

CITY OF SPRINGFIELD, MASSACHUSETTS

***REPORT ON APPLYING AGREED-UPON PROCEDURES
OVER COMPLIANCE APPLICABLE TO
MASSACHUSETTS SCHOOL DISTRICTS'
END-OF-YEAR FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2008

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES OVER COMPLIANCE APPLICABLE TO MASSACHUSETTS SCHOOL DISTRICTS' END-OF-YEAR FINANCIAL REPORT

To the Honorable Mayor,
Finance Control Board, and the School Committee
City of Springfield, Massachusetts

We have performed the procedures specified in the Massachusetts Department of Elementary and Secondary Education's (ESE) Compliance Supplement applicable to Massachusetts School Districts to the End-of-Year Financial Report prepared by the City of Springfield, Massachusetts (City) for the fiscal year ended June 30, 2008. We performed these procedures solely to assist the City and ESE in evaluating the City's assertion that it has complied with the ESE requirements applicable to the preparation and filing of a Massachusetts School Districts' End-of-Year Financial Report. The School District's management is responsible for preparing the End-of-Year Financial Report. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report.

Consequently, we make no representation regarding the sufficiency of the procedures specified in the Massachusetts Department of Elementary and Secondary Education's Compliance Supplement applicable to Massachusetts School Districts End-of-Year Financial Report for the purpose for which this report has been requested or for any other purpose.

We have listed noncompliance with agreed-upon procedures in the accompanying Schedule of Findings.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the End-of-Year Financial Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the City and the ESE and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Wakefield, Massachusetts
June 11, 2009

Finding #1 – General Requirement #1.A

The ESE regulations require that the End-of-Year Financial Report (EOYR) be prepared on the budgetary basis of accounting. Under the budgetary basis of accounting, total expenditures equal year-to-date expenditures plus current year encumbrances minus expenditures of prior year encumbrances. While performing this procedure we noted that the total educational expenditures reported on Schedule 1 (line 1850) exceeded the total educational expenditures reported on the District's accounting ledgers by approximately \$2.2 million. This situation appears to be primarily due to the handling of prior year encumbrances in the new Munis accounting system that was implemented during fiscal year 2008. The District expects this situation to be resolved going forward.

Finding #2 – General Requirement #2

When filing the EOYR with the ESE, School Districts are required to provide a Certification Statement confirming that the submission is a true copy of the EOYR. The Certification Statement must be signed by the School Committee Chairperson, the Superintendent of Schools, and the City Auditor prior to submission.

During the process of completing the final report, we did not find evidence that the City Auditor signed off on the final report. Although we reviewed correspondence between the school and the City concerning the report, we did not see any formal documentation that both parties agreed to the final amounts submitted. We recommend that both parties sign off on the certification. A copy of this certification should be maintained by both parties and available to the auditors for verification.

Finding #3 – Specific Requirement #2 and Specific Requirement #9

Specific requirement #2 requires that revenues from federal grants, state grants, and revolving and other special revenue funds are traced from Schedule 1 of the EOYR to the accounting ledgers and from the accounting ledgers back to Schedule 1. In performing this procedure, we found that the District did not report School construction grants from the Massachusetts School Building Authority (MSBA) as contract assistance in the amount of approximately \$19.5 million and lump-sum payments received in the amount of approximately \$2.4 million.

For lump-sum payments, we are also required by Specific Procedure #9, to verify that the corresponding expenditures are reported as purchase of land and buildings (function 7100, 7200). In performing this procedure, we found that the corresponding expenditures were not reported.

Finding #4 – Specific Requirement #11

Specific requirement #11 requires us to review the written agreement that documents the School Committee and Municipal Official's methodologies to be used when allocating, distributing or assigning municipal expenditures to the District, and to verify that the expenditures included in the EOYR are calculated in accordance with the methodologies contained in the agreement. In performing this procedure, we were not provided with a written agreement between the School Committee and Municipal Officials. As a result, we were unable to verify that the reported expenditures and cost allocations are in accordance with agreed upon methodologies between the School Committee and Municipal Officials.

Finding #5 – Specific Requirement #12

Specific Requirement #12 requires tracing the total Circuit Breaker expenditures reported on line 3080 in column 5 of Schedule 1 to the accounting ledgers. In doing so, we noted that the amount reported on line 3080 was greater than the accounting ledger by approximately \$1,060,000. The District believes an adjustment is necessary on the City ledger to bring these amounts into agreement.

Finding #6 – Specific Requirement #14

Specific requirement #14 requires verification of the allocation of Special Education (SPED) expenditures on Schedule 4. While completing this requirement, we noted that the District did not report expenditures from federal grants on line 3930. However, the fiscal 2008 ESE grant listing indicated that the District was awarded approximately \$7.5 million of federal SPED funds.

Finding #7 – Specific Requirement #17

Specific requirement #17 requires that the pupils reported on Schedule 7 are traced to the detailed transportation records and verified for accuracy and consistency. We were provided with a listing of students and their respective schools, however, we were unable to trace the amounts reported on Schedule 7 to the supporting documentation because the listing was not formatted in a manner that would facilitate this process.