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***CITY OF DES PERES, MISSOURI***

***THE UNIFORM GUIDANCE  
SINGLE AUDIT REPORT***

***DECEMBER 31, 2020***

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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 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 the City of Des Peres, Missouri (the "City"), as of and for the fiscal year ended December 31, 2020, 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 28, 2021.

**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) as a basis for designing 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 City'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider 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 financial statements. 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*.

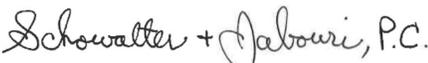
We noted certain other matters that we reported to management of the City in a separate letter dated April 28, 2021.

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 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.

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
April 28, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

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 the City of Des Peres, Missouri's ("the City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended December 31, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 each of its major federal programs for the fiscal year ended December 31, 2020.

## **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 the Uniform Guidance, 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 a 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City, as of and for the fiscal year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated April 28, 2021 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 the Uniform Guidance and is not a required 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.

*Schowalter + Jabouri, P.C.*  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
April 28, 2021

**CITY OF DES PERES, MISSOURI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

Program Title	Federal Assistance Listing Number	Pass -Through Identification Number	Expenditures
<u>U.S. Department of Labor</u>			
Passed through Missouri Department of Labor			
Unemployment Insurance - CARES Act Provider Relief Fund	17.225	01-10012-0-00	\$ 77,261
Total U.S. Department of Labor			<u>77,261</u>
<u>U.S. Department of Homeland Security</u>			
Federal Emergency Management Agency			
Passed through State of Missouri State Emergency Management Agency			
Disaster Grants - Public Assistance - Emergency Protective Measures	97.036	4490DR-MO	10,877
Disaster Grants - Public Assistance - Emergency Protective Measures	97.036	4490DR-MO	6,250
Disaster Grants - Public Assistance - Emergency Protective Measures	97.036	4490DR-MO	43,030
Disaster Grants - Public Assistance - Emergency Protective Measures	97.036	4490DR-MO	21,133
Total U.S. Department of Homeland Security			<u>81,290</u>
<u>U.S. Department of Health and Human Services</u>			
Direct:			
CCDF Cluster:			
Chidcare Disaster Relief - CARES Act Provider Relief Fund	93.489	N/A	6,000
Subtotal CFDA 93.489 and CCDF Cluster			<u>6,000</u>
Total U.S. Department of Health and Human Services			<u>6,000</u>
<u>U.S. Department of Justice:</u>			
Direct:			
Bullet Proof Vest Partnership Program	16.607	N/A	6,250
Total U.S. Department of Justice			<u>6,250</u>
<u>U.S. Department of Transportation:</u>			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction Cluster:			
Bopp Road	20.205	STP-5555 (612)	440,148
Manchester Road Improvements	20.205	STP-5555 (614)	11,010
Des Peres Round About	20.205	STP-5555 (615)	50,385
Total CFDA 20.205 and Highway Planning and Construction Cluster			<u>501,543</u>
Highway Safety Cluster:			
State and Community Highway Safety - Hazardous Moving Violations	20.600	21-PT-02-072	220
Total Highway Safety Cluster			<u>220</u>
Total U.S. Department of Transportation			<u>501,763</u>
<u>Department of the Treasury</u>			
Passed through St. Louis County, Missouri:			
COVID-19: Coronavirus Relief Fund	21.019	N/A	575,820
Total Department of the Treasury			<u>575,820</u>
			<u>\$ 1,248,384</u>

**CITY OF DES PERES, MISSOURI**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2020**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the fiscal year ended December 31, 2020. The City's reporting entity is defined in Note 1 to the City's financial statements. The information reported in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Insurance**

The City did not have any federal insurance in effect during the fiscal year ended December 31, 2020.

**5. Loans/Loan Guarantees**

The City did not have any loans or loan guarantees outstanding as of December 31, 2020.

**6. Nonmonetary Assistance**

The City did not have any nonmonetary assistance during the fiscal year ended December 31, 2020.

**7. Subrecipients**

The City did not provide federal awards to any subrecipients during the fiscal year ended December 31, 2020.

**8. Donated Personal Protective Equipment (Unaudited)**

The City received donations of personal protective equipment in the amount of \$23,572, during the fiscal year ended December 31, 2020.

**CITY OF DES PERES, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2020**

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**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 auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR Section 200.516(a)?  Yes  No

Identification of major programs:

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
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21.019	Coronavirus Relief Fund
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF DES PERES, MISSOURI**

*Schedule of Findings and Questioned Costs (continued)*

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**2. FINANCIAL STATEMENT FINDINGS**

Reference

2020-001      Condition: Many accounting systems require there to be at least one individual designated as the system administrator or “super-user” within the application, which allows this individual full access to all areas of the application. This system administrator also controls security (user access and application security) and could modify set-up features in the application which affect how the application responds when certain actions are taken.

To properly segregate duties, those who perform accounting or finance-related activities should not have system administrator privileges, as this could compromise the integrity of the system if unauthorized changes are made.

Criteria: Proper internal controls and segregation of duties should be in place over the City’s general ledger and accounting records specifically regarding security controls over the accounting software.

Cause: Current procedures grant access to both the Director of Finance and the IT Coordinator in relation to the system administration over the accounting software and the IT coordinator lacks sufficient expertise in accounting to fully comprehend how the software works.

Effect: Because of the lack of proper internal controls and segregation of duties over the City’s system administrator role for the accounting software, unauthorized access could occur leading to error or irregularities journal entries or other transactions. Opportunities could exist for the concealment of fraudulent financial activity.

Recommendation: We recommend that the City delegate the system administrator role to someone independent of accounting functions. If complete segregation of duties cannot be achieved, the City should consider establishing mitigating controls, such as a review of an audit log of all activity by the Director of Finance, including journal entries.

**Views of Responsible Officials and Planned Corrective Action:** *Many of the deficiencies and recommendations regarding segregation of duties are not uncommon for a relatively small Department of Finance with limited professional staffing. Most of the major issues will be resolved now that we have expanded the department to four (4) employees to include a Director, Senior Accountant, Administrative Assistant and a Staff Accountant.*

*The finance department has implemented new accounting software, Incode version 10. We have designated two system administrators, the Director of Finance and the IT Coordinator. Given the current staffing and security skill levels in the Department of Finance, a full segregation cannot be achieved. We maintain a management contract with Tyler Technologies and they can perform system administrator tasks upon request of the City. Further, the Incode version 10 software maintains a complete audit history of all changes made within the software.*

**CITY OF DES PERES, MISSOURI**

*Schedule of Findings and Questioned Costs (continued)*

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

There were no findings and questioned costs related to federal awards.

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

None.