



*Presentation to the Audit Committee
September 15, 2020*

ANNUAL AUDIT PLAN FOR FISCAL YEAR 2021

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

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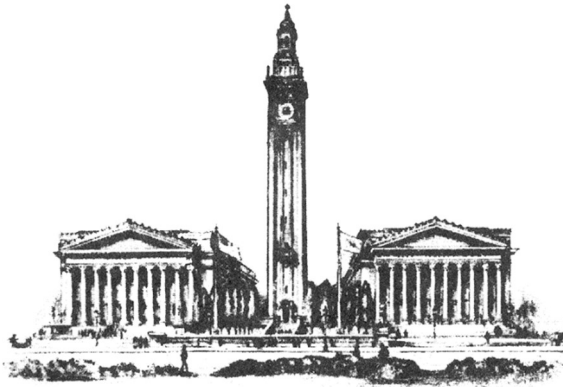
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THE CITY OF SPRINGFIELD, MASSACHUSETTS

September 15, 2020

Councilor Victor Davila, Chairperson
Councilor Tracye Whitfield
Councilor Sean Curran

Honorable Members of the Audit Committee:

In accordance with City Ordinance 67-14, attached is the Annual Audit Plan proposed for Fiscal Year 2021. 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 2021 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". The signature is stylized and includes a long horizontal flourish extending to the right.

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.

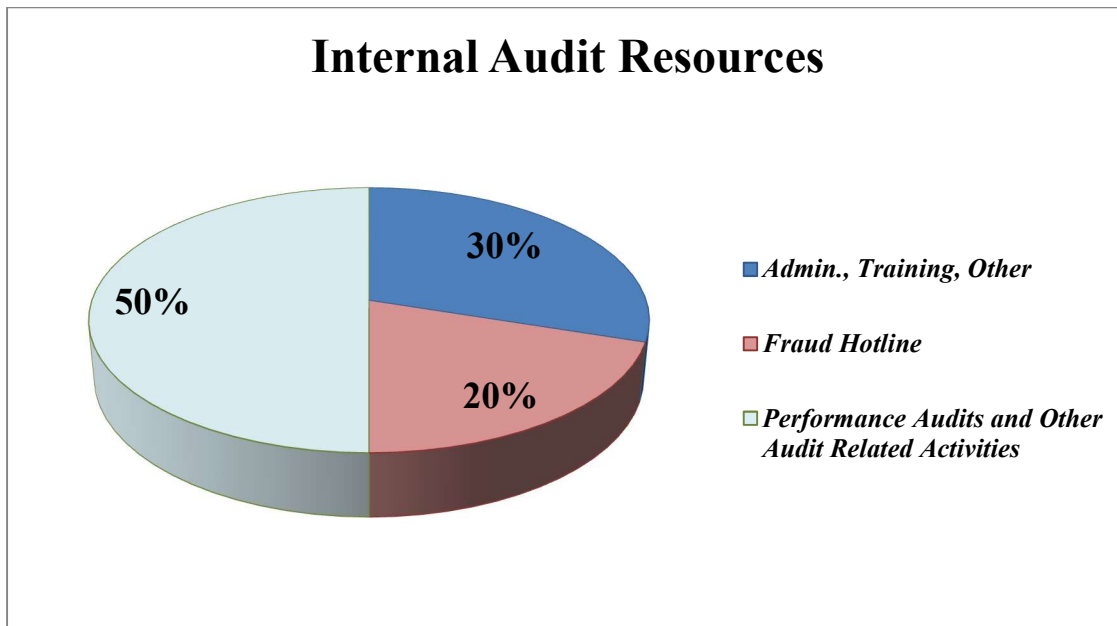
No employee, officer, board, commission, agency or other unit of the city government, including the school department, shall interfere with any audit or review conducted by the Director of Internal Audit or his/her staff.



Audit Resources

Yong Ju No, CPA, Director
Cecelia R. Goulet, CPA, CIA, CGA, Manager
David Archey, Auditor

There are 5,270 staffing hours available for Fiscal Year 2021, 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 used in developing the Annual Audit Plan for Fiscal Year 2021. 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 2021 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 Annual Audit Plan for the Fiscal Year 2021. 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.

**Annual Audit Plan for Fiscal Year 2021**

Auditable Unit	Project/Audit Name	Objective(s)	Hours
Required/Ongoing Projects			
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 FY2021 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
Treasurer	City's Investment Quarterly Review	Comply with City Ordinance 42-35. Determine whether the City's investments are compliance with Massachusetts General Laws.	60
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.	30
Total Hours for Required/Ongoing Projects			290
Follow Up Reviews			
Citywide and Human Resources	Follow Up Reviews – Citywide Procurement Audit and Human Resources Benefits Review – Life Insurance.	Carryover from FY20 Audit Plan. Review, monitor, and test the implementation status of prior audit recommendations.	180



Auditable Unit	Project/Audit Name	Objective(s)	Hours
Follow Up Reviews (continued)			
School Department	Information Technology <i>(Subject to funding. Work is performed by an independent consultant.)</i>	Reassess the School 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.	30
Total Hours for Follow up Reviews			210
Performance Audits			
Citywide and School Department	Payroll Audit	Carryover from FY20 Audit Plan. Assess the controls over payroll process.	740
Citywide	Benefits Audit – Health Insurance	Carryover from FY20 Audit Plan. Determine whether appropriate controls exist for the administration of City employee benefits – Health insurance.	360
Department of Public Works	Audit of the Bulk Trash Sticker Program at Big Y	Carryover from FY20 Audit Plan. Determine if Big Y has adequate controls to ensure the accuracy and the completeness of the sales of the City’s bulk trash stickers and bulk trash sticker inventory records, and the safeguarding of the City’s bulk trash stickers.	120
Citywide and School Department	Overtime Audit	Assess controls over the overtime process, including compliance with Federal regulations and equal opportunity for eligible employees.	420
School Department	Gift Card Audit	Evaluate the appropriateness of gift cards at the School department, and the adequacy of the administration and oversight with regards to their use.	110



Auditable Unit	Project/Audit Name	Objective(s)	Hours
Performance Audits (continued)			
Department of Public Works and Parks Departments	Inventory Management Audit <i>(Work is co-sourced with the City's external auditors.)</i>	Determine if the Department of Public Works and Parks department have adequate controls to ensure accuracy and completeness of inventory records, accountability for inventory transactions, and safeguarding of inventory.	20
Citywide	Unscheduled Audits	Hours set aside to perform audits of unforeseen issues and requests by management, Mayor, and/or Audit Committee.	360
Total Hours for Performance Audits			2,130
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 2021 Hours for Office of Internal Audit			5, 270