



ANNUAL REPORT FOR FISCAL YEAR 2022

Yong Ju No, CPA, CFE
Director of Internal Audit

**Office of Internal
Audit**

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THE CITY OF SPRINGFIELD, MASSACHUSETTS

December 9, 2022

Councilor Justin Hurst, Chairman
Councilor Timothy C. Allen
Councilor Sean Curran

Honorable Members of the Audit Committee:

Enclosed is our 2022 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for Fiscal Year 2022. We thank the Mayor, Audit 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,
- **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 (FY) 2022, the OIA completed the following types of services:

- 9 Audit and Assurance

As of June 30, 2022, the OIA had the following types of services in progress:

- 5 Audit and Assurance
- 1 Investigation

See Fiscal Year 2022 Activities section of this report on page 2 for a summary of these projects. Also, to access the reports issued by the OIA, please visit: <https://www.springfield.ma.gov/audit/auditors-reports>.

HIGHLIGHTS

Some of our highlights from this past year include:

- **New Staff Auditor.** Erika Wallace, staff auditor, was hired in July 2021. Erika Wallace brings 6 years of audit experience to the team and is a lifelong resident of Springfield, MA.
- **Productivity.** Productivity related to staff time remained consistent with the previous fiscal year. In FY2022, staff time charged to audit related projects was 75% of available staff time, which exceeded our annual goal of 70%.
- **Information Technology Cybersecurity Reviews.** We worked with outside consultants to conduct Cybersecurity reviews at Springfield Public Schools' and the Springfield Police Department. The reviews included simulated phishing attacks on the departments' employees which were done for the purpose of educating them on cybersecurity risks and best practices. We plan on continuing this work related to information technology in Fiscal Year 2023 by reviewing the City's cybersecurity protocols.
- **City Benefits Audit – Health Insurance.** The OIA performed an audit of the City's health insurance benefit program. During the audit, we identified potential net cost savings of \$320,512.
- **Reduced Professional Fees.** The OIA continued to work with the City's external auditors and City departments in reducing professional services fees. The OIA helped to reduce professional service fees by allocating \$22,000 (eligible portion) of the City's annual external audit fees to grants.

FISCAL YEAR 2022 ACTIVITIES

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FISCAL YEAR 2022 ACTIVITIES

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance			
Information Technology Cybersecurity Review at Springfield Public Schools (SPS)	Reassess the School department’s vulnerability to cybersecurity and information theft. This assessment will build on the results of the 2016 and 2018 information technology reviews by examining additional areas of potential vulnerability.	Complete	The OIA outsourced the review to Wolf & Company, IT Consultants. Wolf & Company issued their report in November 2021 and presented their report to SPS in March 2022.
Follow Up Review – Procurement Card at Springfield Public Schools	Review, monitor, and test the implementation status of prior audit recommendations.	Complete	The OIA presented the report to SPS in November 2022.
Review of Athletic Fees at Springfield Public Schools	Determine if cash collected from gate ticket sales from high school athletic venues are properly accounted for and safeguarded.	Complete	The OIA presented the report to SPS in November 2022.
City Benefits Audit – Health Insurance	Determine whether appropriate controls exist for the administration of City employee benefits – Health insurance.	Complete	The OIA presented the report to the Audit Committee on April 11, 2022.
City Benefits Review – Flexible Spending Account	To calculate the estimated account balance held by WageWorks, the City’s third party administrator.	Complete	There were no reportable findings.
Review of the City’s Cannabis Company Selection Process	Determine whether the City’s process for selection of cannabis companies for Host Community Awards complied with the cannabis regulations in Massachusetts.	Complete	The report was presented to the Audit Committee on December 14, 2021.
Inventory Management Audit at Department of Public Works and Park Department	Determine if the Department of Public Works and Parks department have adequate controls to ensure accuracy and completeness of inventory records, accountability for inventory transactions, and safeguarding of inventory. The review is outsourced to the external auditors.	Complete	The OIA outsourced the review to the City’s external auditors. There were no reportable findings.

FISCAL YEAR 2022 ACTIVITIES (continued)

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance (continued)			
Annual External Financial Audit for Year Ended June 30, 2021	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 results of their FY 2021 audit to the Audit Committee on September 13, 2022.
Student Activity Funds Agreed Upon Procedures	<p>Comply with Massachusetts General Laws. The Office of Internal Audit (OIA) performs the agreed upon procedures (AUP) for two years and the external auditors performs the AUP for the third year.</p> <p>The external auditors performed the AUP for FY2020, which represents the third year of the cycle.</p> <p>The OIA performed the AUP for FY2021, which represents the first year of the cycle.</p>	<p>Complete</p> <p>In Process</p>	<p>The external auditors issued the report in February 2022.</p> <p>The OIA issued the report in October 2022.</p>
City’s Investment Quarterly Review	Determine whether the City’s investments comply with City Ordinance 42-35 and Massachusetts General Laws.	In Process	Pending the receipt of information from the City Collector/Treasurer, the OIA expects to complete the quarterly reviews for FY2022 by December 2022.
Information Technology Cybersecurity Review	Reassess the Springfield Police department’s vulnerability to cybersecurity and information theft. This assessment will build on the results of the 2018 and 2016 information technology reviews by examining additional areas of potential vulnerability.	In Process	<p>The OIA outsourced the review to Wolf & Company, IT Consultants.</p> <p>Wolf & Company expects to present the report to the Audit Committee in January 2023.</p>
Audit of City Payroll	Determine whether the controls over payroll are effective and that there is reasonable assurance that payroll is correct.	In Process	The OIA expects to present the report to the Audit Committee in January 2023.

FISCAL YEAR 2022 ACTIVITIES (continued)

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance (continued)			
Follow Up Review – Cash Handling at City Clerk	Review, monitor, and test the implementation status of prior audit recommendations.	In Process	The OIA expects to present the report to the Audit Committee in January 2023.
Investigations			
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	Eleven (11) allegations have been submitted, all of which have been closed with no further action warranted.