

CITY OF SPRINGFIELD, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2015



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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Massachusetts as of and for the year ended June 30, 2015 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2014), in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Our opinions on the financial statements and this report, insofar as they relate to the Springfield Redevelopment Authority and the Springfield Library and Museums Association, are based solely on the report of other auditors.

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

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

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

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

Powers & Sullivan, LLC

December 10, 2015

CITY OF SPRINGFIELD, MASSACHUSETTS

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JUNE 30, 2015

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Current Year Comments

POLICE DEPARTMENT INFORMATION TECHNOLOGY SYSTEM AUDIT

Comment

The City engaged an independent company to perform a review of the Police Department's information technology system. The review focused on:

- Security assessment of the Department's internal network infrastructure.
- Security assessment of the Department's external network infrastructure.
- Security review of IT applications utilized by the Department.

The report identified areas for strengthening the Department's information technology system in all areas that were tested.

Recommendation

We concur with the recommendations made in the above mentioned report and recommend that management implement the proposed changes and develop procedures to regularly monitor these systems.

City's Response

The Police Department has implemented over half of the recommendations made by the independent company to date. The remaining recommendations will be fully implemented in the next year. Ultimately, all of the recommendations and new policies and procedures will significantly strengthen the Department's Information Technology System.

Prior Year Comments - Unresolved

PRIOR YEAR COMMENTS – UNRESOLVED

The following comments and recommendations were reported in the prior year Management Letter dated December 10, 2014. We have only included the comments we believe remain unresolved.

RETIREMENT SYSTEM FUNDED RATIO

Previous Comment

To comply with Massachusetts General Laws, the Springfield Contributory Retirement System (System) must be fully funded by 2040. As reflected in the most recent actuarial valuation (January 1, 2014), the funded ratio for the System decreased to 27.0%. The funded ratio is the percentage of the accrued liabilities that are covered by assets accumulated to satisfy the liability. The System's ratio ranks among the lowest percentages in the nation. The current funding schedule places the System in a precarious position which could require future borrowing to fully fund the retirement plan.

Continuing Recommendation

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

City's Current Response

A new funding schedule was adopted by the Springfield Retirement Board in FY14 in response to the recent actuarial valuation. The Schedule has total appropriations increasing 6% each year through FY18, then 8% each year through FY23, then 7% each year through FY32, then 6.5% each year through FY34 with a final amortization payment in FY35. The new schedule also drops the assumed Investment return from 8.125% to a more conservative 7.875%.

INFORMATION TECHNOLOGY AUDIT

Previous Comment

The City engaged an independent company to perform a review of its information technology system. The review focused on:

- Network authentication and authorization framework that restricts technology resource access to approved users;
- Internal network scanning procedures to ascertain the efficacy of device patching procedures and configuration integrity; and
- The depth and breadth of the technology management infrastructure that helps maintain segregation of duties, operational sustainability (back-up systems), assure environment integrity, and preclude data leakage.

In addition, the company completed external network penetration testing to identify vulnerabilities, if any, that expose the City's technology network perimeter to intrusion opportunities.

The report identified several areas for strengthening the City's information technology system. These areas included:

- Disaster Recovery Preparedness;
- Local Backup and Restoration Capabilities; and
- MUNIS Access Controls

Continuing Recommendation

We concur with the recommendations made in the above mentioned report and continue to recommend that management implement the proposed changes and develop procedures to regularly monitor these systems.

City's Current Response

The City has made relevant changes to infrastructure, policies and procedures as outlined in the IT Audit report to address key findings. The City continues to make key enhancements in the areas of business continuity and disaster planning in an effort to limit service outages. This is being accomplished through the construction of resilient communications systems followed by redundant compute infrastructure.

Informational Comment

Informational Comment

FUTURE GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS FOR OPEB AND TAX ABATEMENT DISCLOSURES

- GASB Statements #74 and #75 - The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Other Postemployment Benefits (OPEB) similar to the changes that were required for Pensions this current year. This information has been communicated in previous Management Letters and management is preparing for this to occur in fiscal years 2017 and 2018.
- GASB Statement #77, Tax Abatement Disclosures, will require disclosure of the descriptions of tax abatement agreements, the taxes being abated, and the gross dollar amount of the taxes abated during the reporting period. This GASB statement is required to be implemented in 2017.