

CITY OF HOLYOKE, MASSACHUSETTS

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 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 City Council  
City of Holyoke, Massachusetts

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 Holyoke, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise basic financial statements of the City's primary government and have issued our report thereon dated May 6, 2010. 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 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.

*Additional Offices:*

*Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME*

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 Findings 08-1 and 08-2 in the accompanying schedule of findings and questioned costs 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, we consider all of the significant deficiencies described above to be material weaknesses.

#### 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 08-3.

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

*Melanson Heath + Company P.C.*

Greenfield, Massachusetts  
May 6, 2010

MH&Co

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and City Council  
City of Holyoke, Massachusetts

Compliance

We have audited the compliance of the City of Holyoke, Massachusetts, 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 June 30, 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 grant agreements 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 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 of the City's compliance with those requirements.

As described in items 08-4 through 08-7 in the accompanying schedule of findings and questioned costs, the City did not comply with certain requirements that are applicable to its Special Education, English Literacy and Civic Participation, LEP Support, Technology for Data Driven Decisions, Community Development Block, National School Lunch Program and Home Program grants. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs of the year ended June 30, 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 grant agreements 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.

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

A *control deficiency* in the City'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 City'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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-4 through 08-8 to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance

described in the accompanying schedule of findings and questioned costs, we consider items 08-4 through 08-6 to be material weaknesses.

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 Holyoke as of and for the year ended June 30, 2008, and have issued our report thereon dated May 6, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. 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, other within the entity, 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.

*Melanson Heath + Company P.C.*

Greenfield, Massachusetts  
May 6, 2010

CITY OF HOLYOKE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor Pass-through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through Commonwealth of Massachusetts		
Department of Education		
National School Lunch Program	10.555	\$ 2,461,633
Local Wellness	10.574	1,559
<u>U.S. Department of Defense</u>		
Air Force Junior ROTC Program	12.000	60,596
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.219	1,587,132
O.C.D. Home Program	14.239	886,917
<u>U.S. Department of Justice</u>		
Justice Assistance Grant	16.738	13,656
<u>U.S. Department of Labor</u>		
Passed through Commonwealth Corporation		
Hampshire Training and Employment Consortium		
Youth At Risk Summer Jobs	17.250	255,627
<u>Federal Transit Administration, Department of Transportation</u>		
Transportation Equity Act	20.000	50,636
<u>National Aeronautics and Space Administration</u>		
NASA Space and Technology Curriculum	43.001	8,057
<u>U.S. Department of Environmental Protection</u>		
Brownfield Clean-up	66.818	57,533
Brownfield Assessment Program	66.818	715
Adams Pakkawoods Clean-up	66.818	58
<u>U.S. Department of Education</u>		
Passed through Commonwealth of Massachusetts		
Department of Education		
ABE Federal Programs	84.002	10,287
SDA/ABE	84.002	42,414
Eng. Literacy and Civic Participation	84.002	109,785
Perkins Occupational Safety and Health	84.002	1,558
Title I	84.010	5,908,039
Comp. School Reform. Demo	84.010	34,950
SPED Local School Grant	84.027	1,572,714
Curriculum Frameworks	84.027	35,828
School-to-Work	84.027	53,859
Occ. Ed. Vocational Skills	84.048	228,646
Title VI	84.151	17,776
MA Family Lit/Support Pilot	84.162	58,117
Early Child. Sp. Ed.	84.173	52,842



(continued)

Federal Grantor Pass-through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
Drug Free Schools	84.186	52,746
McKinney Homeless	84.196	23,464
21st Century Learning Centers	84.287	830,719
Even Start Family Literacy	84.314	11,178
Enhanced Education Through Technology	84.318	40,077
Technology for Data Driven Decisions	84.318	123,099
Reading First	84.357	353,755
LEP Support	84.365	288,526
Math/Science Partnership	84.366	4,056
Teacher Quality	84.367	<u>682,387</u>
		<u>\$ 15,920,939</u>

See Independent Auditors' Report on Compliance with OMB A-133.  
State identifying numbers were not available for the pass-through grants listed above.  
This schedule has been prepared on the modified accrual basis of accounting.

CITY OF HOLYOKE, MASSACHUSETTS  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2008

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: *qualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  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 deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Qualified opinion for all major programs except Title I which was 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
14.219	Community Development Block Grant
84.002	English Literacy and Civic Participation
84.010	Title I
84.027/84.173	Title VI Cluster
84.318	Technology for Data Driven Decisions
84.365	LEP Support

Dollar threshold used to distinguish between type A and type B programs: \$ 477,628

Auditee qualified as low-risk auditee?  yes  no

## SECTION II - FINANCIAL STATEMENT FINDINGS

### 08-1 IMPLEMENT REGULAR RECONCILIATION PROCEDURES FOR KEY ACCOUNTS – (MATERIAL WEAKNESS)

During the City's fiscal year 2008 audit (and also noted in previous management letters issued to the City) we determined that key balance sheet accounts in the City's general ledger are not regularly reconciled with supporting detail maintained by the City Treasurer's Office. These accounts include:

- Cash and investments
- Tax liens receivable
- Tax foreclosures receivable

Timely and accurate reconciliations have been hampered by the fact that supporting detail found internally in the Treasurer's Office have not been regularly and accurately maintained thereby making the reconciliation to the City's general ledger difficult in most instances and impossible in others.

The following has been a result of these circumstances:

- The City has determined it necessary to hire an outside firm to reconcile the Treasurer's cash book to reconciled bank statements. Because the cash book provides a source for most general ledger postings, this process has resulted in adjustments to the City's general ledger. It is our understanding that this process has been substantially completed through fiscal year end June 30, 2008 and arrangements have been made between the City and the outside firm to continue the process until the cash book is reconciled with reconciled bank accounts on a current basis.
- Issuance of the City's Fiscal Year 2008 financial statements has been significantly delayed.
- Issuance of the City's OMB A-133 (Single Audit) Reports have been significantly delayed resulting in non-compliance with federal reporting requirements.
- The City's Fiscal Year 2008 audited financial statements have been issued with a qualified opinion.

We recommend the City continue the remediation procedures regarding the Treasurer's cash book currently underway. We further recommend the City begin the process of reconciling the Tax Lien and Foreclosure accounts receivable balances as soon as possible either by committing internal resources, if available, or contracting with an outside firm. Once these accounts have been reconciled within the Treasurer's Office, any necessary adjustments can be proposed for the City's general ledger and a regular and meaningful reconciliation of general ledger balances to supporting detail can be implemented. Implementation of these recommendations will provide the City with accurate balances in the Tax Lien and Foreclosure accounts in the City's general ledger.

### 08-2 IMPROVE CONTROLS IN THE COLLECTOR'S OFFICE (MATERIAL WEAKNESS)

During our review of Collector's office procedures, we noted several areas where controls should be improved.

- Increase Frequency of Tax Collector Turnovers  
As reported in the prior year, the Tax Collector turns over receipts to the Treasurer once a month. This results in significant balances in the Tax Collector bank account during periods of high volume tax collection and a decrease in investment revenue to the City, since those funds

are not available for investment. At June 30, 2008 the City's cash required an audit adjustment to include the Collector's account in the amount of \$ 1,252,716.

- Reconcile Collector's Account Balances to Turnovers  
The Collector's office manages a total of four bank accounts; two Collector accounts, a Deputy Collector and a Deputy Parking Collector account. These accounts operate on an imprest system wherein the amount deposited to the account (net of any adjustments for deposits returned for insufficient funds) should ultimately equal the turnover to the Treasurer (or Collector – depending on the account). At June 30, 2008 there was a combined variance in the Collector, Deputy Collector and Deputy Parking Collector accounts of approximately \$ 49,000. This variance represented funds in the Collector accounts that should be turned over to the Treasurer but where the sources of receipts are not specifically identified.
- Record and Reconcile Parking Ticket Receivable  
The City does not record and reconcile its parking ticket receivable. Commitment and abatements are not provided to the City Auditor's office for inclusion in the general ledger. Control totals are not maintained and reconciled to the detailed outstanding receivables and general ledger. This significantly increases the risk that errors or irregularities related to parking ticket transactions may occur and go undetected.
- Reconcile Detail Receivable Balances to Control Totals  
As has been reported since fiscal year 2001, there were many variances between the Collector's tax receivable control totals and the detailed "balance due" report totals. The result is that either receivables due to the City are not reflected in the City's financial records or are not reflected in detail balance due reports and therefore cannot be collected. Furthermore, there are receivable balances both on the Collector's control and general ledger for levy year 2005 and prior real estate taxes. These levy years have been committed to tax title and therefore should have zero balances. Control totals should always equal the total of the detailed accounts receivable to ensure that the amounts due the City are both collectible and properly recorded.

Strong internal controls are integral to any accounting system. We recommend the City improve the controls in the Collector's office by increasing the frequency of turnovers to the Treasurer, providing copies of turnover forms directly to the City Auditor's office, implementing regular reconciliations of turnovers to cash in bank, and regularly reconciling detailed receivable reports to the Collector's control and general ledger.

08-3 COMPLY WITH MASSACHUSETTS GENERAL LAWS - NUMBER OF ASSESSORS –  
(COMPLIANCE FINDING)

The City currently has two members on the Board of Assessors. Massachusetts General Law, Chapter 41, Section 24 requires that the Board of Assessors for a City consist of one, three, five, seven, or nine members.

We recommend the City either increase or decrease the number of Assessors on the Board to comply with Massachusetts General Laws.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Cost</u>
08-4	Various	<p><u>MAINTAIN TIME AND EFFORT DISTRIBUTION RECORDS – VARIOUS GRANTS – (COMPLIANCE FINDING, MATERIAL WEAKNESS)</u></p> <p>The U.S. Office of Management and Budget OMB Circular A-87 (Attachment B, paragraph 8.h) requires that payroll charged to Federal grants be supported by certain documentation, depending on whether the employee's time is charged fully or partially to the grant.</p> <p>For employees who are charged full time to one grant, periodic certifications are required to attest that the employee worked solely on the applicable program. These certificates are required to be completed at least semi-annually and must be signed by either the employee or a supervisor knowledgeable of the work performed.</p> <p>Employees whose time is charged in part to Federal grants and in part to other revenue sources must maintain records that document the portion of time dedicated to the Federal program and to each other program supported by other sources of revenue. OMB Circular A-87 requires these reports (timesheets) to: (1) be done after the fact (not estimated or budgeted), (2) account for the total activities for which the employee is being paid, (3) be prepared at least monthly and coincide with one or more pay periods, and (4) be signed by the employee.</p> <p>Our audit of the City's compliance with Federal time and effort reporting requirements for several grants administered by the City revealed the following exceptions:</p>	
		<p><u>SPED (84.027)</u></p> <p>One employee paid partially from the Special Education grant did not maintain records documenting the portion of time dedicated to the Special Education grant. As a result, the amount charged to the grant is considered a questioned cost.</p>	\$ 10,324
		<p><u>English Literacy and Civic Participation (84.002)</u></p> <p>Four employees paid from the English Literacy and Civic Participation grant did not maintain records documenting the portion of time dedicated to the English Literacy and Civic Participation grant. As a result, the amount charged to the grant is considered a questioned cost.</p>	\$ 51,707
		<p><u>LEP Support (84.365)</u></p> <p>No semi-annual certifications were completed for any of the employees paid fully from this grant. As a result, the total amount charged to this grant for these employees' salaries is considered a questioned cost.</p>	\$ 197,409

Technology for Data Driven Decisions (84.318)

\$ 13,020

No semi-annual certification was completed for an employee paid fully from this grant. As a result, the amount charged to this grant for this employee's salary is considered a questioned cost.

City's Response:

The School Department will ensure that all employees charged to Federal grants, whether full-time or part-time, will complete appropriate time and distribution records. These records will be completed by the employees or a supervisor knowledgeable of the work performed and maintained by the grants office.

Community Development Block Grant (14.219)

\$ 150,950

Timesheets were completed based on the grant's budgeted allocation of salary instead of on actual hours worked on the grant and no quarterly reconciliation to actual hours worked was documented. As a result, the total amount charged to this grant for these employees' salaries is considered a questioned cost.

City's Response:

The timesheets for the Office for Community Development have been corrected and are based on actual time spent on CDBG, HOME, CDBG-R or HPRP work. These corrections were made after the FY07 single audit and were implemented on October 1, 2008. However, because of a timing issue in the completion of the FY07 audit, we had been informed that this finding would also appear in FY08.

HOME Program (14.239)

\$ 117,377

During our FY 07 audit of the HOME Program, we noted that timesheets were completed based on a budgeted allocation to the grant instead of actual hours worked. A review of documentation in FY 08 found the City's procedure had not changed. Consequently the salary charged to the grant based on a budgetary allocation is considered to be a questioned cost.

We recommend the City expand or amend their payroll processing procedures to ensure compliance with the applicable provisions of OMB Circular A-87.

City's Response:

The timesheets for the Office for Community Development have been corrected and are based on actual time spent on CDBG, HOME, CDBG-R or HPRP work. These corrections were made after the FY07 single audit and were implemented on October 1, 2008. However, because of a timing issue in the completion of the FY07 audit, we had been informed that this finding would also appear in FY08.

08-5	10.555 National School Lunch Program	<u>REQUIRE ADEQUATE SUPPORTING DOCUMENTATION FOR CHARTWELLS PAYMENTS – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, MATERIAL WEAKNESS)</u>	\$210,373
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During our testing of disbursements in the School Lunch Program, we noted that payments to Chartwells Educational Dining Services (the subcontracted School Lunch program management company) were not always supported by original invoices but instead were accompanied by a summarized list of expenditures prepared by Chartwells. No internal audit function was applied to the Chartwells invoices. Due to insufficient invoice documentation, we were unable to gain assurance that the expenditures were reasonable and solely for the operation and improvement of the school food service program. This has resulted in program questioned costs for fiscal year 2008 of \$ 210,373.

We recommend the School Department require that invoices for all purchases be submitted with the summary listing prior to payment approval and disbursement. We further recommend the School Department perform audits of the Chartwells bills to ensure that payments made are based on adequate source documentation and are reasonable and allowable.

City's Response:

After the FY2008 audit was conducted and informal findings discussed, Chartwells met with the HPS District to put a process in place for addressing this finding. This process included providing the School Department with all invoices from each month with appropriate summaries. Additionally, the dining services Senior Account Clerk then reviewed each invoice for accuracy prior to submitting the invoice for the program. Audits of bills will occur to ensure that adequate documentation is provided.

08-6	10.555 National School Lunch Program	<u>IMPROVE CONTROLS OVER PROGRAM INCOME – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, MATERIAL WEAKNESS)</u>	N/A
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During our testing of controls over School Lunch Program income we noted several areas where weaknesses exist:

- Schools that collect the charges and prepare the deposit slip are not provided with a bank-stamped deposit ticket. They are also not provided with a monthly deposit report from the central office. As a result, they are unable to reconcile the original collection records to what was ultimately deposited in the bank.
- Weekly sales reports do not include a breakdown of cash (currency) and checks that agrees with the daily records and bank deposit amount. This results in an incomplete audit trail over cash.
- Cashiers do not perform a formal “cash out” procedure whereby the POS system report is compared to the collections by register or roster and verified by the cashier in conjunction with an appropriately leveled supervisor.

We recommend the internal controls over program income be evaluated and improved to ensure: a clear audit trail over cash; reconciliation of collection records to actual bank deposits; reconciliation of system reports and rosters to collections; and that procedures be implemented to improve staff accountability. These measures will help to minimize the risk of errors or irregularities occurring and going undetected and will help to safeguard the assets of the program.

City's Response:

After the FY2008 audit was conducted and informal findings discussed, Chartwells met with the School Department to put a process in place for addressing the internal controls over the program income. Currently, individual sites no longer perform individual deposits. The deposit system has been centralized through the dining services office. This allows for one place to reconcile cash flow and deposits to lunch records.

08-7	10.555 National School Lunch Program	<u>MAINTAIN INVENTORY OF FEDERALLY FUNDED EQUIPMENT – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING)</u>	N/A
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Federal regulations, as stipulated in A-102, "The Common Rule", require that: (1) equipment be used in the program which acquired it or, when appropriate, other Federal programs; (2) equipment records shall be maintained; (3) a physical inventory of equipment shall be taken at least once every two years and be reconciled to the equipment records; (4) an appropriate control system shall be used to safeguard equipment; and (5) equipment shall be adequately maintained. The requirements apply to equipment having a useful life of more than one year and an acquisition cost of \$ 5,000 or more per unit.

The School Lunch program does not prepare an inventory list of federally funded equipment. It also does not perform periodic physical inventories of equipment or monitor equipment for misappropriation.

We recommend the School Lunch Program prepare comprehensive inventory lists of all federally funded equipment, identifying the equipment by purchase date, cost, serial number, source of Federal funding and location. We further recommend that a physical inventory be taken, at a minimum, every two years.

Implementation of these recommendations will ensure compliance with federal requirements as well as enhance the safeguarding of the School Department's assets.

City's Response:

The School Lunch Program in conjunction with HPS will prepare a comprehensive inventory list of all federally funded equipment. This inventory will identify the equipment by purchase, date of purchase, cost, serial number, location and source of funding. This inventory will occur yearly.



**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

<u>Prior Year Finding #</u>	<u>Program</u>	<u>Title of Finding</u>	<u>Current Year Resolution</u>
07-5	School Lunch (10.555)	<u>RECONCILE AND RETAIN ALL DOCUMENTATION TO SUPPORT AMOUNTS REPORTED ON CLAIMS FOR REIMBURSEMENT – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, MATERIAL WEAKNESS)</u>	Satisfactorily resolved.
07-6	School Lunch (10.555)	<u>REQUIRE ADEQUATE SUPPORTING DOCUMENTATION FOR CHARTWELLS PAYMENTS – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, REPORTABLE CONDITION, MATERIAL WEAKNESS)</u>	Unresolved. Repeated as current year finding 08-5.
07-7	School Lunch (10.555)	<u>IMPROVE CONTROLS OVER PROGRAM INCOME – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, REPORTABLE CONDITION, MATERIAL WEAKNESS)</u>	Unresolved. Repeated as current year finding 08-6.
07-8	School Lunch (10.555)	<u>IMPROVE DOCUMENTATION OF VERIFICATION PROCEDURES – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING)</u>	Satisfactorily resolved.
07-9	School Lunch (10.555)	<u>MAINTAIN INVENTORY OF FEDERALLY FUNDED EQUIPMENT – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING)</u>	Unresolved. Repeated as current year finding 08-7.
07-10	Home Program (14.239)	<u>MAINTAIN TIME AND EFFORT DISTRIBUTION RECORDS – HOME PROGRAM (COMPLIANCE FINDING)</u>	Unresolved. Repeated as current year finding 08-4.