

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, 2014

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Additional Offices:

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

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 AUDITORS' REPORT

To the Mayor and City Council
City of Holyoke, Massachusetts

We have audited 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2015.

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) to determine the audit 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 con-

trol 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 identified 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 2014-001 through 2014-004 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 2014-005 and 2014-006 to be significant deficiencies.

Compliance and Other Matters

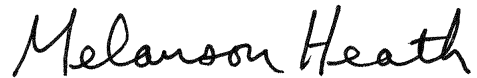
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect 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 matter 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 2014-007.

City's Response to Findings

The City's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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 result 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.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive style with a large initial "M".

August 3, 2015

Additional Offices:

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

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 OMB CIRCULAR A-133

INDEPENDENT AUDITORS' 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's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 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 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 Grant

As described in Finding 2014-008 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-008	84.010	Title I	Special Test and Provisions

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

Qualified Opinion on the Title I Grant

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 Grant for the year ended June 30, 2014.

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 auditors'

results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

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 OMB Circular A-133, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated June 2, 2015, which contained the following opinions on those financial statements:

Opinion Unit	Type of Auditor’s Report
Reporting Entity	Adverse
Aggregate Discretely Presented Component Units	Adverse
Business-Type Activities	Qualified
Aggregate Remaining Fund Information	Qualified
Governmental Activities	Unmodified
General Fund	Unmodified
Sewer Fund	Unmodified

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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

August 3, 2015

City of Holyoke, Massachusetts
Schedule of Federal Expenditures of Federal Awards
For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through State Department of Elementary and Secondary Education:		
School Breakfast	10.553	\$ 683,478
National School Lunch Program	10.555	2,129,042
Summer Program	10.559	196,583
Fresh Fruit and Vegetable Program	10.582	<u>112,540</u>
Total Department of Agriculture		3,121,643
<u>U.S. Department of Defense</u>		
Air Force Junior ROTC Program	12.000	<u>1,340</u>
Total Department of Defense		1,340
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	1,078,790
Economic Development Initiative	14.251	3,680
Depot Square Redevelopment	14.703	137,077
Passed through Commonwealth of Massachusetts Department of Housing and Community Development		
HOME	14.239	<u>1,169,385</u>
Total Department of Housing and Urban Development		2,388,932
<u>U.S. Department of Criminal Justice</u>		
Underage Drinking Grant	16.727	1,946
Justice Assistance Grant	16.735	10,335
JAG 2011-2013 Grants	16.738	79,356
Byrne JAG Grant - ARRA	16.804	65,572
Pedestrian/Bike Safety Enforcement	2113-DJ-BX-0937	<u>2,459</u>
Total Department of Criminal Justice		159,668

(continued)

(continued)

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Labor</u>		
Passed through Commonwealth Corporation Hampshire Training and Employment Consortium Youth At Risk Summer Jobs	17.259	<u>154,285</u>
Total Department of Labor		154,285
<u>National Endowment for the Humanities</u>		
Creating Holyoke Grant	45.164	<u>2,393</u>
Total National Endowment for the Humanities		2,393
<u>U.S. Department of Environmental Protection</u>		
Brownfields Assessment Program	66.818	<u>88,815</u>
Total Department of Environmental Protection		88,815
<u>U.S. Department of Education</u>		
Passed through State Department of Elementary and Secondary Education		
Title I	84.010	6,060,394
Public Law 94-142 (SPED)	84.027	1,928,844
Carl Perkins Vocational Grants	84.048	77,963
McKinney Vento Homeless	84.196	35,731
21st Century	84.287	582,444
Massgrad Initiative	84.360	150,443
Title III (LEP Support)	84.362	311,916
Improving Teacher Quality	84.367	664,780
School Redesign Implementation ARRA	84.388	1,089,165
Race to the Top	84.395	1,736,556
Passed through Commonwealth of Massachusetts Department of Early Education and Care		
SPED Early Childhood	84.173	<u>64,476</u>
Total U.S. Department of Education		12,702,712

(continued)

(continued)	Federal CFDA Number	Federal Expenditures
<u>Program Title</u>		
<u>U.S. Department of Health and Human Services</u>		
Medical Reserve Corps Small Grant Program Passed through Commonwealth of Massachusetts Department of Public Health	93.008	2,237
Personal Responsibility Education Program	93.092	73,431
CDC Community Transformation	93.531	<u>60,802</u>
Total Department of Health and Human Services		136,470
<u>U.S. Department of Homeland Security</u>		
Fire SAFER Grant	97.083	<u>275,245</u>
Total Department of Homeland Security		<u>275,245</u>
Total Federal Expenditures		<u>\$ 19,031,503</u>

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

CITY OF HOLYOKE, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Adverse, Qualified and Unmodified*

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: Unmodified for all major programs except Title I which was modified for special tests and provisions.

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>
14.239	HOME Program
14.703	Depot Square Redevelopment
84.010	Title I
84.287	21 st Century
84.360	Massgrad Initiative
84.388	School Redesign Implementation – ARRA
97.083	Fire SAFER Grant

Dollar threshold used to distinguish between type A and type B programs:

\$570,945

Auditee qualified as low-risk auditee?

yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding

Finding/Noncompliance

2014-001

IMPROVE CASH RECONCILIATION PROCEDURES IN TREASURER'S OFFICE (MATERIAL WEAKNESS)

Our review of processes and procedures in the Treasurer's office found several areas where improvement is needed. Specifically:

- During our testing of cash in fiscal year 2014, we found a bank account that was not reported in either the City's general ledger or the Treasurer's cash balance. The balance in the account was approximately \$40,000 at year end.

We recommend the City adjust the general ledger and Treasurer's balances to include this account.

- During our review of the Treasurer's cash book we found there were still large outstanding reconciling items from the prior fiscal year.

We recommend these items be reviewed for accuracy and the cash book be adjusted if transactions were not properly recorded.

- In our cash testing, it was brought to our attention that some school organizations maintain cash accounts using the City's Federal identification number (FID).

We recommend that the organizations' advisors be informed that all unauthorized cash accounts must be transferred to a different FID. In addition, all local banks should be reminded that accounts should not be opened under the City's identification number without appropriate City authorization.

- The City maintains over sixty bank accounts. While some City activities are required to be maintained in separate bank accounts in order to separately track funds or allocate interest, the rest are not. The maintenance, monitoring and reconciling of so many accounts is a tedious and time-consuming process.

We recommend the City consider closing accounts that are not required to be maintained separately and consolidate like accounts into one. This would help streamline the reconciliation process and improve efficiency.

City's Response:

- The Bank account was closed and the ledger updated.
- The Treasurer plans to review the items identified by the auditors and make a year-end adjusting entry to accomplish the reconciliation.
- Because of previous mismanagement the City directed the Schools to use certain City accounts for PTO/Student Activity. This allows the City to track and monitor these funds to ensure proper management and control.
- The City has condensed its number of bank accounts.

2014-002 IMPROVE CONTROLS OVER RECEIVABLES (MATERIAL WEAKNESS)

During our review and testing of the City's detailed receivable balances we found several areas where improvements should be made:

- Real estate taxes receivable could not be reconciled to the Collector's detail records. The variance was approximately \$200,000.
- Tax lien and foreclosure receivables could not be reconciled to the Treasurer's detail records. The variances were approximately \$240,000 and \$110,000, respectively.
- Excise taxes could not be reconciled to the Collector's detail records. The variance was approximately \$200,000.
- Sewer user charges and sewer tax lien receivables could not be reconciled to the Sewer Department's detail records. The variances were approximately \$60,000 and \$50,000, respectively.
- Parking ticket receivables are not recorded in the City's general ledger nor are they reconciled to the detailed receivable balance. In addition, commitments and abatements are not provided to the City Auditor's office for inclusion in the general ledger. Control totals are not maintained or reconciled to the detailed outstanding list and general ledger. This significantly increases the risk that errors or irregularities related to parking ticket transactions may occur and go undetected.

We recommend the City record and track the receivable balances in the general ledger and reconcile the Collector's control balances to detailed balances at least quarterly.

City's Response:

We have made some progress, but work still needs to be done:

- The Tax Collector will work with the Auditor to reconcile between the Collector's control and the detailed balance due report, and make appropriate adjusting entries.
- The Treasurer is working on changing past practices in order to reconcile tax lien and foreclosure receivables.

- The conversion of all parking ticket information into a new internal records system was halted when the employee assigned to the task was terminated. We will look to see if the effort can be renewed.

2014-003 IMPROVE CONTROLS OVER PAYROLL (MATERIAL WEAKNESS)

As noted in the prior year, we found issues during our testing of forty payroll transactions. Specifically we found the following:

- Three instances where the rate of pay per the payroll report could not be adequately supported.
- Three instances where the rate of pay per the payroll report did not agree with the authorized pay schedule.
- Four instances where timesheets were not approved by a knowledgeable individual.
- One instance where the hours per the timesheet did not agree with the hours paid to the employee.

We recommend that all pay rate changes be supported by an appropriately authorized status change notice in the employee's file. In addition, we recommend that all time cards and summaries be signed by the employee and a supervisor and a verification be done to ensure that the hours per the payroll system agree with timesheets before payment is made. This will improve controls and documented oversight over payroll.

City's Response:

The City is currently following all of the above recommendations.

2014-004 IMPROVE TIMELINESS OF TRUST FUND CASH TRANSFERS (MATERIAL WEAKNESS)

The City's trust fund activity appears to be accounted for in the general ledger accurately; however, the ending general ledger balances do not agree with the Treasurer's trust fund cash balances. This is the result of trust fund cash disbursements being made from the City's operating funds and not being reimbursed in a timely or accurate manner.

Periodically, the Treasurer transfers money to or from the trust fund cash accounts to reimburse the operating cash account. In fiscal year 2014 these transfers were not made in a timely manner. As a result, as of June 30, 2014, the Treasurer's trust fund accounts were approximately \$860,000 more than they should have been.

We recommend that trust fund transfers be made in a timely manner and that trust fund cash balances be reconciled between the City's general ledger and Treasurer's records on a quarterly basis.

City's Response:

The Treasurer has instituted changes to the procedures for Trust Fund transfers to ensure that transfers are made at the appropriate time. The funds are now in balance.

2014-005 IMPROVE CONTROLS OVER POLICE OUTSIDE DETAIL FUNDS (SIGNIFICANT DEFICIENCY)

The City's Police Department provides outside detail services for various purposes, the fees for which are billed and collected by the City. In accordance with a contractual agreement, the City pays the officers upon completion of the details, and not when the fees are collected. In addition, these receivables are not maintained in the City's general ledger or Collector records. As a result, there is no independent verification performed to determine whether all services have been billed and/or collected.

No police outside detail accounts receivable report was run from the Police Department's software system as of year-end, and since the system used to track the receivable is date sensitive a report must be run on the date needed to obtain accurate information. As a result, we were unable to determine the receivable balance due at year end.

Because the City has already paid the officers, unpaid fees result in a deficit in this fund at year end of approximately \$260,000. 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.

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 a monthly basis. We also recommend these receivables be recorded in the general ledger and the resulting balance reconciled to a detailed list of balances due at least quarterly.

City's Response:

The Police Department has spent considerable time analyzing the outside detail fund. The results indicate that, while there is a large balance of receivables that are considered current, the majority of the fund's deficit stems from outstanding receivables created prior to the current administration. Given the age of those debts, the probability of collection is slim. Those balances will need to be written off and funded by the City Council. In the meantime the department will work to ensure that current clients are credit-worthy and pay their bills in a timely fashion.

2014-006 CONSIDER LONG-TERM FINANCIAL PLAN FOR THE SEWER FUND (SIGNIFICANT DEFICIENCY)

The results of operations in the sewer fund have been trending negatively over the last several years. The following summarizes net income/(loss) for the last three fiscal years:

<u>Fiscal</u> <u>Year</u>	<u>Net</u> <u>(Loss)</u>
2012	(34,388)
2013	(1,066,341)
2014	(486,298)*

* The fiscal year 2014 net loss includes a transfer from the general fund to cover a budgeted operational deficit of \$967,786. Without the transfer, the net results of operations for fiscal year 2014 would have been \$(1,454,084).

In addition, based on a review of the City's fiscal year 2015 budget recap, the City's general fund will be subsidizing a sewer fund operational deficit of \$(1,429,750).

We recommend the City Council/Sewer Commissioners establish a five-year financial plan. This plan should include the extent to which user charges may need to increase in order to finance sewer operations and capital improvements on an ongoing basis.

City's Response:

The City studied this issue in depth in fiscal year 2014. As a result we now recognize that the deficit is not caused by inefficiencies in the Wastewater system but is the result of federally-mandated expenditures to upgrade the City's Stormwater system. Accordingly, we would like to fund those upgrades by imposing a new Stormwater fee, as has been done by other communities. This recommendation is currently being reviewed by the City Council.

2014-007 COMPLY WITH MASSACHUSETTS GENERAL LAWS – NUMBER OF ASSESSORS (COMPLIANCE FINDING)

As noted in prior years, 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 continue to recommend the City either increase or decrease the number of Assessors on the Board to comply with Massachusetts General Laws.

City's Response:

The City is aware of the Massachusetts law regarding the composition of the Board of Assessors. The City Council appoints the board members and has discussed this violation on several occasions, the most recent discussion occurring in June 2015, but they have not acted. It may take intervention by the State to enforce compliance.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
2014-008	Title I 84.010	<p><u>ENSURE COMPLETION AND RETENTION OF COMPARABILITY RECORDS – TITLE I (COMPLIANCE FINDING)</u></p> <p><u>Criteria:</u> A school (LEA) may receive funds under Title I only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I funds. A school is considered to have met the statutory comparability requirements if it has implemented measures to determine comparability.</p> <p><u>Condition:</u> The School Department could not locate the Title I comparability documentation forms for fiscal year 2014.</p> <p><u>Cause:</u> The School Department has not established adequate procedures to ensure the required documentation is maintained.</p> <p><u>Effect and Identification of Questioned Costs:</u> There are no questioned costs as a result of this finding as there are no costs directly associated with this compliance requirement.</p> <p><u>Recommendation:</u> We recommend the School Department complete, submit and retain the required comparability documentation and that measures be taken to ensure that the comparability requirements are met.</p> <p><u>Corrective Action Plan:</u> After years of submitting comparability documents in the same format, the School Department submission for 2014 was deemed inadequate by the federal overseers. The Department is in process</p>	N/A

of revising the documentation to meet the current interpretation of the submission standards.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Resolution</u>
2013-004	School Lunch Cluster 10.555	<u>Improve Verification Procedures (Compliance Finding)</u>	Satisfactorily Resolved
2013-005	CDBG 14.218	<u>Comply with Reporting Requirements (Compliance Finding)</u>	Satisfactorily Resolved