
CITY OF CLAYTON, MISSOURI

OMB CIRCULAR A-133

SINGLE AUDIT REPORT

SEPTEMBER 30, 2008

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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 Board of Aldermen
City of Clayton, Missouri

We have audited the financial statements of the City of Clayton, Missouri (the City) as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We considered the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2008-1, 2008-2 and 2008-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose describing in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-3 to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Board of Aldermen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The City's response to the finding identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

RubinBrown LLP

February 19, 2009

**Independent Auditors' Report On
Compliance With Requirements Applicable
To Each Major Program And On Internal
Control Over Compliance In Accordance
With OMB Circular A-133 And On The
Schedule Of Expenditures Of Federal Awards**

The Honorable Mayor and Board of Aldermen
City of Clayton, Missouri

Compliance

We have audited the compliance of City of Clayton, Missouri (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule Of Expenditures Of Federal Awards

We have audited the financial statements of the City as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements taken 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

RubinBrown LLP

February 19, 2009

CITY OF CLAYTON, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2008**

Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction	20.205	STP-9900 (620)	\$ 791,809
Highway Planning and Construction	20.205	STP-5438 (602)	83,925
Total U.S. Department of Transportation			<u>875,734</u>
Department of Justice			
Direct:			
Bulletproof Vest Program	16.607	—	<u>1,928</u>
Total Expenditures Of Federal Awards			<u><u>\$ 877,662</u></u>

CITY OF CLAYTON, MISSOURI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2008

1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the activity of all federal awards programs of the City of Clayton, Missouri (the City) for the year ended September 30, 2008.

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 organizations.

2. Basis Of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the City's basic financial statements. Federal financial reports are filed on the cash basis of accounting.

CITY OF CLAYTON, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

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 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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number	Name Of Federal Program Or Cluster
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? yes no

CITY OF CLAYTON, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS September 30, 2008

Section II - Financial Statement Findings

Finding 2008-1

Condition: The finance department should consider reviewing and revising their financial close procedures. An accurate and complete month- and year-end close is an important element of interim and annual financial reporting. Management has continued to make improvements to the financial statement closing process. However, we did identify instances in which accounting records did not agree to subsidiary ledgers or other supporting documentation. For most account balances, estimates had been made to convert the cash basis accounting records to the modified accrual basis to recognize accounts receivable and payable at year-end. However, we noted that entries to the ledger were made after the year-end close and subsequent to the commencement of our audit procedures. Most of these entries related to items noted during management's preparation for the financial statement audit.

Cause: Management does not have a systematic or method or procedures to ensure a complete timely and accurate month-end close/conversion to modified accrual accounting.

Effect: There exists the potential for misstatements to occur in the City's GAAP-basis financial statements.

Recommendation: We recommend that management review and revise, as necessary, its financial closing procedures, specifically for year-end close. This should include timelines for expected completion and review, by employee, in the financial close procedures.

CITY OF CLAYTON, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

September 30, 2008

Finding 2008-2

Condition: Our testing of accounts payable disclosed that a subsidiary ledger for accounts payable is not used and that monthly reconciliations between the balance in the general ledger and the open invoices is not performed. The lack of this control feature allows for differences to occur and accumulate over a period of time. Ultimately, the determination of the actual payables balance requires a significant time investment in a reconciliation process. During the fiscal year, the City did take the first step to meeting this goal by capturing disbursements after year-end in accounts payable through a manual accrual process.

Cause: Management does not maintain an accounts payable subsidiary ledger that is regularly reconciled to the general ledger.

Effect: There exist the potential for misstatements to occur in the City's financial statements because there are limited procedures in place to verify what liabilities should be included at year end.

Recommendation: We recommend that the open invoice file be reconciled with the balance in the general ledger at the end of every month. Any differences should be investigated and resolved promptly. These procedures will help ensure that the balance in the general ledger reflects the accurate accounts payable balance supported by the subsidiary system. This process may also provide the ability to better forecast real time cash needs, investments management and potentially provide an early warning of budget deficiencies.

Finding 2008-3

Condition: Internal controls over financial reporting are the responsibility of management and extend to the preparation of financial statements and their related footnotes in accordance with generally accepted accounting principles (GAAP). The City does not maintain sufficient resources to apply internal control over the preparation of complete external-use financial statements.

Cause: Due to time and/or budget constraints, management focuses their limited accounting resources on daily operational responsibilities such as processing transactions, budget basis accounting and general ledger maintenance and relies on outside resources, such as external auditors, for advice and guidance on disclosures and complex technical accounting and financial reporting matters that are required for accurate annual GAAP-basis financial statements.

CITY OF CLAYTON, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)
September 30, 2008

Effect: There exist the potential for misstatements to occur in the financial statements of the City. Because external auditors are prohibited from being a part of an audit entity's internal controls, the City does not otherwise maintain resources sufficient to apply internal control over the preparation of complete external-use financial statements.

Recommendation: We recommend that management continue to familiarize themselves with the reporting and disclosure requirements for governmental entities.

Section III - Federal Award Findings And Questioned Costs

None

CITY OF CLAYTON, MISSOURI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 30, 2008

Not Applicable

CITY OF CLAYTON, MISSOURI

CORRECTIVE ACTION PLAN

September 30, 2008

Finding 2008-1: The finance department should consider reviewing and revising their financial close procedures.

Corrective Action Plan: The City does not process monthly closing entries, only year-end closing entries because throughout the year the City reports on a cash basis related to the approved budget. Monthly closing entries would only confuse the reports submitted to the Board of Alderman. Management developed and used a year-end closing process for the fiscal year 2007 and 2008 audits, which is processed in October. Progress and improvements were made for the fiscal year 2008 audit and will continue for the fiscal year 2009 audit.

Finding 2008-2: A subsidiary ledger for accounts payable is not used and monthly reconciliations between the balance in the general ledger and the open invoices are not being performed.

Corrective Action Plan: Staff agrees with the comment and will implement a subsidiary ledger at year end to better report accounts payable at year end. The entry of purchase orders at the time commitments are made would assist staff in preparing the analysis. Budget deficiencies are identified through the purchase order entry process described above.

Finding 2008-3: The City does not maintain sufficient resources to apply internal control over the preparation of complete external-use financial statements, specifically the related footnotes, in accordance with GAAP.

Corrective Action Plan: The City agrees that they do not maintain the internal resources to prepare financial statements and related footnotes in accordance with GAAP. The cost, time and benefit of training staff to the extent necessary to prepare the financial statements and related footnotes in accordance with GAAP is not attainable in the short run. Staff will move toward obtaining additional on going training to better understand and comply with GAAP reporting.