



**Audit Recommendation Follow-Up Report as of
September 30, 2017**

February 2018

City of Springfield
Office of Internal Audit
Springfield, MA 01103

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February 5, 2018

Councilor Timothy Ryan, Chairman
Councilor Justin Hurst
Councilor Timothy C. Allen

Re: Audit Recommendation Follow- Up Report

Honorable Members of the Finance Committee,

Please find enclosed the Office of Internal Audit's Audit Recommendation Follow-Up Report for audits/reviews related to the Springfield Police Department's Seized Cash Procedures, the Department of Elder Affairs, and the Park Department Fun and Fitness Program. This report provides the status of open recommendations as of September 30, 2017 related to these audits/reviews. The intent of this report is to keep the Finance Committee informed about the implementation status of recommendations made by the Office of Internal Audit.

We would like to thank all the staff from the various City departments that provided us with information for this report. All of their time and efforts are greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'Yong Ju No'. The signature is stylized and includes a long, sweeping flourish at the end.

Yong Ju No

Enclosure





**AUDIT RECOMMENDATION FOLLOW-UP REPORT
AS OF SEPTEMBER 30, 2017**

BACKGROUND

This report summarizes the status of 86 recommendations from our completed audits/reviews related to the Springfield Police Department Seized Cash Procedures, the Department of Elder Affairs, and the Parks Department Fun and Fitness program.

The attached report (Attachment A) includes the audit findings, recommendations, Management’s original response, original target date for implementation date (when provided), the current status, and Management’s updated response to address those recommendations in progress. Management’s updated response is as of September 30, 2017 unless otherwise indicated. When possible, we verified the status of recommendations shown as “implemented” through interviews with appropriate City staff and reviews of relevant supporting documentation.

CATEGORIES OF IMPLEMENTATION STATUS

We contacted City departments/programs to gather recommendations status, reviewed all recommendations, and placed the recommendations into the following categories:

- Implemented** The department/program provided sufficient and appropriate evidence to support all elements of implementing the recommendation,
- In Process** The department/program indicated they agree with the recommendation and are in the process of implementing.
- Will Not Implement** The department/program disagreed with the recommendation, did not intend to implement, and no further action will be reported; and
- Not Implemented – N/A** Circumstances changed to make the recommendation not applicable.

SUMMARY

The following provides a summary of the status of recommendations for each audit/review report:

Review of Springfield Police Department’s Seized Cash Procedures – Issued February 2016

OIA made 33 recommendations of which 22 have been implemented, 7 are in process, 2 will not implement, and 2 have not been implemented, i.e., not applicable. The recommendations to use a fire proof safe and to obtain additional crime insurance coverage will not be implemented as SPD management did not believe they were necessary. The 2 recommendations that have not been implemented were not applicable due to the seized cash held at a bank. SPD management expects to complete the in process recommendations in FY18.

**Operational Audit of the Department of Elder Affairs – Issued February 2016**

OIA made 33 recommendations of which 24 have been implemented, 4 are in process, and 5 has not been implemented, i.e., not applicable. The 5 recommendations that have not been implemented were primarily due to EA no longer accepting donations/charging fees at its senior centers. EA management expects to complete the in process recommendations in FY18.

Review of the Fun and Fitness Program – Issued June 2015

OIA made 20 recommendations of which 10 have been implemented, 1 is in progress, and 9 have not been implemented, i.e. not applicable. The 9 recommendations that have not been implemented were primarily due to the City no longer working the Friends and Parents of Star, Inc. to help operate the program. The Parks management expects to complete implementing the in process recommendation in FY18.

STATUS OF AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2017

Attachment A

| Finding | Recommendation | Responsible Department | Status | Remediation Plan |
|--|--|------------------------|---|--|
| 1. Review of Springfield Police Department’s Seized Cash Procedures, Issued February 2016 | | | | |
| <p>Finding 1: Large amount of cash held in custody</p> | <p>The SPD work collaboratively with the Hampden County District Attorney’s office as well as the City’s Law Department to determine if the seized cash currently on hand can be released for deposit to a financial institution and whether future cash seizures can also be timely deposited to a financial institution.</p> <p>If it is determined that seized cash can be released for deposit to a financial institution, the SPD then (1) immediately deposit current funds into a bank account established by the City Treasurer/Collector specifically for seized cash with appropriate accounting codes established by the City Comptroller to ensure that seized cash is not comingled with other City funds; and (2) implement a process for transferring future cash seized as soon as practical once it no longer has evidentiary value. A clear paper trail should be maintained as to the transfer of the seized cash from the SPD to the financial institution.</p> <p>The City Treasurer reconcile the bank account to seized cash recorded in the City’s accounting system.</p> <p>The SPD use armored car pickups to transport seized cash to The City’s financial institution.</p> <p>Surveillance cameras be installed, maintained, and periodically tested in all evidence rooms.</p> <p>The SPD research The actual fire rating and adequacy of The existing safes. The SPD invest in higher rated safes with enhanced security features, if deemed necessary.</p> <p>Safe combinations/entry codes be changed after any turnover of key employees.</p> | <p>SPD</p> | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Will Not Implement</p> <p>Implemented</p> | <p>Original Management Response: We agree with the auditors recommendations. SPD in consultation with DA Gulluni have created a policy where all seized cash is deposited into a bank. All cash seized with the exception of a 30 day hold period has been deposited. Armored car pickups are being utilized. Safe entry codes have been changed. We are currently researching the fire rating and will upgrade if deemed necessary. We are reconciling cash accounts with the City Treasurer. Surveillance cameras have been installed in all evidence rooms and the cash control area.</p> <p>Updated Management Response: SPD dept policy has been updated to reflect that the safe combinations and access doors have their codes changed after a new custodian takes over. Section 7 of GO 15-04A</p> |

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| <p>Finding 2: System for logging and tracking seized cash is inadequate</p> | <p>Implement a software application that maintains and contains all pertinent information from its receipt to disposition. This system should contain information regarding transfers to a financial institution, a crime lab, court, or other agency, noting who authorized the transfer, the officer who released the cash, and the person who received the cash along with dates and times. Also, this system should allow data to be viewed and searched in ways that were previously a challenge. A modernized inventory tracking application could also provide a full audit trail of transaction entries and changes and the amount of seized cash as of a certain date.</p> <p>In the interim prior to implementing a software system, utilize an electronic spreadsheet to augment or replace the use of manual log books to log and track seized cash activity.</p> <p>Develop and implement a method to routinely inquire as to the status of seized asset cases from the relevant courts/agencies. Proactive monitoring of the status of cases will ensure that the SPD properly receives its share of forfeited assets as well as keeping the number of pending cases in its custody as current as possible.</p> <p>Implement a follow up process to check on the status of unreturned evidence which has been checked out by an authorized party.</p> <p>Review and approval of the electronic tracking spreadsheet and eventually the computerized tracking records by management.</p> | <p>SPD</p> | <p>In Process</p> <p>Implemented</p> <p>Not Implemented – N/A</p> <p>Not Implemented – N/A</p> <p>In Process</p> | <p><u>Original Management Response:</u> We agree with the auditors recommendations. We are researching a software program for property and evidence. We currently are using an electronic spreadsheet to record all transactions. An electronic notification system has been set up with the DA to track forfeitures and disposal orders for evidence.</p> <p><u>Updated Management Response:</u> SPD has a current purchase order for Tritech IMC for a property/evidence tracking program that can be added to our current records management. This program will be used to track all SPD property and evidence. As we move our property/evidence unit to East St. upon renovation completion we will use this time to begin to train all dept personnel on its use. The status of seized Federal assets is currently monitored electronically by the SPD budget director. State seizures will be monitored by the evidence supervisor. The goal of the SPD is to reduce the time cash is held from 30 days to 0. SPD is working with the DA's Office on this change. SPD will add this into our policy. The Quality Assurance Division is mandated to conduct audits and random inspections of cash, drugs and any electronic spreadsheets maintained. The SPD business Office reconciles any differences with the City treasurer's office. A monthly report will be submitted to the Police Commissioner for review. This will be added to the SPD policy.</p> |

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| | | | | <p><u>Updated (January 2018) Management Response:</u> The SPD has purchased the Tritech IMC property/evidence tracking module and associated equipment. We have had some training sessions on the use of this software. Additional training must be done. The East St. building project is slated to be completed by the end of February 2018 and we will begin preparations for moving our property/evidence unit up there. The SPD will continue the practice of holding all cash seized for a 30 day period.</p> |
| <p>Finding 3: No inventory performed on cash held in custody</p> | <p>Officers who are independent of the evidence rooms conduct periodic scheduled and random physical inventories.</p> <p>SPD's Business Office reconcile differences identified to SPD's seized cash tracking system.</p> <p>Officers who are independent of the evidence rooms perform a full physical inventory of seized cash prior to the reassignment of officers staffing the evidence rooms.</p> | <p>SPD</p> | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> | <p><u>Original Management Response:</u> The SPD budget director reconciles all cash seized and deposited. SPD policy allows for inspections by the OIA. We will have the SPD Internal Affairs Unit conduct random, physical inspections of evidence. SPD will perform a full physical inventory of seized cash prior to any re-assignment of officers to the evidence rooms.</p> <p><u>Updated Management Response:</u> All differences are currently reconciled as per section 4 of SPD policy. An inventory of the cash on hand is done in accordance with section 7.</p> |
| <p>Finding 4: Cash on hand unaccounted for on the City's financial records</p> | <p>SPD's Business Office record all seized cash activity including amounts received and subsequent dispositions in the City's accounting system, MUNIS.</p> <p>SPD's Business Office reconcile monthly the SPD's seized cash logging/tracking records to the City's accounting system, MUNIS.</p> <p>SPD's management review and approve the monthly reconciliation.</p> | <p>SPD</p> | <p>In Process</p> <p>In Process</p> <p>In Process</p> | <p><u>Original Management Response:</u> We agree with the auditors recommendations. All cash transactions are monitored and reconciled with SPD budget director and entered into munis. The SPD Director of Business and Technology will review and approve the monthly reconciliations.</p> <p><u>Updated Management Response:</u> SPD's business office is in the process of reconciling all seized cash and will monitor future accounting every 30 days as required by Section 5 of SPD's policy. The Budget Director or designee will file a monthly report to the Police Commissioner.</p> |

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| | | | | <p><u>Updated (January 2018) Management Response:</u> I (Deputy Chief) have been advised by our Director of Business and Technology that Item 4 in its entirety has been implemented.</p> |
| <p>Finding 5: Conflicting duties of SPD personnel</p> | <p>SPD adhere to the City's disbursements adhere to the City's disbursement policy (i.e., requisition has been generated by the evidence officers which the department head or his designee approves prior to the City's Treasurer disbursing the funds by check).</p> <p>SPD implement a two person cash count procedure: anytime cash changes hands both person should ideally stay to witness the count and sign off that they are in agreement. If this is not possible, for example if cash is dropped off at night when the room is not staffed, two officers should be present when the cash is ultimately counted.</p> <p>SPD limit the access to certain functions of the electronic spreadsheet to log and track seized cash and eventually the computerized tracking system. Personnel who have access to these areas should not have the authority to alter data once they take property into their custody.</p> <p>The SPD consider assigning additional qualified personnel to the evidence rooms.</p> | <p>SPD</p> | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>In Process</p> | <p><u>Original Management Response:</u> We agree with the auditors recommendations. SPD policy requires purchase requisitions and a signed order from the court to be submitted and approved by the budget director and commanding officer of the Strategic Impact Unit before any funds are released. We are currently reviewing the staffing of the evidence room and have assigned an officer of rank to oversight of all property and evidence. SPD policy requires a supervisor and officer be present anytime cash changes hands. A SPD form requires the signature of a supervisor and officer verifying the cash seized.</p> <p><u>Updated Management Response:</u> SPD policy Section 5 requires the Commanding Officers approval for all forfeiture/court orders for all seized funds. SPD is considering assigning additional resources to the evidence rooms but due to the shortage of patrol staffing cannot at this time.</p> |

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| <p>Finding 6: No ability to detect counterfeit currency</p> | <p>Obtain and utilize a cash counting machine that has counterfeit currency detection functionality.</p> <p>Work collaboratively with the United States Secret Service to confirm the preferred process for reporting the receipt of counterfeit currency and its ultimate disposition.</p> <p>Update its internal seized cash policies and procedures to be in accordance with the requirements of outside agencies regarding the recording, handling, and disposition of counterfeit currency.</p> | <p>SPD</p> | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> | <p>Original Management Response: We agree with the auditors recommendations. We have purchased a cash counter that detects counterfeit currency and also a cash machine that scans each bill and records it. We are currently working with the Secret Service to set up a formal process for handling counterfeit currency and will incorporate it into the SPD policy.</p> <p>Updated Management Response: Section 6 of SPD policy details the handling and disposition of all counterfeit currency.</p> |
| <p>Finding 7: Packing and documentation of seized cash need improvement</p> | <p>Implementation of a consistent packaging system for seized cash that includes tamper resistant products and methods.</p> <p>A complete description should be documented for all seized cash in a manner that allows the reader to visualize the item without actually examining it. In particular, the storage location and number and denomination of currency items should be recorded along with a subtotal for each denomination and an aggregate total. This can help to reduce any errors or inconsistencies in counting and recording currency.</p> <p>The documentation should provide a record of all parties that have handled the cash in a manner that indicates a sign-off every time cash changes hands or is verified. Chain of custody signatures should be accompanied by any related chronological documentation, details of the seizure, custody, control, transfer, and disposition of the cash.</p> | <p>SPD</p> | <p>In Process</p> <p>Implemented</p> <p>Implemented</p> | <p>Original Management Response: We agree with the auditors recommendations. All cash is placed in a clear heat sealed bag after verification. A receipt from the cash scanner is place in the evidence bag. The receipt records denominations. The evidence officer upon verification will assign a storage location.</p> <p>Updated Management Response: All cash is scanned in by a currency counter and all serial numbers are recorded. The cash is placed in a ziplock bag with a receipt from the currency counter and a signed dept. cash form and placed into the drop safe. All these actions are monitored by video 24/7. The evidence officers retrieve the cash, sign the cash control form verifying the amount and re-scan through the currency counter. The cash will be bagged in a tamper resistant bag. SPD policy will be updated.</p> <p>Updated (January 2018) Management Response: The Lt. (of the SPD Evidence Room) has implemented the practice of having all cash that is held for a 30 day period heat sealed. All cash that is transported to the bank by armored car is in a tamper resistance bag.</p> |

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| <p>Finding 8: No comprehensive policy or procedures related to seized cash and its disposition</p> | <p>Establish new/updated internal policies and procedures surrounding the intake, deposit, disposition, and reconciliation processes of seized cash in all evidence areas to address the deficiencies noted in this report.</p> <p>Implement training sessions where these policies are shared with all departmental employees to assist them in understanding the role they play in protecting the integrity of the property items in the custody of the property and narcotics rooms. Employees directly involved with property and narcotics room property should have easy access to these policies and procedures to be able to reference them during the course of their work.</p> <p>Conduct an annual review of the applicability of current policies and procedures.</p> | <p>SPD</p> | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> | <p>Original Management Response: We agree with all the auditors’ recommendations. The SPD has a comprehensive cash handling policy in compliance with the auditor’s recommendations. SPD has conducted training sessions with all supervisors in the proper handling of seized cash and handling procedures in accordance with the seized cash policy. The SPD will annually review our current policy and procedures.</p> |
| <p>Finding 9: Additional Insurance Coverage/Bonding May be Needed</p> | <p>We recommend that the SPD work together collaboratively with the Law Department in determining if the City is currently adequately covered against theft or loss of seized cash.</p> <p>If coverage is not adequate, we recommend that the SPD and City Management consider either obtaining additional coverage or bonding the evidence room officers in such an amount as the City Treasurer determines necessary to secure the evidence room officer's faithful performance of their duties in connection with handling seized cash.</p> | <p>SPD</p> | <p>Implemented</p> <p>Will Not Implement</p> | <p>Original Management Response: <u>SPD</u> The City of Springfield has a crime insurance policy in place that may cover the evidence officers. If it does not the SPD would encourage adding this area to the policy.</p> <p>Law Department We have submitted a claim to the insurance company. We are going to pursue all reasonable avenues to recover the funds.</p> <p>The OIA Update: In December 2017, the City received insurance proceeds of \$380,317 for the claim on the City’s loss incurred due to the theft in SPD’s seized cash evidence room.</p> <p>Additionally, in August 2017, the City received a restitution payment of \$74,691 from Kevin Burnham’s pension account.</p> |

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| 2. Operational Audit of the Department of Elder Affairs, Issued February 2016 | | | | |
| Finding 1: Senior center funds received but not deposited. | Segregate conflicting duties. The person who is responsible for collecting cash should be separate from the person that enters the transaction(s) into the City's accounting system. The person performing the data entry function should also be separate from the person that turns the cash/checks over to the City Treasurer/Collector. A system should be in place where one employee provides a verification of the work of another employee so that any one individual is not performing a process from beginning to end. | Elder Affairs | Implemented | Original Management Response: EA on discovery of the employee's misappropriation followed the disciplinary process. The responsible employee has separated from service. EA has implemented a Cash Policy and Procedures which delineates and segregates conflicting duties related to cash handling. |
| | All employees' work should be monitored for reasonableness and accuracy by the Director of EA or her designee. | | Implemented | |
| Finding 2: Costco expenditures pertained to personal items. | EA monitor scheduled invoice payments and scrutinize invoices to prevent employee misappropriation. This analysis should be performed as part of the approval process in MUNIS prior to the authorization of the transaction for disbursement. | Elder Affairs | Implemented | Original Management Response: EA has instituted a Purchase and Accounts Payable Policy which insures that the City Purchase Order or Contract processes are followed prior to all department purchases or reimbursements to staff. In addition the following has taken place: <ul style="list-style-type: none"> - Delegation of responsibilities for requisitions and invoice processing by having only the Director granted permission for approval of all requisitions and invoice payments. In the event of EA Directors absence from the office, the Health & Human Services Director or Health and Human Services Fiscal Manager will be given permission by Munis to review and approve. |
| | City Management re-evaluate the process for departmental purchases at Costco. | Office of Management and Budget | Implemented | |
| | Once a City-wide Costco policy has been approved, the EA work with their analyst to ensure compliance with such policy. | Elder Affairs | Not implemented – N/A | |

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| | | | | <ul style="list-style-type: none"> - EA Fiscal Administrative Manager is responsible for verifying accounts charged and entering all department requisitions in MUNIS as well as verifying and processing all EA invoices. - EA has been given permission to have a Business Costco Account to purchase the items needed and funded by various grants for Senior Programs. - Once the city has implemented a program with Costco EA will become part of that program. |
| <p>Finding 3: Assets not properly monitored or safeguarded.</p> | <p>EA Director monitor assigned staff to ensure their proper accountability of assets.</p> <p>EA develop formal policies and procedures designed to ensure assets are adequately accounted for and safeguarded. Assets with larger values should be locked in a secure area with restricted access (for example just the program director and a designee). Also the procedures should address the proper monitoring of assets and monitoring of the person assigned to custody of the asset(s).</p> <p>EA maintain ongoing formal listing of assets which is also typically a requirement of many grantors. Aperiodic inventory should be taken with the counts compared to accounting records and asset listings to ensure equipment and other assets are on hand.</p> | <p>Elder Affairs</p> | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> | <p>Original Management Response: EA has implemented an Equipment Inventory Policy Procedure. EA is currently completing a total inventory of all Department assets at all sites. EA has multiple sites and is in the process of ensuring these site assets are at least minimally as secure as the level of security at 1600 Columbus Avenue where items stated above were taken. Assets stored at 1600 Columbus Avenue are secure by access to the basement level can only be reached by using a special key for the elevator. There are only two keys for the elevator. Once in the basement there are two additional locked doors, which also have only two keys issued. In addition the premises are monitored by Sonitrol. It is clear that the TVs were taken by someone that had a key to all of these locks and elevators along with a Sonitrol pass.</p> <p>In the future EA Director and the Custodian will be the keepers of these keys with other persons having limited access.</p> |

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| <p>Finding 4: Improvements needed over cash handling functions</p> | <p>EA keep all cash and checks in a designated fire proof safe, limit access to the safe to authorized personnel, and immediately change the combination of the safe subsequent to employee turnover.</p> <p>Issuance of pre-numbered receipts to anyone that makes a payment (class participants, fitness center use, van trip passengers, etc.) The carbon copies should be retained by the director at the respective senior center.</p> <p>Posting of a sign alerting participants that they should always receive a receipt and if a receipt is not received a telephone number should be provided for the participant to call (preferably to EA management).</p> <p>The issuance of a pre-numbered receipt each time that cash is turned over from one employee to another. Cash should be counted together and the receipts should be signed by both employees to document that both employees are in agreement as to the amount turned over.</p> <p>Use of sign in log should be used by senior centers to monitor individuals attending/using the center.</p> <p>Use of attendance sheets for each class with the amount paid per participant noted as well as the total received for the class. The totals on the attendance sheets should match the total on the receipt(s) when cash is turned over from the senior center to the DEA. These attendance sheets should also be used to reconcile amounts charged by instructors to ensure that the number of classes billed matches the number of classes held.</p> | <p>Elder Affairs</p> | <p>Implemented</p> <p>Implemented</p> <p>Not implemented – N/A</p> <p>Implemented</p> <p>Not implemented – N/A</p> <p>Not implemented – N/A</p> | <p>Original Management Response: EA has contacted vendors and are waiting for the reissuing of new checks for checks that were lost. To date EA has received \$400 of the \$500 checks that were outstanding. EA expects to have all checks received by end of January.</p> <p>EA has implemented a Cash Handling Policy and Procedure which includes the use of pre-numbered receipts.</p> <p>EA purchased two (2) additional safes for the sites that needed them.</p> <p>EA uses and will continue to sign in logs and attendance sheets for all program activities.</p> <p>EA will have the Van Trip Form be Approved/Denied by EA Director and Van Driver’s Supervisor will verify that the form is complete with date, rate, starting and ending mileage and receipts corresponding to the passenger list.</p> |

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| | <p>On each van trip form, include Director’s approval, dates, rates, starting and ending mileage, and an accounting of the amounts received from passengers along with a passenger listing. Each trip should have a complete form and passenger list that ties into the amount of cash turned over.</p> <p>The Director approve all adjustments to van trip forms, i.e., employees should not have the opportunity to later document a differing fee amount or that the trip was canceled.</p> | | <p>Implemented</p> <p>Implemented</p> | |
| <p>Finding 5: Purchases were not made in accordance with City procurement and accounts payable policies.</p> | <p>EA adhere to established policies and procedures regarding procurement and accounts payable and acceptance of donations.</p> | <p>Elder Affairs</p> | <p>Implemented</p> | <p>Original Management Response: EA has implemented and distributed EA Policy and Procedures to address these issues. In addition, EA has a staff person working on the re-classification of grants charges prior to FY16. FY16 grants are being processed by the Fiscal Manager following Dept. and City Purchase Procedures and verifying fund availability within MUNIS, and processing line item budget changes or expenditure re-classes as needed within the current Fiscal Year. EA will continue to work with all MUNIS work flow partners including finance department and comptrollers department to ensure all appropriate permissions are completed.</p> |
| <p>Finding 6: Numerous grant expenditure accounting issues were noted.</p> | <p>EA work with their granting agencies to resolve the questioned costs of \$19,745.69.</p> <p>Perform a continuous thorough review of transactions and processes.</p> <p>Utilize MUNIS workflow rules which are set up as a tool for management to use in authorizing transactions and for making decisions about the items under review</p> | <p>Elder Affairs</p> | <p>In Process</p> <p>Implemented</p> <p>Implemented</p> | <p>Original Management Response: EA has implemented and distributed EA Policy and Procedures to address these issues. In addition, EA has a staff person working on the re-classification of grants charges prior to FY16. FY16 grants are being processed by the Fiscal Manager following Dept. and City Purchase Procedures and verifying fund availability within MUNIS, and processing line item budget changes or expenditure re-classes as needed within the current Fiscal Year.</p> |

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| | | | | <p>EA will continue to work with all MUNIS work flow partners including finance department and comptrollers department to ensure all appropriate permissions are completed.</p> <p><u>Updated Management Response:</u> EA continues to work with the Finance Dept./Comptrollers to reconcile the different grant charges prior to FY16. Looking to have this process completed in FY18.</p> |
| <p>Finding 7: Vendors were overpaid in error.</p> | <p>EA work collaboratively with the Law Department and/or the applicable vendors to address the above mentioned vendor overpayments.</p> <p>EA adhere to the City Comptroller’s policy which requires obtaining original vendor invoices.</p> <p>EA communicate to employees that invoices may never be created; invoices should only be processed if received directly from a vendor.</p> <p>EA not approve of payments for any invoice that appears to have been altered.</p> | Elder Affairs | <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> | <p><u>Original Management Response:</u> EA has implemented Department and City Policy and Procedures as well as hired and trained new staff to ensure that this type of activity will no longer occur.</p> |
| <p>Finding 8: Timeliness of payments to vendors needs improvement.</p> | <p>EA management adhere to the payment terms of a vendor’s invoice and City’s policy on timeliness of invoice payments.</p> <p>EA management review actual vs. entered invoice dates when approving invoices for payment to properly monitor timeliness of employee data entry transactions.</p> | Elder Affairs | <p>Implemented</p> <p>Implemented</p> | <p><u>Original Management Response:</u> EA has implemented changes to our Accounts Payable Policy and Procedure which states that all invoices which have been processed through a purchase order or contract and invoices including receipt of goods verified by the Fiscal Administrative Manager will be processed within ten (10) works days of receipt in a batch to City Comptroller by the Fiscal Manager.</p> |
| <p>Finding 9: Time sheets were not signed by supervisor.</p> | <p>EA adhere to established policies and procedures regarding review, authorization, and approval of timesheets.</p> | Elder Affairs | Implemented | <p><u>Original Management Response:</u> EA follows TLM sign off. EA has put in place a process for sign off on time sheets when EA Director is not available to sign off.</p> |

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|--|---|------------------------|--|--|
| <p>Finding 10: Time sheets do not agree to the City's accounting records.</p> | <p>EA work with their granting agencies to resolve the questioned costs of \$4,556.</p> <p>EA work with Human Resources to resolve the payroll discrepancy with the affected employee.</p> <p>EA adhere to established policies and procedures to ensure the adequate review and recording of all payroll expenses.</p> | Elder Affairs | <p>In Process</p> <p>In Process</p> <p>Implemented</p> | <p><u>Original Management Response:</u> EA has implemented a new policy and procedure for Payroll processing in addition to the timesheet recently revised and issued to all staff. The Finance Dept. staff has worked with EA Financial Manager to correct and resolve the above discrepancies.</p> <p><u>Updated Management Response:</u> Payroll issues regarding costs will be focused on as part of the overall grant reconciliations.</p> |
| <p>Finding 11: Grant related direct costs classified as indirect rather than using an indirect cost allocation.</p> | <p>EA work with their analyst in the Office of Management and Budget to determine the proper allocation and classification of indirect costs for their departmental grants.</p> | Elder Affairs | In Process | <p><u>Original Management Response:</u> EA has now put in place a process that is now verified by staff on a monthly basis with the Department's Finance Department's Financial Analyst.</p> <p><u>Updated Management Response:</u> EA will use the indirect cost percentages and procedure recommended by the City's Comptroller.</p> |
| <p>Finding 12: Fees for services misclassified as donations.</p> | <p>Receipt of payments for aerobic classes, the use of fitness equipment, and for van trips be classified as fees rather than donations. Alternatively, management could revise its donation policy to conform to Massachusetts Department of Revenue's guidance.</p> | Elder Affairs | <p>Not Implemented – N/A</p> | <p><u>Original Management Response:</u> EA past practices were created and implemented with Pat Donovan, a former attorney in the City's Legal department, who advised the department to implement the classification of these funds as donations. Based on the above recommendation we have reached out to Kathy Breck, current Deputy Director of Legal Department and Finance Department to confirm and review whether the current classification is correct. Based on recommendations by the City Law Dept. and Finance Dept., EA will act on the consistent advice from Law Department and Finance Department.</p> |

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| <p>Finding 13: Department lacks comprehensive written policies and procedures.</p> | <p>Document all significant business processes, practices, and policies. In doing so, the department should ensure that the written policies and procedures address the instances of noncompliance and internal control deficiencies discussed in this report while adhering to applicable laws, guidelines and ordinances. The new policies and procedures should be communicated to personnel. The policies should be revised from time to time to reflect any significant changes in processes or related to new systems put into place. Any such revisions should also be communicated to affected personnel.</p> | <p>Elder Affairs</p> | <p>Implemented</p> | <p><u>Original Management Response:</u> EA is part of Health & Human Services Division that is currently reviewing and updating its Policies & Procedures. EA utilizes Health and Human Services Division’s Policies & Procedures. EA in light of recent findings have either reviewed, updated and implemented additional Policies & Procedures related to Fiscal Management of the department.</p> |

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| 3. Review of the Fun and Fitness Program, Issued June 2015 | | | | |
| <p>Finding 1: The Program circumvented the City's treasury and procurement policies.</p> | <p>We understand that the Program will continue to use Star's cash account to operate the Program. As such, we recommend that Star establish policies and procedures for cash handling/receipts to ensure Program assets are properly safeguarded. We recommend that the cash handling/receipt policy include:</p> <p>Signatories on checks include only Star directors and/or employees,</p> <p>Provide receipts for customers after each transaction, and</p> <p>Provide customers statements monthly.</p> <p>Additionally, Star should establish procurement policies and procedures which comply with Massachusetts procurement laws as the Program will still be subject to 30B. We recommend that the procurement policy include the following: periodically solicit for bids to obtain favorable prices, Vendors be vetted, use of purchase orders, approval of purchase orders and invoices by the Treasurer of the Board of Directors or his/her designee prior to payment.</p> | Parks | Not Implemented - N/A | <p>Original Management Response: The Recreation Division is currently working with the 501 (c) 3, its lawyer, and the City Law Department to establish written policies and procedures and to finalize an agreement with the Parents groups and the City to assure proper conduct of accounting and program related functions and the safeguarding of assets. The Executive Director of DPRM has offered to have an employee of DPRM serve as bookkeeper for the parents group to insure monthly bank statements are reconciled and is investigating hiring an independent external auditor to conduct yearly audits.</p> |
| <p>Finding 2: No agreement exists between City and Parents and Friends of Star, Inc.</p> | <p>The City enter into a formal agreement with Star defining roles and responsibilities of each party and other significant terms.</p> | Parks | Not Implemented - N/A | <p>Original Management Response: The Recreation Division is currently working with the 501 (c) 3's lawyer, the City Law Department and the Office of Internal Audit to finalize two separate agreements as follows: (Camp Star) and (Fun and Fitness).</p> |

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| Finding 3: The Program lacked written policies and procedures. | The Program develop and implement comprehensive, written policies and procedures that are consistent with applicable laws and other guidance. In doing so, the Program ensure that the written policies and procedures address the instances of noncompliance and internal control deficiencies discussed in this report. | Parks | Implemented | <u>Original Management Response:</u> See response to Finding 1 above. |
| Finding 4: Record keeping of program activities was inadequate. | The Program implement an accounting system to account for its activities, and retain and organize adequate documentation to support all revenue collected and expenses paid. | Parks | Implemented | <u>Original Management Response:</u> Record Keeping will be handled internally by an employee of DPRM not the Therapeutic Recreation Director. |
| Finding 5: Bank reconciliations were not performed. | The Program reconcile its bank accounts monthly with appropriate oversight. | Parks | Not Implemented - N/A | <u>Original Management Response:</u> Monthly bank reconciliations will be prepared by an existing DPRM employee. |
| Finding 6: There was inadequate monitoring of program activities. | The Program develop and implement a system of internal controls in which management oversight is exercised to ensure that there are proper safeguards around Program assets and compliance with City's policies and laws and regulation. | Parks | Implemented | <u>Original Management Response:</u> See response to Finding 1 above. |
| Finding 7: The Program had not provided for an adequate separation of the Program Director's duties, or established adequate compensating controls, in all areas of its operations. | The Program implement procedures to ensure that conflicting duties are segregated among different individuals. If segregation is not possible due to limited staff, then implement compensating controls, such as independent oversight and monitoring. | Parks | In Process | <u>Original Management Response:</u> Program Director's duties will be segregated and many will be carried out by the parents group and existing DPRM employees. <u>Updated (January 2018) Management Response:</u> Program Director's duties have been segregated. We have the departments Park Planner position, seasonally involved, as well as the Director of Recreation working with the Therapeutic Recreation Director. The department meets quarterly with the Therapeutic Recreation Director to review programs and staffing levels and funds collected. |

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| Finding 8: The Program did not prepare budgets. | The Program prepare budgets and monitor them regularly. | Parks | Implemented | <u>Original Management Response:</u> Annual budgets will be prepared and monitored regularly. |
| Finding 9: The Program employed relatives, contrary to ethics laws. | The Program establish and implement policies and procedures to ensure that all employees adhere to the Massachusetts Conflict of Interest Law regarding nepotism. | Parks | Implemented | <u>Original Management Response:</u> No relatives will be hired. |
| Finding 10: Certain program activities and expenditures were inappropriate/illegal. | Develop and implement policies and procedures to ensure expenditures comply with Massachusetts General Laws. | Parks | Implemented | <u>Original Management Response:</u> See response to Finding 1 above. |
| Finding 11: The Program's use of debit cards violated City's policies and lacked controls. | Eliminate the use of debit cards. As an alternative consider whether credit cards should be used, and if so, establish and implement written policies and procedures governing the control and use of credit cards. | Parks | Not Implemented - N/A | <u>Original Management Response:</u> Debit cards will be eliminated and the parents group's attorney is working with Citizens Bank to open credit cards with approval by the Parents and Friends of Star, Inc. board. Issuance of the credit cards will be determined by the board. The board will implement policies and procedures for control and use of the credit cards. |

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| <p>Finding 12: Personal credit cards were used in program activities from which personal benefits were derived.</p> | <p>Consider whether credit cards should be used, and if so, establish and implement written policies and procedures governing the control and use of credit cards. Such policies and procedures should require all employees using credit cards to sign a written agreement evidencing their understanding of, and agreement with, the Program's credit card policy. Additionally, the Program procedures should require the retention of detailed billing statements and receipts for all charges incurred on Program issued credit cards and approval of credit card transactions incurred prior to payment.</p> <p>Lastly, we recommend that the Program Director redeem any credit card reward points for cash, reimburse the Program for the Costco annual membership from 2012 through 2015, and deposit such funds with the Program.</p> | <p>Parks</p> | <p>Not Implemented - N/A</p> <p>Implemented</p> | <p><u>Original Management Response:</u> The former Program Director is in the process of providing proof of redemption of credit card points. Reimbursement to the City for the Costco membership has already been completed.</p> |
| <p>Finding 13: The Program neither performed an evaluation to justify its staff classification as independent contractors nor report the independent contractors' income to the Internal Revenue Service.</p> | <p>Perform evaluations of those individuals whom the Program classified as independent contractors using guidelines issued by the IRS. If it is determined that those individuals should have been classified as employees, then determine what corrective actions should be taken, if any, regarding unpaid payroll taxes, and contact the IRS for guidance, if necessary.</p> | <p>Parks</p> | <p>Not Implemented - N/A</p> | <p><u>Original Management Response:</u> The board's attorney will work with the Personnel Department and the IRS to determine if there are any unpaid payroll taxes and make reparations.</p> |
| <p>Finding 14: The Program did not use the City's payroll system to pay employees and failed to withhold payroll taxes.</p> | <p>Comply with the City's payroll policy and determine what corrective measures should be taken, if any, regarding payroll taxes not withheld from employees, and contact the IRS for guidance, if necessary</p> | <p>Parks</p> | <p>Implemented</p> | <p><u>Original Management Response:</u> The board's attorney will work with the Personnel Department and the IRS to determine if there are any unpaid payroll taxes and make reparations.</p> |

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| Finding 15: The Department of Developmental Services and Disabled Persons Protection Commission cited the Program for Abuse Per Se and noted improvements are needed. | We echo those recommendations from the DPPC. Also, we recommend that there be better communications from the Program Director to the Parks and Recreation Director involving matters affecting the Parks and Recreation Department such as the investigative report from the DPPC. | Parks | Implemented | Original Management Response: The recommendations of the Dept. of Development and Disabled Person Protection Commission have been implemented and the Park Department has requested that the Law Department contact the Executive Director immediately if any complaints are received in the future. |
| Finding 16: The Program did not comply with the City's Mobile Phone Policy. | We recommend that the Program comply with the City's Mobile Phone Policy. | Parks | Implemented | Original Management Response: The former Program Director has reimbursed the parents group for his wife's phone usage and now that the Department is aware of the City's Motor Vehicle Policy it will be in compliance. |
| Finding 17: The Program did not comply with the City's Motor Vehicle Policy. | We recommend that the Program comply with the City's Motor Vehicle Policy. | Parks | Not Implemented - N/A | Original Management Response: See response to Finding 16 above. |
| Finding 18: Parents and Friends of Star, Inc. did not comply with the Attorney General's registration and filing requirements. | We recommend that the Parents and Friends of Star, Inc. comply with the registration and filing requirements of the Massachusetts Attorney General's Office. | Parks | Not Implemented - N/A | Original Management Response: The parents group and its attorney are preparing to meet in the near future. The attorney has already prepared draft by-laws for their review and vote. The board will be reconstituted in compliance with the state regulations. |
| Finding 19: The 2012 and 2013 IRS Information Returns of Parents and Friend of Star, Inc. warrant restatement. | We recommend that Parents and Friends of Star, Inc. amend their 2012 and 2013 Forms 990. | Parks | Not Implemented - N/A | Original Management Response: The board will work with its attorney to insure compliance with the Attorney General's registration and filing requirements and amend its 2012 and 2013 IRS Forms 990. |