

CITY OF SPRINGFIELD, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2013

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REPORTS ON FEDERAL AWARD PROGRAMS
FISCAL YEAR ENDED JUNE 30, 2013

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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 Auditor's Report

To the Honorable Mayor, the City Council, and Management
City of Springfield, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Massachusetts, as of and for the year ended June 30, 2013 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City of Springfield, Massachusetts' basic financial statements and have issued our report thereon dated December 12, 2013. Our report includes a reference to other auditors who audited the financial statements of the Springfield Redevelopment Authority and the Springfield Library and Museums Association, as described in our report on the City of Springfield, Massachusetts' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. The financial statements of the Springfield Library and Museums Association were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Springfield, 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 City of Springfield, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield, 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 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 City of Springfield, Massachusetts' financial statements are free of 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*.

Purpose of this Report

This 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.

A handwritten signature in black ink that reads "Powers + Johnson, LLC". The signature is written in a cursive, flowing style.

December 12, 2013



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Springfield, Massachusetts' compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Springfield, Massachusetts' major federal programs for the year ended June 30, 2013. The City of Springfield, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Springfield, Massachusetts' basic financial statements include the operations of two component units; the Springfield Redevelopment Authority and the Springfield Library and Museums Association, which received \$1,799,875 and zero, respectively, in federal awards which are not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the Springfield Redevelopment Authority and the Springfield Library and Museums Association because the component units engaged other auditors to perform audits of their respective financial statements.

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 each of the City of Springfield, 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 City of Springfield, 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 on the City of Springfield, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Springfield, Massachusetts' 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 major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major fund is not modified with respect to these matters.

The City of Springfield, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Springfield, 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 City of Springfield, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of Springfield, 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 City of Springfield, 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. 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.

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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Massachusetts, as of and for the year ended June 30, 2013 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City of Springfield, Massachusetts' basic financial statements. We issued our report thereon dated December 12, 2013, which contained unmodified 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 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.

Powers + Juliani, LLC

December 12, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 1,118,836
Cash Assistance:		
School Breakfast Program	10.553	2,891,931
National School Lunch Program	10.555	9,826,311
Summer Food Service Program for Children	10.559	287,968
Fresh Fruit and Vegetable Program	10.582	<u>488,807</u>
TOTAL DEPARTMENT OF AGRICULTURE		<u>14,613,853</u>
U.S. DEPARTMENT OF DEFENSE:		
<u>Direct Program:</u>		
Language Grant Program	12.900	<u>44,876</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct Programs:</u>		
Community Development Block Grants/Entitlement Grants	14.218	4,868,917
Urban Development Action Grants	14.221	78,757
Emergency Shelter Grants Program	14.231	392,774
Supportive Housing Program	14.235	1,338,391
Shelter Plus Care	14.238	441,142
Home Investment Partnerships Program	14.239	1,466,914
Housing Opportunities for Persons with AIDS	14.241	498,519
Community Development Block Grants/Brownfield Economic Development Initiative	14.246	133,988
Community Development Block Grants Section 108 Loan Guarantees	14.248	916,264
Community Development Block Grant/Entitlement Grants, Recovery Act	14.253	76,989
Section 3 Coordination and Implementation	14.419	27,900
Sustainable Communities Regional Planning Grant Program	14.703	21,180
Choice Neighborhoods Planning Grant	14.892	71,470
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	<u>4,635</u>
TOTAL HOUSING AND URBAN DEVELOPMENT		<u>10,337,840</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through Massachusetts Executive Office of Public Safety:</u>		
Violence Against Women Formula Grants, Recovery Act	16.588	34,619
Edward Byrne Memorial Justice Assistance Grant Program	16.738	117,856
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.804	<u>149,701</u>
TOTAL JUSTICE		<u>302,176</u>
U. S. DEPARTMENT OF LABOR:		
<u>Passed through Senior Service America, Inc.</u>		
Senior Community Service Employment Program	17.235	<u>619,816</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
<u>Passed through Massachusetts Board of Library Commissioners:</u>		
Grants to States	45.310	<u>17,681</u>
ENVIRONMENTAL PROTECTION AGENCY:		
<u>Direct Programs:</u>		
Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act	66.818	<u>214,846</u>
U.S. DEPARTMENT OF ENERGY:		
<u>Direct Program:</u>		
Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128	<u>79,691</u>

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Direct Programs:</u>		
Magnet Schools Assistance	84.165	3,780,531
Fund for the Improvement of Education	84.215	396,759
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Adult Education - Basic Grants to States	84.002	186,966
Title I Grants to Local Educational Agencies	84.010	20,062,010
Special Education - Grants to States	84.027	7,561,541
Career and Technical Education - Basic Grants to States	84.048	919,843
Education for Homeless Children and Youth	84.196	48,125
Twenty-First Century Community Learning Centers	84.287	606,167
High School Graduate Initiative	84.360	293,610
English Language Acquisition State Grants	84.365	548,353
Improving Teacher Quality State Grants	84.367	2,655,525
Teacher Incentive Fund	84.374	2,200,829
School Improvement Grants, Recovery Act	84.388	4,422,460
Special Education Grants to States, Recovery Act	84.391	72,610
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	15,000
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	5,392,048
<u>Passed through Massachusetts Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	222,570
TOTAL EDUCATION		<u>49,384,947</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct Programs:</u>		
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	28,528
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	73,641
Consolidated Health Centers	93.224	1,588,079
Community Transformation Grants	93.531	5,545
Grants to Health Center Programs, Recovery Act	93.703	52,228
Health Careers Opportunity Program	93.822	13,245
<u>Passed through Massachusetts Department of Public Health:</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	6,268
TOTAL HEALTH AND HUMAN SERVICES		<u>1,767,534</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
<u>Direct Program:</u>		
Learn and Serve America School and Community Based Programs	94.004	28,158
U. S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through Massachusetts Executive Office of Public Safety and Security:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,465,251
Emergency Management Performance Grants	97.042	157,344
Assistance to Firefighters Grant	97.044	154,397
Homeland Security Grant Program	97.067	168,703
TOTAL HOMELAND SECURITY		<u>3,945,695</u>
TOTAL		<u>\$ 81,357,113</u>

(concluded)

See notes to Schedule of Expenditures of Federal Awards

Note 1 – Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Springfield, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 – Significant Accounting Policies

The accounting and reporting policies of the City of Springfield, Massachusetts, are set forth below:

(a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, grant expenditures are recognized when the related liability is incurred.

Expenditures for disaster grants represent federal reimbursements received and accrued for eligible expenditures recorded during year 2013.

(b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

(c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.

Note 3 – Subrecipients

The City of Springfield provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 133,051
Supportive Housing Program	14.235	<u>413,250</u>
Total		<u>\$ 546,301</u>

Note 4 – Program Clusters

In accordance with Subpart A §_105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
CDBG Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grant ARRA Entitlement Grants	14.253
JAG Cluster	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Special Education Grants to States, Recovery Act	84.391

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of the City of Springfield, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Springfield, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditor’s report on compliance for the major federal award programs for the City of Springfield, Massachusetts, expresses an unmodified opinion.
6. Audit findings relating to the major federal award programs for the City of Springfield, Massachusetts, are described in Note C on the following page.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grants/Entitlement Grants, Recovery Act	14.253
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.804
Brownfields Assessment and Cleanup Cooperative Agreements, Recovery Act	66.818
Title I Grants to Local Educational Agencies	84.010
Teacher Incentive Fund	84.374
School Improvement Grants, Recovery Act	84.388
State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, Recovery Act	84.395

8. The threshold for distinguishing Type A and B programs was \$2,440,713.
9. The City of Springfield, Massachusetts, was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

U.S DEPARTMENT OF EDUCATION

Title I Grants to Local Educational Agencies	84.010
School Improvement Grants, Recovery Act	84.388

2013-001:

Condition and Criteria: Fiscal year 2012 Forms FR-1 (Final Financial Report) for the Title I Grants to Local Education Agencies and the School Improvement Grants, Recovery Act were filed well after the required deadlines of October 31, 2012. There were no extensions granted to allow the late filing of the final reports.

Context: The final reports were filed after the submission deadline for the grant programs noted above.

Cause: Lack of procedures to ensure that the filing of financial reports occurred within the required period.

Effect: The City is not in compliance with grant requirements.

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to ensure that reports are filed timely per the Department of Elementary and Secondary Education (DESE) guidelines.

Views of Responsible Officials: Management has implemented the necessary procedures to ensure compliance with this requirement going forward.

D. Prior Year Audit Findings and Questioned Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Homelessness Prevention and Rapid Re-housing Program, Recovery Act	14.257
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2012-001:

Condition and Criteria: During our audit we noted that City was charged at a rate of 8.5% for indirect costs by a grant sub-recipient for expenditures related to providing direct federal assistance to program participants. The earmarking requirements for this grant set the maximum indirect cost rate at 5% for these types of expenditures.

Current Status: This matter is considered to be resolved.

2012-002:

Condition and Criteria: During our audit we noted that the City did not perform sub-recipient monitoring on a consistent basis as required by A-133.

Current Status: This matter is no longer applicable and is considered to be resolved.

U.S DEPARTMENT OF EDUCATION

Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389
Special Education Grants to States	84.027
Special Education Grants to States, Recovery Act	84.391
Special Education – Preschool Grants, Recovery Act	84.392
State Fiscal Stabilization Fund – Race-to-the-Top, Recovery Act	84.395

2012-003:

Condition and Criteria: During our audit we noted that the City had submitted their Final Financial Reports (FR-1) past the required due dates.

Current Status: Similar findings were noted in our current year audits and this matter has been repeated as Finding 2013-001.