



*Presentation to the Audit Committee
March 27, 2017*

AUDIT PLAN FOR FISCAL YEAR 2018

*Prepared by Yong Ju No, CPA
Director of Internal Audit*

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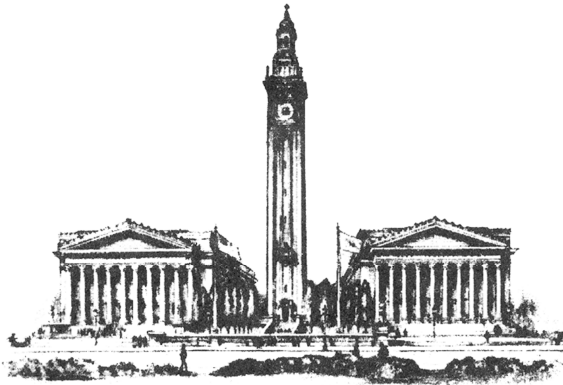
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THE CITY OF SPRINGFIELD, MASSACHUSETTS

March 27, 2017

Councilor Michael A. Fenton, Chairman
Councilor Timothy J. Rooke
Councilor Kenneth E. Shea

Honorable Members of the Audit Committee:

In accordance with City Ordinance 67-14, attached is the Audit Plan proposed for Fiscal Year 2018. If the plan meets with your approval, I respectfully request that you present the annual audit plan to the City Council for review and acceptance.

The annual audit plan was developed by considering the required audits mandated by the City Ordinance, Massachusetts General Laws and the results of the Fiscal Year 2018 Citywide Risk Assessment. We designed the annual audit plan to address what we considered to be risk areas, while limiting the scope of work to what we can realistically accomplish with the staff resources available.

Respectfully submitted,

A handwritten signature in black ink that reads "Yong Ju No" with a stylized flourish at the end.

Yong Ju No, CPA



Mission Statement

The mission of the Office of Internal Audit is to promote accountability and integrity in City government by providing independent and objective reviews and assessments of the City's departments, programs, and services to improve the efficiency of procedures and effectiveness of operations; and to prevent and detect waste, fraud, and abuse.

Powers and Duties

City Ordinance 67-14 among other things grants the Director of Internal Audit the following powers and duties:

The Director of Internal Audit shall examine or cause to be examined the financial and other records of the city and its departments including the city retirement system and any other audits or reviews as determined necessary by the Director of Internal Audit. The Director shall conduct or cause to be conducted both financial and performance audits to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. Department heads are encouraged to use the resources of the Director of Internal Audit.

The Director of Internal Audit shall maintain a fraud hotline for the City of Springfield. This hotline should be made available to the public and to city employees to enable them to report fraud, waste, and abuse.

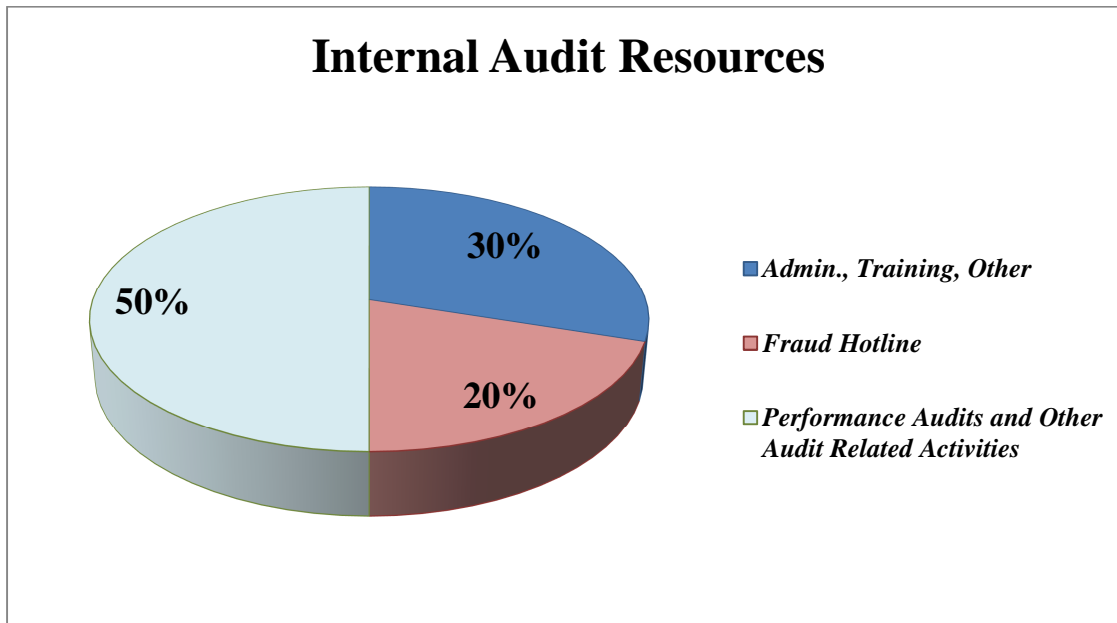
No employee, officer, board, commission, agency or other unit of the city government, including the school department, shall interfere with any audit or review conducted by the Director of Internal Audit or his/her staff.



Audit Resources

Yong Ju No, CPA, Director
Cecelia R. Goulet, CPA, CIA, CGA, Manager
Matthew Jerome, CPA, Auditor

There are 5,270 staffing hours available for Fiscal Year 2018, of this amount 2,630 hours (50%) are planned for performance audits and other audit related activities; 1,050 hours (20%) are planned for the maintenance of the fraud hotline; and 1,590 hours (30%) are planned for administrative, training and other duties.



City Wide Risk Assessment Summary

Risk assessment is the process we used to identify and prioritize the City’s internal control practices and significant areas of operating risk. This process provides a tool for creating a roadmap ultimately utilized in developing the audit plan for Fiscal Year 2018. We designed the annual audit plan to address what we considered to be the highest priority areas while limiting the scope of work to what we can realistically accomplish with the staff resources available.

City Wide Risk Assessment Model

In developing a risk assessment model, we first had to define the audit universe. The audit universe is a listing of all the City’s significant auditable units. To accomplish this, we used the City’s Fiscal Year 2017 Adopted Budget. The next step in creating the risk assessment model was to identify the major risks factors associated with of the City’s auditable units. We then we assigned weights to each risk factor based on relative importance. These measurable risk factors and assigned weights included the following:



Risk Factors	Weight
Financial Exposure	25%
Internal Control System	20%
Liquidity – Cash Nature of Activities	18%
Complexity of Operations	12%
Regulatory Compliance	10%
Last Time Audited	8%
Public Impact	7%
Total	100%

We continued our prioritization process by assigning a value to all of the above risk factors for each of the auditable units. Based on the results from interviews with City management, knowledge of past problematic areas, and reviews of the Comprehensive Annual Financial Statements and other sources of information, we assigned a point value of zero to five (0-5) with zero representing the lowest level of risk and five the highest for each risk factor evaluated. We then added the weighted factors together to obtain the representative risk score for each auditable entity, tabulated, and ranked the results from highest to lowest risk scores.

These rankings were taken into consideration when developing the Audit Plan for the Fiscal Year 2018. We must emphasize that we must also give consideration to any unique situations that may arise as well as certain circumstances which might supersede our previously identified and scheduled top priority items.



Audit Plan for Fiscal Year 2018

Auditable Unit	Project/Audit Name	Objective(s)	Hours
Required/Ongoing Projects			
Treasurer	City's Investment Quarterly Review	Comply with City Ordinance 42-35. Determine whether the City's investments are compliance with Massachusetts General Laws.	80
School Department	Student Activity Funds Agreed Upon Procedures	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. Since FY2018 represents the third year, the AUP will be outsourced to the external auditors. The OIA will work with the external auditors to transition the AUP to them.	20
Citywide and School Department	Annual External Financial Audit	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.	40
Total Hours for Required/Ongoing Projects			140
Follow Up Reviews			
Springfield Police Department	Information Technology <i>(Subject to funding. Work is performed by an independent consultant.)</i>	Carryover from the FY2017 Audit Plan. Determine whether the FY 2015 recommendations from consultant have been implemented.	40
School Department	Information Technology <i>(Subject to School Committee approval and funding. Work is performed by an independent consultant.)</i>	Carryover from the FY2017 Audit Plan. Determine whether the FY 2016 recommendations from consultant have been implemented.	40



Auditable Unit	Project/Audit Name	Objective(s)	Hours
Follow Up Reviews (continued)			
Citywide, Department of Elder Affairs	Follow Up Reviews – Citywide Cash Handling Performance Audit, Citywide Purchasing and Accounts Payable Performance Audit, and Department of Elder Affairs Parking Review.	Review, monitor, and test the implementation status of prior audit recommendations.	140
Total Hours for Follow up Reviews			220
Performance Audits			
Citywide and School Department	Payroll Audit	Carryover from the FY2017 Audit Plan. Determine whether the controls over payroll are effective and that there is reasonable assurance that payroll is correct.	740
Health and Human Services	Operational Audit	Carryover from the FY2017 Audit Plan. Determine whether the controls over operations, including cash receipts, disbursements, payroll, grant compliance, and safeguarding assets are effective.	290
TJ O'Connor Animal Control and Adoption Center	Operational Audit	Determine whether the controls over operations, including cash receipts, disbursements, payroll, monitoring contract compliance, and safeguarding assets and narcotics are effective.	420
City Golf Courses	Revenue Audit	Verify the accuracy and completeness of revenues from Franconia and Veterans golf courses reported to the City and identify any weaknesses surrounding the cash handling process.	360
Citywide	Unannounced Cash Counts	Verify the accuracy of cash records and identify any weaknesses surrounding the safekeeping of cash.	80



Auditable Unit	Project/Audit Name	Objective(s)	Hours
Performance Audits (continued)			
Citywide	Unscheduled Audits	Hours set aside to perform audits of unforeseen issues and request by City management, the Mayor, and the Audit Committee.	380
Total Hours for Performance Audits			2,270
Total Hours for Audits and Related Activities			2,630
Total Hours for Maintenance of Fraud Hotline			1,050
Total Hours for Administration, Training, and Other			1,590
Total Available 2018 Hours for Office of Internal Audit			5,270