

CITY OF SPRINGFIELD, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2009

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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**

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

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 of Springfield, Massachusetts, as of and for the year ended June 30, 2009, which collectively comprise the City of Springfield, Massachusetts' basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Springfield, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Springfield, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the City of Springfield, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Springfield, Massachusetts' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 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 item #09-1.

We noted certain other matters that we reported to management of the City of Springfield, Massachusetts, in a separate letter dated December 9, 2009.

This report is intended solely for the information and use of management, City Council, and others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

Wakefield, Massachusetts
December 9, 2009



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Springfield, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. The City of Springfield, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Springfield, Massachusetts' management. Our responsibility is to express an opinion on the City of Springfield, Massachusetts' compliance based on our audit.

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. Our audit does not provide a legal determination on the City of Springfield, Massachusetts' compliance with those requirements.

As described in item #09-1 in the accompanying schedule of findings and questioned costs, the City of Springfield, Massachusetts did not comply with requirements regarding documentation and monitoring principles that are applicable to its Home Investment Partnership Program. Compliance with such requirements is necessary, in our opinion, for the City of Springfield, Massachusetts to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Springfield, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Springfield, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Springfield, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 of Springfield, Massachusetts, as of and for the year ended June 30, 2009, (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2008), and have issued our report thereon dated December 9, 2009. In our report, our opinion on the basic financial statements of the City of Springfield, Massachusetts was qualified relating to the exclusion of financial data for four legally separate entities which accounting principles generally accepted in the United States of America require to be reported as discretely presented component units. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Springfield, Massachusetts' 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, and others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wakefield, Massachusetts

February 23, 2010, (except for the Schedule of Expenditures of Federal Awards, as to which the date is December 9, 2009)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Food Distribution	10.550	\$ 799,423
School Breakfast Program	10.553	2,383,840
National School Lunch Program	10.555	7,811,467
Summer Food Service Program for Children	10.559	<u>293,946</u>
TOTAL DEPARTMENT OF AGRICULTURE		<u>11,288,676</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
Community Development Block Grants/Entitlement Grants	14.218	3,704,943
Urban Development Action Grants	14.221	107,374
Emergency Shelter Grants Program	14.231	186,798
Supportive Housing Program	14.235	1,364,964
Shelter Plus Care	14.238	211,406
HOME Investment Partnership Program	14.239	1,459,195
Housing Opportunities for Persons with AIDS	14.241	404,269
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	11,512
Community Development Block Grants Section 108 Loan Guarantees	14.248	1,010,034
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	<u>38,802</u>
TOTAL HOUSING AND URBAN DEVELOPMENT		<u>8,499,297</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
Public Safety Partnership and Community Policing Grants	16.710	19,894
<u>Passed through Massachusetts Executive Office of Public Safety:</u>		
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	169,721
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	505,252
Violence Against Women Formula Grants	16.588	29,086
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>262,026</u>
TOTAL JUSTICE		<u>985,979</u>
<u>U. S. DEPARTMENT OF LABOR:</u>		
<u>Passed through Senior Service America, Inc.</u>		
Senior Community Service Employment Program	17.235	<u>889,976</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES:</u>		
<u>Passed through Massachusetts Board of Library Commissioners:</u>		
Grants to States	45.310	<u>11,108</u>
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	<u>174,823</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>		
Magnet Schools Assistance	84.165	3,282,614
Fund for the Improvement of Education	84.215	424,161
Arts in Education	84.351	298,744
Striving Readers	84.371	3,278,275

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION - continued:		
<u>Passed through State Department of Elementary and Secondary Education:</u>		
Adult Education State Grant Program	84.002	187,572
Title I Grants to Local Educational Agencies	84.010	19,162,315
Special Education Grants to States	84.027	7,204,099
Vocational Education Basic Grants to States	84.048	819,751
Federal, State, and Local Partnership for Educational Improvement	84.151	10,908
Safe and Drug Free Schools and Communities State Grants	84.186	282,957
Education for Homeless Children and Youth	84.196	10,797
State School Improvement Grants	84.218	41,281
Twenty-First Century Community Learning Centers	84.287	867,437
Education Technology State Grants	84.318	336,227
Reading First State Grants	84.357	666,533
Literacy Through Libraries	84.364	193,909
English Language Acquisition Grants	84.365	651,601
Improving Teacher Quality State Grants	84.367	3,265,857
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	27,630,323
 <u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	<u>205,798</u>
 TOTAL EDUCATION		 <u>68,821,159</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Model State-Supported Area Health Education Centers	93.107	52,706
Consolidated Health Centers	93.224	1,154,815
<u>Passed through Massachusetts Department of Public Health:</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	135,705
<u>Passed through Massachusetts Department of Higher Education</u>		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	<u>1,713</u>
 TOTAL HEALTH AND HUMAN SERVICES		 <u>1,344,939</u>
 U. S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through Massachusetts Executive Office of Public Safety and Security:</u>		
State and Local Homeland Security Training Program	97.005	5,921
Assistance to Firefighters Grant	97.044	253,541
Metropolitan Medical Response System	97.071	<u>61,028</u>
 TOTAL HOMELAND SECURITY		 <u>320,490</u>
 TOTAL		 <u>\$ 92,336,447</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 cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.

(b) Child Nutrition Cluster - Program expenditures represent federal reimbursement for meals provided during the fiscal 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	\$ 137,602
Supportive Housing Program	14.235	700,206
Adult Education State Grant Program	84.002	<u>5,000</u>
Total		<u>\$ 842,808</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
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559

Special Education Cluster

Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

CDBG – Entitlement and (HUD-Administered) Small Cities Cluster

Community Development Block Grant/Entitlement Grants	14.218
Community Development Block Grant/Small Cities Program	14.219

A. Summary of Auditors’ Results

1. The auditors’ report expresses a qualified opinion on the financial statements of the City of Springfield, Massachusetts relating to the exclusion of financial data for four legally separate entities which accounting principles generally accepted in the United States of America require to be reported as discretely presented component units.
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 with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors’ report on compliance for the major federal award programs for the City of Springfield, Massachusetts, expresses a qualified 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 pages.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Magnet Schools Assistance	84.165
State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act	84.394

8. The threshold for distinguishing Type A and B programs was \$2,739,792.
9. The City of Springfield, Massachusetts, was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

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

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Home Investment Partnership Program
CFDA No: 14.239

09-1: *Condition and Criteria:* Under the Home Investment Partnership Program the City is required to conduct long term monitoring of property standards, tenant income levels, and rental limitations as established by HUD. Our inquires and review of the City’s documentation for these requirements indicated that this monitoring is not being conducted on a regularly scheduled basis.

Cause: Lack of personnel in place to conduct the required monitoring.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors’ Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

D. Prior Year Audit Findings and Questioned Costs

MATERIAL WEAKNESS

08-1: Failure of the School Department to Record Transportation Expenditures in the Proper Fiscal Period

Current Status: During fiscal year 2009 the City implemented procedures to properly monitor its transportation expenditures and all expenses incurred were properly recorded. We consider this matter to be resolved.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Home Investment Partnership Program
CFDA No: 14.239

08-2: *Condition and Criteria:* Under the Home Investment Partnership Program the City is required to conduct long term monitoring of property standards, tenant income levels, and rental limitations as established by HUD. Our inquires and review of the City’s documentation for these requirements indicated that this monitoring is not being conducted on a regularly scheduled basis.

Cause: Lack of personnel in place to conduct the required monitoring.

Effect: The City is not in compliance with the grant agreements entered into with the Department of Housing and Urban Development (HUD).

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the HUD long term monitoring requirements.

Current Status: The situation has remained unchanged during fiscal year 2009 and the finding has been repeated as current year finding #09-1.

UNITED STATES DEPARTMENT OF EDUCATION

Title 1 Grants to Local Educational Agencies
CFDA No: 84.010

08-3: Condition and Criteria: While testing non-payroll expenditures charged to the 2008 Title 1 grants, we noted instances where 2007 grant expenditures appear to be charged to the 2008 grants.

Cause: Lack of procedures in place to ensure that charges for supplies and services associated with the grant are limited to those applicable to the proper grant year.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: \$77,000

Auditors' Recommendation: We recommend that the District implement procedures to document its compliance with the allowable cost principles of the Title 1 grants.

Current Status: The recommendation was adopted during fiscal year 2009. No similar findings were noted during the 2009 audit.

Title 1 Grants to Local Educational Agencies
Special Education Cluster
Improving Teacher Quality State Grants
Striving Readers
CFDA No: 84.010
CFDA No: 84.027
CFDA No: 84.173
CFDA No: 84.367
CFDA No: 84.371

08-4: Condition and Criteria: During our audit we were provided with the District's documented policies and procedures for identifying and charging employee salaries to the various educational grants. We were provided with listings of approved teachers and support staff whose salaries were to be charged to the grants. From the District's payroll records provided, we attempted to trace individuals to the listing of approved teachers. We were unable to trace numerous individuals to the listings from our sample of

transactions selected. We were informed that approved teacher and staff listings are not always maintained for each individual grant year.

Cause: Lack of procedures in place to maintain proper and accurate listings of the employees to be paid out of these grants during the grant period.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: None

Auditors' Recommendation: We recommend that the District implement procedures to maintain approved listings of staff to be paid out of these grants for each grant year.

Current Status: During fiscal year 2009 the City's School Department implemented procedures to document and monitor the Time & Effort activities of all of its employees. Procedures were implemented requiring department heads and employees to certify their work assignments back to the administrative offices on a periodic basis or as changes or re-assignments were made. No exceptions were noted during our testing of this process during the 2009 audit. Certified time and effort reports were available for all employees selected under the various grants tested.

Special Education Cluster

CFDA No: 84.027

CFDA No. 84.173

08-5: Condition and Criteria: While testing non-payroll expenditures charged to the 2008 Special Education grants, we noted instances where the expenditures were being charged to the inappropriate expense accounts. For example, an invoice paid for clinical services rendered was paid out of an Office Supplies account and in another instance a copier lease payment was charged to a Memberships and Dues account.

Cause: Lack of procedures in place to charge the incurred expenditures to the appropriate expense account.

Effect: The District is not in compliance with the grant agreements entered into with the Department of Education.

Questioned Costs: None

Auditor's Recommendation: We recommend that the District implement procedures to document it's compliance with proper classification the incurred expenses.

Current Status: The recommendation was adopted during fiscal year 2009. No similar findings were noted during the 2009 audit.