

October 2025



Office of Internal Audit

Why We Did This Audit

We performed this audit in accordance with our approved annual audit plan.

What We Recommend

We made the following recommendations to the SPS Food Service Department:

- Conduct a detailed analysis to determine if Management Fee functions are being incorrectly included on the Sodexo Operating Statements and refund any related reimbursements made by the City.
- Amend the FY26 contract for payroll expenses related to local Sodexo employees classified as allowable operating expenses; the management fee should be itemized in strict accordance with the contract.
- Vendor monthly reports clearly identify allowable and unallowable costs that have been excluded for both the operating expenses and the Management Fees.
- Sodexo remit the contribution to the CNC as outlined in the price proposal and any other donations erroneously billed to and paid by the City.
- We recommend that the SPS annually perform an independent calculation of the CPI and Equivalent Meal rate changes and timely reconcile any differences prior to final rate approval.

(Continued on page 2)

Review of the Springfield Public Schools' Food Service Management Agreement Executive Summary

Background

The stated mission of the Springfield Public Schools Food Service Department is to eliminate student hunger by increasing the quality, sustainability, and efficiency of the child nutritional programs in our schools and community. The departmental goals include improving food quality serviced to students, increased student participation in food programs, and increased student-learning opportunities.

The school food service program provides meals at 71 meal sites, of which 59 are SPS school buildings, and the remainder are charter schools, parochial schools and other service locations within the City. These locations have approximately 30,000 enrolled students. The program has been operated by a food services management company since July 2006. The most recent contract is a one-year agreement with Sodexo Operations, LLC (Sodexo) from July 1, 2021 through June 30, 2022 (FY 2022) along with four additional one-year renewals, FY 2023 – FY 2026, bringing the ending term to June 30, 2026.

Objectives and Scope

The primary objectives of this audit were:

- To ensure Sodexo's compliance with key contractual terms
- To evaluate the efficiency and effectiveness of the SPS' Food Service Department's contract monitoring process.

Our audit sampled data from fiscal years 2024 and 2025; other data was also compiled from fiscal years 2019 to 2023. Areas audited by other agencies and third parties such as food safety, meal counts, meal nutritional quality, etc. were not covered by this audit. Only the key contractual requirements, rather than the contract in its entirety, were tested.

What We Found

Sodexo did not adhere to certain terms of the contract, including:

- There are \$1,954,320 in potential payments of payroll costs that were already included within Management Fees resulting in potential double billing.
- Noncompliance with the contractual commitment for Sodexo to contribute \$300,000 toward infrastructure initiatives for the Culinary and Nutrition Center.
- Sodexo's calculations of equivalent meals and management fees contain mathematical inaccuracies resulting in a potential overpayment of \$48,541.

(Continued on page 2)

What We Recommend (continued)

- Sodexo should either provide their own vehicles, fuel, and maintenance services or amend the contract and reimburse the City for the same.
- All contractually required insurance coverages should be immediately provided by Sodexo as well as current certificates of insurance from subcontractors.
- Revise future vendor contracts to include clear, enforceable language outlining responsibility for required /CORI checks
- Strengthen internal CORI check procedures by implementing a formal logging and reconciliation process that includes mutual confirmation that checks have been completed and the results have been communicated for all applicable personnel, including subcontractors.
- Perform a current and monthly reconciliation of outstanding accounts receivable and seek refunds for invoices where the City has not received payment.
- Update and publish policies to require upfront payment or purchase orders for all special events and catering services.
- Sodexo provide the latest certified auditor's report and SPS develop a process for acquiring the financial audit report on an annual basis.
- Require the reporting of gross amounts separately to enhance transparency and allow accurate financial analysis, update and standardize the titles and formats of financial reports, and have separate operating statements submitted for each cost center.
- All sales proceeds from credit and debit card transactions should be deposited directly into the City's bank account.

For more information, contact Yong No at (413)784-4844 or yno@springfieldcityhall.com

What We Found (continued):

- Continued use of City-owned Vehicles by Sodexo employees and potential overpayment of vehicle expenditures by the City.
- Insurance coverage amounts and disclosures are out of compliance.
- Gaps in CORI check processes for Sodexo's Personnel and subcontractors
- Sodexo has inadequate oversight and reconciliation of Accounts Receivable for special events and catered meals.
- A copy of Sodexo's latest financial audit was not provided; potential financial reporting issues noted.
- A lack of transparency with reporting and payment of Debit / Credit Card revenues and fees; revenue not deposited into City bank account.
- Monthly invoices lack transparency and do not align with the expected format listed in the Request for Proposals (RFP).



INTRODUCTION

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this audit addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The audit also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its vendors. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives. We appreciate the courtesies extended by the City of Springfield's Law Department, Springfield Public Schools, and the Springfield Public School's Food Service Department during our project.

BACKGROUND

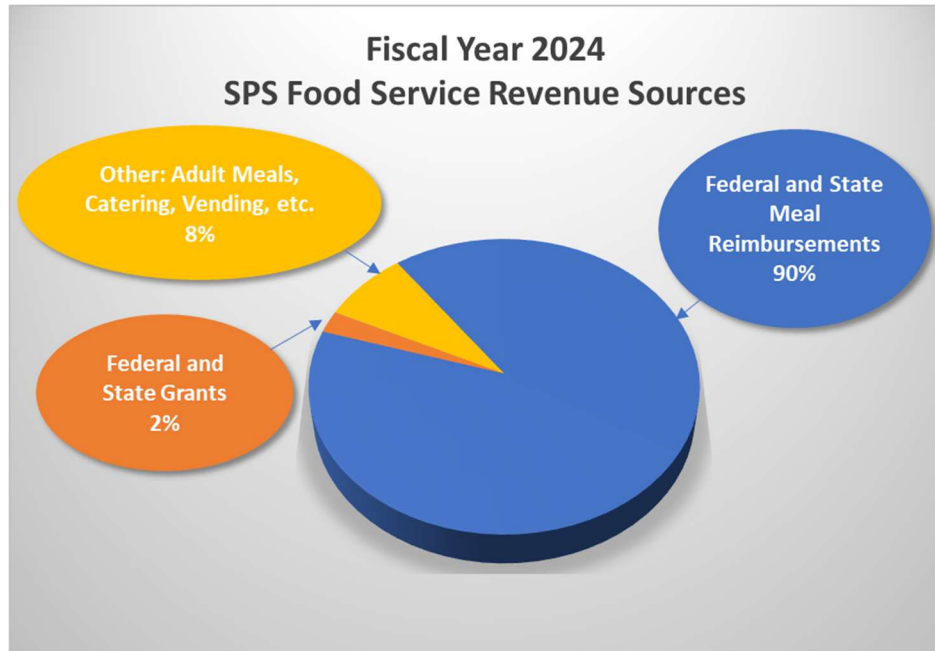
The stated mission of the Springfield Public Schools Food Service Department is to eliminate student hunger by increasing the quality, sustainability, and efficiency of the child nutritional programs in our schools and community. The departmental goals include improving food quality serviced to students, increased student participation in food programs, and increased student-learning opportunities.

The school food service program provides meals at 71 meal sites, of which 59 are SPS school buildings, and the remainder are charter schools, parochial schools and other service locations within the City. These locations have approximately 30,000 enrolled students. The program has been operated by a food services management company since July 2006. The SPS was approved by the Massachusetts Department of Elementary and Secondary Education to operate under the Community Eligibility Program, which enables high-needs schools to offer breakfast and lunch to all students on a universally free basis, i.e., at no charge. All SPS schools participate in the National School Breakfast Program, the National School Lunch Program, and selected schools participate in the At-Risk Afterschool Meals component of the Child and Adult Care Food Program. In 2019, the City acquired a central culinary facility at 75 Cadwell Drive, Springfield, MA., referred to as the Culinary and Nutrition Center, which includes office, food manufacturing, and warehouse space. The facility is utilized as a central kitchen and the warehouse allows bulk refrigerated, frozen, dry goods and commodities to be received and stored.

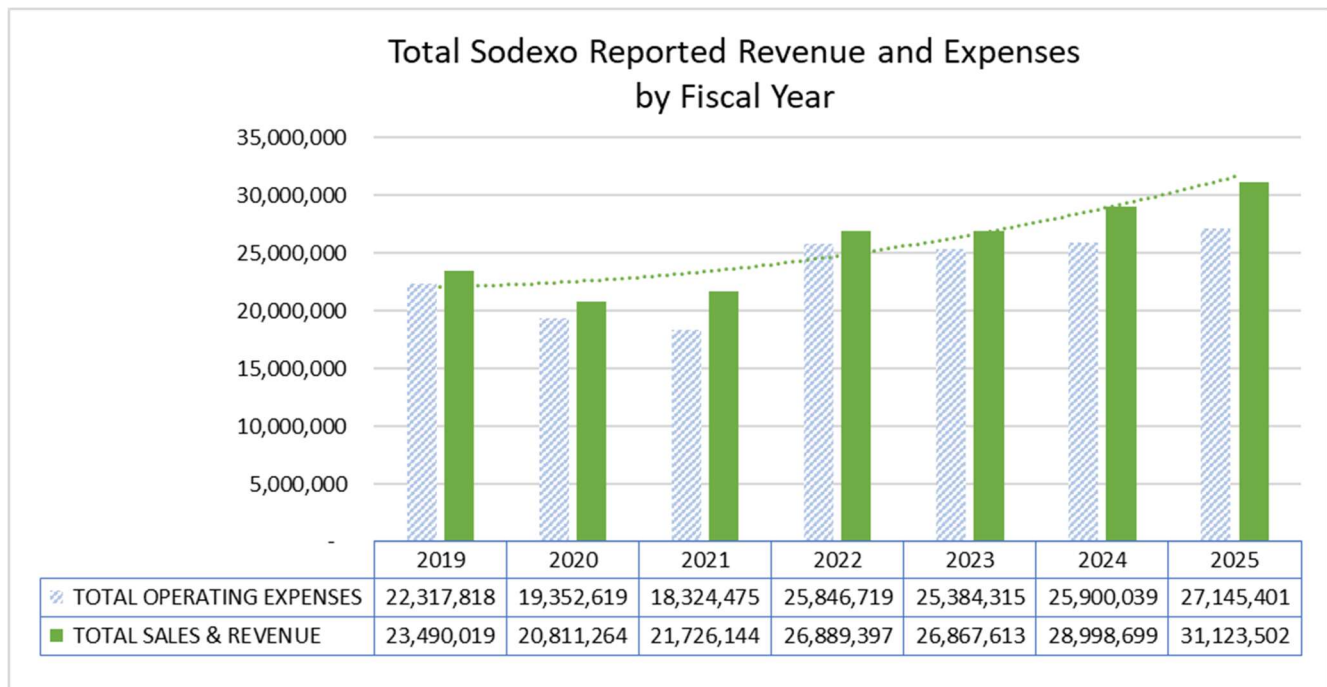
In 2021, the City of Springfield advertised a Request for Proposals for a Food Service Management Agreement. The City's objective was to seek a food services management company to improve the efficiency, quality, and cost effectiveness of the food service program. Sodexo Operations, LLC (Sodexo) was ultimately selected and a one-year agreement was performed from July 1, 2021 through June 30, 2022 (FY 2022) along with four additional one-year renewals, FY 2023 – FY 2026, bringing the ending term to June 30, 2026. Sodexo also held the previous contract from FY 2017 through FY 2021.



The SPS receives revenue from Federal and State agencies as reimbursements for monthly reported meals served, grants, and sales of “a la cart” meals at school locations, vending machine sales, and sales from special functions (catering). The SPS Food Services department reimburses Sodexo for contractually allowed costs and also pays Sodexo a management fee.



We compiled total revenue and expenses per Sodexo’s operating statements from FY 2019 through FY 2025 as shown in the chart below. The annual contract amounts during this time frame ranged from \$22,000,000 to \$30,000,000; the trend shows an expected decrease during the Covid-19 pandemic with related school closures in FY 2020 and FY 2021:

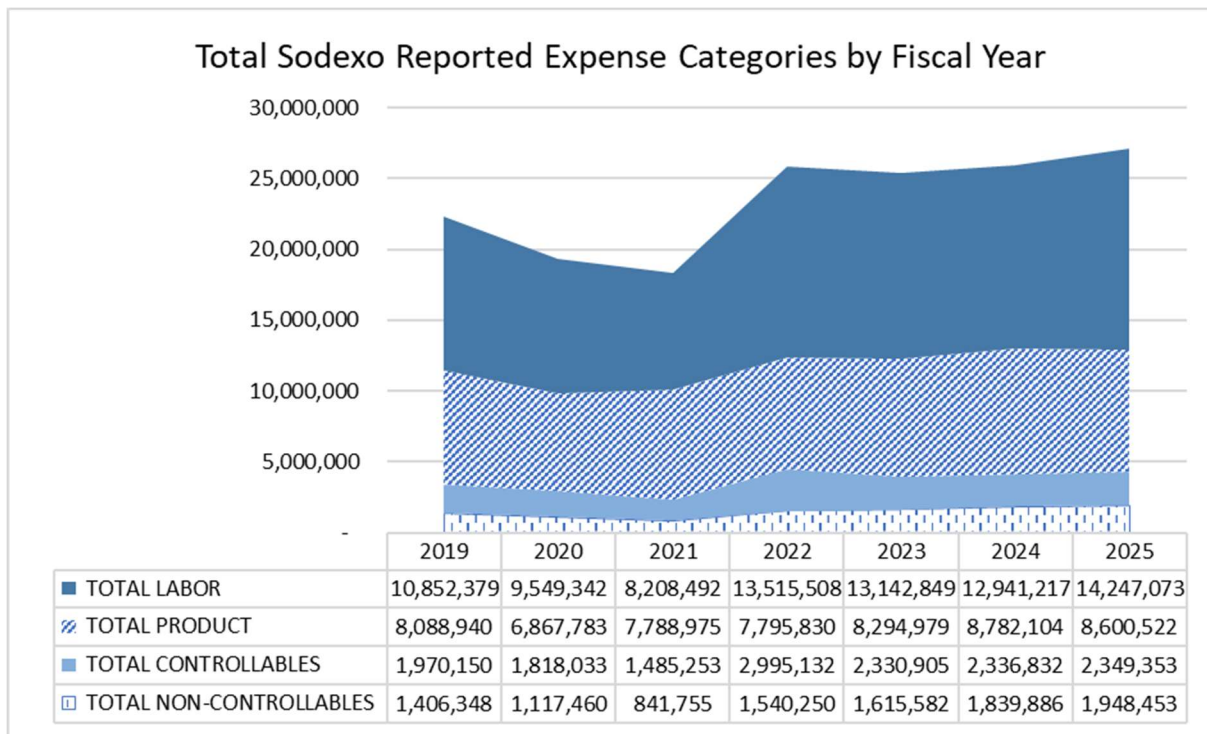




Sodexo breaks operating expenses down into four categories:

1. Labor: this includes items such as wages, bonuses, vacation, sick, retirement, health benefits, payroll taxes
2. Product: food purchases such as baked goods, meat, seafood, eggs, cheese, milk, ice cream, beverages
3. Controllables: supplies and services such as plastic supplies, cleaning supplies, telephones, waste removal
4. Non-Controllables: fixed or semi-fixed expenses such as depreciation, insurance, and taxes. Also included in this category are management fees. The management fee is a contractually negotiated rate and formula which is calculated each month based upon student and adult meals served, vending sales, catering sales, and other miscellaneous income.

The FY 2019 through FY 2025 categories of operating expenses were compiled and shown in the chart below. This chart also includes the above-mentioned decrease during the Covid-19 pandemic in FY 2020 and FY 2021:





OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this audit were:

- To ensure Sodexo's compliance with key contractual terms
- To evaluate the efficiency and effectiveness of the SPS' Food Service Department's contract monitoring process.

Scope

Our audit sampled data from fiscal years 2024 and 2025; other data was also compiled from fiscal years 2019 to 2023. Areas audited by other agencies and third parties such as food safety, meal counts, meal nutritional quality, etc. were not covered by this audit. Only the key contractual requirements, rather than the contract in its entirety, were tested.

Methodology

To accomplish our objectives, we performed the following audit procedures:

- Interviewed SPS Food Service management employees to gain an understanding of the operational processes and procedures
- Toured the Culinary and Nutrition Center
- Reviewed applicable City policies and procedures and relevant state and federal laws and regulations
- Obtained and reviewed current contract, renewals, related RFP, and accepted price and technical proposals
- Obtained and reviewed sampled vendor operating statements and supporting documents
- Obtained and reviewed insurance certificates and worked collaboratively with the City's Law Department to identify non-compliance areas
- Tested the calculation of Management Fees paid to Sodexo to confirm that the Management Fees were accurately calculated, allowable, and properly classified.
- Tested a haphazard sample of credit card data to ensure revenue and expenses were recorded accurately with transparency
- Tested a haphazard sample of invoices to determine accuracy and compliance with contractually required format
- Analyzed accounts receivable for reasonableness, completeness, and for data trends or anomalies
- Analyzed vehicle fleet processes to ensure accuracy and appropriateness
- Performed other tests deemed as necessary

We have reviewed the following findings and recommendations with departmental management. Their responses, including their concurrence, target implementation dates, and the individuals responsible for resolution, are detailed in Appendix 1.



Finding Risk Ranking Definitions and Criteria

The OIA’s assignment of a ranking to findings is intended to provide guidance to management on how to prioritize corrective actions. We consider both the effect and the likelihood of unimplemented recommendations in our categories. The OIA classifies the priority levels to be considered by Management when addressing findings and implementing recommendations as follows:

High	Internal control weaknesses and compliance issues that that require immediate corrective action.
Moderate	Internal control weaknesses and compliance issues that require prompt corrective action. Short term action is appropriate, e.g., less than 90 days.
Low	Internal control weaknesses and compliance issues that warrant timely corrective actions. Action with 360 days is deemed appropriate.
Management Discussion	Opportunities to strengthen internal controls.



FINDINGS AND RECOMMENDATIONS

Finding	Risk	Finding Description	Recommendations
<p>1. Potential Double Billing: Duplicate Payments for Costs Included in Management Fees</p>	<p>High</p>	<p>The contract stipulates that Sodexo’s Management Fee includes the following functions: corporate supervision, financial reporting and analysis, field auditing, marketing assistance, and purchasing administration.¹ The City paid Sodexo \$5,205,336 in Management Fees from FY22 through FY25. In accordance with both the contract and the federal procurement requirements for the National School Lunch Program, unallowable costs must be excluded from billing documents and that it must be certified that only allowable costs are submitted for payments. The contract requires that administration and management fees be itemized in detail to prevent double billing. Additionally, the contract states that Operating Expenses shall not include any cost, expense or charge which is part of Sodexo’s Management Fee.²</p> <p>Payroll reports are submitted by Sodexo as supporting documentation for operating expenses. Based on our review of the provided reports, it appears that the full salaries, benefits, vacation, sick pay, and bonuses for Sodexo employees are reimbursed monthly from the food service account per the provided payroll reports. We noted that several of these employees are primarily responsible for functions that may already be covered under Sodexo’s Management Fee. Specifically, we observed that the City is reimbursing Sodexo for salaries for the Resident District Manager/Executive Director of Operations, Senior Finance Manager, Unit Controller III, and Procurement Manager. The estimated annual salary cost for just these four positions is approximately \$488,580, totaling roughly \$1,954,320 over four fiscal years. FY 2026 is not included in our scope but could also potentially increase these amounts.</p> <p>Because these roles are aligned with services contractually covered under the Management Fee, these reimbursements may represent potential double billing. Furthermore, there may be additional staff whose salaries are similarly reimbursed despite performing functions that should be included within the scope of the Management Fee. Benefits paid for these positions could also increase the estimated amounts noted above as well as any other unallowable expenses paid.</p>	<p>We recommend the SPS Food Service Department perform the following:</p> <ul style="list-style-type: none"> • Conduct a detailed analysis to determine which Management Fee related expenses are being incorrectly included on the Sodexo Operating Statements as allowable and subsequently reimbursed by the City. Any confirmed potential overpayments made as a result of paying for unallowable costs should be immediately refunded to the City of Springfield by Sodexo. • SPS Food Services develop a process for conducting this review/analysis as part of the monthly reconciliation and review prior to payment. • Mandate that subsequent monthly vendor reports

¹ Contract #20220008, Article VI, § 6.1(b)

² Contract #20220008, Article VI, § 6.1



Finding	Risk	Finding Description	Recommendations
			<p>meticulously detail and differentiate between allowable and unallowable costs that have been excluded from both the operating expenses and Management Fees sections.</p> <ul style="list-style-type: none"> Stipulate that all future monthly invoices from the vendor contain an explicit certification attesting that the amount submitted for payment includes only allowable costs.
<p>2. Sodexo Failed to Meet Its \$300,000 Contractual Contribution for Culinary and Nutrition Center Infrastructure</p>	<p>High</p>	<p>Sodexo’s submitted price proposal included a commitment to contribute \$300,000 over five years to support infrastructure initiatives related to the Culinary and Nutrition Center. The City and Sodexo agreed that the contract terms would incorporate Sodexo’s price proposal. We found no evidence that any portion of the pledged contribution has been made in accordance those terms. When we asked the City’s Food Service Department to verify this, they received the following response from Sodexo: “See attached ‘5 Year Brand Spend’ File that shows the vendor, invoice number and amount for the additional brand spend we’ve purchased. Currently we’re over the \$300k at ~\$325k.”</p> <p>The file provided by Sodexo includes payments related to printing, graphics, posters and banners. These expenses do not appear to align with infrastructure initiatives for the Culinary and Nutrition Center building. Upon further review, we discovered that the payments Sodexo claimed as part of their pledged contribution were, in fact, billed to and paid for by the City of Springfield. We directly traced \$210,705 of the \$325,000 to sampled FY24 and FY25 financial reports and invoices from Sodexo and subsequent payments by the City. It is more likely than not that the other amounts from FY22 and FY23 were also included. At a minimum, if these marketing expenses were intended as a gift</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> Sodexo immediately remit the \$300,000 pledged contribution for the Culinary and Nutrition Center as outlined in the price proposal and in accordance with the contractual agreement. The SPS Food Services Department consider seeking recovery of the \$325,000 in marketing-related expenses that were invoiced and paid but later



Finding	Risk	Finding Description	Recommendations
		<p>to the City of Springfield or part of the management fee³, then the reimbursements, totaling more than \$325,000, should not have been invoiced to the City. At worst, characterizing City funded expenditures as a donation from Sodexo is misleading.</p> <p>In addition to the \$325,000 in potential erroneously reimbursed marketing expenses, Sodexo remains responsible for their original \$300,000 infrastructure contribution as outlined in the price proposal. This results in a total potential amount due to the City of \$625,000.</p>	<p>presented as donations by Sodexo. Additionally, it should consider whether other marketing expenses may have been erroneously billed to the City as allowable expenses if they were required to be included in management fees.</p> <ul style="list-style-type: none"> • The SPS Food Services Department develop monitoring processes to ensure future vendors are in compliance with promised contributions.

³ The contract stipulates that Sodexo’s Management Fee includes the following functions: corporate supervision, financial reporting and analysis, field auditing, marketing assistance, and purchasing administration: Contract #20220008, Article VI, § 6.1(b)



Finding	Risk	Finding Description	Recommendations
<p>3. Inaccurate Calculation of Management Fees by Sodexo</p>	<p>High</p>	<p>Sodexo Management Fee Calculation Overview</p> <p>The diagram illustrates the calculation of management fees. It starts with 'Meals', which includes 'Students' Breakfast, Lunch, Dinner, Snacks' and 'Equivalent Meals'. These are multiplied by an agreed-upon rate that increases annually by the Consumer Price Index (CPI) to determine the 'Management Fee'. A callout for 'Equivalent Meals' explains they are derived from sales of miscellaneous "a la carte" items: * Vending Machines, * Adult Meals, * Special Functions, * Etc. Another callout states that 'A la cart sales are divided by a combined rate [Federal and State free meal reimbursement rates] to convert sales to Equivalent Meals'.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Sodexo immediately refund to the City of Springfield any confirmed potential overpayments resulting from the Management Fee and Equivalent Meal rate issues. • The SPS Food Service Department annually perform an independent calculation of the CPI and Equivalent Meal rate changes. This independent calculation should be compared to the vendor's proposed rates, and any differences must be timely reconciled before final rate approval and contract execution or renewal.



Finding	Risk	Finding Description	Recommendations
		<p>As illustrated in Sodexo Management Fee Calculation Overview above, there are currently two components used in calculating the Management Fee:</p> <ol style="list-style-type: none"> 1. The Management fee is calculated by multiplying eligible meals and meal equivalents by a fixed rate. The rate is allowed to be increased annually based upon relevant Consumer Price Index increases. 2. The total meal counts utilized are, in general, unit counts for breakfasts, lunches, dinners, and snacks (included in Federal and State reimbursements) along with "Equivalent Meals". The Equivalent Meal counts are calculated by dividing a la carte vending, catering, and other miscellaneous income by the sum of the Federal and State free meal reimbursement rates. <p>We calculated a potential overpayment of Sodexo’s Management Fee for these issues for FY2022 - FY2025 of \$48,541. The calculation of the Management Fee during the course of this contract has potentially been affected by the following:</p> <ul style="list-style-type: none"> • We found a Sales line item on the Sodexo Operating Statements, "Food Regular", reflecting credit card sales, that was not included in the equivalent meals’ calculation. • The contract stipulates that meal equivalents are to be calculated by dividing revenue by the combined Federal and Massachusetts State free meal reimbursement rate, which was cited in the contract as \$3.60 for the 2020–2021 school year. However, the Federal rate referenced as an example at the time of contract execution has been used consistently throughout the contract term, rather than adjusting for the applicable rate each year. • The State reimbursement component has not been included in the total reimbursement rate for any year covered by the current contract for equivalent meals. • The Consumer Price Index (CPI) rate applied for the vendor's management fee in the 2022–2023 school year was potentially incorrect. A CPI increase of 7.3%, reflecting the "All Items" category, was used; however, the contract stipulates that the applicable CPI rate should be based solely on the "Food and Beverages" expenditure category, which was 6.7% for March 2022. The use of the higher, incorrect rate not only resulted in an overstated management fee for that year but also led to inflated rates in subsequent years. Although CPI increases in later years were correctly based on the "Food and Beverages" expenditure category, they were calculated from an inaccurately elevated base, thereby perpetuating the overstatement. <p>Additionally, the business rationale for choosing the Boston/Cambridge/Newton rates rather than Springfield/Northeast Regional rates should be reconsidered when designing future bid documents and contracts as this could result in potentially lower management fees paid by the SPS. If the</p>	



Finding	Risk	Finding Description	Recommendations
		Springfield/Northeast Regional rates had been used for FY 2022 - FY 2025 we calculated the potential additional savings as \$21,177 .	
4. Continued Improper Contractor Use of City Vehicles	High	<p>This is a continuing finding from our Fleet audit completed in FY23. We want to highlight it here as it is applicable to this ongoing current Sodexo contract. The contract requires Sodexo to provide all transportation vehicles and equipment necessary for program operations.⁴ Sodexo is also solely responsible for the maintenance, fuel, insurance, and related costs of such equipment. While the contract acknowledges that the City owns five vehicles that may be made available for program use, current practices deviate from the contractual terms:</p> <ul style="list-style-type: none"> • Six City vehicles are currently being used by Sodexo employees for food delivery. • Sodexo employees are refueling these vehicles at City fuel stations. <p>This noncompliance represents an estimated cost impact of approximately \$23,000 in fuel and maintenance for Fiscal Year 2025—costs that the City would not have incurred had Sodexo provided its own transportation as contractually required.</p> <p>In addition, the contract specifies that Sodexo drivers must carry automobile liability insurance of up to \$1,000,000 when operating non-owned vehicles.⁵ However, this coverage may be insufficient in the event of a serious accident involving a City vehicle, potentially exposing the City to legal and financial risk. The use of City-owned vehicles by Sodexo employees further complicates liability and underscores the need for clear indemnification language.</p>	<p>In October 2025, the OIA consulted with the City’s Law Department, which recommended SPS pursue one of the following two actions:</p> <ol style="list-style-type: none"> 1. Enforce existing contract provisions by requiring Sodexo to fully comply with Section 5.7— providing their own vehicles, fuel, and maintenance services. 2. Amend the contract under Section 7.4 (Indemnity) to include language specifying that: <ul style="list-style-type: none"> ○ Sodexo agrees to use City vehicles in their existing (“as-is”) condition. ○ The City shall not be held liable for any claims arising from a Sodexo

⁴ Contract #20220008, Article V, § 5.7

⁵ Contract #20220008, Article VII, § 7.3(A)(iii)



Finding	Risk	Finding Description	Recommendations
			<p>employee's use of a City-owned vehicle.</p> <p>If SPS opts for Option 2, we further recommend requiring Sodexo to reimburse the City for all fuel consumed and maintenance performed on City vehicles used by Sodexo employees.</p>
<p>5. Noncompliance with Required Insurance Coverage by Sodexo</p>	<p>High</p>	<p>Insurance requirements in contracts ensure the safeguarding of the assets of both parties involved and also mitigate risks. A vendor's insufficient insurance coverage creates a potentially extensive risk to the City. Insufficient insurance coverage could directly affect productivity, profits, and reputation.</p> <p>We compared Sodexo's contractually required insurance coverages and conditions to the latest certificate of insurance that Sodexo provided to the City:</p> <ul style="list-style-type: none"> We found that one of the contractually required coverages was not included within the certificate of insurance. Specifically, Excess Liability coverage, which has a contractually required amount of \$10 million along with a requirement that the City of Springfield should be named as an additional insured for that coverage.⁶ The original certificate did not include any amount for this coverage. A revised certificate was provided by Sodexo after we brought this issue to Management's attention. However, the revised certificate still does not show Excess Liability Coverage and the City of Springfield is still not included as an Additional Insured for Excess Liability coverage. Instead, the certificate now includes \$8 million of Umbrella Liability coverage with nothing indicating that the City of Springfield is an Additional Insured for the Umbrella coverage. The contract calls for \$10 million in coverage, not \$8 million. It should also be noted that the contract calls for Excess Liability coverage; Umbrella and Excess Liability are different types of coverages. The additional insured language on the revised certificate only mentions General Liability coverage and not Excess Liability or Umbrella coverage. Further, the "ADDL INSD" boxes for General Commercial and for Excess Liability/Umbrella are not checked off and should be. Sodexo's non-compliance was 	<ul style="list-style-type: none"> All contractually required insurance coverages and additional requirements (language, relevant checked boxes, etc.) should be immediately provided by Sodexo to bring them into compliance with the contract. We recommend that all required items be listed on the Certificate of Insurance relevant to the City of Springfield, including notice of cancellation, waiver of subrogation, primary and non-contributory coverage, etc. for proper monitoring and transparency. Sodexo should provide current certificates of

⁶ Contract #20220008, Article VII § 7.3



Finding	Risk	Finding Description	Recommendations
		<p>addressed by a representative who appeared to be making the argument that Sodexo chose to set some limits higher than what was required which could be combined with other limits where coverage was lacking. However, such an allowance was not included in the terms of the contract.</p> <ul style="list-style-type: none"> • The revised certificate provided by Sodexo now includes another entity that Sodexo has a contract with, The May Institute, as an additional insured. This creates the risk that The May Institute would be able to make a claim on the same insurance coverage that is designated for the City and could deplete available insurance proceeds while lessening the protections of the City. • There are not specific references on the certificate of insurance for the required 30 days of written notice for cancellation or that the insurance coverage being obtained is primary and non-contributory. It is possible that the insurance policy itself addresses these requirements, but because it is not included on the certificate of insurance, it cannot readily be determined whether or not the vendor is in compliance with those requirements. • We saw no evidence that the SPS is receiving certificates of insurance for Sodexo’s subcontractors along with evidence that the City and SPS are listed as additional insureds under the policies. 	<p>insurance from all subcontractors as required.</p> <ul style="list-style-type: none"> • We recommend that the following be considered for future requests for proposals and contracts: <ul style="list-style-type: none"> ○ Specific contractually required policy limitations regarding vendors adding additional insureds ○ Work collaboratively with the Law Department to utilize a template and more streamlined insurance requirements that mirror the Certificate of Insurance’s standard format. The ability to have an “apples to apples” review would assist the SPS Food Service Department and the City’s Office of Procurement in monitoring for compliance.
<p>6. Gaps in CORI check processes for Sodexo’s</p>	<p>High</p>	<p>The contract stipulates that Sodexo is responsible for ensuring that any of its employees, agents, and/or subcontractors who may have direct and unmonitored contact with students on school grounds undergo criminal offender record information (CORI) checks, as well as state and national fingerprint-based background checks, in accordance with M.G.L. Chapter 71, Section 38R.⁷</p>	<ul style="list-style-type: none"> • The SPS should revise future vendor contracts to include clear, enforceable language outlining responsibility for

⁷ Contract #20220008, Article IV, § 4.7



Finding	Risk	Finding Description	Recommendations
Personnel and subcontractors		<p>Furthermore, Sodexo is required to provide the City with all necessary documentation related to these checks.</p> <p>In practice, the SPS currently conducts CORI checks for Sodexo’s employees. The SPS only notifies Sodexo when an individual fails a CORI check; it does not confirm when an individual has passed. Sodexo does not perform a reconciliation of CORI check requests against completed results. This lack of confirmation may unnecessarily delay onboarding and does not provide a complete audit trail demonstrating that all required CORI checks were properly requested and completed.</p> <p>When we requested evidence of CORI checks for subcontractors, Sodexo submitted a blank Connecticut Department of Correction form titled “Collect Background Report for Vendors/Contractors”, which may not be applicable under Massachusetts law and does not satisfy the contractual or statutory requirements. As a result, we were unable to verify whether CORI checks were performed for subcontractor personnel.</p>	<p>required CORI checks and ensuring that contractual terms align with actual practices.</p> <ul style="list-style-type: none"> • Sodexo and the SPS should strengthen their internal CORI and fingerprint-based background check procedures by implementing a formal logging and reconciliation process. This should include mutual confirmation that all required checks have been completed and the results (pass/fail) have been communicated for all applicable personnel, including subcontractors to ensure compliance with M.G.L. Chapter 71, Section 38R.
7. Inadequate Oversight and Reconciliation of Sodexo's Catering Accounts Receivable	Moderate	<p>Sodexo manages special events/catered meals and is responsible for accounts receivable processing related to these services. During our audit, we reviewed three sampled “Open Accounts Receivable reports” provided by Sodexo and found the following:</p> <ul style="list-style-type: none"> • Mathematical Inaccuracies: The detailed invoice totals did not match the report summary totals, indicating calculation errors and undermining the reliability of the reports. This is a lack of transparency that creates the risk that additional outstanding receivables are not properly disclosed. • Old Receivables: Several outstanding balances were significantly overdue, with some aged between 400–500 days past due. 	<p>We recommend SPS Food Service perform the following:</p> <ul style="list-style-type: none"> • Require Sodexo to submit a comprehensive, monthly reconciliation of all outstanding accounts receivable for special events and catered meals. This submission must



Finding	Risk	Finding Description	Recommendations																																																																																																		
		<ul style="list-style-type: none"> As shown in the table below, unexplained disappearances: When comparing the most recent report to the previously sampled one, we noted that \$7,691 in the oldest receivables present on the earlier report no longer appeared on the subsequent report. There was no documentation or evidence indicating whether these amounts were paid, written off, or otherwise resolved. A Sodexo employee stated in a meeting with the OIA that these older receivables were paid. When we asked the City’s Food Service Department to verify this, they received a differing response from Sodexo that now states the amounts disappeared from the report because they have “draft credit memos” that may or may not “get executed or added back to the open A/R report”. <p>Sodexo Accounts Receivable Unexplained Disappearances between May 2024 and October 2024</p> <p>Highlighted outstanding (past due) invoices appeared on the May 2024 Sodexo report but were not on the October 2024 report:</p> <table border="1" data-bbox="443 850 1625 1442"> <caption>Open Accounts Receivables <i>May 2024</i> 3/8/2024</caption> <thead> <tr> <th>Customer Name</th> <th>Invoice Number</th> <th>Invoice Date</th> <th>Invoice Amount</th> <th>PO Number</th> <th>Days Past Due</th> <th>Notes</th> </tr> </thead> <tbody> <tr><td>Discovery High School</td><td>312703</td><td>9/30/2022</td><td>\$ 104.98</td><td>2300-4303</td><td>600</td><td></td></tr> <tr><td>Easthampton Public Schools</td><td>312734</td><td>11/1/2022</td><td>\$ 1,981.00</td><td>None</td><td>568</td><td></td></tr> <tr><td>Discovery High School</td><td>312784</td><td>12/21/2022</td><td>\$ 164.97</td><td>2300-5485</td><td>518</td><td></td></tr> <tr><td>Discovery High School</td><td>312788</td><td>12/21/2022</td><td>\$ 82.98</td><td>2300-6228</td><td>518</td><td></td></tr> <tr><td>Discovery High School</td><td>312807</td><td>12/22/2022</td><td>\$ 82.98</td><td>2300-6228</td><td>517</td><td></td></tr> <tr><td>Liberty Prep Academy</td><td>312832</td><td>12/30/2022</td><td>\$ 80.00</td><td>2200-4572</td><td>509</td><td></td></tr> <tr><td>New North Citizens Council</td><td>312994</td><td>4/28/2023</td><td>\$ 5,194.00</td><td>None</td><td>390</td><td></td></tr> <tr><td>Chestnut Middle School</td><td>313005</td><td>5/19/2023</td><td>\$ 104.78</td><td>2301-1600</td><td>369</td><td></td></tr> <tr><td>Hampshire RSD</td><td>313166</td><td>8/1/2023</td><td>\$ 149.60</td><td>None</td><td>295</td><td>May Institute Meals</td></tr> <tr><td>Westhampton School District</td><td>313169</td><td>8/1/2023</td><td>\$ 140.25</td><td>None</td><td>295</td><td>May Institute Meals</td></tr> <tr><td>Springfield Public Schools</td><td>313179</td><td>8/28/2023</td><td>\$ 1,026.81</td><td>2301-4323</td><td>268</td><td></td></tr> <tr><td>South End MS</td><td>313198</td><td>8/28/2023</td><td>\$ 151.98</td><td>2400-1640</td><td>268</td><td></td></tr> <tr><td>Hampshire RSD</td><td>313232</td><td>9/1/2023</td><td>\$ 158.40</td><td>None</td><td>264</td><td>May Institute Meals</td></tr> </tbody> </table>	Customer Name	Invoice Number	Invoice Date	Invoice Amount	PO Number	Days Past Due	Notes	Discovery High School	312703	9/30/2022	\$ 104.98	2300-4303	600		Easthampton Public Schools	312734	11/1/2022	\$ 1,981.00	None	568		Discovery High School	312784	12/21/2022	\$ 164.97	2300-5485	518		Discovery High School	312788	12/21/2022	\$ 82.98	2300-6228	518		Discovery High School	312807	12/22/2022	\$ 82.98	2300-6228	517		Liberty Prep Academy	312832	12/30/2022	\$ 80.00	2200-4572	509		New North Citizens Council	312994	4/28/2023	\$ 5,194.00	None	390		Chestnut Middle School	313005	5/19/2023	\$ 104.78	2301-1600	369		Hampshire RSD	313166	8/1/2023	\$ 149.60	None	295	May Institute Meals	Westhampton School District	313169	8/1/2023	\$ 140.25	None	295	May Institute Meals	Springfield Public Schools	313179	8/28/2023	\$ 1,026.81	2301-4323	268		South End MS	313198	8/28/2023	\$ 151.98	2400-1640	268		Hampshire RSD	313232	9/1/2023	\$ 158.40	None	264	May Institute Meals	<p>include a complete, itemized listing of unpaid invoices and a written explanation for any discrepancies or removal of balances from past reports. This reconciliation must be formally reviewed and signed off on by SPS Food Service management monthly.</p> <ul style="list-style-type: none"> Seek payment from Sodexo for invoices where the City has not received payment. Carrying outstanding balances could be a violation of the contract’s provision that such costs are not to be supported by the nonprofit food service account funds. Update and formally publish policies that mandate upfront payment or purchase orders (POs) for all special events and catering services. This requirement is particularly critical for services provided to external (non-City) entities.
Customer Name	Invoice Number	Invoice Date	Invoice Amount	PO Number	Days Past Due	Notes																																																																																															
Discovery High School	312703	9/30/2022	\$ 104.98	2300-4303	600																																																																																																
Easthampton Public Schools	312734	11/1/2022	\$ 1,981.00	None	568																																																																																																
Discovery High School	312784	12/21/2022	\$ 164.97	2300-5485	518																																																																																																
Discovery High School	312788	12/21/2022	\$ 82.98	2300-6228	518																																																																																																
Discovery High School	312807	12/22/2022	\$ 82.98	2300-6228	517																																																																																																
Liberty Prep Academy	312832	12/30/2022	\$ 80.00	2200-4572	509																																																																																																
New North Citizens Council	312994	4/28/2023	\$ 5,194.00	None	390																																																																																																
Chestnut Middle School	313005	5/19/2023	\$ 104.78	2301-1600	369																																																																																																
Hampshire RSD	313166	8/1/2023	\$ 149.60	None	295	May Institute Meals																																																																																															
Westhampton School District	313169	8/1/2023	\$ 140.25	None	295	May Institute Meals																																																																																															
Springfield Public Schools	313179	8/28/2023	\$ 1,026.81	2301-4323	268																																																																																																
South End MS	313198	8/28/2023	\$ 151.98	2400-1640	268																																																																																																
Hampshire RSD	313232	9/1/2023	\$ 158.40	None	264	May Institute Meals																																																																																															



Finding	Risk	Finding Description	Recommendations																					
		<p style="text-align: center;">Open Accounts Receivables <i>Oct 2024</i> 11/12/2024</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Customer Name</th> <th>Invoice Number</th> <th>Invoice Date</th> <th>Invoice Amount</th> <th>PO Number</th> <th>Days Past Due</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Chestnut Middle School</td> <td>313005</td> <td>5/19/2023</td> <td>\$ 104.78</td> <td>2301-1600</td> <td>513</td> <td></td> </tr> <tr> <td>Hampshire RSD</td> <td>313166</td> <td>8/1/2023</td> <td>\$ 149.60</td> <td>None</td> <td>439</td> <td>May Institute Meals</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Lack of Contractual Authority: We found no contractual provisions permitting the extension of credit to schools or non-City entities, nor any language explicitly granting authority to write off receivables or to determine if amounts are uncollectible. <p>Due to the mathematical discrepancies and lack of transparency in receivable adjustments, we do not see any evidence that would allow the Food Service Department to be able to properly reconcile accounts receivable records accurately. As a result, we cannot determine the true outstanding receivable balances. Furthermore, the City may be at financial risk from unpaid balances, particularly if funds are not collected or if services were provided without appropriate authorization or payment assurances.</p>	Customer Name	Invoice Number	Invoice Date	Invoice Amount	PO Number	Days Past Due	Notes	Chestnut Middle School	313005	5/19/2023	\$ 104.78	2301-1600	513		Hampshire RSD	313166	8/1/2023	\$ 149.60	None	439	May Institute Meals	<ul style="list-style-type: none"> Establish in future RFP's and vendor contracts accounts receivable policies that clearly define expected payment terms, collection procedures, who holds authority to extend credit or approve write-offs if any, and under what conditions such actions are legally permissible.
Customer Name	Invoice Number	Invoice Date	Invoice Amount	PO Number	Days Past Due	Notes																		
Chestnut Middle School	313005	5/19/2023	\$ 104.78	2301-1600	513																			
Hampshire RSD	313166	8/1/2023	\$ 149.60	None	439	May Institute Meals																		
<p>8. Noncompliance with Contractual Reporting Requirements: Sodexo Failed to Provide Latest Financial Audit</p>	<p style="text-align: center;">Moderate</p>	<p>The contract requires Sodexo to submit a certified auditor's report as part of its end of the year request.⁸ However, despite our requests, a copy of Sodexo's latest financial audit was not provided. This omission is particularly concerning due to several observed issues that raise questions about the potential reliability, accuracy, and transparency in some areas of Sodexo's financial statements:</p> <ul style="list-style-type: none"> Sodexo appears to net credit card income with merchant fees, and also nets some payables with receivables within monthly invoicing amounts (See Finding 9) which can cause a lack of clarity in reporting and/or obscure potential issues. Even though the contract allows some payments to be netted against discounts or rebates for example, the contract also calls for full transparency of such items. The operating statements provided that aggregate activity across all cost centers is called "Springfield Vending Services", which is both outdated in terminology and potentially misleading. 	<p>We recommend the following:</p> <ul style="list-style-type: none"> Sodexo provide the latest certified auditor's report as stipulated in the contract for the SPS Food Service Department's review. The SPS Food Service Department develop a process for acquiring and reviewing a copy of the vendor's financial audit report on an annual basis. 																					

⁸ Contract #20220008, Article VI, § 6.2(h)



Finding	Risk	Finding Description	Recommendations
		<ul style="list-style-type: none"> We also did not observe a separate operating statement for special functions and catering. While one report included combined activity for both catering and Signature café activity, we were advised that it does not include other catering performed for outside entities. As noted in Finding 7, the accounts receivable aging reports provided had numerous issues including mathematical errors and unexplained and unauthorized disappearances of outstanding amounts due. 	<ul style="list-style-type: none"> The SPS work collaboratively with Sodexo and future vendors to: <ul style="list-style-type: none"> Require the reporting of gross amounts separately to enhance transparency and allow accurate financial analysis Update and standardize the titles and formats of financial reports to reflect current operations clearly and eliminate outdated terminology Have separate operating statements submitted for each cost center, including distinct reports for monitoring contract compliance and profitability.
9. Lack of Transparency Involving Credit Card Transactions and Undeposited Funds into City Bank Account	Low	<p>In FY 2022, the City amended its contract with Sodexo to allow credit and debit card payments for à la carte meals and catering services.⁹ While the contract allows Sodexo to include a processing fee, it does not specify the rate. Our review of three months of transactions found the vendor is withholding an average of 6.7% of sales, or approximately \$200-300 per month. This rate is higher than what other City departments typically pay for similar credit card processing services, which range from 2.29% to 5.70%.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> All net sales proceeds from credit and debit card transactions be deposited directly into the City’s bank account, as required by

⁹ Contract #20220008 Amendment #2

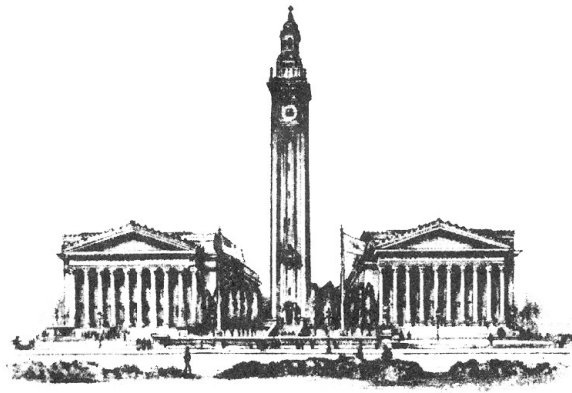


Finding	Risk	Finding Description	Recommendations
		<p>Additionally, the contract states that all credit and debit card sales revenue, after deducting actual processing fees, should be deposited into the City’s bank account. However, we found that Sodexo is instead offsetting these funds against other payments the City owes, which is not permitted under the agreement. The three sampled monthly operating reports also fail to clearly and separately show gross revenues and gross processing fees as is required by the contract, reducing transparency and making it difficult to verify that the City is receiving its full share of revenues.</p>	<p>contract, and not netted against other vendor payments.</p> <ul style="list-style-type: none"> • Require vendors to clearly disclose any credit card or bank processing fee and percentages as part of their pricing proposals for future contracts.
<p>10. Lack of Transparency with Sodexo’s Monthly Invoice</p>	<p>Low</p>	<p>The monthly invoices we tested were mathematically accurate. However, the invoices reviewed lacked clarity and did not align with the expected format listed in the Request for Proposals (RFP) which outlined specific requirements for the format and content of monthly invoices. Additionally, the information provided could not be readily reconciled with the monthly operating statements, limiting transparency and potentially hindering effective financial oversight.</p>	<p>We recommend that the SPS work collaboratively with Sodexo to adhere to an agreed upon monthly invoice format and supplement as outlined in the RFP. This includes providing clear, itemized details that can be easily cross-referenced with the monthly operating statements.</p>



Appendix 1

Detailed Management Response



THE CITY OF SPRINGFIELD, MASSACHUSETTS

Memorandum

To: Office of Internal Audit
From: Nathan Madeira
Copies: Patrick Roach, Michael Eaton, Amanda Begin, Timothy Gray, Alex Labonte
Date: 12/19/2025
Re: Management Response to Food Service Management Agreement

We are submitting the official management response to the **Internal Audit Report on the Food Service Management Agreement**.

The **Management Response** is attached. This attachment provides the detailed response for each finding, including a confirmation of our agreement with the recommendation(s), the specific action steps we will take, the titles of the individuals responsible, and the target completion dates.

We look forward to working with your office through the follow-up process. Please contact me directly should you require any additional information.

Attachment

Management's Response to the Office of Internal Audit's Report Entitled: Food Service Management Agreement

Recommendations to Finding 1: Potential Duplicate Management Fee Billing

- Conduct a detailed analysis to determine which Management Fee related expenses are being incorrectly included on the Sodexo Operating Statements as allowable and subsequently reimbursed by the City. Any confirmed potential overpayments made as a result of paying for unallowable costs should be immediately refunded to the City of Springfield by Sodexo
- SPS Food Services develop a process for conducting this review/analysis as part of the monthly reconciliation and review prior to payment.
- Mandate that subsequent monthly vendor reports meticulously detail and differentiate between allowable and unallowable costs that have been excluded from both the operating expenses and Management Fees sections.
- Stipulate that all future monthly invoices from the vendor contain an explicit certification attesting that the amount submitted for payment includes only allowable costs.

Management Response: Agree Disagree

Comments/Action Plan:

Springfield Public Schools drafted the RFP/contract with the expectation that local (SPS only) expenses be included in the cost of operations and corporate expenses be part of the management fee. All local positions are known to SPS and charged as expected.

Action Plan: Clarification in new RFP which will be released in the new year as well as the new contract beginning 7/1/26.

Target Implementation Date: 7/1/26

Responsible Person: Timothy Gray and Nathan Madeira

Office of Internal Audit's Comment:

We acknowledge Management's response regarding SPS's request for onsite Sodexo personnel and the planned clarifications in the FY27 RFP. However, the original finding stands. The FY26 contract defines the management fee by function rather than location, yet we found no documentation itemizing these functions by cost center or distinguishing corporate from local

expenses. Without this itemization, SPS lacks the controls to prevent "double-dipping"—paying for the same administrative services via both the Management Fee and direct payroll. These payments are at risk of being classified as "questioned costs" by external oversight agencies, which could result in clawback or disallowance of funds. To mitigate this risk, we recommend amending the FY26 contract immediately rather than waiting for the FY27 cycle. The amendment should explicitly state that local Sodexo payroll for the District Manager of Operations, Senior Finance Manager, Unit Controller III, and Procurement Manager is classified as an allowable Operating Expense, and require Sodexo to itemize their management fee in strict accordance with the contract.

Recommendations to Finding 2: Sodexo’s Failure to Meet Its \$300,000 Contribution

- Sodexo immediately remit the \$300,000 pledged contribution for the Culinary and Nutrition Center as outlined in the price proposal and in accordance with the contractual agreement.
- The SPS Food Services Department consider seeking recovery of the \$325,000 in marketing-related expenses that were invoiced and paid but later presented as donations by Sodexo. Additionally, it should consider whether other marketing expenses may have been erroneously billed to the City as allowable expenses if they were required to be included in management fees.
- The SPS Food Services Department develop monitoring processes to ensure future vendors are in compliance with promised contributions.

Management Response: Agree Disagree

Comments/Action Plan:

We **AGREE** that Sodexo is required to pay SPS \$300,000 for the Culinary and Nutrition Center per their price proposal and have requested that Sodexo remit this payment to SPS.

We **DISAGREE** that \$325,000 in marketing-related expenses should be refunded to SPS. These were direct marketing expenses related to our Home Grown Springfield name and not the Sodexo brand.

Action Plan: Clarification in new RFP which will be released in the new year – will be further clarified in the new contract taking place in FY27.

Target Implementation Date: 01/15/2025

Responsible Person: Timothy Gray and Nathan Madeira

Recommendations to Finding 3: Inaccurate Management Fee Calculation

- Sodexo immediately refund to the City of Springfield any confirmed potential overpayments resulting from the Management Fee and Equivalent Meal rate issues.
- The SPS Food Service Department annually perform an independent calculation of the CPI and Equivalent Meal rate changes. This independent calculation should be compared to the vendor's proposed rates, and any differences must be timely reconciled before final rate approval and contract execution or renewal.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with this finding and have reviewed with Sodexo. Our next step is to come to an agreement on a final calculation. We also plan to calculate CPI each year ourselves and share with the Food Service Management Company the new rate to be used.

Target Implementation Date: 1/15/2026

Responsible Person: Tim Gray and Nathan Madeira

Recommendations to Finding 4: Continued Improper Contractor Use of City Vehicles

One of the following two options:

- Enforce existing contract provisions by requiring Sodexo to fully comply with Section 5.7—providing their own vehicles, fuel, and maintenance services, or
- Amend the contract under Section 7.4 (Indemnity) to include language specifying that:
 - Sodexo agrees to use City vehicles in their existing (“as-is”) condition.
 - The City shall not be held liable for any claims arising from a Sodexo employee’s use of a City-owned vehicle.

If SPS opts for Option 2, we further recommend requiring Sodexo to reimburse the City for all fuel consumed and maintenance performed on City vehicles used by Sodexo employees.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with this finding. We plan to amend the new contract under section 7.4 so that the contract language aligns with our practices and reduces liability for the city.

Target Implementation Date: 07/01/2026

Responsible Person: Tim Gray and Nathan Maderia

Recommendations to Finding 5: Noncompliance with Required Insurance Coverage

- All contractually required insurance coverages and additional requirements (language, relevant checked boxes, etc.) should be immediately provided by Sodexo to bring them into compliance with the contract. We recommend that all required items be listed on the Certificate of Insurance relevant to the City of Springfield, including notice of cancellation, waiver of subrogation, primary and non-contributory coverage, etc. for proper monitoring and transparency.
- Sodexo should provide current certificates of insurance from all subcontractors as required.
- We recommend that the following be considered for future requests for proposals and contracts:
 - Specific contractually required policy limitations regarding vendors adding additional insureds
 - Work collaboratively with the Law Department to utilize a template and more streamlined insurance requirements that mirror the Certificate of Insurance’s standard format. The ability to have an “apples to apples” review would assist the SPS Food Service Department and the City’s Office of Procurement in monitoring for compliance.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with this finding. We have addressed this finding Sodexo and are awaiting their updated policy information.

Target Implementation Date: 1/15/2026

Responsible Person: Tim Gray and Nathan Maderia

Recommendations to Finding 6: Missing Documentation of CORI Checks

- The SPS should revise future vendor contracts to include clear, enforceable language outlining responsibility for required CORI checks and ensuring that contractual terms align with actual practices.
- Sodexo and the SPS should strengthen their internal CORI and fingerprint-based background check procedures by implementing a formal logging and reconciliation process. This should include mutual confirmation that all required checks have been completed and the results (pass/fail) have been communicated for all applicable personnel, including subcontractors to ensure compliance with M.G.L. Chapter 71, Section 38R.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with this finding. We have already implemented a process to ensure that CORI pass/fail information is shared with Sodexo.

Target Implementation Date: COMPLETE

Responsible Person: N/A

Recommendations to Finding 7: Inadequate Oversight and Reconciliation of Sodexo's AR

- Require Sodexo to submit a comprehensive, monthly reconciliation of all outstanding accounts receivable for special events and catered meals. This submission must include a complete, itemized listing of unpaid invoices and a written explanation for any discrepancies or removal of balances from past reports. This reconciliation must be formally reviewed and signed off on by SPS Food Service management monthly.
- Seek payment from Sodexo for invoices where the City has not received payment. Carrying outstanding balances could be a violation of the contract's provision that such costs are not to be supported by the nonprofit food service account funds.
- Update and formally publish policies that mandate upfront payment or purchase orders (POs) for all special events and catering services. This requirement is particularly critical for services provided to external (non-City) entities.
- Establish in future RFP's and vendor contracts accounts receivable policies that clearly define expected payment terms, collection procedures, who holds authority to extend credit or approve write-offs if any, and under what conditions such actions are legally permissible.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with this finding.

Action Plan: Springfield and Sodexo will have more timely reconciliation with the addition of all outstanding accounts. Sodexo will be providing monthly updates of all open AR reports and will be reviewing with SPS before payment. Clarification will be made in new RFP which will be released in the new year and will be further clarified in the new contract taking place in FY27.

Target Implementation Date: COMPLETED

Responsible Person: Nathan Madeira

Recommendations to Finding 8: Sodexo Failed to Provide Latest Financial Audit

- Sodexo provide the latest certified auditor’s report as stipulated in the contract for the SPS Food Service Department’s review.
- The SPS Food Service Department develop a process for acquiring and reviewing a copy of the vendor’s financial audit report on an annual basis
- The SPS work collaboratively with Sodexo and future vendors to:
 - Require the reporting of gross amounts separately to enhance transparency and allow accurate financial analysis
 - Update and standardize the titles and formats of financial reports to reflect current operations clearly and eliminate outdated terminology
 - Have separate operating statements submitted for each cost center, including distinct reports for monitoring contract compliance and profitability.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with this finding.

Action Plan: SPS will develop a process to hire an outside firm conduct a Review of Agreed upon Procedures annually. We will change the RFP and contract to reflect this new process.

Target Implementation Date: 7/1/2026

Responsible Person: Michael Eaton

Recommendations to Finding 9: Lack of Transparency Involving Credit Card Transactions and Undeposited Funds into City Bank Account

- All net sales proceeds from credit and debit card transactions be deposited directly into the City’s bank account, as required by contract, and not netted against other vendor payments.
- Require vendors to clearly disclose any credit card or bank processing fee and percentages as part of their pricing proposals for future contracts

Management Response: Agree Disagree

Comments/Action Plan:

We disagree with part of this finding. All credit card funds are turned over to the City Treasurer in a process as requested. We do agree that the credit card fees should be documented and reflected on the operating statement.

Target Implementation Date: 1/15/2026

Responsible Person: Tim Gray and Nathan Maderia

Recommendations to Finding 10: Lack of Transparency with Sodexo’s Monthly Invoice

- SPS work collaboratively with Sodexo to adhere to an agreed upon monthly invoice format and supplement as outlined in the RFP. This includes providing clear, itemized details that can be easily cross-referenced with the monthly operating statements.

Management Response: Agree Disagree

Comments/Action Plan:

We agree with the finding. Sodexo will be providing us an updated invoice with more clarification.

Target Implementation Date: 01/10/2026

Responsible Person: Nathan Madeira