

TOWN OF BELLINGHAM, MASSACHUSETTS

INDEPENDENT AUDITORS' REPORT AS
REQUIRED BY OMB CIRCULAR A-133
AND ***GOVERNMENT AUDITING STANDARDS***
AND RELATED INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF BELLINGHAM, MASSACHUSETTS

INDEPENDENT AUDITORS' REPORT AS REQUIRED BY OMB CIRCULAR A-133 AND *GOVERNMENT AUDITING STANDARDS* AND RELATED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

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R. E. BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P.O. Box 230
Mendon, Massachusetts 01756

Phone: (508) 478-3941

Fax: (508) 478-1779

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 Honorable Board of Selectmen
Town of Bellingham, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Bellingham, 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 the Town of Bellingham, Massachusetts' major federal programs for the year ended June 30, 2015. The Town of Bellingham, Massachusetts' major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Bellingham, Massachusetts' 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 Town of Bellingham, Massachusetts' 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 Town of Bellingham, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Bellingham, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the OMB A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on the major federal programs are not modified with respect to these matters.

The Town of Bellingham, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Bellingham, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Town of Bellingham, Massachusetts, 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 Town of Bellingham, Massachusetts' 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 Town of Bellingham, Massachusetts' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002, that we consider to be a material weakness.

The Town of Bellingham, Massachusetts response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs.

The Town of Bellingham, Massachusetts 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 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 Town of Bellingham, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Bellingham, Massachusetts' basic financial statements. We issued our report thereon dated June 3, 2016, which contained an unmodified opinion 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully,

A handwritten signature in blue ink that reads "R. E. Brown + Company". The signature is written in a cursive, flowing style.

Certified Public Accountants

June 3, 2016

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

PROGRAM GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	GRANTOR/ PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
SPECIAL EDUCATION CLUSTER:			
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE)			
PL 94-142 PROJECT CLASS - FY 2015	84.027	240-041-5-0025-P	\$ 649,354
SPED PROGRAM IMPROVEMENT - FY 2015	84.027	274-021-5-0025-P	19,681
EARLY CHILD PROGRAM IMPROVEMENT - FY 2015	84.173	298-552-5-0025-P	922
TOTAL PASS-THROUGH PROGRAMS FROM: DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE)			669,957
PASS-THROUGH PROGRAM FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION - DEPARTMENT OF EARLY EDUCATION & CARE (EEC)			
EARLY CHILDHOOD ALLOCATION - FY 2015	84.173	26215BELLINGHAMPUBLIC	27,971
TOTAL SPECIAL EDUCATION CLUSTER:			697,928
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION - DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE)			
TITLE I - FY 2015	84.010	305-043608-2015-0025	165,823
TITLE I - FY 2014	84.010	305-017780-2014-0025	6,746
IMPROVING TEACHER QUALITY STATE GRANT: TEACHER QUALITY - FY 2015	84.367	140-047456-2015-0025	42,810
SCHOOL IMPROVEMENT GRANT	84.377	323-047-5-0025-P	4,256
RACE-TO-THE TOP INCENTIVE GRANT	84.395	133-017-5-0025-P	2,655
TOTAL PASS-THROUGH PROGRAMS FROM: DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE)			222,290
TOTAL U.S. DEPARTMENT OF EDUCATION			920,218
U.S. DEPARTMENT OF AGRICULTURE:			
CHILD NUTRITION CLUSTER:			
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EXECUTIVE OFFICE OF EDUCATION - DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION - BUREAU OF NUTRITION			
SCHOOL BREAKFAST PROGRAM	10.553	11-099	38,152
NATIONAL SCHOOL LUNCH PROGRAM	10.555	11-099	287,159
TOTAL U.S. DEPARTMENT OF AGRICULTURE			325,311
U.S. DEPARTMENT OF HOMELAND SECURITY			
PASS-THROUGH PROGRAMS FROM: MASSACHUSETTS EMERGENCY MANAGEMENT AGENCY			
EMERGENCY MANAGEMENT PERFORMANCE GRANT - 2013	97.042		8,435
EMERGENCY MANAGEMENT PERFORMANCE GRANT - 2015	97.042		9,757
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			18,192
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
PASS-THROUGH PROGRAM FROM: MASSACHUSETTS EXECUTIVE OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT			
COMMUNITY DEVELOPMENT BLOCK GRANT	14.218	CDBG CDF II	642,523
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			642,523
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
PASS-THROUGH PROGRAMS: MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST			
CAPITALIZATION GRANT FOR STATE DRINKING WATER REVOLVING FUNDS - 2014	66.468	DW -13-11	4,735,170
CAPITALIZATION GRANT FOR STATE DRINKING WATER REVOLVING FUNDS - 2013	66.468	DW -13-11	174,098
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			4,909,268
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,815,512

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TOWN OF BELLINGHAM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting policies followed by the Town are as follows:

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant transactions of the Town. The receipts and proceeds from Federal grants are recorded on the modified accrual basis whereby revenue is recognized when it becomes available and measurable. Disbursements of Federal grant funds are recorded on the accrual basis.

II. SCOPE OF AUDIT

The Town of Bellingham, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts. All operations related to the Town's Federal grant programs, (the Department of Agriculture, Department of Education, Department of Homeland Security, U.S. Environmental Protection Agency and Department of Housing and Urban Development), are included in the scope of the OMB Circular A-133 Audit Requirements for audits of state and local governments (the Single Audit). The U.S. Environmental Protection Agency has been designated as the Town's oversight agency for the Single Audit.

III. PERIOD AUDITED

Single audit testing procedures were performed for Town Federal grant transactions during the year ended June 30, 2015.

IV. SCHOOL LUNCH PROGRAM

The Town accounts for local, state and federal expenditures of the National School Lunch and School Breakfast programs in one combined fund. Program expenditures in the accompanying Schedule of Expenditures of Federal Awards represent federal reimbursements for meals provided during fiscal 2015. Non-cash contributions of commodities under the Food Distribution program are received under a State distribution formula and are valued at federally published wholesale prices for purposes of this schedule.

V. SUBRECIPIENTS

The Town of Bellingham, Massachusetts passed no federal awards through to sub-recipients during the period under audit.

R. E. BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P.O. Box 230
Mendon, Massachusetts 01756

Phone: (508) 478-3941

Fax: (508) 478-1779

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 Honorable Board of Selectmen
Town of Bellingham, 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 Town of Bellingham, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Bellingham, Massachusetts' basic financial statements, and have issued our report thereon dated June 3, 2016

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bellingham, Massachusetts' 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 Town of Bellingham, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bellingham, Massachusetts' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bellingham, Massachusetts' 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

Town of Bellingham's Response to Finding

Town of Bellingham's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Town of Bellingham's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 results 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.

Respectfully,

A handwritten signature in blue ink that reads "R. E. Brown + Company". The signature is written in a cursive, flowing style.

Certified Public Accountants

June 3, 2016

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified Opinion

Internal Control over Financial Reporting:

- Material Weakness(es) Identified? _____ Yes X No
- Significant Deficiency(ies) Identified? _____ Yes X No

Noncompliance Material to the Financial Statements Noted? _____ Yes X No

Federal Awards

Internal Control over Major Programs:

- Material Weakness(es) Identified? X Yes _____ No
- Significant Deficiency(ies) Identified? _____ Yes X No

Type of Auditors' Report Issued on Compliance for the Major Programs: Unmodified Opinion

Any Audit Findings Disclosed that are Required to be
Reported in Accordance with Section 501(a) of OMB Circular A-133? X Yes _____ No

Identification of the Major Programs:

CFDA No.	Name of Federal Programs or Clusters
84.027 & 84.173	Special Education Cluster
10.553 & 10.555	Child Nutrition Cluster
14.218	Community Development Block Grant
66.468	Capitalization Grants for Drinking Water

Dollar Threshold used to Distinguish Between Type A and
Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? _____ Yes X No

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT – NONE.

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS

Finding 2015-001 – Special Education Cluster – CFDA No.’s 84.027 & 84.173; Grant period: Year Ended June 30, 2015

Criteria:

Massachusetts Department of Education and Secondary Education Requires:

- Final expenditure reports are required to be filed within 60 days of the grant period ending date.

Condition: During our test of controls over compliance it was noted that the Early Childhood Special Education Program Improvement (84.173) final expense report was not filed within 60 days of the grant period ending as required by Massachusetts Department of Education and Secondary Education.

Questioned Costs: None

Context: During our test of the Final Expenditure Reports it was noted that the Early Childhood Special Education Program Improvement (84.173) final expense report was not filed within 60 days of the grant period ending as required by Massachusetts Department of Education and Secondary Education. This appears to be an isolated situation and the information reported on the Final Expenditure Report was accurate, but was filed late.

Effect: Bellingham School Department was not in compliance with the Final Expenditure Reporting requirement date as set forth by the Massachusetts Department of Education and Secondary Education.

Cause: We have to complete the Final Financial Report on-line when the DESE sets it up as available. Each time we tried to access the Final Financial report for this grant, we received a message that “it cannot be completed at this time because there is an unclaimed balance left to draw.” and there was not. We had submitted a decreased grant amendment. After several communications with DESE, they finally released the report for completion on 12/30/2015.

Recommendation: We recommend the Bellingham School Department follow procedures to ensure that the Final Expenditure Report is filed within the 60 days of the grant period ending date as required by the Massachusetts Department of Education and Secondary Education.

Management’s Response: Every attempt will be made to submit all Final Financial Reports within the 60 days of the grant period ending date. If a situation such as this arises again in the future, immediate communication will be sent to DESE to resolve the situation in a timely manner.

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS

Finding 2015-002 – Child Nutrition Cluster – CFDA No.’s 10.553 & 10.555; Grant period: Year Ended June 30, 2015

Criteria: The U.S. Department of Agriculture has established policies and procedures determining eligibility requirements of children, which include establishing adequate internal controls for the maintenance of applications of those individuals applying for benefits.

Condition: During our audit of the Child Nutrition Cluster we requested to review the eligibility and verification of free and reduced applications, it was noted that the applications were not properly completed or authorized. The section that is required to be filled out by the School Department in all cases was not properly completed and in some cases was not authorized.

Questioned Costs: None

Context: The Bellingham School Department did not properly complete and authorize the Massachusetts Free and Reduced Price School Meals Household Applications.

Effect: Bellingham School Department was not compliant in completing the School’s section of the Massachusetts Free and Reduced Price School Meals Household Applications.

Cause: The 2014-2015 Free and Reduced Meal applications were not completed properly by the Food Service Director as she did not provide all of the necessary information such as: official category eligibility, household size and verifying official’s signature.

Recommendation: We recommend the Bellingham School Department follow procedures to ensure that all free and reduced school lunch applications be completed and properly authorized.

Management’s Response: Under new leadership, the current Food Service Director ensures to properly complete all Free and Reduced meal applications as required by the USDA & DESE. We provided proof of current applications to show that we currently are following procedure and will continue to do so.

**TOWN OF BELLINGHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

D. PRIOR YEAR FINDINGS & QUESTIONED COSTS –

Finding 2014-001 – Child Nutrition Cluster – CFDA No.’s 10.553 & 10.555; Grant period: Year Ended June 30, 2014

Criteria: The U.S. Department of Agriculture has established policies and procedures surrounding determining eligibility requirements of children, which include establishing adequate internal controls for the maintenance of applications of those individuals applying for benefits.

Condition: During our audit of the Child Nutrition Cluster we requested to review the eligibility and verification of free and reduced applications it was communicated to us by the School Department that all of the applications for FY 2014 have been misplaced and could not be located.

Questioned Costs: This finding does result in questioned costs as it relates to free and reduced meals in the amount of \$191,442.81 for the National School Lunch program and \$31,581.35 for the National School Breakfast program.

Context: We were unable to test the eligibility and verification of free and reduced applications for FY 2014 as the School Department has misplaced and could not locate the applications. As such we were unable to select a sample of applications and test whether the applications were properly approved for free or reduced school meals. The School Food Service Director at the end of the fiscal year files all reports and material into a box which is then placed into storage. The School Department was able to locate all FY 2013 documentation, all additional FY 2014 material and FY 2015 documentation. Unfortunately the FY 2014 applications could not be located and was not in the FY 2014 box. In addition we were unable to verify the accuracy and completeness of the Verification Summary Report sample size that would have been completed in FY 2014. This is a key and significant compliance requirement as it relates to the Child Nutrition Cluster.

Effect: No audit evidence could be provided that the free and reduced applications were properly completed and verified by the Bellingham School Department. Therefore we were not able to determine if the department was in compliance with the Eligibility requirements of the program.

Cause: School Food Service personnel did not execute due care when filing the FY 2014 school meals benefits application to ensure they were placed in storage properly in accordance with our standard operating procedures.

Recommendation: We recommend the Bellingham School Department follow procedures to ensure that all free and reduced school lunch applications be filed and retained.

Management’s Response: We concur with the auditor’s recommendation and will follow procedures to ensure that all free and reduced price meal benefits application are filed and retained in accordance with district policy. In addition, a digital copy of each applications will be made and retained as backup of the original applications.

Current Status: The recommendations have been adopted for Fiscal Year 2015.