



*Presentation to the Finance Committee  
April 9, 2018*

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**ANNUAL AUDIT PLAN FOR FISCAL YEAR 2019**

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

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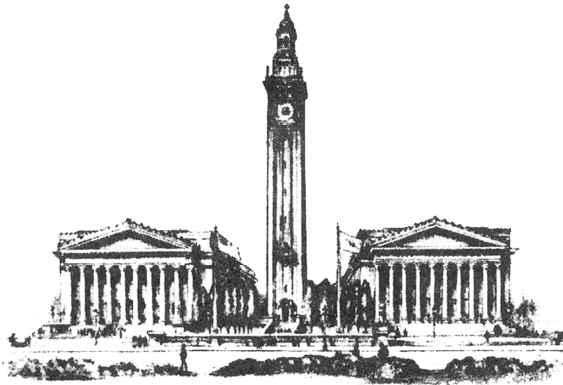
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**THE CITY OF SPRINGFIELD, MASSACHUSETTS**

April 9, 2018

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

Honorable Members of the Finance Committee:

In accordance with City Ordinance 67-14, attached is the Annual Audit Plan proposed for Fiscal Year 2019. 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 2019 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" with a stylized flourish at the end.

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.*

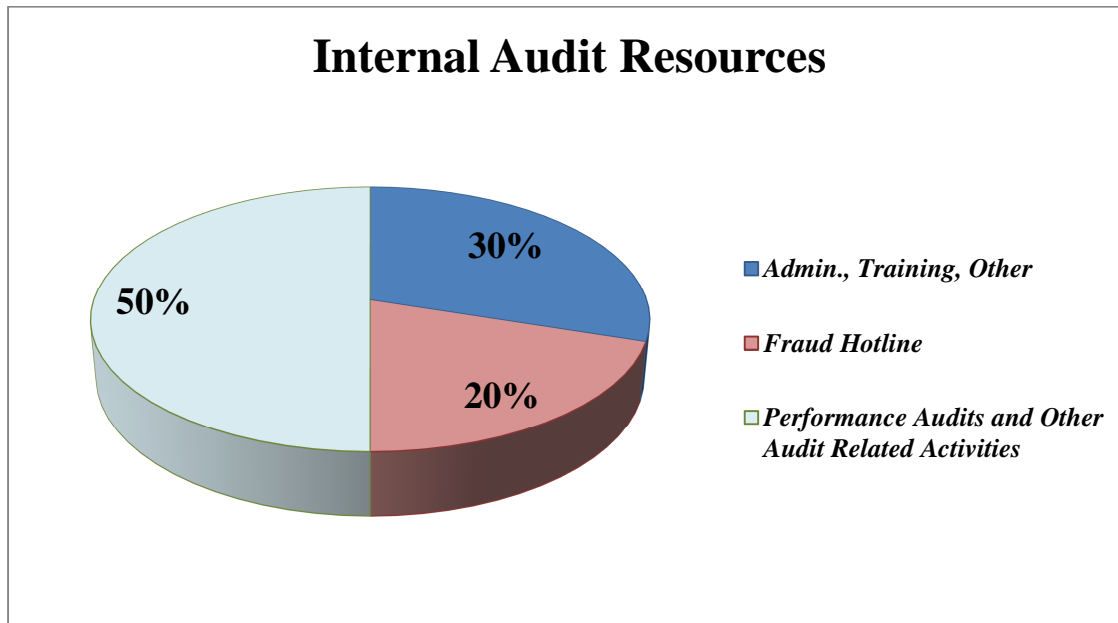
*No employee, officer, board, commission, agency or other unit of the city government, including the school department, shall interfere with any audit or review conducted by the Director of Internal Audit or his/her staff.*



**Audit Resources**

Yong Ju No, CPA, Director  
Cecelia R. Goulet, CPA, CIA, CGA, Manager  
Matthew Jerome, CPA, Auditor

There are 5,270 staffing hours available for Fiscal Year 2019, 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 2019. 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 2018 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:



<b>Risk Factors</b>	<b>Weight</b>
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 2019. 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 priority items.

**Annual Audit Plan for Fiscal Year 2019**

<b>Auditable Unit</b>	<b>Project/Audit Name</b>	<b>Objective(s)</b>	<b>Hours</b>
<b>Required/Ongoing Projects</b>			
Treasurer	City's Investment Quarterly Review	Comply with City Ordinance 42-35. Determine whether the City's investments are compliance with Massachusetts General Laws.	80
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. Fiscal years 2019 and 2020 represent the years in which the OIA will perform the AUP.	240
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
<b>Total Hours for Required/Ongoing Projects</b>			<b>360</b>
<b>Follow Up Reviews</b>			
Finance and Administration	Information Technology <i>(Subject to funding. Work is performed by an independent consultant.)</i>	Reassess the City's vulnerability to cybersecurity and information theft. This assessment will build on the results of the 2014 and 2016 information technology reviews by examining additional areas of potential vulnerability.	40
Citywide, Parks, Buildings and Recreation Management, and Human Resources	Follow Up Reviews – Citywide Procurement Audit, City Golf Courses Revenue Audit, and Human Resources Benefits Review.	Review, monitor, and test the implementation status of prior audit recommendations.	240
<b>Total Hours for Follow up Reviews</b>			<b>280</b>



Auditable Unit	Project/Audit Name	Objective(s)	Hours
<b>Performance Audits</b>			
Citywide and School Department	Payroll Audit	<b>Carryover from FY18 Audit Plan.</b> Determine whether the controls over payroll are effective and that there is reasonable assurance that payroll is correct.	740
TJ O'Connor Animal Control and Adoption Center	Operational Audit	<b>Carryover from FY18 Audit Plan.</b> Determine whether the controls over operations, including cash receipts, disbursements, payroll, monitoring contract compliance, and safeguarding assets and narcotics are effective.	480
School Department	Procurement Card Audit	Evaluate the appropriateness of procurement card purchases and the adequacy of administration and oversight with regards to its use.	290
Citywide	Unscheduled Audits	Hours set aside to perform audits of unforeseen issues and request by management, Mayor, and/or Finance Committee.	400
Citywide	Unannounced Cash Counts	Verify the accuracy of cash records and identify any weaknesses surrounding the safekeeping of cash.	80
<b>Total Hours for Performance Audits</b>			<b>1,990</b>
<b>Total Hours for Audits and Related Activities</b>			<b>2,630</b>
<b>Total Hours for Maintenance of Fraud Hotline</b>			<b>1,050</b>
<b>Total Hours for Administration, Training, and Other</b>			<b>1,590</b>
<b>Total Available 2019 Hours for Office of Internal Audit</b>			<b>5,270</b>