

June 2020



Office of Internal Audit

Why We Did This Review

This review was conducted as part of the Office of Internal Audit's Fiscal Year (FY) 2020 Audit Plan.

Key Recommendation

The Library assign Munis Library branch codes associated with trust expenditures .

For more information, please contact Yong No at (413)784-4844 or yno@springfieldcityhall.com.

City of Springfield Review of Trust Fund Expenditures Executive Summary

Background

The City of Springfield (CoS) is the beneficiary of trust funds which were created by bequests that limit the use of the income generated from the trusts to designated purposes. These trust funds include following: the Edward M. Walker, William B. Walker, and Everett H. Barney trust funds that benefit the City's Park department; the Rose Knoop trust fund that benefits certain areas of the Old North Church, which the CoS owns; and the William B. Walker, Horace A. Moses, James J. Garvey, and James B. Corcoran trust funds that benefit the City's Libraries, through the Springfield Library Foundation, (collectively the "Trusts"). The Trusts are managed by trustees who are independent third parties; and the Trusts' assets are held with various financial institutions.

Objective

The primary objective of this review was to determine if internal controls are in place and operating as intended to ensure trust expenditures are proper and in accordance with the donor's bequests.

What We Found

Certain expenditures were unable to be traced to the Forest Park Library branch in accordance with the James J. Garvey Trust document.



Introduction

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City of Springfield, MA (City or COS) and its departments 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. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this review addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The review also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its departments. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

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The City receives income from the Trusts annually. The following table shows income and expenditures related to each trust for FY19.

Trust Fund	Income	Expenditure
James J. Garvey (Library)	\$11,171	\$8,035
James B. Corcoran (Library)	\$48,789	\$54,955 ¹
William B. Walker (Library)	\$58,426	\$74,179 ¹
Horace A. Moses (Library)	\$25,868	\$35,951 ¹
Everett H. Barney (Parks)	\$100,000	\$107,491 ¹
William B. Walker (Parks)	\$61,000	\$92,642 ¹
Edward M. Walker (Parks)	\$148,409	\$109,893
Rose Knoop (Old North Church)	\$41,598	\$ - ²

¹ Expenditures exceeded income. The excess came out of prior years' income.

² There were no expenditures in FY19.



Objective, Scope, and Methodology

Objective

The primary objective of this review was to determine if internal controls are in place and operating as intended to ensure trust expenditures are proper and in accordance with the donor's bequests.

Scope

Trust expenditures made in Fiscal Year 2019.

Methodology

To accomplish our objectives, we performed the following review procedures:

- Reviewed trust documents.
- Interviewed employees to gain an understanding of the operational processes and procedures.
- Reviewed applicable City policies and procedures and relevant state and federal laws and regulations.
- Obtained trust expenditure activity, ledger balances, and investment statements.
- Tested a sample of expenditures for adherence to existing policies and procedures and trust documents.
- Performed other tests deemed as necessary.

Our findings and related recommendations are in the following sections of the report. Management was given the opportunity to respond to the findings. The departmental responses are incorporated verbatim into the report following each finding and recommendation.

Findings and Recommendations

The following are findings and their potential risks/impact, recommendations, and management responses to address the weaknesses identified during the review:



No.	Finding	Finding Description	Potential Risk/ Impact	Recommendation	Management Response
1.	Expenditures from the James J. Garvey Trust were not traceable to the Forest Park Library branch.	The James J. Garvey Trust requires that all expenditures be used for the purchase of books and materials for the Forest Park Library branch. The OIA noted that \$3,532 out of the total \$8,035 expenditures, which were properly used for books and materials, from the James J. Garvey Trust funds in FY19 could not be traced to the Forest Park Library branch.	Failure to adhere to trust expenditure requirements could lead to improper use of funds.	We recommend that the Library assign Munis Library branch codes associated with trust expenditures.	<p><u>Library</u> In FY 19 we actually spent \$40,900 on library materials for the Forest Park Branch. It seems that only \$4,503 for library materials was charged to the Garvey fund and that the remainder of the Garvey Fund (\$3,532) was charged to our Materials expenditures in general rather than specifically to the Garvey Trust. The Library Department will carefully track all of the Garvey Funds going forward to ensure that the funds are used appropriately. We did ask Comptrollers to set up new charge and revenue codes to track Garvey funds to the Forest Park Branch materials expenditures.</p> <p>We track all of our materials expenditures by special fund codes in our Evergreen Acquisitions system (Garvey has its own), but those fund codes don't mesh with MUNIS financial tracking. We could do things differently to create separate Forest Park Garvey invoices, but this would create extra work for both collection development and acquisitions. Now, for example, we make one fiction cart with all branch locations –with their fund codes – gridded to each title. If there's a Forest Park Garvey title, it gets the Garvey fund code but arrives as part of one overall invoice for the title. If it needed to be separated out, we'd need to do a fiction cart for all branches except Forest Park, then do a separate one for Forest Park Garvey. This is extra work for the selector making the cart,</p>



No.	Finding	Finding Description	Potential Risk/ Impact	Recommendation	Management Response
					<p>creates an additional cart that acquisitions would need to order through the vendor, and creates a separate invoice that then would need to be paid online, copied, stamped, and submitted with weekly bills. A typical monthly fiction order of around 120 titles could end up arriving as up to a dozen separate invoices, depending on the publication date and availability of the titles ordered; while splitting out Forest Park would not likely double the number of invoices one order generates, since we wouldn't purchase every title for Forest Park, it would significantly increase the paperwork. It's all certainly possible, but it's a step away from the streamlining of processes that we've been working to achieve. We will, of course, do whatever needs to be done.</p> <p>We will ask our Library Commission on an annual basis at our September meeting to confirm that the William Walker trust funds were used in accordance with the trust document.</p>

Other Matters – We noted that the trustee for the Edward M. Walker Trust and the William B. Walker Trust requires that Parks department confirm annually that the trust funds were used in accordance with the trust documents. Likewise the trustee for the William B. Walker Trust requires that Library department confirm annually that the trust funds were used in accordance with the trust document. We recommend that both the Parks Commissioner and the Library Commission comply with the trustee's request by annually certifying that trust expenditures were made accordance with the trust documents.