has the effect of misstating income on an interim basis and also not providing management with more accurate monthly financial information.

Recommendation: We recommend that management prepare an analysis of uncollectible accounts at least quarterly. This analysis should consider prior charge-off experience and experience with the customer, as well as other information management may have about the account, such as indications of financial difficulty. Management should adjust the allowance for doubtful accounts after reviewing the analysis of uncollectible accounts and making appropriate collection efforts, in order to collect as much as possible and to ensure that the estimated loss from uncollectible accounts receivable is reflected on the balance sheet.

Finding No. 2011-05      Documentation of Internal Controls

Condition: This City's significant accounting and financial reporting processes are not documented.

Criteria: A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.

Cause: The City appears to have certain accounting processes and internal controls in place; however, the information is not documented in such a fashion to permit effective use by management, the Governing Body, cognizant agencies and other parties.

Effect: Documentation of significant accounting and financial reporting processes may reveal whether procedures are performed as prescribed, the kinds of exceptions or errors that occur, and the types of actions taken to correct errors. In addition, the documentation can be used in reinforcing established policies and procedures, evaluating performance, or training a new employee to perform the process.

**CITY OF UNIVERSITY CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Recommendation:** The City should identify and document its significant operational and accounting processes. In addition, we recommend the City develop internal control documentation to address each of the five elements of internal control as described in the COSO (Committee of Sponsoring Organizations) internal control framework. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Finding No. 2011-06    Fraud Risk Assessment

**Condition:** During our audit, we noted that a formal fraud risk assessment has not been completed and documented.

**Criteria:** Antifraud programs and controls are the policies and procedures put in place by a company to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**Cause:** Management has not performed a risk assessment to identify risks and mitigating controls.

**Effect:** Without a fraud risk assessment, 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 address the risk of fraud occurring by performing a risk assessment to identify, analyze and manage these risks.

3. **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

4. **SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no prior year findings and questioned costs.