



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

CITY OF SPRINGFIELD, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2022



To the Honorable Mayor, the City Council, and Management
City of Springfield, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield, Massachusetts as of and for the year ended 2022 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2021), in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City's written responses to the matters identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of the City of Springfield, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

November 30, 2022

CITY OF SPRINGFIELD, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2022

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Current Year Comments

CASH AND RECEIVABLE RECONCILIATIONS

Comment

During fiscal year 2022 turnover within the Treasurer's office led to bank statement reconciliations not being completed on a timely basis, and overall cash and receivable reconciliations between the Treasurer's subsidiary ledgers and the City's general ledger not being performed timely. The cash reconciliation process is one of the most important internal control functions of the City and problems with this process increase the City's risk that errors or irregularities will not be identified and corrected timely. Ultimately, the cash and the receivable accounts were reconciled, months after the close of the fiscal year with assistance from outside consultants.

Recommendation

We recommend that these reconciliation processes be monitored by management to ensure that monthly reconciliations of cash and receivables balances are occurring in order to maintain accurate financial records, which is a critical element of internal control procedures. Monthly reconciliations will allow for variances to be identified and resolved timely.

City's Response

The City agrees with the comment and management has improved existing procedures to ensure that monthly reconciliations are completed on a timely basis by the staff of the City Treasurer's Office. The improved procedures include a cross training program of all staff that will alleviate future delays caused by staff turnover. Management is also implementing a reorganization plan in the Treasurer's office to recruit and retain staff members.

Prior Year Continuing Comments

PAYROLL DEPARTMENT COMMUNICATION CHANGES DURING THE COVID-19 PANDEMIC

Previous Comment

During our Fiscal year 2020 audit we became aware of some communication changes that were made as the result of the COVID-19 Pandemic. Prior to the Pandemic, the Payroll Department would accept payroll change forms from employees by mail or fax only. This policy helped ensure that the change requests being made were from the intended parties. With the onset of the Pandemic and the remote working conditions for most employees; the Payroll Department started to receive payroll change requests via e-mail. This caused concern for the Department because they were not always sure that the requests for change were valid and additional steps had to be taken to verify the information with the actual employees.

We believe, and the Payroll Department agrees, that communicating sensitive payroll information via e-mail unnecessarily exposes both the City and the employees to the risks of the information being illegally intercepted or hacked by outside parties. The Department discourages these types of communications, but they have been occurring.

Continuing Recommendation

We recommend that the Payroll Department should notify all employees that they will only process payroll change requests that are received by mail or fax, as the original policy stated, and that e-mail requests will not be processed. We understand that e-mail communications are still being accepted and processed by the Payroll Department.

We also recommend that management of each Department carefully monitor changes in Internal Controls brought about by this pandemic so that City assets and other pertinent information is not subjected to undue risk of loss or misuse.

City's Current Response

Management agrees with the finding and the Payroll Department is only accepting changes that are received by mail or fax. Management has completed a review of changes made out of necessity during the COVID-19 pandemic that may have presented a weakness to the City's internal control framework. Management has reinstated most policies and procedures formerly in place prior to the pandemic after a thorough review. Management also recognizes that certain changes made out of necessity during the pandemic have resulted in efficient and sound new procedures and they have been adopted on a permanent basis.

FUEL PUMPS AT THE CITY OWNED GOLF COURSES

Previous Comment

During our annual audit of the City, we conducted site visits over the inventory management systems at the Parks and DPW Departments. The Franconia and Veteran's Memorial golf courses each have two 500 gallon tanks that supply gas and diesel fuel for golf carts, lawn tractors, and other equipment at the courses. We noted that the fuel pumps at both courses are old and may not always provide accurate information regarding usage. For instance, we were told that the Franconia pump's meters don't work correctly, and employees are not able to rely on the meter readings. Employees manually dip the tanks to get current level readings for reconciliation purposes, however these measurers are not completely accurate for usage reconciliation purposes.

Continuing Recommendation

We recommend that the City should consider upgrading these fuel pumps as it appears that they have been in service longer than their estimated useful lives.

City's Current Response

The City agrees with this comment and the purchase of a new fuel pump for each municipal golf course has been added to the City's Capital Improvement Plan as a priority investment. The City's Chief Administrative and Financial Officer has earmarked funding in the City's Fiscal Year 2024 Pay Go Capital Account to fund the replacement at both golf courses.

Informational Comment

RETIREMENT SYSTEM FUNDED RATIO

Previous Comment

To comply with Massachusetts General Laws, the Springfield Contributory Retirement System (System) must be fully funded by 2040. As reflected in the most recent actuarial valuation (January 1, 2020), the funded ratio for the System was 30.2% (27% in the previous valuation). The funded ratio is the percentage of the accrued liabilities that are covered by assets accumulated to satisfy the liability. The System's ratio ranks among the lowest percentages in the nation. The current funding schedule places the System in a precarious position which could require future borrowing to fully fund the retirement plan.

Continuing Recommendation

We continue to recommend the System adopt a more aggressive funding schedule in order to avoid the need for future borrowing.

City's Current Response

A new funding schedule was adopted by the Springfield Retirement Board in FY23 in response to the recent actuarial valuation. The Schedule has total appropriations increasing 9.2% each year through FY33, with a final amortization payment in FY34. The new schedule also drops the assumed Investment return from 7.25% to a more conservative 7.0%. The Mayor and City Council approved an Appropriation from Free Cash of \$15M to the City's Pension Stabilization Fund in February of Fiscal Year 2023.