



ANNUAL REPORT FOR FISCAL YEAR 2023

Yong Ju No, CPA, CFE
Director of Internal Audit

**Office of Internal
Audit**

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THE CITY OF SPRINGFIELD, MASSACHUSETTS

January 23, 2024

Councilor Jose Delgado, Chairman
Councilor Timothy C. Allen
Councilor Zaida Govan

Honorable Members of the Audit Committee:

Enclosed is our 2023 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for Fiscal Year 2023. 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 fluid and cursive, with a long horizontal stroke extending to the right.

Yong Ju No, CPA

cc: Honorable Mayor Domenic J. Sarno
Honorable Members of the City Council
Pat Burns, Acting CAFO
Todd Jurczyk, 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,
- **Consulting 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 (FY) 2023, the OIA completed the following types of services:

- 8 Audit and Assurance
- 1 Consulting Service

As of June 30, 2023, the OIA had the following types of services in progress:

- 5 Audit and Assurance
- 1 Investigation

See Fiscal Year 2023 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 Internal Audit Management Software.** We implemented a new audit management system Ideagen. The new software enhanced our audit process by automating all of the steps of the audit lifecycle, including risk assessment, audit planning and scheduling, timekeeping, audit documentation, and report preparation.
- **Information Technology Cybersecurity Reviews.** We worked with outside consultants to conduct Cybersecurity reviews at 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 2024 by reviewing the City's cybersecurity protocols.
- **Reduced Professional Fees as Follows:**
We performed agreed upon procedures for the Springfield Public Schools Student Activities as required by Massachusetts General Laws. In doing so, we saved the Springfield Public Schools approximately \$25,000 in external audit fees.

We continued to work with the City's external auditors and City departments in reducing professional services fees by allocating \$12,500 (eligible portion) of the City's annual external audit fees to grants.

FISCAL YEAR 2023 ACTIVITIES

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FISCAL YEAR 2023 ACTIVITIES

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance			
Information Technology Cybersecurity Review at Springfield Police Department	Reassess the Springfield Police 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 August 2022 and presented their report to the Audit Committee on February 13, 2023.
Follow Up Review – Cash Handling at City Clerk	Review, monitor, and test the implementation status of prior audit recommendations.	Complete	The OIA presented the report to the Audit Committee on February 13, 2023.
Follow Up Review – Performance Audit of Department of Health and Human Services	Review, monitor, and test the implementation status of prior audit recommendations.	Complete	The OIA expects present the report to the Audit Committee in January 2024.
Review of Fleet Maintenance at the Department of Public Works	Evaluate the effectiveness and efficiency of fleet maintenance operations and determine the adequacy of controls over the safeguarding of assets and the completeness and accuracy of inventory records.	Complete	The OIA presented the report to the Audit Committee on December 19, 2022.
Audit of City Payroll	Determine whether the controls over payroll are effective and that there is reasonable assurance that payroll is correct.	Complete	The OIA presented the report to the Audit Committee on February 13, 2023.
Facilities Maintenance Audit	Determine the effectiveness and efficiency of facilities management functions at City and School department.	Complete	The OIA expects present the report to the Audit Committee in January 2024.
Annual External Financial Audit for Year Ended June 30, 2022	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 2022 audit to the Audit Committee on June 5, 2023.

FISCAL YEAR 2023 ACTIVITIES (continued)

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance (continued)			
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 FY2021, which represents the first year of the cycle.</p> <p>The OIA performed the AUP for FY2022, which represents the second year of the cycle.</p>	<p>Complete</p> <p>In Process</p>	<p>The OIA issued the report in October 2022.</p>
City Overtime Audit	Assess controls over the overtime process, including compliance with Federal regulations and equal opportunity for eligible employees.	In Process	
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 for FY2022 and FY2023.
Review of the Cash Handling Practices at CYR Arena	Determine if cash collected for skating fees and skate rentals are properly accounted for and safeguarded.	In Process	
Building and Code Enforcement Audit	Determine if the internal control systems for permitting, inspection, and data management processes are adequately designed and operating effectively.	In Process	

FISCAL YEAR 2023 ACTIVITIES (continued)

Title/Department	Objective(s)	Status	Results/Comments
Consulting and Advisory			
Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act (ARPA) Household Cash Assistance Awards	Review the Office of Management and Budget’s process of approving applications for ARPA’s household cash assistance program.	Complete	General recommendations were made for the approval process prior to the City contracting with a third party. ARPA grants are subject to audits by federal auditors and the City’s external auditors.
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	<p>The Federal trial is scheduled for December 2023.</p> <p><u>Update</u> In December 2023, the Federal jury acquitted Kevin Kennedy Jr. of the majority counts of fraud and money laundering.</p> <p>The City may pursue civil damages against Kevin Kennedy Jr.</p>
Maintain the City’s Fraud Hotline	Investigate reports of fraud, waste or abuse.	On-going	Fourteen (14) allegations have been submitted, all of which have been closed with no further action warranted.