

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, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 5, 2016.

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 control that might be material weaknesses or significant deficiencies and therefore, ma-

terial 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 2015-001 through 2015-003 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 2015-004 and 2015-005 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 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 2015-006.

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.

Melanson Heath

July 5, 2016

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, Massachusetts' 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, 2015. 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 Title I

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable costs/cost principles as described in finding number 2015-007 for CFDA 84.010 Title I. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Title I

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 program for the year ended June 30, 2015.

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, 2015.

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, 2015, and the related notes to the

financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 5, 2016, which contained the following opinions on those financial statements.

Opinion Unit	Audit Opinion
Aggregate discretely presented component units	Adverse
Business-type activities	Adverse
Aggregate remaining fund information	Qualified
Governmental activities	Unmodified
Major funds	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

July 5, 2016

City of Holyoke, Massachusetts
Schedule of Federal Expenditures of Federal Awards
For the Year Ended June 30, 2015

<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 Elementary and Secondary Education:		
School Breakfast	10.553	\$ 961,554
National School Lunch Program	10.555	2,619,637
Summer Program	10.559	195,440
Fresh Fruit and Vegetable Program	10.582	<u>168,494</u>
Total Department of Agriculture		3,945,125
 <u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	1,026,122
Depot Square Redevelopment	14.703	16,249
Passed through Commonwealth of Massachusetts		
Department of Housing and Community Development		
HOME	14.239	<u>898,853</u>
Total Department of Housing and Urban Development		1,941,224
 <u>U.S. Department of Criminal Justice</u>		
Underage Alcohol Enforcement Grant	16.727	1,487
Justice Assistance Grant	16.735	45,779
Byrne JAG Grant	16.738	<u>40,548</u>
Total Department of Criminal Justice		87,814
 <u>U.S. Department of Labor</u>		
Passed through Commonwealth Corporation		
Hampshire Training and Employment Consortium		
Youth At Risk Summer Jobs	17.259	<u>158,302</u>
Total Department of Labor		158,302
 <u>U.S. Department of Transportation</u>		
LEPC Hazmat Exercise Grant	20.703	<u>1,499</u>
Total Department of Transportation		1,499
 <u>U.S. Department of Environmental Protection</u>		
Brownfields Assessment Program	66.818	<u>275,960</u>
Total Department of Environmental Protection		275,960

(continued)

(continued)

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Passed through Commonwealth of Massachusetts		
Department of Elementary and Secondary Education		
ABE Federal Programs	84.002	26,153
Title I Grants to Local Educational Agencies	84.010	6,736,630
Special Education - Grants to States	84.027	1,844,921
Vocational Education - Basic Grants to States	84.048	134,467
McKinney Homeless	84.196	35,134
21st Century Learning Centers	84.287	697,737
Massgrad Initiative	84.360	137,352
Title III - LEP Support	84.365	136,629
Improving Teacher Quality State Grants	84.367	735,832
School Redesign Implementation ARRA	84.388	718,345
Race to the Top	84.395	1,308,980
Passed through Commonwealth of Massachusetts		
Department of Early Education and Care		
SPED Early Childhood	84.173	<u>63,294</u>
Total U.S. Department of Education		12,575,474
<u>U.S. Department of Health and Human Services</u>		
<u>Office of the Secretary</u>		
Medical Reserve Corps Small Grant Program	93.008	2,601
Passed through Commonwealth of Massachusetts		
Department of Public Health		
Personal Responsibility Education Program	93.092	64,646
CDC Community Transformation	93.531	<u>32,710</u>
Total Department of Health and Human Services		99,957
<u>U.S. Department of Homeland Security</u>		
Passed through Massachusetts Emergency		
Management Agency		
Assistance to Firefighters Grant	97.044	128,900
Fire SAFER Grant	97.083	<u>733,925</u>
Total Department of Homeland Security		<u>862,825</u>
Total Federal Expenditures		<u>\$ 19,948,180</u>

The accompanying notes are an integral part of this schedule.

CITY OF HOLYOKE, MASSACHUSETTS

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported for the School Breakfast Program – Cash Assistance and the National School Lunch Program – Cash Assistance represent federal reimbursements provided during the year. Pass-through entity identifying numbers were not available.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the amounts provided to subrecipients was not available.

CITY OF HOLYOKE, MASSACHUSETTS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

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 allowable costs/cost principles.

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>
66.818	Brownfield Grant
84.010	Title I
84.027 / 84.173	SPED Cluster
84.388	School Redesign Implementation – ARRA
97.083	Fire SAFER Grant

Dollar threshold used to distinguish between type A and type B programs: \$598,445

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding

Finding/Noncompliance

2015-001 IMPROVE CASH RECONCILIATION PROCEDURES IN TREASURER'S OFFICE (MATERIAL WEAKNESS)

As noted in prior years, our review of processes and procedures in the Treasurer's office found several areas where improvement is needed. Specifically:

- During our review of the Treasurer's cash book we found there continue to be large outstanding reconciling items from prior fiscal years. When those items were eliminated from the Treasurer's reconciled balance, the cash book was higher than the general ledger by approximately \$150,000.

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

- Our review of the reconciliation procedures in the Treasurer's office indicate a significant lag in performing bank account reconciliations, often resulting in cash book corrections being made three months or more after the fact.

Since the general ledger is reconciled to the cash book, it is imperative that cash book balances be reconciled to bank activity in a timely manner to ensure their accuracy.

- 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:

Reconciling Items. The new Treasurer has examined reconciling items from previous years and identified the cause of inconsistencies. Adjustments will be made at year-end fiscal year 2016 closing and the balances will be kept reconciled thereafter.

Bank reconciliations. During the transition to the new Treasurer the Treasurer's office was not fully staffed and bank reconciliations were not performed monthly. The office is now at full staffing and all reconciliations are kept current.

Bank Accounts. As noted, last year the city had 61 bank accounts. Since then the Treasurer has closed 11 of those accounts. Work is continuing, with five more accounts in the process of being closed, but some accounts cannot be closed until a certain statute of limitations date has been reached. Ultimately we do not anticipate getting below about 40 accounts, as we must maintain separate accounts to keep different funds segregated (operating funds, stabilization funds, HG&E funds, scholarship funds, etc.) and we want to use multiple banks to hedge institutional risk.

2015-002 IMPROVE CONTROLS OVER RECEIVABLES (MATERIAL WEAKNESS)

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

- While the Collector's office ran detailed balance due reports at year-end, the files were found to be corrupted and therefore, the balances per the general ledger could not be compared to the Collector's balances. Alternatively, we compared the balances in January 2016 and noted small differences in personal property taxes and motor vehicle excise receivables, but noted a variance of approximately \$300,000 in total real estate taxes receivables (general ledger balances higher than Collector).
- Tax lien receivable could not be reconciled to the Treasurer's detail records. The general ledger balance was approximately \$300,000 more than the Treasurer's detail.
- Sewer user charges and sewer tax lien receivables could not be reconciled to the Sewer Department's detail records. The variances were approximately \$115,000 (general ledger higher) and (\$70,000) (general ledger lower), respectively. In addition, reconciliations between the general ledger and Sewer Department records were not up-to-date as of audit fieldwork. In January 2016, reconciliations had only been completed through April 2015.
- Parking ticket receivables are not recorded in the City's general ledger and consequently are not reconciled to the detailed balance due reports. 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 or general ledger. This significantly increases the risk that errors or irregularities related to parking ticket transactions may occur and go undetected.
- While the City does have a process in place to lien unpaid real estate taxes, they are currently a year behind. Unpaid 2015 taxes were not committed to tax liens in fiscal year 2015, as allowed by law.

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:

Property Tax, Tax Liens, Sewer Charges. As previous audits have noted, year-end receivables were not properly balanced by the Collector for several years. The new Collector is working assiduously to analyze all differences in the accounts and reconcile all differences. We expect to have fully reconciled balances through year-end fiscal year 2016 during Q1 2017. Thereafter the Collector plans to reconcile balances monthly.

Parking tickets. The total annual volume of parking ticket revenue is only \$150,000. We do not believe this warrants the staffing, effort or expense to set up an elaborate system of receivables tracking.

Tax liens. Like most cities we know of, we do not place liens on unpaid taxes until an entire year of taxes has been billed. We do not anticipate changing this policy.

2015-003 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. These transfers were not made in a timely manner in fiscal year 2014 or 2015. As a result, as of June 30, 2015, 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:

In fiscal year 2016 the Treasurer accelerated the process of reimbursing the General Fund for trust fund disbursements. All disbursements are now reimbursed by year-end.

2015-004 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 four fiscal years:

<u>Fiscal Year</u>	<u>Net Income / (Loss)</u>
2012	\$(34,388)
2013	\$(1,066,341)
2014	\$(486,298)*
2015	\$461,025**

* 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).

** The fiscal year 2015 net income includes a transfer from the general fund to cover a budgeted operational deficit of \$1,208,425. Without the transfer, the net results of operations for fiscal year 2015 would have been \$(747,400).

In addition, based on a review of the City's fiscal year 2016 budget, the City's general fund will again be subsidizing a structural deficit in the sewer fund of \$(788,809).

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 in-

crease in order to finance sewer operations and capital improvements on an ongoing basis.

City's Response:

The Sewer Fund has operated at a growing deficit since the imposition of federally-mandated Combined Sewer Overflow modifications in 2010. For 2017 the City has made some changes that will reduce that deficit. First, we adopted a policy of using water shutoff as a lever to compel sewer bill payment (historically non-payment of bills has been one driver of the Sewer Fund deficit). Second, the City Council reduced the total expense of the Sewer Fund by transferring the responsibility for street sweeping to the DPW (and the expense to the General Fund). Ultimately, however, reducing the Sewer Fund's structural deficit will require some form of rate increase, which the Council has consistently refused to do.

2015-005 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.

Because the City has already paid the officers, unpaid fees result in a deficit in this fund at year end of approximately \$(220,000). 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 at least a quarterly basis.

City's Response:

The Police Department has spent considerable time analyzing the Outside Detail fund. While there is a large balance of current receivables, the majority of the fund's deficit stems from receivables created prior to the current administration, and the probability of collection is slim. To offset this deficit the Police Department is planning to implement an administration fee to be added to each invoice. Revenue from the administration fee would offset past and future collection shortfalls. The establishment of this fee is part of current union negotiations.

As with parking tickets, the total annual volume of Police Detail revenue is only \$150,000. We do not believe this warrants the staffing, effort or expense to set up an elaborate system of receivables tracking in the general ledger. Receivables are tracked in a separate system.

2015-006 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:

In June 2016 the City Council added a third member to the Board of Assessors, meeting legal requirements.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
2015-007	Title I 84.010	<p><u>MAINTAIN TIME AND EFFORT DISTRIBUTION RECORDS – TITLE I (COMPLIANCE FINDING)</u></p> <p><u>Criteria:</u> Documentation must be maintained in accordance with Federal cost principles (OMB Circular A-87 and/or Uniform Guidance) to support payroll allocations for the employees paid solely from the Title I grant funds. These records must be maintained in accordance with Federal cost principles (OMB Circular A-87 and/or Uniform Guidance), and must include periodic certifications to attest that the employee worked solely on the applicable program. The certificates are required at least semi-annually and must be signed by either the employee or a supervisor knowledgeable of the work performed by the employee.</p> <p><u>Condition:</u> Our audit found that in fiscal year 2015, the City had only one certification for employees paid from Title I grant funds instead of the required two and the certifications provided were not dated by the supervisor.</p> <p><u>Cause:</u> The City has not established adequate procedures to ensure compliance with the provisions of applicable Federal cost principles.</p> <p><u>Effect and Identification of Questioned Costs:</u> We have not questioned any costs relative to this</p>	N/A

finding as we were able to substantiate in other ways that the employees' time was spent on grant functions and therefore the related costs were allowable.

Recommendation:

We recommend the City amend their processes and documentation to comply with time and effort requirements in accordance with Federal guidelines.

Corrective Action Plan:

The Holyoke Public Schools agrees with the finding and will implement time and effort procedures to ensure that the proper certifications are received annually.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Resolution</u>
2014-008	Title I 84.010	<u>ENSURE COMPLETION AND RETENTION OF COMPARABILITY RECORDS – TITLE I (COMPLIANCE FINDING)</u>	Satisfactorily resolved