



*Presentation to the City Council
April 4, 2022*

ANNUAL AUDIT PLAN FOR FISCAL YEAR 2023

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

Table of Contents

| <u>Section</u> | <u>Page</u> |
|--|--------------------|
| Mission Statement | 1 |
| Powers and Duties | 1 |
| Audit Resources | 2 |
| City Wide Risk Assessment Summary | 2 |
| City Wide Risk Assessment Model | 2 |
| Annual Audit Plan for Fiscal Year 2023 | 4 |

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THE CITY OF SPRINGFIELD, MASSACHUSETTS

March 30, 2022

Honorable Members of the City Council:

In accordance with City Ordinance 67-14, attached is the Annual Audit Plan proposed for Fiscal Year 2023 for your 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 2023 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" followed by a stylized flourish.



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.

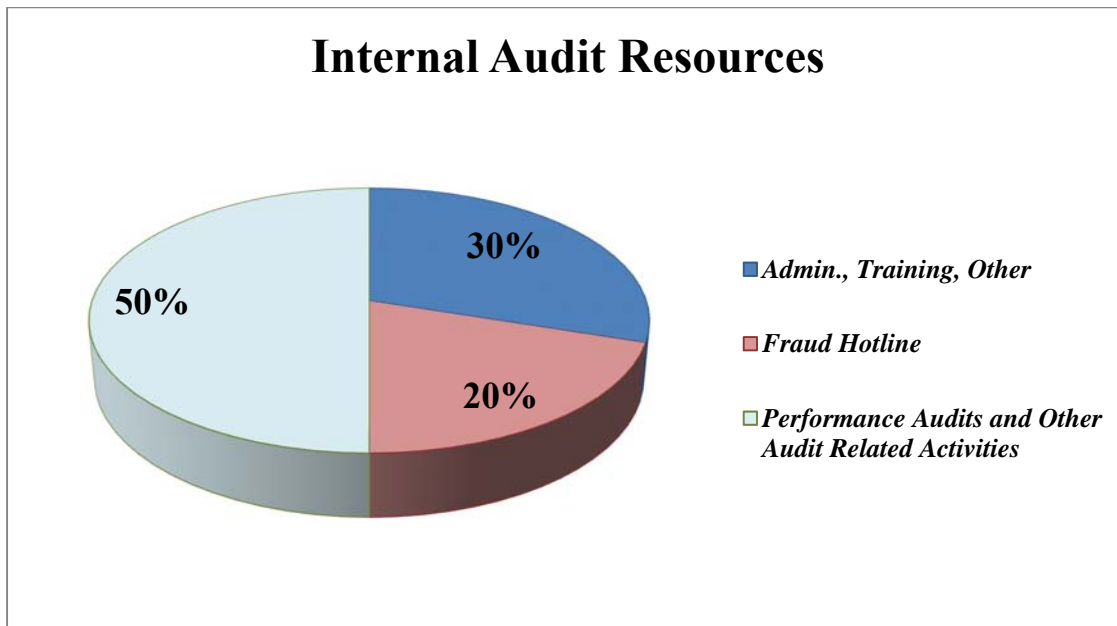
No employee, officer, board, commission, agency or other unit of the city government, including the school department, shall interfere with any audit or review conducted by the Director of Internal Audit or his/her staff.



Audit Resources

Yong Ju No, CPA, CFE, Director
Cecelia R. Goulet, CPA, CIA, CGA, Manager
Erika Wallace, Auditor

There are 5,270 staffing hours available for Fiscal Year 2023, 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 2023. 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 2022 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 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 2023. 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.



Annual Audit Plan for Fiscal Year 2023

| Auditable Unit | Project/Audit Name | Objective(s) | Hours |
|--|--|--|------------|
| Required/Ongoing Projects | | | |
| 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 year 2023 represent the year in which the OIA will perform the AUP for the school year ended June 30, 2022. | 180 |
| Treasurer | City’s Investment Quarterly Review | Comply with City Ordinance 42-35. Determine whether the City’s investments are compliance with Massachusetts General Laws. | 40 |
| 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. | 20 |
| Total Hours for Required/Ongoing Projects | | | 240 |
| Follow Up Reviews | | | |
| Department of Health and Human Services, TJ O’Connor Animal Control and Adoption Center, and the Springfield Police Department | Follow Up Reviews – Performance audits of the Department of Health and Human Services, TJ O’Connor Animal Control and Adoption Center, and the Springfield Police Department Compensatory Overtime and Educational Incentive reviews. | Carryover from FY22 Audit Plan. Review, monitor, and test the implementation status of prior audit recommendations. | 160 |



| Auditable Unit | Project/Audit Name | Objective(s) | Hours |
|---|--|--|------------|
| Follow Up Reviews (continued) | | | |
| 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 FY2020 cybersecurity review by examining additional areas of potential vulnerability. | 30 |
| Total Hours for Follow up Reviews | | | 190 |
| Performance Audits | | | |
| Citywide and School Department | Overtime Audit | Carryover from FY22 Audit Plan. Assess controls over the overtime process, including compliance with Federal regulations and equal opportunity for eligible employees. | 260 |
| Parks Department | Cash Handling Review at Cyr Arena | Carryover from FY22 Audit Plan. Determine if cash collected for skating fees and skate rentals are properly accounted for and safeguarded. | 120 |
| Office of Housing and Code Enforcement Department | Inventory Management Audit <i>(Work is co-sourced with the City’s external auditors.)</i> | Carryover from FY22 Audit Plan. Determine if the Office of Housing and Code Enforcement department have adequate controls to ensure accuracy and completeness of inventory records, accountability for inventory transactions, and safeguarding of inventory. | 20 |
| Citywide and School Department | Facilities Maintenance Audit | Determine the effectiveness and efficiency of facilities management functions at City and School department. | 600 |
| Building – Code Enforcement | Building and Code Enforcement Audit | Determine if the internal control systems for permitting, inspection, and data management processes are adequately designed and operating effectively. | 510 |



| Auditable Unit | Project/Audit Name | Objective(s) | Hours |
|--|--|--|---------------|
| Performance Audits (continued) | | | |
| School Department | Review of the Transportation Services Contract | Assess the School department's effectiveness in monitoring school bus services contract. | 330 |
| Citywide | Unscheduled Audits | Hours set aside to perform audits of unforeseen issues and requests by management, Mayor, and/or City Council. | 360 |
| Total Hours for Performance Audits | | | 2,200 |
| 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 2023 Hours for Office of Internal Audit | | | 5, 270 |