



ANNUAL REPORT FOR FISCAL YEAR 2018

*Yong Ju No, CPA
Director of Internal Audit*

**Office of Internal
Audit**

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THE CITY OF SPRINGFIELD, MASSACHUSETTS

November 30, 2018

Councilor Timothy Ryan, Chairman
Councilor Justin Hurst
Councilor Timothy C. Allen

Honorable Members of the Finance Committee:

Enclosed is our 2018 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for Fiscal Year 2018. We thank the Mayor, Finance Committee, City Council, and City management for the support given to this Office.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Yong Ju No'. The signature is stylized and includes a long, sweeping horizontal line at the end.

Yong Ju No, CPA

cc: Honorable Mayor Domenic J. Sarno
Honorable Members of the City Council
TJ Plante, CAFO
Michael Nelligan, CPA, Powers & Sullivan, LLC

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OVERVIEW

The Office of Internal Audit (OIA) promotes accountability and integrity in City government and strives to identify ways to improve efficiency of procedures and effectiveness of operations by providing the following services:

- **Audit and Assurance Services** in which reviews of departments, processes, systems, and compliance with City Ordinances, laws, regulations, and other requirements are completed,
- **Consultation and Advisory Services** which provide advice and information on internal controls, risk management, and sound business practices, and
- **Investigations** in response to allegations of fraud and abuse, conflicts of interest, nepotism, and other matters in violation of City Ordinances, laws, regulations, or other guidance.

In Fiscal Year 2018, the OIA completed 4 audit and assurance engagements.

As of June 30, 2018, the OIA had the following types of services in progress:

- 5 Audit and Assurance
- 1 Consulting and Advisory
- 1 Investigation.

See Fiscal Year 2018 Activities section of this report on page 4 for a summary of these projects. Also, to access the reports issued by the OIA, please visit <http://www.springfieldma.gov/finance/index.php?id=auditors-reports> .

HIGHLIGHTS

Some of our highlights from this past year include:

- **Productivity.** Productivity related to staff time remained consistent with the previous fiscal year. In FY2018, staff time charged to audit related projects was 77% of available staff time. This percentage exceeded our annual goal of 70%.
- **Risk Based Audit Plan.** Our professional standards require the Internal Audit Director to establish a risk-based approach to determine the priorities for audit activities. A City-wide risk assessment serves as the basis for the Office of Internal Audit's Annual Audit Plan.
- **Information Technology Follow Up Audits.** Information Technology (IT) is vital to City of Springfield's operations and requires a significant investment in resources. IT audit services are co-sourced, and resources are budgeted to compensate an external consultant. This allows for highly technical IT audits for which we do not possess the skills internally. These audits are critical since the City continues to become more dependent and reliant on technology to deliver services to its citizens.

- **Fraud Hotline.** The Fraud Hotline provides a means for City employees and citizens to confidentially report suspected instances of unethical conduct by City employees and vendors. The Office of Internal Audit is responsible for the administration of the hotline and investigating reports of suspected fraud, waste, and abuse filed via the hotline.

RESULTS OF FISCAL YEAR 2018 GOALS

In February 2017, the OIA presented its Fiscal Year 2018 goals to the Audit Committee. The results of these goals are as follows:

	Goals	Results	Comments
1.	Facilitate the implementation of audit recommendations we provide within 1 year of being reported.	Met	Most of the audit recommendations from FY2017 had follow up audit work performed in FY2018 in accordance with the FY2018 Audit Plan.
2.	Complete 80% of the annual audit plan each fiscal year, depending on the occurrence of unforeseen events that may cause fewer resources to be available for projects scheduled in the annual audit plan.	Not Met	The OIA devoted significant resources to the golf investigation, which resulted in fewer resources to be available for scheduled audits in the FY2018 Audit Plan.
3.	Reassess and update the annual risk based audit plan to prioritize audit work used to assess the adequacy and effectiveness of the City’s system of internal controls.	Met	The OIA presented the FY2018 Audit Plan to the Mayor and Finance Committee in April 2018.
4.	Provide independent, confidential and reliable investigations of fraud, waste or abuse that are reported via the City’s Fraud Hotline.	Met	See Fiscal Year 2018 Activities section of this report on page 5 for summary of fraud related projects.
5.	Allocate 50% of audit effort to audits and audit-related projects, 20% to maintaining the Fraud Hotline, 30% to administration, training, development, and other.	Met	The OIA spent approximately 77% of its efforts on audits/audit related projects and maintaining the fraud hotline and approximately 23% on administration, training, and other.

RESULTS OF FISCAL YEAR 2018 GOALS (continued)

	Goals	Results	Comments
6.	Coordinate audits with the City’s external auditors.	Met	The OIA coordinated and monitored the completion of the City’s Comprehensive Annual Financial Report for FY2017.
7.	Use technology based audit tools.	Met	The OIA uses Auto Audit for managing our audits, which includes planning our audits, storing our electronic workpapers and reports, and tracking recommendations, thereby making our process more efficient. The OIA used data mining and flow charting software where appropriate.
8.	Obtain 40 hours of CPE for professional development annually.	Met	In addition, the audit staff was actively involved in the professional organizations listed below: <ul style="list-style-type: none"> • The American Institute of Certified Public Accountants, • The Institute of Internal Auditors, • Association of Government Accountants, and • Massachusetts Municipal Auditors and Accountants Association.

FISCAL YEAR 2018 ACTIVITIES

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FISCAL YEAR 2018 ACTIVITIES

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance			
Citywide Purchasing and Accounts Payable Procedures Performance Audit	Determine whether appropriate controls exists within the purchasing/disbursement process to ensure correct, appropriate and timely payments are made for goods/services received.	Complete	Report presented to the Finance Committee in October 2018.
Follow Up Reviews – Springfield Police Department’s Seized Cash, Department of Elder Affairs, and the Fun and Fitness Program at the Parks Department	Review, monitor, and test the implementation status of prior audit recommendations.	Complete	Report presented to the Finance Committee in February 2018.
Annual External Financial Audit for Year Ended June 30, 2017	The City’s Ordinance requires the Office of Internal Audit to contract with an independent certified public accounting firm to conduct the annual external audit of City’s financial statements. The firm also conducts the federally required Single Audit.	Complete	The external auditors presented the result of their FY 2017 audit to the Finance Committee in April 2018.
City’s Investment Quarterly Review	Determine whether the City’s investments comply with City Ordinance 42-35 and Massachusetts General Laws.	Complete	No reportable findings from our reviews.
Springfield Police Department (SPD) Follow Up Information Technology Review	Determine whether the FY 2015 recommendations from consultant have been implemented.	In Process	The report is expected to be presented to the Finance Committee in December 2018
Springfield Schools Department (SPS) Follow Up Information Technology Review	Determine whether the FY 2016 recommendations from consultant have been implemented.	In Process	The report is expected to be presented to the School Committee in December 2018

FISCAL YEAR 2018 ACTIVITIES (continued)

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance (continued)			
Citywide Unannounced Cash Counts	Verify accuracy of cash records and identify any weaknesses surrounding the safekeeping of cash.	In Process	Results of our count will be disclosed in the Cash Handling Follow Up Review report which is expected to be presented to the Finance Committee in January 2019.
City Cash Handling Follow Up Review	Determine whether the recommendations from the Cash Handling Performance Audit in FY 2016 have been implemented.	In Process	The report which is expected to be presented to the Finance Committee in January 2019.
Health and Human Services	Determine whether the controls over operations, including cash receipts, disbursements, payroll, grant compliance, and safeguarding assets are effective.	In Process	The report is expected to be presented to the Finance Committee in February 2019
Consultation and Advisory			
City's Benefits – Life Insurance	Determine whether appropriate controls exist for the administration of City employee benefits – life insurance.	In Process	The report is expected to be presented to the Finance Committee in January 2019
Investigation			
Investigation of the Alleged Contract Violations for Managing the City's Golf Courses	Quantify the alleged contract violations by Kennedy Golf Management Inc.	In Process	We do not currently have a timetable for the completion of our investigation.
Maintain the City's Fraud Hotline	Investigate reports of fraud, waste or abuse.	On-going	Nine allegations have been submitted, all of which have been closed with no further action warranted.