



## ANNUAL REPORT FOR FISCAL YEAR 2020

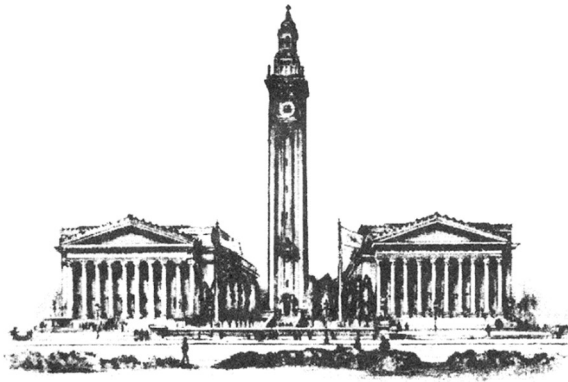
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THE CITY OF SPRINGFIELD, MASSACHUSETTS

December 15, 2020

Councilor Victor Davila, Chairman  
Councilor Tracye Whitfield  
Councilor Sean Curran

Honorable Members of the Audit Committee:

Enclosed is our 2020 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for Fiscal Year 2020. 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

## Table of Contents

<u>Section</u>	<u>Page</u>
Overview	1
Highlights	1
Results of Fiscal Year 2020 Goals	2
Fiscal Year 2020 Activities	4

## 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) 2020, the OIA completed the following types of services:

- 8 Audit and Assurance

As of June 30, 2020, the OIA had the following types of services in progress:

- 2 Audit and Assurance
- 2 Consultation and Advisory
- 1 Investigation.

The closure of City Hall during the spring and summer of 2020 due to the Covid 19 pandemic resulted in the delay of presenting internal audit reports to the Audit Committee.

See Fiscal Year 2020 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:

- **Productivity.** Productivity related to staff time remained consistent with the previous fiscal year. In FY2020, staff time charged to audit related projects was 78% 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 Cybersecurity review at the City of Springfield. The review included a simulated phishing attack on City employees which was done for the purpose of educating City employees on cybersecurity risks and best practices. We plan on continuing our work related to information technology in Fiscal Year 2021 by reviewing the Springfield Public School'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 2020:
  - 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.

**RESULTS OF FISCAL YEAR 2020 GOALS**

In January 2019, the OIA presented its Fiscal Year 2020 goals to the Audit Committee. The results of these goals are as follows:

	<b>Goals</b>	<b>Results</b>	<b>Comments</b>
1.	Facilitate the implementation of audit recommendations we provide within 1 year of being reported.	Met	Most of the audit recommendations from FY2019 had follow up audit work performed in FY2020 in accordance with the FY2020 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 consulting projects and various investigations, which resulted in fewer resources available for scheduled audits in the FY2020 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 FY2021 Audit Plan to the Mayor and Audit Committee on September 15, 2020.
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 2020 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 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 2020 GOALS (continued)**

	<b>Goals</b>	<b>Results</b>	<b>Comments</b>
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 FY2019.
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"> <li>• The Institute of Internal Auditors,</li> <li>• Association of Local Government Accountants,</li> <li>• Massachusetts Municipal Auditors and Accountants Association, and</li> <li>• Association of Certified Fraud Examiners.</li> </ul>

# **FISCAL YEAR 2020 ACTIVITIES**

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**FISCAL YEAR 2020 ACTIVITIES**

Title/Department	Objective(s)	Status	Results/Comments
<b>Audit and Assurance</b>			
Information Technology Cybersecurity Review	Assess 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.	Complete	The OIA outsourced the review to Wolf & Company, IT Consultants.  The report was presented to the Audit Committee on February 11, 2020.
City’s Investment Quarterly Review	Determine whether the City’s investments comply with City Ordinance 42-35 and Massachusetts General Laws.	Complete	No reportable findings.
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.	Complete	The report issued to the Superintendent of School in June 2020.
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 2019 audit to the Audit Committee on September 15, 2020.



**FISCAL YEAR 2020 ACTIVITIES (continued)**

Title/Department	Objective(s)	Status	Results/Comments
<b>Audit and Assurance (continued)</b>			
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.	Complete	The report was presented to the School Committee on January 10, 2020.
TJ O'Connor Animal Control and Adoption Center	Determine whether the controls over operations, including cash receipts, disbursements, payroll, monitoring contract compliance, and safeguarding of assets and narcotics are effective.	Complete	The report was presented to the Audit Committee on November 4, 2020.
Inventory Management Audit at Facilities Department and Springfield Public Schools	Determine if the School and Facilities departments have adequate controls to ensure accuracy and completeness of inventory records, accountability for inventory transactions, and safeguarding of inventory.	Complete	Work is co-sourced with the City's external auditors.  The external auditors presented the result of their FY 2019 audit to the Audit Committee in September 15, 2020.
Audit of the Edward W. Walker, William B. Walker, Barney, Moses, James Garvey, and James Garvey Trusts (City Trusts)	Comply with Massachusetts General Laws, which require the audit of public trusts annually.	Complete	The report is expected to be presented in December 2020.
Audit of the Department of Public Work's Bulk Trash Sticker Program at Big Y	Determine if Big Y has adequate controls to ensure the accuracy and the completeness of the sales of the Department of Public Work's bulk trash stickers and bulk trash sticker inventory records, and the safeguarding of the Department of Public Work's bulk trash stickers.	In Process	
Follow Up Reviews – Citywide Procurement Audit and Human Resources Life Insurance Review.	Review, monitor, and test the implementation status of prior audit recommendations.	In Process	

**FISCAL YEAR 2020 ACTIVITIES (continued)**

Title/Department	Objective(s)	Status	Results/Comments
<b>Consultation and Advisory</b>			
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.
The Police Career Incentive Pay Program, also known as the Quinn Bill, Review at the Springfield Police Department	Review the program’s practices at the Springfield Police Department and assess compliance with union contracts, City policies, and state guidelines.  Identify opportunities for improved controls and cost savings associated with current practices.	In Process	The CAFO requested this review.
<b>Investigation</b>			
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	Twenty-one (21) allegations were submitted, all of which were closed with no further action warranted.