



## ANNUAL REPORT FOR FISCAL YEAR 2017

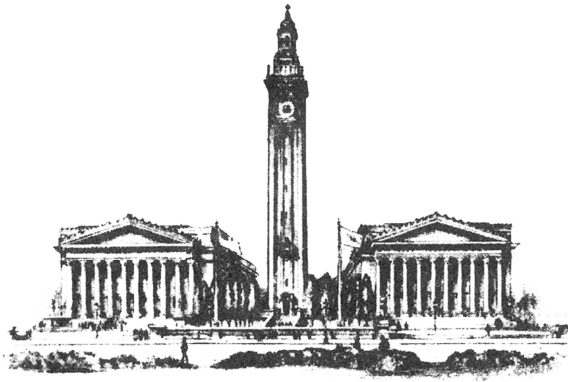
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*Yong Ju No, CPA  
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**THE CITY OF SPRINGFIELD, MASSACHUSETTS**

December 5, 2017

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

Honorable Members of the Audit Committee:

Enclosed is our 2017 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for Fiscal Year 2017. We thank the Mayor, Audit Committee, City Council, and City management for the support given to this Office.

Respectfully submitted,

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 2017, OIA completed the following types of services:

- 8 Audit and Assurance,
- 2 Investigations , and
- 1 Consultation and Advisory.

As of June 30, 2017, OIA had the following types of services in progress:

- 2 Audit and Assurance and
- 1 Investigation.

See Fiscal Year 2017 Activities section of this report on page 4 for a summary of these projects. Also, to access the reports issued by OIA, please visit

<http://www.springfieldma.gov/finance/index.php?id=auditors-reports> .

## HIGHLIGHTS

Some of our highlights from this past year include:

- **Risk Based Audit Plan.** A City-wide risk assessment model on which to base the FY2017 Audit Plan was developed. The FY2017 Audit Plan was presented to the Audit Committee in April 2016.
- **Information Technology Follow Up Audit.** We worked with outside consultants to complete a follow up review of the City's information technology policies and procedures. This follow up review ensured recommendations from the initial IT review were implemented; and for those recommendations that were not implemented, management's plans to implement were disclosed. We plan on continuing our work over this critical area in the future.
- **Audit Management Software Implementation.** We implemented an audit management system, AutoAudit. The new software had help make our audit process more efficient by automating all of the steps of the audit lifecycle, including risk assessment, audit planning and scheduling, timekeeping, audit documentation, and report preparation.

- **Reduced Professional Fees.** We performed agreed upon procedures for the Springfield Public Schools Student Activities as required by Massachusetts General Laws. In doing so, OIA estimates that it saved the Springfield Public Schools approximately \$25,000 in external audit fees.

## RESULTS OF FISCAL YEAR 2017 GOALS

On February 9, 2016, OIA presented its Fiscal Year 2017 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 FY2016 had follow up audit work performed in FY2017 in accordance with the FY2017 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	OIA devoted significant resources to the golf investigation, which resulted in fewer resources to be available for scheduled audits in the FY2017 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	OIA presented the FY2017 Audit Plan to the Mayor and Audit Committee in March 2016.
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 2017 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	OIA spent approximately 78% of its efforts on audits/audit related projects and maintaining the fraud hotline and approximately 22% on administration, training, and other.

**RESULTS OF FISCAL YEAR 2017 GOALS (continued)**

	<b>Goals</b>	<b>Results</b>	<b>Comments</b>
6.	Coordinate audits with the City's external auditors.	Met	OIA coordinated and monitored the completion of the City's Comprehensive Annual Financial Report for FY2016.
7.	Use technology based audit tools.	Met	OIA implemented a new audit management software.  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"> <li>• The American Institute of Certified Public Accountants,</li> <li>• Association of Government Accountants, and</li> <li>• The Institute of Internal Auditors.</li> </ul>

# **FISCAL YEAR 2017 ACTIVITIES**

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**FISCAL YEAR 2017 ACTIVITIES**

Title/Department	Objective(s)	Status	Results/Comments
<b>Audit and Assurance</b>			
Citywide Cash Handling Procedures Performance Audit.	Determine whether controls over cash collection, accounting, and deposit of funds are appropriate.	Complete	Carry over assignment from FY2016. Report issued and presented to the Audit Committee in October 2016.
Citywide Unannounced Cash Counts	Verify accuracy of cash records and identify any weaknesses surrounding the safekeeping of cash.	Complete	Carryover assignment from FY2016. No reportable findings. The results disclosed in the Citywide Cash Handling Procedures Performance Audit report.
City's Information Technology Follow Up Review	Determine if the FY2014 recommendations from consultant have been implemented.	Complete	Carry over assignment from FY2016. Report issued and presented to the Audit Committee in October 2016.
Review of the City Golf Courses	Worked collaboratively with the City's external auditors Powers & Sullivan, LLC to determine if Kennedy Golf Management, Inc. (KGM) complied with its contract with the City.	Complete	The external auditors issued their report and presented it to the Audit Committee in March 2017.
Review of the Parking Validation Machines at the City	Identify those City departments with parking validation machines and review the related parking expenditures.	Complete	Report issued and presented to the Audit Committee in August 2017.
Annual External Financial Audit for Year Ended June 30, 2016	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 issued their report in December 2016 and presented it to the Audit Committee in August 2017.
The School Department's Student Activity Funds Agreed Upon Procedures	Comply with Massachusetts General Law.	Complete	Report issued to the Superintendent of School in June 2017.



**FISCAL YEAR 2017 ACTIVITIES (continued)**

Title/Department	Objective(s)	Status	Results/Comments
<b>Audit and Assurance (continued)</b>			
City's Investment Quarterly Review	Determine whether the City's investments comply with City Ordinance 42-35 and Massachusetts General Laws.	On-going	No reportable findings from our reviews.
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.	In Process	Carryover assignment from FY2016. Report expected to be issued and presented in early 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.	In Process	Fieldwork activities are complete. Report expected to be issued and presented to the Audit Committee in early 2018.
<b>Consultation and Advisory</b>			
City's Flexible Spending Account	Review policies and procedures related to the City's Flexible Spending Account program	Complete	Review requested by the Chief Administrative and Financial Officer and resulted in recommendations to improve processes.
<b>Investigation</b>			
The Department of Elder Affairs Parking Review	To determine if the department is paying for its employees parking.	Complete	Report issued and presented to the Audit Committee in February 2017.
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.

**FISCAL YEAR 2017 ACTIVITIES (continued)**

Title/Department	Objective(s)	Status	Results/Comments
<b>Investigation (continued)</b>			
Maintain the City's Fraud Hotline	Investigate reports of fraud, waste or abuse.	On-going	<p>Fourteen (14) allegations have been submitted of which thirteen (13) have been closed with no further action warranted.</p> <p>We investigated an allegation regarding false time entry at Springfield Public Schools. Our investigation revealed the allegation to be unsubstantiated. However, we did make two (2) recommendations to improve the monitoring of employees' time. These recommendations were provided to the affected Principals, Payroll, and Human Resources.</p>