



## **CITY OF HOLYOKE, MASSACHUSETTS**

Independent Auditors' Reports Pursuant  
to Government Auditing Standards  
and Uniform Guidance

For the Year Ended June 30, 2020

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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***

**INDEPENDENT AUDITORS' REPORT**

To the Mayor and City Council  
City of Holyoke, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holyoke, Massachusetts (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 6, 2021.

**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, 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.

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



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 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-004, and 2020-005 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, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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".

Greenfield, Massachusetts  
October 6, 2021





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

**INDEPENDENT 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 (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



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 and Special Education Cluster***

As described in Findings 2020-006 and 2020-007 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable costs/cost principles and special tests for the Title I Grant and allowable costs/cost principles for the Special Education Cluster.

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

***Qualified Opinion on the Title I Grant and Special Education Cluster***

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 and the Special Education Cluster for the year ended June 30, 2020.

***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, 2020.

***City's Response to Findings***

The City's response to the noncompliance findings identified in our audit are described in the corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of



internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-006 and 2020-007 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.





## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 6, 2021, which contained unmodified, qualified, and adverse opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Melanson".

Greenfield, Massachusetts  
October 6, 2021

CITY OF HOLYOKE, MASSACHUSETTS

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

<i>Federal Agency</i>	Federal	Pass Through	Federal	Passed
Cluster	CFDA	Identifying	Expenditures	Through to
Pass-through Agency	Number	Number		Subrecipient
Program Title				
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
School Breakfast Program	10.553	07-137	\$ 1,097,189	\$ -
National School Lunch Program - Cash Assistance	10.555	07-137	1,717,527	-
National School Lunch Program - Non-Cash Assistance	10.555	07-137	290,474	-
Summer Food Service Program for Children	10.559	07-137	749,297	-
Total Child Nutrition Cluster			3,854,487	-
Passed Through Massachusetts Department of Elementary and Secondary Education				
Child and Adult Care Food Program	10.558	07-137-CF-653	247,593	-
Fresh Fruit and Veggies Program	10.582	201909FFV-154	49,666	-
Total U.S. Department of Agriculture			4,151,746	-
<b>U.S. Department of Housing and Urban Development</b>				
Direct Federal Program				
Community Development Block Grants/Entitlement Grants - Year 2019	14.218	n/a	698,199	357,376
Community Development Block Grants/Entitlement Grants - Year 2018	14.218	n/a	226,070	18,264
Community Development Block Grants/Entitlement Grants - Year 2017	14.218	n/a	75,119	-
HOME Investment Partnerships Program - Year 2019	14.239	n/a	627,804	23,298
HOME Investment Partnerships Program - Year 2018	14.239	n/a	120,858	-
HOME Investment Partnerships Program - Year 2017	14.239	n/a	136,457	-
HOME Investment Partnerships Program - Year 2016	14.239	n/a	125	-
Total U.S. Department of Housing and Urban Development			1,884,632	398,938
<b>U.S. Department of Justice</b>				
Passed Through Massachusetts Executive Office of Public Safety and Security				
COVID-19 - Coronavirus Emergency Supplement	16.034	unavailable	3,654	-
Bulletproof Vest Partnership Program	16.607	unavailable	27,445	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unavailable	14,615	-
Second Chance Reentry Initiative	16.812	unavailable	193,892	-
Total U.S. Department of Justice			239,606	-
<b>U.S. Department of the Treasury</b>				
Passed Through the Massachusetts Executive Office for Administration and Finance				
COVID-19 - Coronavirus Relief Fund	21.019	COVID 19 137	36,910	-
Total U.S. Department of the Treasury			36,910	-
<b>U.S. Department of Education</b>				
Special Education Cluster				
Passed Through Massachusetts Department of Elementary and Secondary Education				
Special Education Grants to States	84.027	240-291570-2020-0137	1,903,998	-
Special Education Preschool Grants	84.173	262-291571-2020-0137	72,709	-
Total Special Education Cluster			1,976,707	-
Passed Through Massachusetts Department of Elementary and Secondary Education				
Title I Grants to Local Educational Agencies	84.010	305-291138-2020-0137	5,973,124	-
Teacher Diversification Program	84.010	319-371269-2020-0137	194,000	-
Career and Technical Education - Basic Grants to States	84.048	400-291821-2020-0137	191,181	-
Education for Homeless Children and Youth	84.196	310-288715-2020-0137	154,451	-
Twenty-First Century Community Learning Centers	84.287	645-324719-2020-0137	709,356	-
English Language Acquisition State Grants	84.365	180-291137-2020-0137	153,397	-
Improving Teacher Quality State Grants	84.367	140-291136-2020-0137	449,596	-
School Redesign Implementation	84.388	511-292530-2020-0137	523,462	-
Student Support and Academic Enrichment Program	84.424	309-291139-2020-0137	324,269	-
Passed Through Massachusetts Department of Early Education and Care				
Preschool Development Grant	84.419	51816PEG YEAR 3	325,188	-
Total U.S. Department of Education			10,974,731	-
<b>U.S. Department of Health and Human Services</b>				
Passed Through Massachusetts Department of Public Health				
Comprehensive School Health	93.981	unavailable	120,677	-
Mass in Motion	93.991	unavailable	42,163	-
Total U.S. Department of Health and Human Services			162,840	-
<b>U.S. Department of Homeland Security</b>				
Direct Federal Program				
Assistance to Firefighters Grant	97.044	n/a	421,886	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	n/a	208,267	-
Total U.S. Department of Homeland Security			630,153	-
Total Federal Expenditures			\$ 18,080,618	\$ 398,938

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, 2020

#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

#### **Note 2. Summary of Significant Accounting Policies**

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities provided by the Commonwealth.
- The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

During fiscal year 2020 the City did not receive donated PPE from Federal sources.

**CITY OF HOLYOKE, MASSACHUSETTS**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

**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 deficiency(ies) identified?  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 deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major programs:

HOME	Unqualified
Title I Grant	Qualified
Special Education Cluster	Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
14.239	HOME
84.010	Title I Grant
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

## **SECTION II - FINANCIAL STATEMENT FINDINGS**

### **2020-001 Improve Controls Over General Ledger Postings (Material Weakness)**

#### ***Criteria or Specific Requirement***

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

#### ***Condition and Context***

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

#### ***Cause and Effect***

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

#### ***Identification as Repeat Finding***

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2019-001.

#### ***Recommendation***

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

#### ***Views of Responsible Official and Planned Corrective Action***

The City has been working diligently to ensure journal entries are based on official source documentation versus the Treasurer's Cashbook. During fiscal year 2021 and fiscal year 2022 staff training was provided with the communication of the importance of this procedure.

The Auditor's Office staff structure was changed in fiscal year 2022 bringing positions with higher level of responsibility. This change should allow the City to begin to reconcile the general ledger to the Treasurer's Cashbook beginning in fiscal year 2023. This should also assist in ensuring that financial policies and procedures are communicated and followed.

**2020-002 Improve Timeliness and Accuracy of Cash Reconciliation Procedures in the Treasurer's Office (Material Weakness)**

***Criteria or Specific Requirement***

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

***Condition and Context***

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

***Cause and Effect***

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

***Identification as Repeat Finding***

This is not the repeat of a prior year finding.

***Recommendation***

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

***Views of Responsible Official and Planned Corrective Action***

During fiscal year 2020 and fiscal year 2021 the City Treasurer's Office was operating at half-staff, with two open positions. Unfortunately, that left the Treasurer having to focus on daily operations which left other responsibilities lacking. At the end of fiscal year 2021 and beginning of fiscal year 2022 all positions were filled and staff trained in daily operations to relieve the Treasurer of daily activities providing more time for reconciliation of bank statements to the Treasurer's Cashbook.

## 2020-003 Consider Long-Term Financial Plan for the Sewer Fund (Significant Deficiency)

### **Criteria or Specific Requirement**

Enterprise funds are established to separately account for a municipal service for which a fee is charged in exchange for goods or services. Enterprise funds are meant to operate like a business and should strive to cover all costs of operation through user charges (fees).

### **Condition and Context**

As noted in prior years, the results of operations in the sewer fund have been trending negatively over the last several years and have required substantial contributions from the General Fund (GF) over the years. The following summarizes net income/(loss) for the last eight fiscal years:

<u>Fiscal Year</u>	<u>Net Income/ (Loss)</u>	<u>Less: Transfer from GF</u>	<u>Results of Operations</u>
2013	\$ (1,066,341)	\$ -	\$ (1,066,341)
2014	(486,298)	(967,786)	(1,454,084)
2015	534,536	(1,208,425)	(673,889)
2016	(342,602)	-	(342,602)
2017	(376,320)	(773,804)	(1,150,124)
2018	(1,005,655)	(670,166)	(1,675,821)
2019	2,659	(353,690)	(351,031)
2020	(286,889)	(35,092)	(321,981)

### **Cause and Effect**

The City has not established an adequate process to monitor the results of operations in the sewer enterprise fund and as a result, the City's General Fund has been required to supplement operations.

### **Identification as Repeat Finding**

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2019-003.

### **Recommendation**

While we understand the City Council/Sewer Commissioners have approved a rate increase and there is a currently budgeted structural deficit to be funded by general fund operations in fiscal year 2021 of approximately \$1.5 million. We continue to recommend an annual review of these rates for adequacy and consider establishing 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.

### **Views of Responsible Official and Planned Corrective Action**

The City is consistently monitoring the sewer rates and the Sewer Enterprise Fund although limited by City Council to increase these rates. At the end of fiscal year 2021 the City should end up with a small estimated surplus brought on by an increase in sewer rates in fiscal year 2019 by \$1.25 per 1000 gallon bringing the rate to \$6.65. In fiscal year 2021 rates increased by another \$0.85 cents, bringing the rate to \$7.50, in an effort to cover forecasted increased long-term debt expenses incurred by the Jackson Street Sewer Separation Project.

## **2020-004 Improve Controls Over Police Outside Detail Funds (Significant Deficiency)**

### ***Criteria or Specific Requirement***

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

### ***Condition and Context***

In accordance with a contractual agreement, the City pays the officers upon completion of the details, and not when the fees are collected. Because the City has already paid the officers, unpaid fees result in a deficit in this fund at year end of approximately \$(285,000).

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

### ***Cause and Effect***

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

### ***Identification as Repeat Finding***

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2019-004.

### ***Recommendation***

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

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

### ***Views of Responsible Official and Planned Corrective Action***

The Holyoke Police Department has provided additional staff time and effort in the billing and collections process for their outside detail services and will be working in the upcoming years to cover the ongoing deficit in this special revenue fund.



## **2020-005 Improve Controls Over Receivables (Significant Deficiency)**

### ***Criteria or Specific Requirement***

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

### ***Condition and Context***

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

- Reconciliations between the Collector's detail and control balances are not performed on a monthly or quarterly basis.
- Real estate receivables reconciled between the general ledger and the Collector's control accounts, but neither reconciled to the Collector's detail. Differences varied by levy year, but overall, the detail accounts were approximately \$(650,000) lower than the general ledger and control accounts.
- Sewer user charges and sewer tax lien receivables in the general ledger could not be reconciled to the Sewer Department's detail records. The general ledger was approximately \$91,000 higher than the sewer user charges detail and \$234,000 higher than the tax lien detail.
- Parking ticket receivables were not recorded in the City's general ledger and consequently were not reconciled to the detailed balance due reports. In addition, commitments and abatements were not provided to the City Auditor's office for inclusion in the general ledger. Control totals were not maintained or reconciled to the detailed outstanding list or general ledger. This significantly increases the risk that errors or irregularities related to parking ticket transactions may occur and go undetected.

### ***Cause and Effect***

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

### ***Identification as Repeat Finding***

As identified in Section IV, the Schedule of Prior Year Findings, this is a modification and repeat of finding 2019-005.

### ***Recommendation***

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

### ***Views of Responsible Official and Planned Corrective Action***

The City currently books journal entries to account for their current fiscal year revenues. This method of accounting leaves much room for error and is very time consuming when ultimately these entries could be automatically posted to the general ledger through our Munis financial accounting software. The Tax Collector, Treasurer, and City Auditor will be working with our Munis consultant in upcoming fiscal years to see how we can better utilize our system to create more efficient and effective processes for incoming cash receipts for payments for taxes and other City services.

## SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

### 2020-006 Maintain Adequate Time and Effort Documentation and Documentation of Pay Rates

**Federal Agency:** U.S. Department of Education

**Cluster/Program:** Title I & Special Education Cluster

**Award Name:**

**CFDA Number(s):** 84.010 & 84.027/84.173

**Award Year:** 2020

**Compliance Requirement:** Allowable Costs/Cost Principles

#### ***Type of Finding***

Compliance

Internal Control over Compliance - Significant Deficiency

#### ***Criteria or Specific Requirement***

Federal grant recipients are required to maintain Federally compliant documentation to support time and effort of employees working solely or partially on Federal grants. These records must be maintained in accordance with Federal cost principles (Uniform Guidance), and must, in some documented fashion, provide evidence that the time charged to Federal programs represents the time actually spent on that grant function by the employee. For employees who work partially on grant activities, time logs can be prepared and must be signed by either the employee or a supervisor knowledgeable of the work performed by the employee. For employees who work solely on grant activities, semi-annual certifications can be prepared and also must be signed by either the employee or a supervisor knowledgeable of the work performed by the employee.

#### ***Condition and Context***

During testing of time and effort documentation related to the employees charged to the Title I and Special Education grants, we found that semi-annual certifications were prepared for all fourteen employees tested for fiscal year 2020, however, they were both signed in January 2021. Certifications should be prepared and approved on a semi-annually basis.

In addition, during our testing of payroll transactions charged to the Title I grant we noted three instances where the School Department was unable to provide us with documentation to support rates of pay for employees who were considered off-step. Since documented rates of pay are not easily accessible, there is an increased risk of errors or irregularities occurring and going undetected.

#### ***Cause***

The City has not established adequate procedures to ensure compliance with the provisions of applicable Federal cost principles.

#### ***Effect***

Due to the issues noted above, known questioned costs are reported as \$196,653.

#### ***Identification as Repeat Finding***

As identified in Section IV, the Schedule of Prior Year Findings, this is a modification and repeat of finding 2019-007.

***Recommendation***

We recommend the City amend their processes and documentation to comply with time and effort requirements in accordance with applicable Federal guidelines. We also recommend the School Department create an employee payroll status form in order to document employee rates of pay, the reasons for payroll changes, and approval by an appropriate official, such as the Superintendent or Business Manager.

***Views of Responsible Official and Planned Corrective Action***

Management's views and corrective action plan is included in the separate corrective action plan report.

## **2020-007 Improve Controls Over Student Enrollment Classifications**

**Federal Agency:** U.S. Department of Education

**Cluster/Program:** Title I

**Award Name:**

**CFDA Number(s):** 84.010

**Award Year:** 2020

**Compliance Requirement:** Special Tests

### ***Type of Finding***

Compliance

Internal Control over Compliance - Significant Deficiency

### ***Criteria or Specific Requirement***

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

### ***Condition and Context***

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

### ***Cause***

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

### ***Effect***

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

### ***Identification as Repeat Finding***

As identified in Section IV, the Schedule of Prior Year Findings, this is a repeat of finding 2019-008.

### ***Recommendation***

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

### ***Views of Responsible Official and Planned Corrective Action***

Management's views and corrective action plan is included in the separate corrective action plan report.

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

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Status</u>
2019-001	N/A	Improve Controls Over General Ledger Postings (Material Weakness)	Modified and repeated as finding 2020-001
2019-002	N/A	Improve Timeliness of Trust Fund Cash Transfers (Material Weakness)	Satisfactorily resolved
2019-003	N/A	Consider Long-Term Financial Plan for the Sewer Fund (Significant Deficiency)	Modified and repeated as finding 2020-003
2019-004	N/A	Improve Controls Over Police Outside Detail Funds (Significant Deficiency)	Modified and repeated as finding 2020-004
2019-005	N/A	Improve Controls Over Receivables (Significant Deficiency)	Modified and repeated as finding 2020-005
2019-006	N/A	Improve Controls Over Budget Process (Compliance Finding)	Satisfactorily resolved
2019-007	Title I 84.010	Maintain Time and Effort Documentation – Title I Grant (Compliance Finding/Significant Deficiency)	Modified and repeated as finding 2020-006
2019-008	Title I 84.010	Improve Controls Over Student Enrollment Classifications (Compliance Finding/Significant Deficiency)	Modified and repeated as finding 2020-007