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AUDIT PLAN FOR FISCAL YEAR 2016

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

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**City of Springfield
Office of Internal Audit**

36 Court Street – Room 411
Springfield, MA 01103

Yong Ju No, CPA, *Director*
(413) 784-4844
yno@springfieldcityhall.com

Cecelia R. Goulet, CPA, CGA, CIA
Internal Audit Manager
(413) 750-2792
cgoulet@springfieldcityhall.com

Fraud Hotline (413) 886-5125



March 26, 2015

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

Honorable Members of the Audit Committee:

In accordance with City Ordinance 67-14, attached is the Audit Plan proposed for Fiscal Year 2016. 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 2016 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, appearing to read "Yong Ju No". The signature is stylized and includes a long, sweeping flourish at the end.

Yong Ju No, CPA
Director of Internal Audit



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.

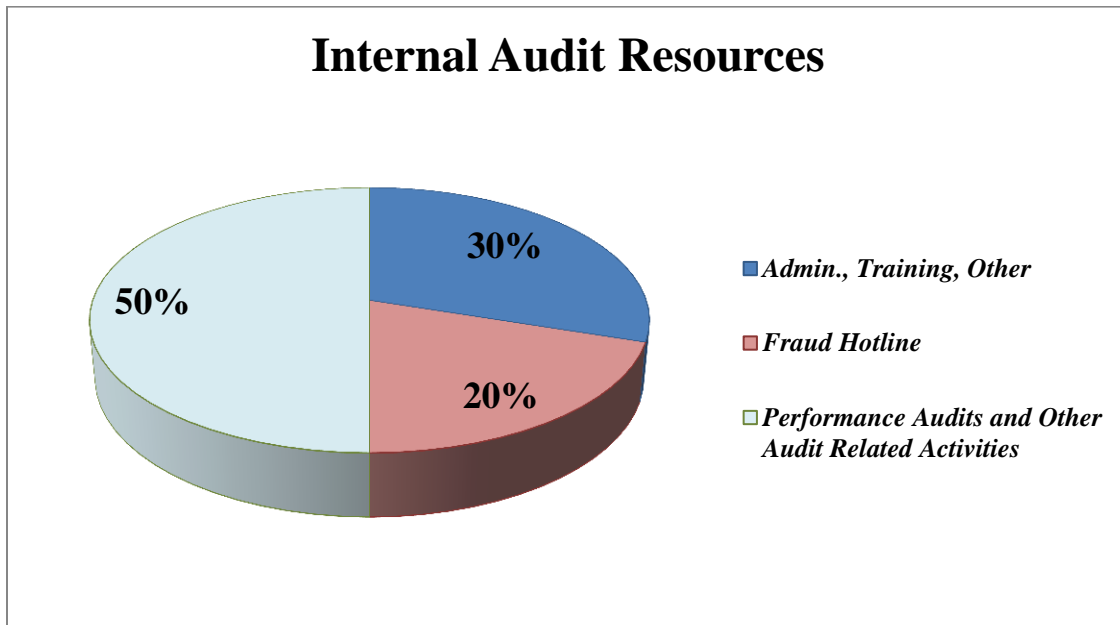
No employee, officer, board, commission, agency or other unit of the city government, including the school department, shall interfere with any audit or review conducted by the Director of Internal Audit or his/her staff.



Audit Resources

Yong Ju No, CPA, Director
Cecelia R. Goulet, CPA, CIA, CGA, Manager
Vacant position, Auditor (expected to be filled May 2015)

There are 5,270 staffing hours available for Fiscal Year 2016, 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 utilized in developing the audit plan for Fiscal Year 2016. 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 2015 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 result of our internal controls questionnaire which we reviewed with management, 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 audit plan for the Fiscal Year 2016. 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.



Audit Plan for Fiscal Year 2016

Auditable Unit	Project/Audit Name	Objective(s)	Hours
Required/Ongoing Projects			
Treasurer	City's Investment Quarterly Review	Comply with City Ordinance 42-35. Determine whether the City's investments are compliance with Massachusetts General Laws.	140
School Department	Student Activity Funds Agreed Upon Procedures (<i>Subject to School Committee approval.</i>)	Comply with Massachusetts General Laws.	400
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.	40
Total Hours for Required/Ongoing Projects			580
Follow Up Audits			
Finance and Administration	Information Technology (<i>Subject to funding. Work is performed by an independent consultant.</i>)	To determine if the FY 2014 recommendations from consultant have been implemented.	40
Total Hours for Follow up Audits			40
Performance Audits			
Finance and Administration	Purchasing and Accounts Payable	Determine whether appropriate controls exist within the purchase-to-pay/disbursement process to ensure correct, appropriate and timely payments are made for goods/services received.	750



Auditable Unit	Project/Audit Name	Objective(s)	Hours
Performance Audits (continued)			
Citywide	Cash Collection, Handling, and Accounts Receivable	Determine whether controls over cash collection, accounting, and deposit of funds are appropriate.	600
Citywide	Unannounced Cash Counts	Verify accuracy of cash records and identify any weaknesses surrounding the safekeeping of cash.	80
School Department	Information Technology <i>(Subject to School Committee approval and funding. Work is performed by an independent consultant.)</i>	Determine if general and application controls are properly designed and operating effectively. To assess the vulnerability of the School department's network.	80
Citywide	Unscheduled Audits	Hours set aside to perform audits of unforeseen issues and request by management, Mayor, and/or Audit Committee.	500
Total Hours for Performance Audits			2,010
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 2016 Hours for Office of Internal Audit			5,270