

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, 2009

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The logo for Melanson Heath & Company, PC, featuring the letters "MH&Co" in a white serif font inside a dark blue rectangular box with a thin white border.

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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, 2009, which collectively comprise the City's primary government basic financial statements and have issued our report thereon dated April 25, 2011. 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 09-1 and 09-2 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 both 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 09-3 and 09-4.

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  
April 25, 2011



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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, 2009. 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 09-5 through 09-11 in the accompanying schedule of findings and questioned costs, the City did not comply with certain requirements that are applicable to its Brownfield Clean-Up, National School Lunch Program, and LEP Support 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 for the year ended June 30, 2009.

### 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 09-5 through 09-9 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 09-5 through 09-8 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, 2009, and have issued our report thereon dated April 25, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's primary government 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  
April 25, 2011

CITY OF HOLYOKE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

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	\$ 2,060,844
<u>U.S. Department of Defense</u>		
Air Force Junior ROTC Program	12.000	70,361
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.219	1,878,285
O.C.D. Home Program	14.239	1,682,401
<u>U.S. Department of Justice</u>		
Justice Assistance Grant	16.738	69,637
<u>U.S. Department of Labor</u>		
Passed through Commonwealth Corporation		
Hampshire Training and Employment Consortium		
Youth At Risk Summer Jobs	17.250	384,662
<u>Federal Transit Administration, Department of Transportation</u>		
Transportation Equity Act	20.000	17,977
<u>National Aeronautics and Space Administration</u>		
NASA Space and Technology Curriculum	43.001	370
<u>National Endowment for the Humanities</u>		
Promotion of the Humanities-Public Programs	45.614	248,757
<u>U.S. Department of Environmental Protection</u>		
Brownfield Clean-up	66.818	175,631
Brownfield Assessment Program	66.818	104,538
Adams Pakkawoods Clean-up	66.818	6,411
<u>U.S. Department of Education</u>		
Passed through Commonwealth of Massachusetts		
Department of Education		
ABE Federal Programs	84.002	18,330
SDA/ABE	84.002	28,294
Eng. Literacy and Civic Participation	84.002	165,980
Title I	84.010	6,680,463
Comp. School Reform. Demo	84.010	31,152
SPED Local School Grant	84.027	2,142,408
Curriculum Frameworks	84.027	21,494
School-to-Work	84.027	74,261
Occ. Ed. Vocational Skills	84.048	216,199
Title VI	84.151	29,175
MA Family Lit/Support Pilot	84.162	51,041
Early Child. Sp. Ed.	84.173	70,047
Curriculum Inst. And Assess. Alignment	84.173	3,912

(continued)



(continued)

Federal Grantor Pass-through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
Drug Free Schools	84.186	140,937
McKinney Homeless	84.196	16,656
21st Century Learning Centers	84.287	960,701
Even Start Family Literacy	84.314	7,079
Enhanced Education Through Technology	84.318	40,075
Technology for Data Driven Decisions	84.318	78,560
Reading First	84.357	332,839
LEP Support	84.365	275,289
Math/Science Partnership	84.366	860
Teacher Quality	84.367	901,235
School Improvement-Redesign/Reconstruct	84.377	55,040
State Fiscal Stabilization Fund - ARRA	84.394	7,127,961
 <u>Department of Health and Human Services</u>		
<u>Office of the Secretary</u>		
Medical Reserve Corps Small Grant Program	93.008	5,925
 <u>Center for Disease Control and Prevention</u>		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	3,815
 <u>Corporation for National and Community Service</u>		
Learn and Serve America-School and Community Based Programs	94.004	<u>12,748</u>
		<u>\$ 26,192,350</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, 2009

**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

Type of auditors' report issued on compliance for major programs: unqualified for all major programs except Brownfield Clean-Up (66.818), National School Lunch Program (10.555) and LEP Support (84.365).

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
66.818	EPA – Brownfield Grants
84.027 / 84.173	SPED Cluster
84.287	21 <sup>st</sup> Century Learning Centers
84.365	LEP Support
84.394	State Fiscal Stabilization Fund - ARRA

Dollar threshold used to distinguish between type A and type B programs: \$ 785,771

Auditee qualified as low-risk auditee?  yes  no

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Finding #

### Finding/Noncompliance

09-1 IMPLEMENT REGULAR RECONCILIATION PROCEDURES FOR KEY ACCOUNTS – (MATERIAL WEAKNESS)

During the City's fiscal year 2009 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 has not been regularly and accurately maintained, thereby making the reconciliation to the City's general ledger difficult in most instances and impossible in others.

These circumstances have resulted in the following:

- Issuance of the City's Fiscal Year 2009 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 2009 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.

09-2 IMPROVE CONTROLS IN THE TAX COLLECTOR'S OFFICE (MATERIAL WEAKNESS)

During our review of Tax 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.
- Record and Reconcile Parking Ticket Receivable  
The City does not record and reconcile its parking ticket receivable balance. Commitments 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 lists 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 Tax 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.

09-3 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.

09-4 COMPLY WITH IRS REQUIREMENTS FOR ISSUANCE OF FORM 1099 (COMPLIANCE FINDING)

The Internal Revenue Service (IRS) requires businesses (including not-for-profit organizations) to issue a Form 1099 to any individual or unincorporated business paid in excess of \$ 600 per calendar year for services rendered.

This is required whether these payments are spread out over the course of the year or are paid in one lump sum payment.

This form is generally not required to be issued to incorporated businesses.

Our audit revealed the City does not issue IRS Form 1099's to applicable individuals and businesses. We recommend the City do so to comply with IRS regulations.

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

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Cost</u>
09-5	Brownfield Clean-up 66.818	<u>ENSURE COMPLIANCE WITH MASSACHUSETTS PROCUREMENT LAWS (COMPLIANCE FINDING / MATERIAL WEAKNESS) - EPA BROWNFIELD GRANT</u>	\$ 54,850
		<p><u>Criteria:</u> Massachusetts General Laws (MGL) Chapter 30B requires that certain purchases/contracts of \$ 25,000 or more be subject to a formal competitive bidding process.</p> <p><u>Condition and Effect:</u> In testing for compliance with MGL Chapter 30B, we noted one instance of noncompliance. The expenditure of \$ 54,850 was for "remediation services" related to the City's Brownfield Grant and, because it was in excess of \$ 25,000, should have been subject to a formal bidding process. The City could not supply us with documentation evidencing compliance with this requirement and therefore these costs are considered to be questioned (ineligible).</p> <p><u>Cause:</u> While the City does have procedures in place to ensure compliance with Commonwealth procurement regulations, these requirements have not been adequately communicated to all City Departments.</p> <p><u>Recommendation:</u> In order to avoid this situation in the future, we recommend the City's Chief Procurement Officer effectively communicate the requirements of Massachusetts procurement laws to all City Departments. Additionally, as a method of checks and balances, we recommend that all bills submitted to the City Auditor's Office for payment contain a certification that all applicable bid requirements have been met in accordance with Massachusetts General Laws. Implementation of these recommendations will help ensure that the appropriate bid procedures have been followed and that the documentation to support the bids is properly retained.</p>	

City's Corrective Action Plan:

City department managers who engage in procurement activity have been informed of the applicable procedures and laws with special attention paid to documentation and document retention. Vendors will be informed of recommended language to add to invoices submitted to the city for payment.

09-6 National School Lunch Program 10.555 COMPLY WITH FEDERAL PROCUREMENT REGULATION (COMPLIANCE FINDING / MATERIAL WEAKNESS) - SCHOOL LUNCH PROGRAM (NSLP) \$ 1,248,815

Criteria:

Under Federal regulations (7 CFR sections 210.16(a)(10) and 220.7(d)(1)(ix)), before awarding a contract to a food service management company, or amending such a contract, a School Food Authority (SFA), such as the City's School Department, who operates the NSLP must:

- a. obtain its administering agency's review and approval of the contract terms;
- b. incorporate all changes required by the administering agency;
- c. obtain written administering agency approval of any changes made by the SFA or its food service management company to a pre-approved prototype contract and;
- d. when requested, submit procurement documents for administering agency inspection.

Condition and Effect:

The results of our inquiries disclosed that the School Department did not obtain State approval for a contract renewal with its food service management company. As a result of this finding we are questioning the total fees paid to the food service management in fiscal year 2009; \$ 1,248,815.

Cause:

The School Department does not have adequate procedures in place to ensure compliance with federal procurement regulations related to the National School Lunch Program.

Recommendation:

We recommend the School Department develop procedures to ensure compliance with federal procurement regulations related to the National School Lunch Program.

City's Corrective Action Plan:

The HPS Director of Operations works closely with the MA DESE to ensure compliance with the requirements of the National School Lunch Program. All contracts within the last 2 years have been submitted and approved by DESE.

09-7 National School Lunch Program 10.555 REQUIRE ADEQUATE SUPPORTING DOCUMENTATION FOR CHARTWELLS PAYMENTS – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, MATERIAL WEAKNESS) N/A

Criteria:

Payments from the School Lunch Revolving Fund are considered a use of program income and, therefore, must be used solely for the operation of the school food service program. Without adequate supporting documentation a payment cannot be determined to meet this criteria. Additionally, a good system of internal controls would preclude the payment of any City funds without adequate supporting documentation to ensure the expenditure is appropriate and allowable.

Condition and Effect:

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 accompanied by adequate supporting documentation in all instances. Specifically, there was no documentation presented for labor charges, direct cost charges, travel expenses, communications expenses and parts and insurance. There are no additional questioned costs related to this finding as we have questioned all payments to the food service management company in finding 09-6.

Cause:

An inadequate 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.

Recommendation:

We recommend the School Department require that invoices for all purchases be submitted 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 Corrective Action Plan:

The new contract with our current management company bases all payments to the company on the number of meals served. Meal counts are reported by each school (based on the point-of-sale reports) to the Food Service Accountant, who compiles the information and cross-checks it against the bill from the management company. The Director of Operations checks this as well.

09-8

National School  
Lunch Program  
10.555

IMPROVE CONTROLS OVER PROGRAM INCOME –  
SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING,  
MATERIAL WEAKNESS)

N/A

Criteria:

The School Food Service Program generates income (program income) from the sales of lunches, breakfasts etc. These funds, along with federal and state reimbursements, are accumulated in a revolving fund authorized by Massachusetts General Law Chapter 548. Income generated by the Food Service Program should be subject to adequate internal controls.

Condition and Effect:

During our testing of controls over School Lunch Program income we noted several areas where weaknesses exist:

- Turnovers from the individual schools are not done on a regular basis.
- There is no documentation of the chain of custody for receipts. Receipts are picked up at each school on an irregular basis and no verification is supplied or requested to ensure that funds are actually turned over to the central office.
- A copy of the point of sale report used by the individual school to reconcile receipts is not included with the turnover to the central office.
- Schools that collect the charges are 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.
- Copies of turnovers to the City Treasurer are not simultaneously provided to the City Auditor. Consequently the City Auditor is unable to verify that all funds were deposited intact by the Treasurer's Office.

There are no questioned costs related to this finding as it involves procedural weaknesses over receipts/revenue and not the ineligibility of expenditures charged to the program.

Cause:

The weaknesses identified above result from the lack of adequate internal controls over School Lunch Program receipts.

Recommendation:

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 reduce the risk of errors or irregularities occurring and going undetected and will help to safeguard the assets of the program.

City's Corrective Action Plan:

We have reviewed the recommendations and are in the process of establishing procedures to correct the issues identified in the findings concerning internal controls over program income.

09-9 National School Lunch Program 10.555

IMPROVE VERIFICATION PROCEDURES (COMPLIANCE FINDING / SIGNIFICANT DEFICIENCY) - SCHOOL LUNCH PROGRAM (NSLP)

N/A

Criteria:

By November 15 of each school year, the School Lunch Program must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the SFA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st (7 CFR Section 245.6a(a)).

Condition and Effect:

The results of our audit of compliance with the verification process revealed the following exceptions:

1. The School Lunch Program did not complete the verification process by November 15<sup>th</sup> as required. The process was not completed until December.
2. We could not determine whether the verification sample (required to be the lesser of 3% or 3,000 applications) used by the School Lunch Program was accurate because the number of approved free lunch applications was not provided on the verification form.

Because the verification process was ultimately completed and the sample size appeared reasonable there are no questioned costs relating to this finding.

Cause:

The School Lunch Program does not have adequate procedures in place to ensure verification procedures are completed in a timely manner and that the verification form is submitted in a complete and accurate manner.

Recommendation:

We recommend the School Lunch Program develop procedures to ensure compliance with federal verification procedures.

City's Corrective Action Plan:

Two individuals within the Operations Department have been newly trained on how to process free and reduced lunch applications. This year, the process was completed by the end of October.

The Director of Operations will research the verification requirements and ensure that they are properly adhered to.

09-10 National School Lunch Program 10.555

MAINTAIN INVENTORY OF FEDERALLY FUNDED EQUIPMENT – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING)

N/A

Criteria:

Federal regulations, as stipulated in OMB Circular 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.

Condition and Effect:

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. There are no questioned cost associated with this finding since it does not involve ineligible costs.

Recommendation:

We recommend the School Lunch Program prepare a comprehensive inventory list 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 Corrective Action Plan:

Any new equipment is inventoried using the Holyoke Public School's new inventory program, Team Works. The Director of Operations will add old federally funded Food Service equipment to the database, and will include any available information regarding cost, purchase date, etc.

09-11

LEP Support  
84.365

OFFER SERVICES TO ELIGIBLE PRIVATE SCHOOL STUDENTS (COMPLIANCE FINDING) – LEP SUPPORT GRANT

N/A

Criteria:

One of the requirements of the LEP Support grant is that the School Department must provide eligible private school students who wish to participate with equitable services under this program. In order to ensure that private school students are afforded this opportunity, the School Department must conduct timely consultations with private school officials to determine the desire to participate and the extent of services required.

Condition and Effect:

The results of our inquiries disclosed that while the School Department did conduct the consultation with private school officials in the form of a letter regarding various grants available, the letter failed to include the reference to the LEP Support grant as one of the various Federally-funded programs available. As a result, LEP Support services were not made available to eligible private schools. There are no questioned costs related to this finding as no costs were incurred.

Cause:

While the School Department does have procedures in place to ensure private schools are offered participation in eligible grants, no review is performed to ensure that all applicable grants are included in the offering.

Recommendation:

We recommend the School Department develop a method to assure that private school students are offered equitable services under all applicable Federally-funded grants.

City's Corrective Action Plan:

Prior to creating the letter that is presented to the private schools during the consultation meeting, the Director of ELL has been contacting the public schools by phone and/or email to discuss the LEP Program funding availability, and to get up-to-date data on the number of students eligible at each private school. In the past, if they had no ELL students and were therefore not eligible for the funding, that grant would not be included on the summary letter. In recent years, the LEP grant has been listed on the letter, with the notation "To Be Discussed".

In future years, the letter will include a notation identifying the status of eligibility for Title III funding participation, and/or indicate if the school has decided not to take advantage of the funding.

**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>
08-4	Various	MAINTAIN TIME AND EFFORT DISTRIBUTION RECORDS – VARIOUS GRANTS – (COMPLIANCE FINDING, MATERIAL WEAKNESS)	Satisfactorily resolved.
08-5	National School Lunch Program 10.555	REQUIRE ADEQUATE SUPPORTING DOCUMENTATION FOR CHARTWELLS PAYMENTS – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, MATERIAL WEAKNESS)	Unresolved and repeated as revised as current year finding 09-7.
08-6	National School Lunch Program 10.555	IMPROVE CONTROLS OVER PROGRAM INCOME – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING, MATERIAL WEAKNESS)	Unresolved and repeated as revised as current year finding 09-8.
08-7	National School Lunch Program 10.555	MAINTAIN INVENTORY OF FEDERALLY FUNDED EQUIPMENT – SCHOOL LUNCH PROGRAM (COMPLIANCE FINDING)	Unresolved and repeated as revised as current year finding 09-10.