



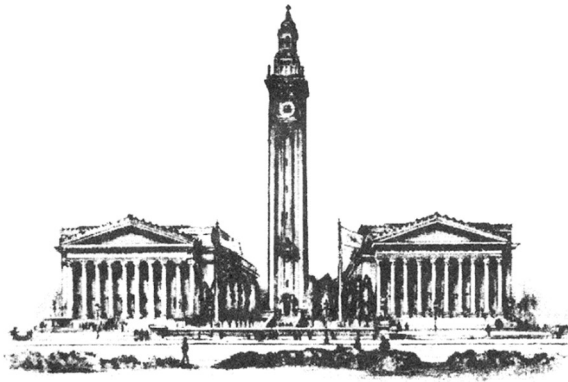
ANNUAL REPORT FOR FISCAL YEAR 2019

*Yong Ju No, CPA
Director of Internal Audit*

**Office of Internal
Audit**

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THE CITY OF SPRINGFIELD, MASSACHUSETTS

December 17, 2019

Councilor Tracye Whitfield, Chair
Councilor Kateri Walsh
Councilor Timothy Ryan

Honorable Members of the Audit Committee:

Enclosed is our 2019 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for Fiscal Year 2019. 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
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 (FY) 2019, the OIA completed the following types of services:

- 10 Audit and Assurance

As of June 30, 2019, the OIA had the following types of services in progress:

- 4 Audit and Assurance
- 4 Investigations.

See Fiscal Year 2019 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:

- **New Staff Auditor.** David Archey, staff auditor, was hired in May 2019. David Archey brings 3 years of external 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 FY2019, staff time charged to audit related projects was 73% 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.** We worked with outside consultants to complete a follow up review of the Springfield Police department's and the Springfield Public Schools' information technology policies and procedures. These follow up reviews ensured recommendations from the initial IT reviews were implemented; and for those recommendations that were not implemented, management's plans to implement were disclosed. We plan on continuing our work related to information technology in Fiscal Year 2020 by reviewing the City's cybersecurity protocols.

- **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 as follows in Fiscal Year 2019:
 - Performed agreed upon procedures for the Springfield Public Schools Student Activities as required by Massachusetts General Laws. In doing so, the OIA estimates that it saved the Springfield Public Schools approximately \$20,000 in external audit fees.
 - Solicited bids for the City’s financial statement audit service. In doing so, the OIA helped the City save \$20,000 in professional fees annually.
 - Allocated the eligible portion (approximately \$13,000) of the City’s annual external audit fees to grants.

RESULTS OF FISCAL YEAR 2019 GOALS

In February 2018, the OIA presented its Fiscal Year 2019 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 FY2018 had follow up audit work performed in FY2019 in accordance with the FY2019 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 various investigations, which resulted in fewer resources available for scheduled audits in the FY2019 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 FY2020 Audit Plan to the Mayor and Audit Committee in April 2019.
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 2019 Activities section of this report on page 4 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 73% of its efforts on audits/audit related projects and maintaining the fraud hotline and approximately 27% on administration, training, and other.

RESULTS OF FISCAL YEAR 2019 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 FY2018.
7.	Use technology based audit tools.	Met	<p>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.</p> <p>The OIA used data mining and flow charting software where appropriate.</p>
8.	Obtain 40 hours of CPE for professional development annually.	Met	<p>In addition, the audit staff was actively involved in the professional organizations listed below:</p> <ul style="list-style-type: none"> • The American Institute of Certified Public Accountants, • The Institute of Internal Auditors, • Association of Local Government Accountants, and • Massachusetts Municipal Auditors and Accountants Association.

FISCAL YEAR 2019 ACTIVITIES

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FISCAL YEAR 2019 ACTIVITIES

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance			
City Cash Handling Follow Up Review	Determine whether the recommendations from the Cash Handling Performance Audit in FY 2016 have been implemented.	Complete	Report was presented to the Audit Committee in April 16, 2019.
Springfield Police Department Information Technology Follow Up Review	Determine whether the FY 2015 recommendations from consultant have been implemented.	Complete	The IT consultant's report was presented to the Audit Committee on January 30, 2019.
Springfield Public School Information Technology Follow Up Review	Determine whether the FY 2016 recommendations from consultant have been implemented.	Complete	The IT consultant's report was presented to the Audit Committee on May 28, 2019.
City Benefits Audit – Life Insurance	Determine whether appropriate controls exist for the administration of City's Life Insurance program.	Complete	<p>The CAFO requested the audit due to the retirement of the Benefits Director in FY 2018.</p> <p>The OIA presented its report to the Audit Committee on June 4, 2019.</p>
Health and Human Services	Determine whether the controls over operations, including cash receipts, disbursements, payroll, grant compliance, and safeguarding of assets, are effective.	Complete	The OIA presented its report to the Audit Committee on September 16, 2019.
Student Activity Funds Agreed Upon Procedures (AUP)	<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 perform the AUP for the third year.</p> <p>Since FY 2018 represents the third year of the cycle, the external auditors will perform the AUP.</p>	Complete	The external auditors issued their report in May 2019.

FISCAL YEAR 2019 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.	Complete	No reportable findings.
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.
Annual External Financial Audit for Year Ended June 30, 2018	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 2018 audit to the Audit Committee in April 2019.
Request for Proposal (RFP) for External Auditing Services	Undertake a competitive bidding process for external financial statement auditing services.	Complete	Three bids were received. Powers & Sullivan LLC, the incumbent and lowest qualified bidder, was awarded the contract.
Compensatory Time Off, also known as "Bankable Overtime," Review at the Springfield Police Department	Review compensatory time off practices at the Springfield Police Department and assess compliance with union contracts, City policies, and federal/state guidelines. Identify opportunities for improved controls and cost savings associated with current practices.	In Process	The CAFO requested this review due to recent higher than anticipated retirement payouts.
Procurement Card Audit at the School Department	Evaluate the appropriateness of procurement card purchases and the adequacy of administration and oversight with regards to its use.	In Process	

FISCAL YEAR 2019 ACTIVITIES (continued)

Title/Department	Objective(s)	Status	Results/Comments
Audit and Assurance (continued)			
Information Technology Follow Up Review	Reassess the City’s vulnerability to cybersecurity and information theft. This assessment will build on the results of the 2014 and 2016 information technology reviews by examining additional areas of potential vulnerability.	In Process	The OIA outsourced the review to Wolf & Company, IT Consultants.
Student Activity Funds Agreed Upon Procedures (AUP)	Comply with Massachusetts General Laws. The Office of Internal Audit (OIA) performs the agreed upon procedures (AUP) for two years and the external auditors perform the AUP for the third year. Since FY 2019 represents the first year of the cycle, the OIA will perform the AUP.	In Process	
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	Seventeen (17) allegations have been submitted, fourteen (14) of which have been closed with no further action warranted. As of June 30, 2019, three (3) allegations were being investigated by the OIA.