MELANSON

CITY OF HOLYOKE, MASSACHUSETTS

Independent Auditor’s Reports Pursuant
to Government Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2021

TABLE OF CONTENTS

MELANSON

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 AUDITOR'S REPORT

To the Mayor and City Council
City of Holyoke, Massachusetts

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holyoke, Massachusetts (the City), as of and for the year ended June 30, 2021 (except for the Holyoke Contributory Retirement System which is as of and for the 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 January 11, 2023.

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 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.

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 did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004 to be significant deficiencies.

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.*

The City's response to the compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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 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.

Melanson

Greenfield, Massachusetts
January 11, 2023

MELANSON

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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Holyoke, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of Holyoke, Massachusetts' (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 year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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* (CFR) 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.

Basis for Qualified Opinion on the Title I Grants to Local Educational Agencies

As described in Finding 2021-005 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding special tests for the Title I Grants to Local Educational Agencies.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on the Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Title I Grants to Local Educational Agencies for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

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 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, we did identify a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-005 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Holyoke, Massachusetts (the City) as of and for the year ended June 30, 2021 (except for the Holyoke Contributory Retirement System which is as of and for the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 11, 2023, which contained adverse opinions on the governmental activities, business-type activities, the aggregate discretely presented component units, Holyoke

Gas and Electric company (enterprise fund), and the aggregate remaining fund information and unmodified opinions on the General Fund, ARPA fund, and the sewer enterprise fund. 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.

Melanson

Greenfield, Massachusetts
January 11, 2023

CITY OF HOLYOKE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency Cluster Pass-through Agency Program Title	Federal Assistance Listing Number	Pass Through Identifying Number	Federal Expenditures	Passed Through to Subrecipient
U.S. Department of Agriculture				
Child Nutrition Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
School Breakfast Program	10.553	07-137	$ 7,746	$ -
National School Lunch Program - Cash Assistance	10.555	07-137	15,667	-
National School Lunch Program - Non-Cash Assistance	10.555	07-137	202,597	-
Summer Food Service Program for Children	10.559	07-137	3,154,927	-
Total Child Nutrition Cluster			3,380,937	-
Passed Through Massachusetts Department of Elementary and Secondary Education				
Child and Adult Care Food Program	10.558	07-137-CF-653	289,474	-
Fresh Fruit and Vegetable Program	10.582	202101FFV-228	110,171	-
Total U.S. Department of Agriculture			3,780,582	-
U.S. Department of Housing and Urban Development				
Direct Federal Program				
Community Development Block Grants/Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants - Year 2020	14.218	n/a	527,349	172,736
Community Development Block Grants/Entitlement Grants - Year 2019	14.218	n/a	299,089	158,609
Community Development Block Grants/Entitlement Grants - Year 2018	14.218	n/a	28,170	28,170
Community Development Block Grants/Entitlement Grants - COVID-19	14.218	n/a	298,951	298,951
Total Community Development Block Grants/Entitlement Grants Cluster			1,153,559	658,466
HOME Investment Partnerships Program - Year 2020	14.239	n/a	78,548	78,548
HOME Investment Partnerships Program - Year 2019	14.239	n/a	153,578	153,578
HOME Investment Partnerships Program - Year 2018	14.239	n/a	941	941
HOME Investment Partnerships Program - Year 2017	14.239	n/a	6,955	6,955
HOME Investment Partnerships Program - Year 2016	14.239	n/a	7,253	7,253
Total U.S. Department of Housing and Urban Development			1,400,834	905,741
U.S. Department of Interior				
Direct Federal Program				
Govenor's Summer Youth Program	15.942	unavilable	214,490	-
Total U.S. Department of Interior			214,490	-
U.S. Department of Justice				
Passed Through Massachusetts Executive Office of Public Safety and Security				
Coronavirus Emergency Supplemental Funding Program - COVID-19	16.034	unavailable	112,460	-
Bulletproof Vest Partnership Program	16.607	unavailable	6,160	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unavailable	21,420	-
Second Chance Act Reentry Initiative	16.812	unavailable	240,360	-
Total U.S. Department of Justice			380,400	-
U.S. Department of the Treasury				
Passed Through the Massachusetts Executive Office for Administration and Finance				
Coronavirus Relief Fund - COVID-19	21.019	COVID 19 137	1,974,406	541,958
Coronavirus Relief Fund - CvRF School Reopening Grant Program - COVID-19	21.019	102-390341-2021-0137	1,171,738	-
Coronavirus Relief Fund - Remote Learning Tech Essential - COVID-19	21.019	118-400719-2021-0137	274,907	-
Coronavirus Relief Fund - CvRF School Nutrition - COVID-19	21.019	DOENUT202007SL-199	66,897	-
Total U.S. Department of the Treasury			3,487,948	541,958

(continued)

The accompanying notes are an integral part of this schedule.

(continued)

Federal Agency Cluster Pass-through Agency Program Title	Federal Assistance Listing Number	Pass Through Identifying Number	Federal Expenditures	Passed Through to Subrecipient
Environmental Protection Agency				
Passed Through Massachusetts Clean Water Trust				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS25000119- CW 2019	2,281,213	-
Passed Through Massachusetts Water Pollution Abatement Trust				
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CS25000120- CW 2020	627,062	-
Total Environmental Protection Agency			2,908,275	-
U.S. Department of Education				
Special Education Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
Special Education Grants to States	84.027	240-413132-2021-0137	1,979,491	-
Special Education Preschool Grants - 2021	84.173	262-413133-2021-0137	63,178	-
Special Education Preschool Grants	84.173	298-480627-2021-0137	2,782	-
Total Special Education Cluster			2,045,451	-
Passed Through Massachusetts Department of Elementary and Secondary Education				
Title I Grants to Local Educational Agencies	84.010	305-394543-2021-0137	6,438,353	-
Title I Grants to Local Educational Agencies - Teacher Diversification Program	84.010	319-457959-2021-0137	135,568	-
Title I Grants to Local Educational Agencies - School Improvement Redesign/Restruction	84.010	320-424619-2021-0137	51,761	-
Title I Grants to Local Educational Agencies - School Redesign Implementation	84.010	511-292530-2020-0137	35,632	-
Career and Technical Education - Basic Grants to States	84.048	400-413130-2021-0137	156,061	-
Education for Homeless Children and Youth	84.196	310-379956-2021-0137	121,102	-
Twenty-First Century Community Learning Centers	84.287	645-424576-2021-0137	416,541	-
English Language Acquisition State Grants	84.365	180-394540-2021-0137	155,524	-
Supporting Effective Instruction State Grants	84.367	140-394539-2021-0137	401,007	-
Student Support and Academic Enrichment Program	84.424	309-394542-2021-0137	315,304	-
Govenor's Emergency Education Relief (GEER) Fund - COVID-19	84.425C	423-471232-2021-0137	82,636	-
Elementary and Secondary School Emergency Relief (ESSER) Fund - COVID-19	84.425D	113-379759-2021-0137	2,452,116	-
Passed Through Massachusetts Department of Early Education and Care				
Preschool Development Grant	84.419	51816PEG YEAR 3	65,964	-
Total U.S. Department of Education			12,873,020	-
U.S. Department of Health and Human Services				
Passed Through Massachusetts Department of Public Health				
Improving Student Health and Academic Achievement Through Nutrition, Physical Activity, and the Management of Chronic Conditions in Schools	93.981	INTF3202P01191929109	179,564	-
Preventive Health and Health Services Block Grant	93.991	INTF4200P01502925076	34,078	-
Total U.S. Department of Health and Human Services			213,642	-
U.S. Department of Homeland Security				
Direct Federal Program				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	n/a	233,596	-
Total U.S. Department of Homeland Security			233,596	-
Total Federal Expenditures			$ 25,492,787	$ 1,447,699

The accompanying notes are an integral part of this schedule.

CITY OF HOLYOKE, MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

- The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Holyoke, Massachusetts (the City) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative 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.
- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities received.

Note 2. De Minimis Cost Rate

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

Note 3. Donated Personal Protective Equipment (PPE) (Unaudited)

During fiscal year 2021, the City did not receive donated PPE from federal sources.

CITY OF HOLYOKE, MASSACHUSETTS

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Unmodified and Adverse*
Internal control over financial reporting:	
• Material weaknesses identified?	✓ yes ___ no
• Significant deficiencies identified?	✓ yes ___ none reported
Noncompliance material to financial statements noted?	___ yes ✓ no

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	___ yes ✓ no
• Significant deficiencies identified?	✓ yes ___ none reported
Type of auditor's report issued on compliance for major programs:	
Community Development Block Grants/ Entitlement Grants Cluster	Unmodified
Coronavirus Relief Fund	Unmodified
Capitalization Grants for Clean Water State Revolving Funds	Unmodified
Title I Grants to Local Educational Agencies	Qualified
Special Education Cluster	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	✓ yes ___ no

Identification of major federal programs:

AL Number(s)	***Name of Federal Program or Cluster***
14.218	Community Development Block Grants/ Entitlement Grants Cluster
21.019	Coronavirus Relief Fund
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: $762,894

Auditee qualified as low-risk auditee? ____ yes _✓_ no

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 Improve Controls Over General Ledger Postings (Material Weakness)

Criteria or Specific Requirement

Activity posted to the general ledger should be based on source documents, not activity in the Treasurer's cash book.

Condition and Context

While some improvements have been made, there continues to be a significant number of journal entries, mainly related to receipts, posted to the general ledger based on activity in the Treasurer's cash book rather than on source documents such as departmental turnovers.

Cause and Effect

The City has not established adequate procedures to ensure that all postings to the general ledger are based on original source documents. This increases the risk that undetected errors or irregularities could occur.

Identification as Repeat Finding

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2020-001.

Recommendation

We continue to recommend the general ledger and Treasurer's cash book be maintained independently and then reconciled to each other on a monthly basis. In addition, when City departments turn over money to the Treasurer, a separate copy of the signed turnover form should also be given directly to the City Auditor. This will result in more reliable financial information and reduce the risk of undetected errors or irregularities.

Views of Responsible Official and Planned Corrective Action

The Auditor's Office is working with the Treasurer's Office, their consultant, Mass Munifin, and the Massachusetts Division of Local Services (DLS) in creating new procedures to ensure proper documentation is received for the booking of receipts from the Treasurer's Office. For fiscal year 2023, a lockbox was purchased so departmental receipts could be provided by the departments to the City Auditor yet kept separate to prevent fraudulent documentation. This documentation is retrieved daily by the City Auditor's Office and tied out to the Treasurer's cash book separately.

The City currently outsources the reconciliation of Munis and the Treasurer's cash book on a quarterly basis. It is our hope that the City can begin to handle this reconciliation monthly beginning in fiscal year 2024 once the City's financial offices are fully staffed and proper policies and procedures are created and communicated to all departments.

2021-002 Improve Timeliness and Accuracy of Cash Reconciliation Procedures in the Treasurer's Office (Material Weakness)

Criteria or Specific Requirement

Reconciliation of the Treasurer's cash is a critical internal control procedure necessary to ensure that the City's cash balances are properly reported and controlled. Balances per the Treasurer's Cash Book should be reconciled to individual bank statements on a monthly basis. Any reconciling items should be investigated and resolved in a timely manner.

Condition and Context

The City continues to have difficulty performing timely and accurate bank reconciliations, as made apparent by the delay in obtaining the reconciliations for the audit and the types of reconciling items between the bank statements and cash book for the most active bank accounts.

Cause and Effect

The City has not established adequate procedures to reconcile bank accounts between the Treasurer's Cash Book and individual bank statements. This increases the risk that undetected errors or irregularities could occur.

Identification as Repeat Finding

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2020-002.

Recommendation

We recommend the City resolve all reconciling items between the cash book and bank statements by the 30th of the month following each month end. Implementation of this recommendation will ensure a full, accurate, and timely reconciliation of the City's cash balances.

Views of Responsible Official and Planned Corrective Action

In fiscal year 2023 the City hired Mass Munifin to assist in the reconciliation of all bank statements to the Treasurer's cash book, to review all current bank accounts, and to assist the City in minimizing the number of active bank accounts. They will provide to the City Auditor's Office all reconciling items and continue their work until the process is current. The goal is to have fiscal year 2022 reconciling entries to the City Auditor's Office by January 31, 2023. Goals will continue to be set until this process is caught up for fiscal year 2023. During this time, the Treasurer's Office staff will be properly trained to maintain the reconciliation process on a monthly basis.

2021-003 Improve Controls Over Police Outside Detail Funds (Significant Deficiency)

Criteria or Specific Requirement

The City's Police Department provides outside detail services for various purposes, the fees for which are billed and collected by the City. The activity related to these details is required to be recorded in a separate fund in the City's general ledger.

Condition and Context

In accordance with a contractual agreement, the City pays the officers upon completion of the details, and not when the fees are collected. Because the City has already paid the officers, unpaid fees result in a deficit in this fund at year end of approximately $(185,000).

In addition, these receivables are not maintained in the City's general ledger or Collector's records.

Cause and Effect

The City has not established adequate procedures to monitor the police outside detail deficit balance. This deficit reduced the City's available free cash and represents a negative cash flow to the City. In addition, due to the age of some of these balances, a portion appears to be uncollectible. The City would need to fund (appropriate money for) any balances determined to be uncollectible. Also, because the receivables are not maintained, there is no independent verification performed to determine whether all services have been billed and/or collected.

Identification as Repeat Finding

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2020-004.

Recommendation

Because this deficit negatively affects the City's cash flow and could require the City to fund any true deficits, we recommend the City implement a process to ensure collection of outside detail fees outstanding. This process should include precluding officers from scheduling outside detail for companies, individuals, or organizations whose balances are in arrears. If these balances are deemed to be uncollectible, then the invoices should be written off and the deficit funded by the City.

We also recommend the receivable be recorded in the City's general ledger and reconciled to detailed balance due reports on at least a quarterly basis.

Views of Responsible Official and Planned Corrective Action

In fiscal year 2022 the Holyoke Police Department (HPD) hired RollKall Technologies LLC to manage their outside service details in an effort to reduce the manpower effort of the HPD and Auxiliary Department as well as the financial liability to the City. This service processes payroll and invoices, and also handles the collection for these services. Information is passed along to the City in a timely fashion and expenses and revenues posted as appropriate. It is hard to tell at this time if the service is beneficial due to the need to review and cover old outstanding balances in this special revenue account.

2021-004 Improve Controls Over Receivables (Significant Deficiency)

Criteria or Specific Requirement
Receivable balances per the general ledger should be reconciled to the Collector's balances at least quarterly to ensure that all activity has been posted.

Condition and Context
As also noted in prior years, our review and testing of the City's detailed receivable balances found several areas where improvements are needed:

- Reconciliations between the Collector's detail and control balances are not performed on a monthly or quarterly basis. In addition, reconciliation between the Collector's control balance and the general ledger are only performed at the end of the fiscal year.
- Real estate receivables reconciled between the general ledger and the Collector's control accounts, but neither reconciled to the Collector's detail. Differences varied by levy year, but overall, the detail accounts were approximately $(484,000) lower than the general ledger and control accounts.
- Sewer user charges and sewer tax lien receivables in the general ledger could not be reconciled to the Sewer Department's detail records. The general ledger was approximately $303,000 higher than the sewer user charges detail and $237,000 higher than the tax lien detail.
- Parking ticket receivables were not recorded in the City's general ledger and consequently were not reconciled to the detailed balance due reports. In addition, commitments and abatements were not provided to the City Auditor's office for inclusion in the general ledger. Control totals were not maintained or reconciled to the detailed outstanding list or general ledger. This significantly increases the risk that errors or irregularities related to parking ticket transactions may occur and go undetected.
- Demo liens receivables are recorded in the general ledger; however, no activity was posted in fiscal year 2021. As a result, the balance was inaccurate the entire fiscal year.

Cause and Effect
The City has not established adequate procedures to reconcile receivable balances between the general ledger and Collector. This increases the risk that undetected errors or irregularities could occur.

Identification as Repeat Finding
As identified in Section IV, the Schedule of Prior Year Findings, this is a modification and repeat of finding 2020-005.

Recommendation
We recommend the City record and reconcile all receivable balances in the general ledger to independently maintained detail records on at least a quarterly basis.

Views of Responsible Official and Planned Corrective Action
The City has been struggling with the manual revenue recognition process currently in place. We will be updating revenue codes in upcoming fiscal year 2024/ fiscal year 2025 to offset receivables so that as receipts are processed revenues are booked as appropriate. Departmental outstanding receivables will need to be reviewed and receivable balances adjusted to reflect accurate figures and then maintained quarterly from that point on. In fiscal year 2023 the Tax Collector began her review of old receivables and has already processed adjustments with the Assessor and City Auditor.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2021-005 Improve Controls Over Student Enrollment Classifications

Federal Agency: U.S. Department of Education
Cluster/Program: Title I
CFDA Number(s): 84.010
Award Year: 2021
Compliance Requirement: Special Tests

Type of Finding
Compliance
Internal Control over Compliance - Significant Deficiency

Criteria or Specific Requirement
The City must report graduation rate data for all public high schools using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)). To remove a student from the cohort, the City must confirm in writing that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the City must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

Condition and Context
As also noted in the prior year, in testing controls over, and compliance related to student enrollment classifications required under the Title I program, we found that the City was unable to provide official written documentation to support the withdrawal of a student from the school system for seven of the seventeen students selected for testing.

Cause
The City has not established adequate procedures to ensure compliance with the provisions of this Federal requirement.

Effect
There are no questioned costs as a result of this finding as there are no costs directly associated with this compliance requirement.

Identification as Repeat Finding
As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2020-007.

Recommendation
We recommend the City modify procedures to ensure that all required documentation to support the withdrawal of a student from the school system be retained.

Views of Responsible Official and Planned Corrective Action
Management’s views and corrective action plan is included in the separate corrective action plan report.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

Finding #	Program	Finding/Noncompliance	Current Year Status
2020-001	N/A	Improve Controls Over General Ledger Postings Material Weakness)	Modified and repeated as finding 2021-001
2020-002	N/A	Improve Timeliness and Accuracy of Cash Reconciliation Procedures in the Treasurer's Office Material Weakness)	Modified and repeated as finding 2021-002
2020-003	N/A	Consider Long-Term Financial Plan for the Sewer Fund (Significant Deficiency)	Satisfactorily Resolved
2020-004	N/A	Improve Controls Over Police Outside Detail Funds (Significant Deficiency)	Modified and repeated as finding 2021-003
2020-005	N/A	Improve Controls Over Receivables (Significant Deficiency)	Modified and repeated as finding 2021-004
2020-006	Title I 84.010	Maintain Time and Effort Documentation – Title I Grant (Compliance Finding/Significant Deficiency)	Satisfactorily Resolved
2020-007	Title I 84.010	Improve Controls Over Student Enrollment Classifications (Compliance Finding/Significant Deficiency)	Modified and repeated as finding 2021-005