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**CITY OF UNIVERSITY CITY, MISSOURI**

OMB CIRCULAR A-133

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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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***

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

We have audited, 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, the financial statements of the governmental activities, 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 June 30, 2014, 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 29, 2014.

**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 opinion 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.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

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

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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 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 as items 2014-001 and 2014-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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 deficiency described in the accompanying schedule of findings and questioned costs as items 2014-003 to be a significant deficiency.

### **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*.

### **The City's Responses To Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion on them.

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

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

*RubinBrown LLP*

December 29, 2014

**Independent Auditors' Report On  
Compliance For Each Major Federal  
Program; Report On Internal Control  
Over Compliance; And Report On The  
Schedule Of Expenditures Of Federal  
Awards Required By OMB Circular A-133**

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

**Report On Compliance For Each Major Federal Program**

We have audited 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, 2014. 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 the City's major federal program 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.

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

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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, 2014.

### **Report On Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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

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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 the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report On Schedule Of Expenditures Of Federal Awards Required By OMB Circular A-133**

We have audited the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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.

*RubinBrown LLP*

March 31, 2015  
(except for paragraph 13, which  
is dated December 29, 2014)

**THE CITY OF UNIVERSITY CITY, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department Of Housing and Urban Development</b>			
Direct:			
Tiger II Planning Grant-Parkview Gardens	14.704	MO-79-1001	\$ 10,215
Passed through St. Louis County:			
Community Development Block Grant-Entitlement Grant	14.218	2014NB303NP 16	26,585
<b>Total U.S. Department of Housing and Urban Development</b>			<u>36,800</u>
<b>U.S. Department Of Transportation</b>			
Direct:			
Tiger Discretionary Grant-Parkview Gardens	20.933	MO-79-1001	16,295
Passed through Missouri Department of Transportation:			
Highway Planning and Construction:			
Ferguson Bridge Replacement	20.205	STP 5402 (605)	281,643
Update Etzel, Kingsland and Old Bomhomme	20.205	STP 5402 (607)	239,376
Jackson Avenue Pedestrian Signal	20.205	STP 5402 (608)	79,769
Bicycle Facilities Improvement	20.205	STP 5402 (609)	2,542
Chamberlain Bridge	20.205	STP 5402 (610)	25,082
Olive West Improvement	20.205	STP 5402 (611)	16,853
Total CFDA Number 20.205			<u>645,265</u>
<b>Total U.S. Department of Transportation</b>			<u>661,560</u>
<b>U.S. Department Of Homeland Security</b>			
Direct:			
ARRA-Assistance to Firefighters Grant	97.115	EMW-2009-FC-03208R	<u>620,091</u>
<b>Total Expenditures Of Federal Awards</b>			<u><b>\$ 1,318,451</b></u>

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**THE CITY OF UNIVERSITY CITY, MISSOURI**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2014**

**1. General**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the activity of all federal awards programs of City of University City, Missouri (the City) for the year ended June 30, 2014.

For purposes of the Schedule, federal awards include grants, contracts, loans, and loan guarantee agreements entered into directly between the City and agencies and departments of the federal government, or passed through other government agencies or other Cities.

**2. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. Local Government Contributions**

Local cost sharing, as defined by the Office of Management and Budget Circular A-102, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

**THE CITY OF UNIVERSITY CITY, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

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**Section I - Summary Of Auditors' Results**

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**Financial Statements**

Type of auditors' report issued:  Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  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 that are not considered to be material weakness(es)?  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 section 510(a) of Circular A-133?  yes  x no

Identification of major programs:

<b>CFDA Number</b>	<b>Name Of Federal Program Or Cluster</b>
20.205	Highway Planning and Construction
97.115	ARRA-Assistance to Firefighters

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

Auditee qualified as low-risk auditee?  yes  no

**THE CITY OF UNIVERSITY CITY, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**June 30, 2014**

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**Section II - Financial Statement Findings**

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**Finding 2014-001 - Material Weakness**

**Criteria/Condition:** During the audit of the fiscal year 2014 financial statements, we identified several restatements and other significant adjustments that were necessary in order to present the City's financial statements in accordance with generally accepted accounting principles (GAAP) for local governments as promulgated by the Governmental Accounting Standards Board (GASB). Specifically, the following issues were identified:

- Significant adjusting journal entries were required to state the City's capital assets, long-term debt, fund balances and net position, and grants revenue, receivables and unearned revenue in accordance with GAAP and the City's detailed financial records.
- The financial statements were corrected to properly display the University City Municipal Library District as a discretely presented component unit, instead of as a blended component unit as had been done in previous years. Beginning of year net position and fund balance were restated as a result of this implementation.
- The financial statements were also corrected to properly present unearned revenue within the solid waste fund. Beginning of year net position was restated as a result of this adjustment.
- The City's financial statements had not been modified to adopt the provisions of GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities* and GASB Statement No. 67, *Financial Reporting for Pension Plans*. We proposed corrections to the financial statements and additional footnote disclosures in order to properly incorporate the provisions of these two GASB pronouncements.

**Cause:** During the audit, the City was short-staffed due to the financial analyst position being vacant. This contributed to the discrepancies between the City's trial balances and detailed records as noted above.

**Effect:** Several restatements and other significant adjustments were necessary in order to present the City's financial statements in accordance with generally accepted accounting principles (GAAP).

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**THE CITY OF UNIVERSITY CITY, MISSOURI**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)**

**June 30, 2014**

**Recommendation:** We recommend the City enhance its internal control procedures over financial reporting so that it is able to produce financial statements in accordance with GAAP without requiring significant audit adjustments or restatements as described above. These internal control procedures should include reconciliation of significant financial statement amounts to subsidiary records and review of new GASB pronouncements in order to determine what modifications to the City's financial statements are required.

**Corrective Action Plan (Unaudited):** Subsequent to the conclusion of audit fieldwork, the City has hired a financial analyst, which should result in fewer such adjustments being necessary in future years. The City will also follow the revised accounting treatment of the Library, solid waste fund deferred revenue, and GASB Statement No. 65 and 67 related accounts and disclosures going forward.

**Completion Date:** June 30, 2015

**Contact Person:** Director of Finance, City of University City

**Finding 2014-002 - Material Weakness**

**Criteria/Condition:** During the audit of the fiscal year 2014 financial statements, we identified several areas where the City's cash management and reconciliation procedures require improvement. Specifically, the following issues were identified:

- We identified several errors in the City's bank account reconciliations. The reconciliations contained significant due-to/due-from activity between accounts. Various audit adjustments were required to correct this due-to/due-from activity. Additionally, the reconciliation for the primary disbursement account for the months of May and June had unreconciled differences. Finally, the reconciliation for one City fund did not agree to the general ledger, which also necessitated an audit adjustment.
- The balances within the bank accounts for the City's Police and Fire Employees Retirement Plan and Non-Uniformed Employees Retirement Plan were not covered by collateral pledged by the City's bank as of June 30, 2014, which is a violation of state statutes.

**Cause:** During the audit, the City was short-staffed due to the financial analyst position being vacant. This contributed to the cash reconciliation issues as noted above.

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**THE CITY OF UNIVERSITY CITY, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)**  
**June 30, 2014**

**Effect:** Various adjustments for ending cash balances were required to accurately report cash in the financial statements. In addition, the bank accounts for the City's Police and Fire Employees Retirement Plan and Non-Uniformed Employees Retirement Plan were not properly collateralized at June 30, 2014.

**Recommendation:** We recommend the City enhance its bank account reconciliation procedures to ensure that reconciliations are prepared timely and accurately, and that all necessary transfers between accounts are made on a timely basis. We also recommend that the City review the collateralization of its bank balances on a regular basis, and require the bank to pledge additional collateral if necessary to fully collateralize the City's deposits.

**Corrective Action Plan (Unaudited):** Subsequent to the conclusion of audit fieldwork, the City has hired a financial analyst, and cash reconciliations have been completed timely and accurately since then. Additionally, the City has worked with its financial institution subsequent to year end to ensure the retirement plan bank accounts are fully collateralized.

**Completion Date:** June 30, 2015

**Contact Person:** Director of Finance, City of University City

#### **Finding 2014-003 - Significant Deficiency**

**Criteria/Condition:** During the audit of the fiscal year 2014 financial statements, we identified several areas where the Finance Department's internal controls should be reevaluated to ensure that an adequate segregation of duties is in place and other internal control best practices are followed. Specifically, the following issues were identified:

- We identified several processes where an adequate segregation of duties did not exist. Relative to cash receipts, the accounting clerk lists checks, handles cash receipts, and prepares bank deposits. Relative to cash disbursements, the accounts payable clerk both prepares and mails checks. Ideally, the responsibilities for authorizing a transaction, having custody of the underlying assets involved, and recording the transaction within the accounting records should be vested with three separate individuals.

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**THE CITY OF UNIVERSITY CITY, MISSOURI**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)**

**June 30, 2014**

- The City has developed a financial statement closing schedule governing the year-end closing process. However, while the schedule contains columns labeled “Manager Review” and “Date Reviewed” in order to formally document supervisory review, these columns are not always utilized.
- For certain financial reporting areas, staff assignments are not structured in an ideal fashion for internal controls to function properly. For example, the director of finance is responsible for investment schedules, tax revenue and receivables, and debt. The journal entries prepared by the director of finance are reviewed by lower level staff. Ideally, these reporting areas and journal entries should be performed by the lower level staff and reviewed by the director of finance.
- While the City has many written policies establishing the City’s internal control procedures, there is no monitoring process in place to make sure that controls are actually being performed as required by City policy.

**Cause:** During the audit, the City was short-staffed due to the financial analyst position being vacant. This contributed to the segregation of duties issues as noted above. Additionally, at the time of the audit, the City’s accounting staff, including the assistant director of finance, were relatively new and were still learning their job responsibilities. Accordingly, the director of finance performed certain responsibilities that will be transitioned to other staff members going forward.

**Effect:** The City’s internal control structure was not optimally structured to ensure adequate segregation of duties, assignment of responsibilities, and review by supervisory employees.

**Recommendation:** We recommend the Finance Department evaluate the internal control procedures that it has in place in order to ensure that adequate segregation of duties exist, assignment of responsibilities to employees is appropriate, supervisory review is documented, and a formal internal control monitoring process is in place.

**Corrective Action Plan (Unaudited):** With the hiring of the new financial analyst, the City is reviewing each employee’s responsibilities, and will work to ensure that duties are adequately segregated to the extent possible. However, the City believes that review procedures are in place that mitigates the segregation of duties concerns identified above.

The City will make sure that the financial statement closing schedule is signed and dated by the supervisory reviewer going forward.

**THE CITY OF UNIVERSITY CITY, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)**  
**June 30, 2014**

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The City will evaluate its internal control structure and will deliberate regarding monitoring procedures that could be put in place.

**Completion Date:** June 30, 2015

**Contact Person:** Director of Finance, City of University City

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**Section III - Federal Award Findings And Questioned Costs**

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No federal award findings or questioned costs were noted.

**THE CITY OF UNIVERSITY CITY, MISSOURI**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2014**

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Finding No. 2013-01      **Bank Reconciliation Procedures**

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

Status:      Comment has been repeated as Finding No. 2014-002.