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

JUNE 30, 2013

CITY OF UNIVERSITY CITY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' 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 For Each Major Program and on Internal Control Over Compliance Required by 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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INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any

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deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (2013-01) that we consider to be a significant deficiency in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 6, 2013.

City of University City's Response to Findings

City of University City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of University City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 6, 2013



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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

Report on Compliance for Each Major Federal Program

We have audited the City of University City, Missouri's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 6, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133
(continued)**

part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

We noted certain other matters that we reported to management in a separate letter dated December 6, 2013.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


SCHOWALTER & LABOURI, P.C.

St. Louis, Missouri
December 6, 2013

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	\$ 49,164
Passed through Saint Louis County:			
Community Development Block Grant - Entitlement Grants	14.218	4590-4109-656110-NPP16	<u>25,000</u>
Total U.S. Department of Housing and Urban Development			<u>74,164</u>
<u>U.S. Department of Justice:</u>			
Direct:			
ARRA - COPS Hiring Recovery Program	16.710	2009-RX-WX-0495	31,277
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0595	20,645
Passed through Missouri Department of Public Safety:			
Enforcing Underage Drinking Laws Program	16.727	2010-EUDL-0018	<u>1,653</u>
Total U.S. Department of Justice			<u>53,575</u>
<u>U.S. Department of Transportation:</u>			
Direct:			
Tiger Discretionary Grant - Parkview Gardens	20.933	MO-79-1001	17,474
Passed through Missouri Department of Transportation:			
Highway Planning and Construction:			
Ferguson Bridge	20.205	STP-5402(605)	12,017
Upgrade Etzel, Kingsland, & Old Bonhomme	20.205	STP-5402(607)	17,977
Jackson Ave. Pedestrian Signal	20.205	STP-5402(608)	8,708
Bicycle Facilities Improvement	20.205	STP-5402(609)	6,692
Chamberlain Bridge	20.205	STP-5402(610)	12,957
Olive West Improvement	20.205	STP-5402(611)	<u>14,893</u>
Total CFDA# 20.205			<u>73,244</u>
Total U.S. Department of Transportation			<u>90,718</u>
<u>U.S. Department of Energy:</u>			
Direct:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002235	<u>67,904</u>
Total U.S. Department of Energy			<u>67,904</u>

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

U.S. Department of Homeland Security:

Direct:

ARRA - Assistance to Firefighters Grant	97.115	EMW-2009-FC-03208R	1,687,147
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Passed through Missouri State Emergency

Management Agency:

Hazardous Mitigation Grant Program	97.039	FEMA-1749-DR-MO (0007)	<u>149,897</u>
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Total U.S. Department of Homeland Security			<u>1,837,044</u>
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Total			<u><u>\$ 2,123,405</u></u>
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* Total Combined Project - Tiger II - Parkview Gardens - \$66,638

CITY OF UNIVERSITY CITY, MISSOURI

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Note 3: Loans/Loan Guarantees

The City did not have any loans and loan guarantees outstanding as of June 30, 2013.

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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>
97.115	ARRA – Assistance to Firefighters Grant

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 FISCAL YEAR ENDED JUNE 30, 2013**

2. **FINANCIAL STATEMENT FINDING**

SIGNIFICANT DEFICIENCY

Finding No. 2013-01 Bank Reconciliation Procedures

Condition: During our audit, we noted numerous errors in the bank reconciliation process and bank transfers are not being made timely.

Criteria: Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. Not transferring monies on a timely basis can cause errors or other problems since the number and amount of reconciling items accumulates month after month.

Cause: Effective bank reconciliation procedures were not in place during fiscal year 2013.

Effect: The General Fund cash account was not properly reconciled during fiscal year 2013. Additionally, outstanding bank transfers are carried forward on the bank reconciliations month after month and have significantly accumulated.

Recommendation: We recommend the City implement procedures to ensure bank reconciliations are complete and accurate, reconciling items are promptly investigated and resolved and bank transfers are made timely.

Views of Responsible Officials and Planned Corrective Action:

Staff create a single spreadsheet which contains daily cash inflow and outflow. Each person will be responsible for their own daily transaction that includes payroll, accounts payable, accounts receivable, revenue collection and all transfers both external (Wire and ACH) and inter-fund. The individual responsible for the cash reconciliation will match this spreadsheet total to the bank transaction weekly as opposed to once a month. Reconciling items will be identified and recorded timely. The Director of Finance will oversee this process and ensure the recommendation is implemented in fiscal year 2014.

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.