
CITY OF DES PERES, MISSOURI

***OMB CIRCULAR A-133
SINGLE AUDIT REPORT***

DECEMBER 31, 2012

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SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

FINANCIAL SERVICES
COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

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

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Board of Aldermen
City of Des Peres, Missouri

We have audited, in accordance with the 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, each major fund and the aggregate remaining fund information of City of Des Peres, Missouri (the "City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Des Peres, Missouri'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.

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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 deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (2012-01 through 2012-04) that we consider to be significant deficiencies.

Compliance and Other Matters

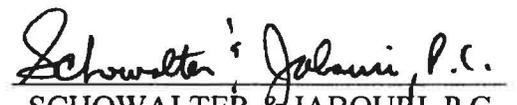
As part of obtaining reasonable assurance about whether the City of Des Peres, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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*.

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 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 result 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
April 19, 2013



SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

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COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

**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**

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Board of Aldermen
City of Des Peres, Missouri

Report on Compliance for Each Major Federal Program

We have audited City of Des Peres, 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 the City's major federal program for the year ended December 31, 2012. The City's major federal program is 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 the 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.

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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, City of Des Peres, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of City of Des Peres, Missouri 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.

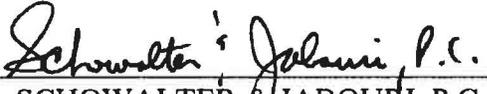
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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.

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, each major fund and the aggregate remaining fund information of City of Des Peres, Missouri as of and for the year ended December 31, 2012, and have issued our report thereon dated April 19, 2013, 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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
April 19, 2013

CITY OF DES PERES, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Program Title	Federal CFDA Number	Pass- Through Identification Number	Expenditures
U.S. Department of Justice:			
Direct:			
Bullet Proof Vest Program.....	16.607	N/A	\$ 4,365
Total U.S. Department of Justice.....			<u>4,365</u>
U.S. Department of Transportation:			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction Cluster:			
Highland Bridge.....	20.205	STP-5555 (607)	563,693
Claychester Bridge.....	20.205	STP-5555 (609)	<u>73,803</u>
Total Highway Planning and Construction Cluster.....			<u>637,496</u>
Passed through Missouri Division of Highway Safety:			
Highway Safety Cluster:			
Hazardous Moving Violation Project.....	20.600	13-PT-02-074 12-PT-02-045	420 1,763
DWI Enforcement.....	20.601	12-K8-03-032	451
Passed through University of Central Missouri			
Highway Safety Cluster:			
Click It or Ticket.....	20.600	12-OP-05-005	<u>351</u>
Subtotal CFDA #20.600.....			2,534
Subtotal CFDA #20.601.....			<u>451</u>
Total Highway Safety Cluster.....			<u>2,985</u>
Alcohol Open Container Requirements Grants			
Drive Sober or Get Pulled Over.....	20.607	12-154-AL-083	592
Holiday DWI Enforcement Campaign.....	20.607	13-154-AL-074	<u>177</u>
Subtotal CFDA #20.607.....			<u>769</u>
Total U.S. Department of Transportation.....			<u>641,250</u>
			<u>\$ 645,615</u>

CITY OF DES PERES, MISSOURI

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City of Des Peres, Missouri for the year ended December 31, 2012. The City's reporting entity is defined in Note 1 to the City's financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

3. Insurance

The City did not have any federal insurance in effect during the year ended December 31, 2012

4. Loans/Loan Guarantees

The City did not have any loans or loan guarantees outstanding as of December 31, 2012.

5. Nonmonetary Assistance

The City did not receive any nonmonetary assistance during the year ended December 31, 2012.

CITY OF DES PERES, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012**

1. **SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditor's 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 auditor's 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:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	U.S. Department of Transportation - Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee? Yes No

CITY OF DES PERES, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2012**

2. FINANCIAL STATEMENT FINDINGS

Reference

12-01 Journal Entries

Finding Type: Significant deficiency

Criteria: To establish proper internal controls over the City's general ledger and accounting records, journal entries should be reviewed and approved by someone other than the preparer. Requiring approval of journal entries will help ensure that entries are accurate, have reasonable explanations and are adequately supported.

Condition: During our audit, we noted that journal entries are not reviewed and approved by someone independent of their preparation.

Effect: Account coding or other errors in journal entries could occur and go undetected. Opportunities could exist for the concealment of fraudulent financial activity.

Cause: Current procedures over journal entries do not require that all journal entries be reviewed and approved by someone other than the preparer.

Recommendation: We recommend that all journal entries be reviewed and approved by someone other than the preparer. A standard journal entry form may be developed to document this review and approval and to indicate that the entry has been properly posed to the City's general ledger.

Management's Response: The solution to full segregation of duties is expansion of the Finance staff by one position so that we have 2 accounting professionals and 2 accounting staff members. This would allow the Director and the Accountant to review and sign off on journal entries made by the other.

Until such time as the professional staff is expanded, the Director of Finance will review all of the Senior Accountants journal entries. In addition, the Director of Finance and City Administrator will meet monthly to review all journal entries made by the department in the prior month.

12-02 Bank Reconciliations

Finding Type: Significant deficiency

Criteria: To establish proper internal controls over the City's general ledger and accounting records, bank reconciliations should be reviewed and approved by someone other than the preparer. A review of the monthly bank reconciliations will ensure that reconciling items are reasonable and that there are no unidentified differences. A review may also help detect errors or other irregularities in the City's cash accounts.

CITY OF DES PERES, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2012**

Condition: During our audit, we noted that bank reconciliations are not reviewed and approved by someone independent of their preparation.

Effect: Error or irregularities in the City's cash accounts could occur and go undetected. Opportunities could exist for the concealment of fraudulent financial activity.

Cause: Current procedures over bank reconciliations do not require that all bank reconciliations be reviewed and approved by someone other than the preparer.

Recommendation: We recommend that the City develop and implement procedures that require bank reconciliations to be reviewed and approved by someone other than the preparer. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. In addition, we recommend that the reconciliations be signed and dated by the reviewer to document that the review has occurred and to indicate approval.

Management's Response: Given the current staffing levels in the Department of Finance, a full segregation of duties on bank reconciliations cannot be done without use of outside accounting consultants or expansion of the staff to 4 full time employees including at least 2 fully qualified accountants.

The department will explore the cost and benefits of hiring an outside accounting consultant to perform monthly bank reconciliations. In the interim, the Director of Finance and City Administrator will meet monthly to verify completion of bank reconciliations.

12-03 Public Works Deposits

Finding Type: Significant deficiency

Criteria: To establish proper internal controls over the City's general ledger and accounting records, a detailed subsidiary ledger of public works deposits (excavating) held by the City should be maintained. This subsidiary ledger should be reconciled to the general ledger on a timely basis.

Condition: During our audit, we noted that there is not a detailed subsidiary ledger or a listing of customers and the amounts on deposit that comprise the total public works deposits (excavating) held by the City.

Effect: If subsidiary ledgers are not reconciled to the general ledger on a timely basis, errors and differences could fail to be detected and corrected.

Cause: Current procedures over public works deposits (excavating) held by the City do not require that a detailed subsidiary ledger or a listing of customers and the amounts on deposit that comprise the total public works deposits (excavating) held by the City be reconciled to the general ledger.

CITY OF DES PERES, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2012**

Recommendation: We recommend that the City develop a comprehensive listing of deposit balances by customer. This listing should be reconciled to the general ledger periodically to ensure that all transactions have been accurately recorded. In addition, we recommend that the City establish a policy regarding forfeiture of public works deposits and implement procedures to follow-up on long-outstanding deposits for which final inspections have not yet been performed.

Management's Response: The City is implementing the recommended procedures going forward.

The Public Works department has initiated maintenance of an excel spreadsheet on deposits relating to building permits and will provide the Director of Finance a copy monthly showing all outstanding deposits. The City is in the process of implementing new building permit software which has the capacity to track the deposits being held going forward.

The City will examine the possibility of adopting a policy regarding forfeiture of public works deposits and implement procedures to follow-up on long-outstanding deposits for which final inspections have not yet been performed. The Public Works department is reviewing all old escrow files to purge aged escrows and will remit any unclaimed assets to the State Treasurer.

12-04 System Administrator

Criteria: One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. Within a computer environment this can be translated to not permitting the same individual to have full access to the computer application (FundWare) and perform daily accounting/finance activities.

Condition: During our audit, we noted that the Director of Finance is currently the system administrator in FundWare, the City's financial accounting application.

Effect: Lack of segregation of duties could compromise the integrity of the system if unauthorized changes are made.

Cause: In operations with a relatively small number of personnel, the segregation of duties becomes more difficult.

Recommendation: We recommend that the City delegate the system administrator role to someone independent of accounting functions.

CITY OF DES PERES, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2012**

Management's Response: The City disagrees with this comment. The City has been using Lisa Mirth, from WTI, as our system administrator for Fundware. The Director of Finance has limited responsibilities in system administration.

Going forward, the finance department is implementing new accounting software, Incode version 10, expected to be on line by end of 2013. We will designate two system administrators, the Director of Finance and the IT Coordinator. The IT Coordinator will not have a full understanding of how the software works. Given the current staffing levels in the Department of Finance, a full segregation cannot be achieved.

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

There were no federal award findings and questioned costs.

4. **FOLLOW-UP OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year federal award findings and questioned costs.