

CITY OF SPRINGFIELD, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2012

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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, 2012 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the City of Springfield, Massachusetts' basic financial statements and have issued our report thereon dated December 27, 2012. 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 the 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 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.

Our consideration of the 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 deficiencies, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Springfield, Massachusetts, in a separate letter dated December 27, 2012.

This report is intended solely for the information and use of management, the City Council, 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.

Powers + Juliani, LLC

December 27, 2012



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of the City of Springfield's major federal programs for the fiscal year ended June 30, 2012. 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.

In our opinion, the City of Springfield, Massachusetts' complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 items 12-01, 12-02, and 12-03.

Internal Control Over Compliance

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 *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.

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 fiscal year ended June 30, 2012 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2011), and have issued our report thereon dated December 27, 2012, which contained an unqualified opinion on those financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the City Council, 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.



December 27, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Direct Program:</u>		
Forestry Research	10.652	\$ 8,880
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	952,449
Cash Assistance:		
School Breakfast Program	10.553	2,636,358
National School Lunch Program	10.555	9,007,976
Summer Food Service Program for Children	10.559	389,383
Child Nutrition Discretionary Grants Limited Availability	10.579	24,639
Fresh Fruit and Vegetable Program	10.582	<u>512,342</u>
TOTAL DEPARTMENT OF AGRICULTURE		<u>13,532,027</u>
U.S. DEPARTMENT OF DEFENSE:		
<u>Direct Program:</u>		
Language Grant Program	12.900	<u>44,917</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Direct Programs:</u>		
Community Development Block Grants/Entitlement Grants	14.218	5,945,972
Urban Development Action Grants	14.221	220,174
Emergency Shelter Grants Program	14.231	156,458
Supportive Housing Program	14.235	1,086,303
Shelter Plus Care	14.238	387,091
Home Investment Partnerships Program	14.239	2,747,103
Housing Opportunities for Persons with AIDS	14.241	464,457
Community Development Block Grants Section 108 Loan Guarantees	14.248	3,416,506
ARRA - Community Development Block Grant Entitlement Grant	14.253	106,186
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	323,553
Sustainable Communities Regional Planning Grant Program	14.703	20,875
Choice Neighborhoods Planning Grant	14.892	270
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	<u>4,898</u>
TOTAL HOUSING AND URBAN DEVELOPMENT		<u>14,879,846</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Direct Program:</u>		
Gang Resistance Education and Training	16.737	1,469
<u>Passed through Massachusetts Executive Office of Public Safety:</u>		
ARRA - Violence Against Women Formula Grants	16.588	44,408
Edward Byrne Memorial Justice Assistance Grant Program	16.738	298,536
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	<u>37,548</u>
TOTAL JUSTICE		<u>381,961</u>
U. S. DEPARTMENT OF LABOR:		
<u>Passed through Senior Service America, Inc.</u>		
Senior Community Service Employment Program	17.235	<u>677,961</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
<u>Passed through Massachusetts Board of Library Commissioners:</u>		
Grants to States	45.310	<u>4,891</u>
ENVIRONMENTAL PROTECTION AGENCY:		
<u>Direct Programs:</u>		
Climate Showcase Communities Grant Program	66.041	228,190
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	<u>43,555</u>
TOTAL ENVIRONMENTAL PROTECTION		<u>271,745</u>
U.S. DEPARTMENT OF ENERGY:		
<u>Direct Program:</u>		
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	<u>423,513</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Direct Programs:</u>		
Magnet Schools Assistance	84.165	4,594,307
Fund for the Improvement of Education	84.215	364,928
Striving Readers	84.371	546,566

(continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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 - Basic Grants to States	84.002	168,085
Title I Grants to Local Educational Agencies	84.010	22,092,146
Special Education - Grants to States	84.027	7,084,733
Special Education - Grants to States	84.027A	128,077
Career and Technical Education - Grants to States	84.048	362,372
Education for Homeless Children and Youth	84.196	39,354
Twenty-First Century Community Learning Centers	84.287	850,094
High School Graduate Initiative	84.360	331,180
English Language Acquisition State Grants	84.365	754,205
Improving Teacher Quality State Grants	84.367	2,808,040
Teacher Incentive Fund	84.374	438,056
ARRA - Education for Homeless Children and Youth	84.387	15,438
ARRA - Title I School Improvement	84.388	4,122,486
ARRA - Title I Grants to Local Educational Agencies	84.389	1,725,878
ARRA - Special Education Grants to States	84.391	1,725,907
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	875,790
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	2,476,639
Education Jobs Fund	84.410	5,527,317
<u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	243,259
ARRA - Special Education - Preschool Grants	84.392	88,883
		<u>57,363,740</u>
TOTAL EDUCATION		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct Programs:</u>		
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	5,168
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	71,172
Consolidated Health Centers	93.224	1,525,130
Community Access Program	93.252	19,436
ARRA - Equipment to Enhance Training for Health Professionals	93.411	8,667
ARRA - Grants to Health Center Programs	93.703	108,824
<u>Passed through Massachusetts Department of Public Health:</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	1,277
		<u>1,739,674</u>
TOTAL HEALTH AND HUMAN SERVICES		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
<u>Direct Program:</u>		
Learn and Serve America School and Community Based Programs	94.004	30,338
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	28,691,429
Emergency Management Performance Grants	97.042	63,168
Homeland Security Grant Program	97.067	454,065
		<u>29,208,662</u>
TOTAL HOMELAND SECURITY		
		<u>\$ 118,559,275</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.

In fiscal year 2012, expenditures for disaster grants represent federal reimbursements received and accrued for eligible expenditures as of June 30, 2012.

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

(c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received 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	\$ 130,524
Supportive Housing Program	14.235	389,766
Home Investment Partnership Program	14.239	19,489
Adult Education State Grant Program	84.002	<u>1,500</u>
Total		<u>\$ 541,279</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
Title I Cluster	
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States	84.391
ARRA - Special Education Preschool Grants	84.392
Education of Homeless Children and Youth Cluster	
Education for Homeless Children and Youth	84.196
ARRA – Education for Homeless Children and Youth	84.387

A. Summary of Auditors’ Results

1. The auditors’ report expresses an unqualified 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 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 page.
7. The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
CDBG – Section 108 Loan Guarantees Program	14.248
ARRA - Homelessness Prevention and Rapid Re-housing Program	14.257
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389
Special Education – Grants to States	84.027
Special Education – Grants to States	84.027A
Magnet Schools Assistance	84.165
Special Education – Preschool Grants	84.173
ARRA – School Improvement Grants, Recovery Act	84.388
ARRA - Special Education – Grants to States	84.391
ARRA - Special Education – Preschool Grants	84.392
ARRA - State Fiscal Stabilization Funds (SFSF) – Education State Grants	84.394
ARRA – Race to the Top	84.395
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

8. The threshold for distinguishing Type A and B programs was \$3,556,778.
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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

ARRA - Homelessness Prevention and Rapid Re-housing Program 14.257

12-01: *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.

Cause: Lack of procedures to ensure that the City complied with the earmarking provisions for this grant program.

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

Questioned Costs: None

Auditors' Recommendations: We recommend that the City implement procedures to comply with the applicable earmarking requirements for this grant.

12-02: *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.

Cause: Lack of procedures to ensure that the City complied with the monitoring provisions for this grant program.

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

Questioned Costs: None

Auditor's Recommendations: We recommend that the City implement procedures to comply with applicable monitoring requirements for this grant.

U.S DEPARTMENT OF EDUCATION

Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389
Special Education Grants to States	84.027
ARRA – Special Education Grants to States	84.391
ARRA – Special Education – Preschool Grants	84.392
ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the Top	84.395

12-03: *Condition and Criteria:* During our audit we noted that the City had submitted their Final Financial Reports (FR-1) past the required due dates.

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 the grant reporting requirements.

Questioned Costs: None

Auditor's 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.

D. Prior Year Audit Findings and Questioned Costs

U.S. DEPARTMENT OF ENERGY

Energy Efficiency and Conservation Block Grant 81.128

11-01: *Condition and Criteria:* During our audit we noted that the City was in compliance with state procurement laws as they relate to the purchase of goods and services. There are several state laws that dictate when a community must obtain quotes or go through a competitive bidding process to award contracts, and we were provided with adequate documentation for the City to support its procurement decisions. We noted, however, that this grant was also reviewed by the State of Massachusetts' Office of the Inspector General (OIG). The OIG's report noted a finding related to the use of pre-existing contracts in connection with the purchase of four boilers which we concur with. The OIG's report states the following: "The City's use of pre-existing maintenance and "on-call" service contracts for large capital improvements such as boiler replacements raised concerns for the OIG. As ARRA requires additional transparency and accountability and stresses that the use of these funds should be protected against fraud, waste, and abuse, the use of the City's pre-existing price contracts for the procurement of boilers may have been inappropriate". "The OIG believes that project specific capital improvements for public buildings, such as boiler replacements, should receive the benefits of fair, open, and competitive procurement processes to help ensure that a jurisdiction pays reasonable priced design and construction services".

Cause: The City did not comply with the ARRA procurement provisions for this grant.

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

Questioned Costs: None

Auditors' Recommendation: We recommend that the City implement procedures to comply with the applicable ARRA procurement requirements for this grant.

Management's Response: Management has implemented the necessary procedures to ensure compliance with these procedures going forward.