



## ANNUAL REPORT FOR FISCAL YEAR 2015

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Director of Internal Audit*

**City of Springfield  
Office of Internal Audit**

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November 13, 2015

Councilor Timothy J. Rooke, Chairman  
Councilor Kenneth E. Shea  
Councilor Justin Hurst

Honorable Members of the Audit Committee:

Enclosed is our 2015 Annual Report. This report highlights the Office of Internal Audit's activities and accomplishments for fiscal year 2015. 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 stylized and includes a long, sweeping horizontal line at the end.

Yong Ju No, CPA  
Director of Internal Audit

cc: Honorable Mayor Domenic J. Sarno  
Honorable Members of the City Council  
TJ Plante, CAFO  
Michael Nelligan, CPA, Powers and Sullivan, PC

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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 2015, OIA completed the following types of services:

- 5 Audit and Assurance,
- 4 Consultation and Advisory, and
- 1 Investigation.

See Fiscal Year 2015 Activities section of this report on page 4 for a summary of these projects. Also, to access the reports issued by OIA, please visit <http://www.springfieldma.gov/finance/index.php?id=auditors-reports> .

## Highlights

Some of our highlights from this past year include:

- **New Director of Internal Audit.** A new Director of Internal Audit was hired in September 2014. The new Director brings with him over 20 years of auditing experience, including his experience as an Audit Manager with an international accounting firm.
- **Audit Manual.** A formal policies and procedures manual was developed which was based upon professional guidance and government regulations and included standardized forms and checklists.
- **Risk Based Audit Plan.** A City-wide risk assessment model on which to base the FY16 Audit Plan was developed. The FY16 Audit Plan was presented to the Audit Committee in April 2015.
- **IT Audit.** We worked with outside consultants to complete a review of Springfield Police Department's information technology policies and procedures. This review resulted in improved controls over the information technology environment at Springfield Police Department. We plan on continuing our work over this critical area City wide in FY16.
- **Reduced Professional Fees.** Continued to work with external auditors and other City departments in reducing professional service fees (by approximately \$14,000 for FY15) by allocating eligible portions to grants.

## Fiscal Year 2015 Goals

On January 20, 2015, OIA presented its fiscal year 2015 goals to the Audit Committee. The results of these goals are as follows:

Goals	Initiatives	Result	Comments
Develop an annual audit plan based upon risk assessment.	<ul style="list-style-type: none"> <li>• Develop a citywide risk assessment model.</li> <li>• Prepare a feasible audit plan for submission to the Mayor and Audit Committee.</li> </ul>	Met	FY16 Audit Plan was presented to the Audit Committee on April 1, 2014.
Standardize procedures in Internal Audit.	<ul style="list-style-type: none"> <li>• Develop an internal audit manual with standardize forms and checklists.</li> </ul>	Met	Audit Manual was issued in January 2015.
Provide independent, confidential and reliable investigations of fraud, waste or abuse that are reported via the City's Fraud Hotline.	<ul style="list-style-type: none"> <li>• Maintain the City's Fraud Hotline.</li> <li>• Provide investigation results, including recommendations for necessary actions to be taken for all allegations of fraud, waste, or abuse that are found to be substantiated.</li> </ul>	Met	See Fiscal Year 2015 Activities section of this report on page 4 for summary of fraud related projects.
Coordinate audits with the City's external auditors.	<ul style="list-style-type: none"> <li>• Internal Audit to audit certain school activity funds for the School Department.</li> <li>• Coordinate and monitor the completion of the City's Comprehensive Annual Financial Report.</li> </ul>	Met	OIA coordinated and monitored the completion of the City's Comprehensive Annual Financial Report for FY14. In addition, OIA established a plan to audit student activity accounts with the external auditors in which OIA will audit student activity accounts for FY15 and FY16 and the external auditors will audit certain student activity accounts for FY17.

**Fiscal Year 2015 Goals (continued)**

Goals	Initiatives	Result	Comments
Allocate 40% of audit effort to audits and audit-related projects, 20% to maintaining the Fraud Hotline, 40% to administration, training, development, and other.	<ul style="list-style-type: none"> <li>Effectively deploy resources so that they are used in a way that optimizes the achievement of this goal. Resources may include employees, external service providers, and technology based audit techniques.</li> </ul>	Substantially Met	OIA spent approximately 57% of its efforts on audits/audit related projects and maintaining the fraud hotline and approximately 43% on administration, training, development, and other.
Use technology based audit tools.	<ul style="list-style-type: none"> <li>Utilize data mining and flowcharting software on all audits.</li> </ul>	Met	Data mining and flow charting software were utilized by OIA where deemed appropriate.
Obtain 40 hours of CPE for professional development annually.	<ul style="list-style-type: none"> <li>Allocate the necessary financial support out of the annual budget so that each audit staff has the ability to attend conferences, seminars, webinars, and online training programs.</li> </ul>	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 American Institute of Certified Public Accountants</li> <li>Association of Government Accountants</li> <li>The Institute of Internal Auditors</li> </ul>
Recruit staff to fill existing vacancy.	<ul style="list-style-type: none"> <li>Hire an employee with the required skills to meet the needs of the department.</li> </ul>	Not Met	Initial interviews were conducted in April 2015, resulting in no qualified candidates. OIA will continue its search in the Fall of 2015.

# **FISCAL YEAR 2015 ACTIVITIES**

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**FISCAL YEAR 2015 ACTIVITIES**

Title/Department	Objective(s)	Status	Results/Comments
<b>Audit and Assurance</b>			
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 from our reviews.
Annual External Financial Audit for Year Ended June 30, 2014	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 issued their report on December 10, 2014.
Contract Compliance Review of Northeast Grounds Management, Inc.	Evaluate the accuracy of expenditures and whether payments made to vendor were in accordance with contracts, renewals, and amendments.	Complete	Report issued in June 2015.
Review of the Park's Department Fun and Fitness Program	Verify compliance with City's policies and procedures specific to collection and procurement and to evaluate internal controls over operations.	Complete	Report issued in June 2015 and discussed with Audit Committee on July 27, 2015.
Review of Springfield Police Department's (SPD) Information Technologies Policies and Procedures.	Determine if general and application controls are properly designed and operating effectively. Work was performed by independent consultants.	Complete	Confidential report issued in June 2015 and discussed with Audit Committee in Executive Session on September 15, 2015.



**FISCAL YEAR 2015 ACTIVITIES (continued)**

Title/Department	Objective(s)	Status	Results/Comments
<b>Consultation and Advisory</b>			
Springfield Police Department	Evaluate the Police's Department's cash handling practices.	Complete	No reportable findings from our review. Recommendations made to improve processes.
Springfield Police Department	Evaluate the Police Department's evidence room policies and procedures.	Suspended/In-process	Suspended transactional testing of cash seizures. OIA is assisting SPD to strengthen policies and procedures over cash seizures from narcotics arrests.
Treasurer	Evaluate the postage machine use policy and procedures.	Complete	No reporting finding from our review. Recommendations made to improve processes.
Springfield School Department	Review SPS's Draft Student Activities Funds policy.	Complete	Provided comments.
<b>Investigation</b>			
Maintain the City's Fraud Hotline	Investigate reports of fraud, waste or abuse.	On-going	<p>In FY15, OIA received 40 allegations of which 39 have been closed with no further action warranted.</p> <p>An allegation of employee theft was received from Elder Affairs. OIA investigated and submitted our findings to Human Resources, Legal, and Elder Affairs. OIA expanded this investigation to an audit which will be completed in FY16.</p>