

*SINGLE AUDIT REPORTS*

**CITY OF WEST UNIVERSITY  
PLACE, TEXAS**

For the Year Ended  
December 31, 2008

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## *SINGLE AUDIT REPORTS*

Year Ended December 31, 2008

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**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**

To the Honorable Mayor and  
Members of City Council  
City of West University Place, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West University Place, Texas (the "City"), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2009. We conducted our audit in accordance with generally accepted auditing standards 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 opinions 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 certain 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 consider the deficiencies described in the accompanying schedule of findings and questioned costs, items 2008-1 and 2007-1 through 2007-4 to be significant deficiencies in internal control over financial reporting.

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 described in the first paragraph of this section and would not necessarily identify all deficiencies in the 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 items 2007-1 and 2007-3 through 2007-4 to be material weaknesses in internal control over financial reporting.

**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*.

We noted certain other matters that we reported to management of the City in a separate letter dated June 17, 2009.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, City Council, 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.

*Belt Harris & Associates, LLLP*

Belt Harris & Associates, LLLP  
*Certified Public Accountants*  
Houston, Texas  
June 17, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM, INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the Honorable Mayor and  
Members of City Council  
City of West University Place, Texas

**Compliance**

We have audited the compliance of the City of West University Place, Texas (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 each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are 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 each of its major federal programs 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 generally accepted auditing standards 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 of 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 each of its major federal programs for the year ended December 31, 2008.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West University Place, Texas (the "City"), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 17, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Mayor, City Council, 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.

*Belt Harris & Associates, LLLP*

Belt Harris & Associates, LLLP

*Certified Public Accountants*

Houston, Texas

June 17, 2009

# **CITY OF WEST UNIVERSITY PLACE, TEXAS**

## ***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

Year Ended September 30, 2008

**No prior findings.**

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2008

### A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of West University Place, Texas.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements, some of which were considered to be a material weakness.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City are reported in Part C of this schedule.
7. The programs included as major programs included:

a. Hurricane Ike	<u>CFDA number</u> 97.036
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8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City did not classify as a low-risk auditee in the context of OMB Circular A-133.

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued*

Year Ended December 31, 2008

### **B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

#### *Significant Deficiencies:*

#### **2008-1 ITEMIZED LIST OF ACCOUNTS PAYABLE BALANCES**

##### **Finding**

The City records unapplied payments from licenses and escheated property. The City does not keep an itemized list to support these balances.

##### **Recommendation**

The City should keep an itemized list of all accounts payable balances. The itemized list should be monitored and reconciled to the accounting software on a monthly basis for accuracy.

##### **Management's Response**

The detail of unapplied payments for occupational licenses is not available with the current software utilized by the City. The City is in the process of reviewing other software packages that will allow reporting of the detail of unapplied payments.

The escheated property liability dates back to fiscal year 2000. The former finance director was consulted and the list is not able to be located

#### ***MATTERS PREVIOUSLY REPORTED***

#### ***Material Weaknesses:***

#### **2007-1 FINANCIAL STATEMENT PRESENTATION**

##### **Finding**

The City has engaged a licensed certified public accounting firm to prepare and audit the City's annual financial report. The City ensures the quality of its annual financial report by engaging a qualified audit firm with particular expertise in governmental audits and reading a preliminary draft of the report. The City does not have specific controls in place to separately review the selection and application of accounting principles and resulting disclosures and presentations within the financial statement. Although it is common within the government sector and most private companies to rely on their audit firm for these services, an audit firm cannot be considered part of its client's internal control by professional standards currently in effect (SAS No. 112 effective year ends on or after December 15, 2006). Since some presentations and disclosures may be material to the financial statement, this weakness in internal control would be classified as material.

##### **Recommendation**

The City should continue to read its annual financial report and ensure the quality of both the document and the preparer. Changes in operation are not recommended.

# **CITY OF WEST UNIVERSITY PLACE, TEXAS**

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued***

**Year Ended December 31, 2008**

### **Management's Response**

The City's Finance Department concurs with this recommendation. The financial statements will continue to be read and reviewed by the Director and Assistant Director to ensure the quality of the document and the preparer remains high.

### **2007-3 ACCOUNTING RECORDS AND ADJUSTMENTS**

#### **Finding**

The City reviews its accounting information and compares the information to their knowledge of historical events. From time to time the auditor recommends adjustments to these records, as well as proposes other adjustments needed for preparing full accrual statements in compliance with GASB 34 which are only needed at year end. Although it is common within the government sector and most private companies to rely on their audit firm for these services, an audit firm cannot be considered part of its client's internal control by professional standards currently in effect (SAS No. 112 effective year ends on or after December 15, 2006). Since some adjustments and calculations made by the auditor may be material to the financial statements, this weakness in internal control would be classified as material.

#### **Recommendation**

The City should continue to read its annual financial report and ensure the quality of both the document and the preparer. Changes in operation are not recommended.

### **Management's Response**

The City's Finance Department concurs with this recommendation. The financial statements will be read and reviewed by the Director and Assistant Director to ensure the quality of the document and the preparer remains high. Additionally, ongoing training will be provided in an effort to remain up to date on accounting principles and standards. Every effort will be made to have all the proper adjustments and accruals prior to the beginning of audit fieldwork.

### **2007-4 SEGREGATION OF DUTIES**

#### **Finding**

In many financial areas of the City, including administration of the City's federal award programs, the City lacks segregation of duties. Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction. The extent to which the City can segregate duties is limited based on the number of personnel, their skill set and work load, and the organizational structure of the City. There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered.

#### **Recommendation**

The City should continue to re-evaluate its segregation of duties and when possible assign tasks to strengthen controls.

# **CITY OF WEST UNIVERSITY PLACE, TEXAS**

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued***

**Year Ended December 31, 2008**

### **Management's Response**

The City's Finance Department concurs with this recommendation. In September 2008, a new Finance Director was hired. As part of the acclimation and learning of the department, the accounting processes and assigned duties are being evaluated. Where there is the need and the capacity, duties will be reassigned to strengthen internal controls.

### ***Significant Deficiencies:***

## **2007-2. RISK ASSESSMENT**

### **Finding**

Like many local governments of its size and complexity, the City does not have a formal process for assessing risk associated with key controls related to its financial operations and fraud. In addition, while a number of processes are used to communicate internal controls (such as formal actions taken by the City Council, policies and procedures, memos, emails, website and controlling legislation), a single source, such as a complete and up-to-date policy and procedures manual, does not exist. Likewise, the entity does not have a formal process for monitoring its internal control.

### **Recommendation**

The City should continue to monitor the need for a more formally established process to assess risk, communicate controls, and monitor controls.

### **Managements Response**

The City's Finance Department concurs with this recommendation. The City will monitor the need for a more formal risk management process including assessing risk and communicating and monitoring controls.

# **CITY OF WEST UNIVERSITY PLACE, TEXAS**

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued*

Year Ended December 31, 2008

### **C. FINDINGS – FEDERAL AWARDS**

None

# CITY OF WEST UNIVERSITY PLACE, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Pass-through Texas Department of Public Safety's Division of Emergency Management</i>			
<b>Hurricane Ike</b>	97.036	201-76948-00	\$ 1,363,493
<b>Assistance to Firefighters Grant Program</b>	97.044	EMW-2007-FO-07040	<u>14,320</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<u>1,377,813</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ 1,377,813</u>

# **CITY OF WEST UNIVERSITY PLACE, TEXAS**

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

**Year Ended December 31, 2008**

### **1. REPORTING ENTITY**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of West University Place, Texas.

### **2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards 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.