



## **Department of Elder Affairs Operational Audit**

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*February 2016*

## Office of Internal Audit

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### THE CITY OF SPRINGFIELD, MASSACHUSETTS

February 9, 2016

Re: Department of Elder Affairs Operational Audit

Honorable Audit Committee Members,

The Office of Internal Audit conducted an operational audit of the Department of Elder Affairs. The accompanying report details findings and recommendations for improvement. The results of the audit have been discussed with City management who has taken numerous positive actions in response to these recommendations. City management's responses have been incorporated into the report.

This report is not intended to be an adverse reflection of the City or of its departments; rather it is intended to contribute to the improvement of the City's risk management, control, and governance processes.

We wish to personally acknowledge the support received throughout this process from the Department of Elder Affairs, the Department of Health and Human Services, the City Comptroller's Office, their staff, and all others that helped to provide information during this audit. We thank them for their cooperation and courtesies extended.

Respectfully submitted,

Yong Ju No, CPA

CC:	Honorable Mayor Domenic J. Sarno	Springfield City Council
	Helen Caulton, Director of HHS	T.J. Plante, CAFO
	Janet Denney, Director of Elder Affairs	Edward Pikula, City Solicitor
	Carol Gasque, Fiscal Administrative Manager	Patrick Burns, Comptroller
	Maureen Morrissey, Fiscal Administrative Manager	Mike Nelligan, CPA, Powers & Sullivan

*Report information about fraud, waste, or abuse of City resources to the Office of Internal Audit:  
(413) 886-5125 <http://www.springfield-ma.gov>*



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# Department of Elder Affairs Operational Audit Executive Summary

February 2016



## Office of Internal Audit

### Why We Did This Audit

The Director of Elder Affairs alerted the Office of Internal Audit (OIA) of a suspected employee misconduct. We investigated the allegation and, based on the department's prior problematic accounting issues that were corrected by the City Comptroller's office, determined that an operational audit of the department was warranted.

### What We Recommend

We made the following recommendations:

- Segregate conflicting duties of employees.
- Monitor employee activities.
- Scrutinize invoices prior to payment for inappropriate charges.
- Utilize MUNIS workflow functionality in authorizing transactions.
- City Management should develop and formalize a City-wide policy for purchases at Costco.
- Monitor and safeguard assets.
- Issue pre-numbered receipts for payments received and turnover of cash.
- Post a sign alerting customers that they should always receive a receipt.
- Use of log-in and attendance sheets to monitor class enrollment and use of senior centers.

(Continued on page 2)

### Background

The Department of Elder Affairs (EA) works to improve and enhance the quality of life for elder residents in Springfield. The department advocates, plans, develops, coordinates and provides social services as well as information and referral services for Springfield's elder citizens. Several programs within the department generate revenue such as aerobics classes, van/bus trips, and the use of fitness equipment.

### Objectives and Scope

The objective of this audit was to perform an operational audit of EA, assessing the department's internal control environment, that was originally initiated by an investigation into EA Director's concerns of suspected employee misconduct.

Our audit covered the period from fiscal year 2014 to February 2015 for cash receipts, from fiscal year 2008 to February 2015 for expenditures made at Costco Warehouse, and fiscal year 2015 for disbursements, payroll, and grant compliance.

### What We Found

- Senior center funds were received but not subsequently deposited.
- Costco expenditures pertained to personal items.
- Assets were not properly safeguarded against theft.
- Improvements are needed over cash handling functions.
- Purchases were not made in accordance with City procurement and accounts payable policies.
- Numerous grant expenditure accounting issues were noted.
- Vendors were overpaid in error.
- Timeliness of payments to vendors needs improvement.
- Time sheets were not signed by supervisor.
- Time sheets do not agree to the City's accounting system.

(Continued on page 2)

**What We Recommend (continued)**

- The Director should approve all adjustments to van trip forms.
- Adhere to established policies and procedure regarding procurement, accounts payable, acceptance of donations, and time and attendance.
- Adhere to vendor payment terms.
- Work with granting agencies to resolve questioned costs.
- Work with Human Resources to resolve payroll discrepancies with affected employees.
- Work with Office Management and Budget to determine proper indirect costs allocations for grants.
- Comply with the Massachusetts Department of Revenue's guidance on the classification of donations/fees for services.
- Establish policies and procedures that are consistent with applicable laws and other guidelines and ensure they address the instances of noncompliance and internal control deficiencies discussed in this report.

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

**What We Found (continued)**

- Grant related direct costs were classified as indirect rather than using an indirect cost allocation.
- Fees for services were misclassified as donations.
- Department lacks a comprehensive set of written policies and procedures.



## INTRODUCTION

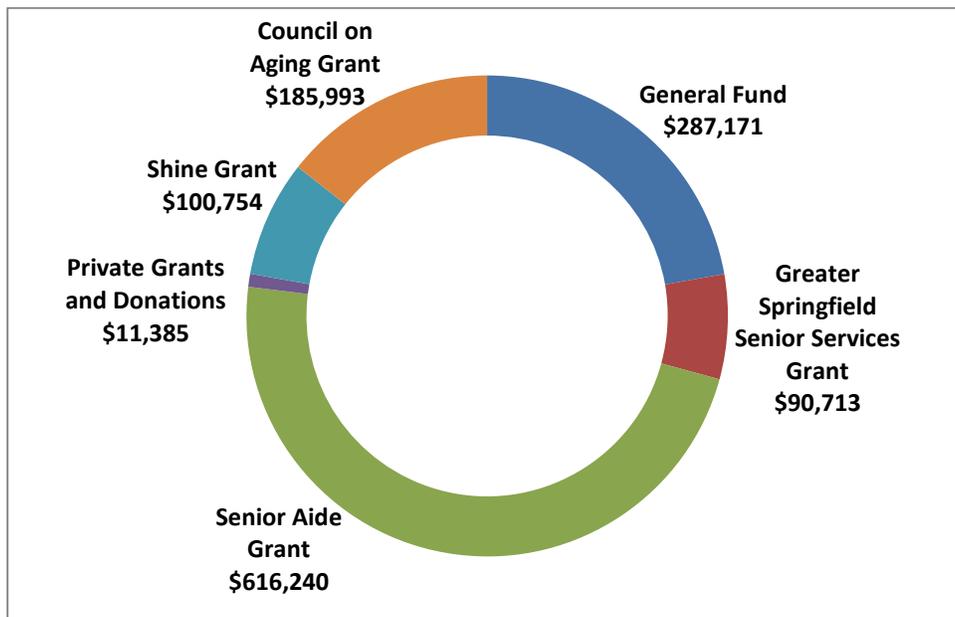
Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness, and quality of public services provided in and by the City. In accordance with this 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 audit addresses the City’s values related to accountability such as integrity, fiscal responsibility and transparent practices. The audit 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.

## BACKGROUND

The Department of Elder Affairs (EA), a division within the City’s Health and Human Services Division, works to improve and enhance the quality of life for elder residents in Springfield by advocating, planning, developing, coordinating, and providing social services as well as information and referral services<sup>1</sup>. EA offers recreational and educational programs at nine sites throughout the City. In addition, EA manages federal and state grants related to various senior citizen programs. Several programs within the department generate revenue such as aerobics classes, van/bus trips, and the use of fitness equipment.

For fiscal year 2015, total EA expenditures were \$1,292,256 which were comprised of the following programs:



<sup>1</sup> <http://www.springfield-ma.gov/elderaffairs>



EA receives the Senior Aide grant, a federally funded grant, from Senior Services America, Inc. (SSAI), the granting agency. SSAI performs a fiscal review annually; and its FY14-FY15 review indicated that there were no findings.

Recently the City Comptroller's office worked collaboratively with EA to provide training and to correct various data entry and procedural errors. The City Comptroller also previously successfully worked with EA to rectify numerous instances of payroll transactions that were misclassified between grant years. Examples of recent problematic accounting issues encountered include duplicated invoices, incorrect invoice dates, timeliness of turning over invoices for payment, incorrect images scanned and missing documentation as backup for invoice payments, incorrect vendors utilized, payments scheduled using vendor statements rather than invoices, payments scheduled using the wrong expense account, and over-expending budgeted grant amounts.

On April 10, 2015, the Director of EA alerted the Office of Internal Audit of a suspected employee misappropriation discovered in February 2015. It was alleged that an employee picked up cash from a senior center on a scheduled day off and did not subsequently turn over the funds collected. The Director purported that there also appeared to be an overall discrepancy in the amounts recorded in the City's accounting system, MUNIS. It was alleged that the revenue in the accounting system was severely understated. Additionally some items purchased by an employee at Costco seemed to be personal. The OIA not only researched the allegations but also reviewed additional aspects of the department's financial processes and internal controls in light of their problematic accounting history encountered by the City Comptroller's office.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

The primary objectives of this audit were to perform an operational audit to:

- investigate matters that were brought to our attention by EA, and to
- evaluate the department's internal control over operations including cash receipts, disbursements, payroll, grant compliance, and safeguarding of assets

### **Scope**

Our audit covered the period from fiscal year 2014 to February 2015 for cash receipts, from fiscal year 2008 to February 2015 for expenditures made at Costco Warehouse, and fiscal year 2015 for disbursements, payroll, and grant administration.



## Methodology

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

- Interviewed employees to gain an understanding of the operational processes and procedures, including cash handling at various EA locations, disbursement, payroll, and grant compliance.
- Reviewed grant agreements with State, Federal, and pass through agencies.
- Reviewed applicable City policies and procedures and relevant state and federal laws and regulations.
- Obtained and reviewed documentation from the City Comptroller's office related to various EA accounts payable transactions and related correspondence.
- Obtained and reviewed file copies from the IT Department of hard drive and e-mail account surrounding employee accused of misappropriation.
- Evaluated EA's internal controls over major processes, including receipts, disbursements, payroll, and grant compliance.
- Tested a haphazard sample of expenditures to confirm that invoices were accurately calculated, allowable, and properly classified.
- Tested a haphazard sample of payroll transactions to ensure payroll was processed accurately and charged to the correct grant and City fund.
- Tested a haphazard sample of participants in the Senior Aide program to determine eligibility and compliance with grant agreement.
- Tested a haphazard sample of revenue transactions to determine appropriateness and compliance with grant agreements.
- Analyzed cash receipt transactions for reasonableness, completeness, and for data trends or anomalies.
- Performed a surprise inventory count of televisions at seven City senior centers, the fitness center, and the main office at the Good Life Center.
- Analyzed and reconciled payments to selected vendors to ensure accuracy and appropriateness.
- Performed other tests deemed as necessary.

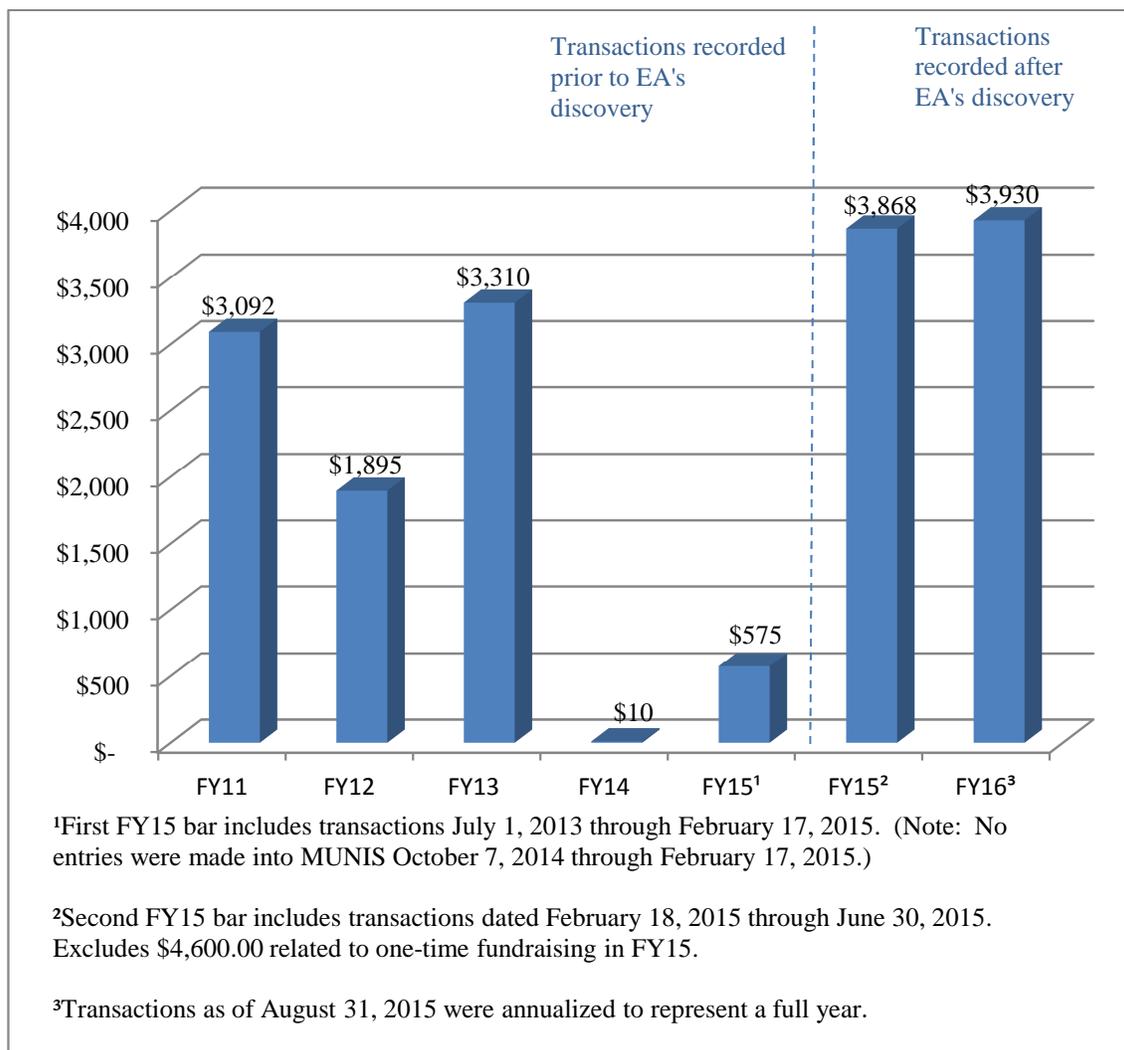
Our findings and related recommendations are in the following sections of the report. The Department of Elder Affairs was given the opportunity to respond to the findings. The departmental responses are incorporated verbatim into the report following each finding and recommendation.



### FINDINGS AND RECOMMENDATIONS

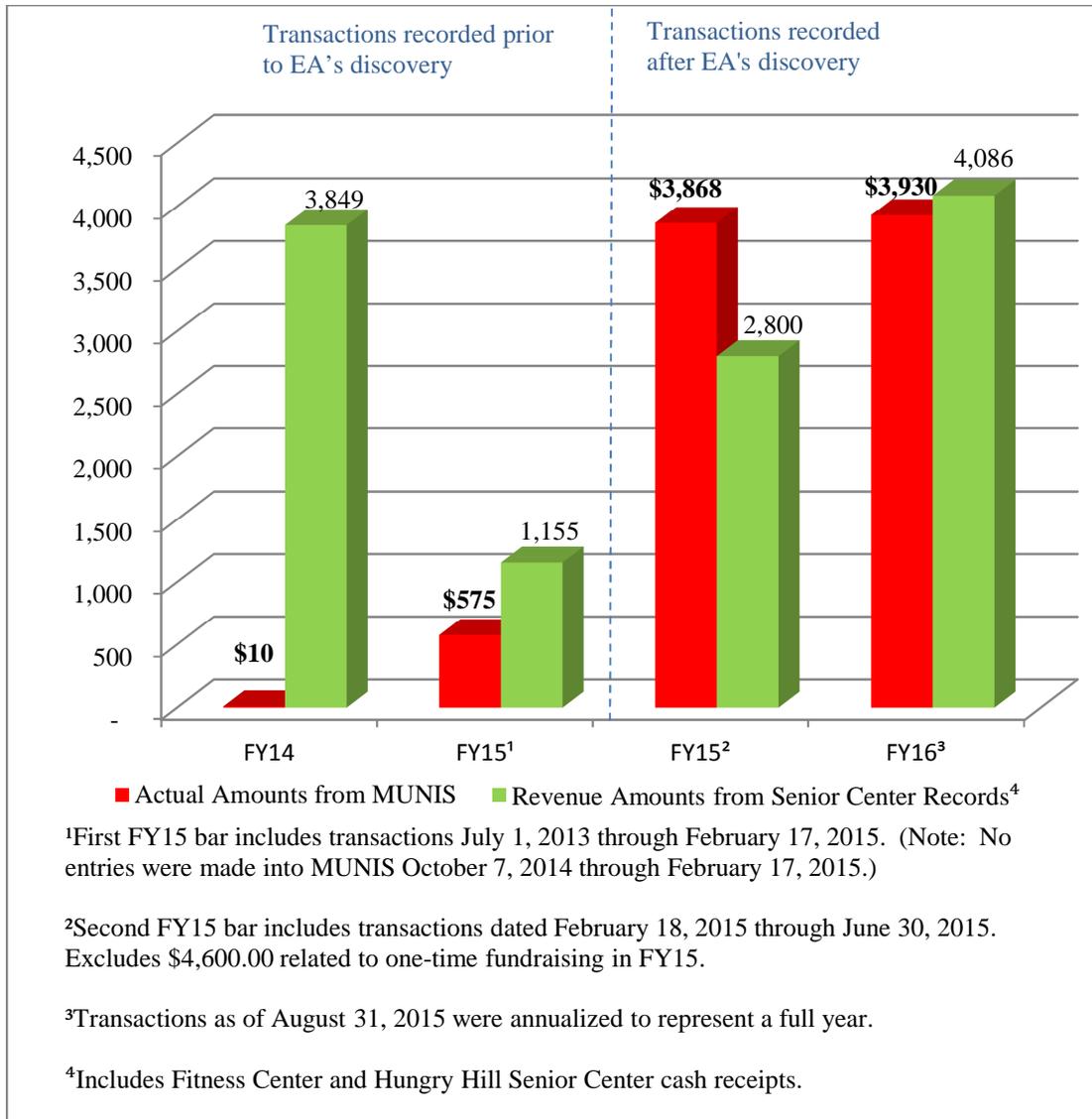
#### Finding 1: Senior center funds received but not deposited

The Director of EA alerted the OIA after discovering in February 2015 that an employee, on a scheduled day off, allegedly picked up donations from a senior center that were not subsequently turned over to the City. Additionally it was alleged that EA revenue activity in the City’s accounting system, MUNIS, was understated indicating further potential employee misappropriation. In the chart below, we summarized actual donations and senior center fees entered into the City’s accounting system, MUNIS, for fiscal years 2011 through August 31, 2015. We noted a distinct anomaly for fiscal year 2014 in that only \$10.00 was recorded for the entire year. After EA discovered the issue in February 2015, revenues increased significantly:





Further testing was performed of supporting documentation for donations and fees collected from the Hungry Hill Senior Center and the Fitness Center for fiscal years 2014 through 2016. Interviews and testing corroborated the initial allegation and also indicated there were additional instances where deposits were picked up but never deposited with the City. Total deposits to the City were less than what the supporting records indicated as received by the senior centers. At the time that EA discovered that there was a potential issue with revenue amounts, the total fiscal year 2014 and 2015 actual revenues recorded were \$585. The totals from supporting records as received by the senior centers (which were not subsequently deposited with the City) for that same time period amounted to \$5,004, resulting in a potential shortage of \$4,419 as shown in the following graph:



The anomaly in fiscal year 2014 along with the analysis of supporting documentation indicates employee misappropriation of City funds. Our findings were presented to the City’s Director of Human Resources and Labor Relations for recommendations and guidance to EA. The root cause of the misappropriated funds was due to a lack of monitoring and a lack of segregation of duties for the cash collection, data entry, and deposit processes.



## Recommendation

To prevent this type of fraud from occurring in the future, we recommend the following:

- Segregate conflicting duties. The person who is responsible for collecting cash should be separate from the person that enters the transaction(s) into the City's accounting system. The person performing the data entry function should also be separate from the person that turns the cash/checks over to the City Treasurer/Collector. A system should be in place where one employee provides a verification of the work of another employee so that any one individual is not performing a process from beginning to end.
- All employees' work should be monitored for reasonableness and accuracy by the Director of EA or her designee.

## Management Response

EA on discovery of the employee's misappropriation followed the disciplinary process. The responsible employee has separated from service. EA has implemented a Cash Policy and Procedures which delineates and segregates conflicting duties related to cash handling.

## Finding 2: Costco expenditures pertained to personal items

The EA Director alerted the OIA that an employee allegedly made some non-program related Costco expenditures. The purchases appeared to be personal in nature rather than for program purposes. We subsequently reviewed all EA related Costco expenditures from fiscal year 2008 through April 30, 2015 for the appropriateness of items purchased. We found additional questionable purchases for items that, in general, consisted of nutritional supplements, clothing, and other personal items. Additionally we discovered one instance where the employee name and signature on the Costco document related to the purchase had been forged by another employee. We confirmed all questionable items with EA Director. Ultimately it was determined that City funds totaling \$1,118.33 were used to purchase employee personal items and deemed misappropriated. Through employee interviews, we discovered that it was customary for EA management to perform cursory reviews of only Costco purchase amounts (but not of items purchased) for reasonableness, resulting in these instances of employee misappropriation. Our findings were submitted to the Human Resources Department for recommendations and guidance to EA. The issues at EA indicate that improvements are also needed to the City's general process for departmental Costco purchases to ensure City resources are properly expended.



## Recommendation

We recommend the following:

- EA monitor scheduled invoice payments and fully scrutinize invoices to prevent employee misappropriation. This analysis should be performed as part of the approval process in MUNIS prior to the authorization of the transaction for disbursement.
- City Management re-evaluate the process for departmental purchases at Costco to ensure departments are given guidance as to when the vendor is acceptable to use vs. using other approved City vendors, the types of acceptable purchases, designated employees allowed to make purchases and who should monitor them, and proper procedures surrounding the custody of membership cards. If City-wide purchases exceed \$5,000 per fiscal year, the process should also address any requirements for a City contract in accordance with Massachusetts procurement laws.
- Once a City-wide Costco Policy has been approved, EA work with their analyst in the Office of Management and Budget to ensure compliance with such policy.

## Management Response

EA has instituted a Purchase and Accounts Payable Policy which insures that the City Purchase Order or Contract processes are followed prior to all department purchases or reimbursements to staff.

In addition the following has taken place:

- Delegation of responsibilities for requisitions and invoice processing by having only the Director granted permission for approval of all requisitions and invoice payments. In the event of EA Directors absence from the office, the Health & Human Services Director or Health and Human Services Fiscal Manager will be given permission by Munis to review and approve.
- EA Fiscal Administrative Manager is responsible for verifying accounts charged and entering all department requisitions in MUNIS as well as verifying and processing all EA invoices
- EA has been given permission to have a Business Costco Account to purchase the items needed and funded by various grants for Senior Programs.
- Once the city has implemented a program with Costco EA will become part of that program.

## Finding 3: Assets not properly monitored or safeguarded

The City Comptroller's office received a call from a vendor regarding a past due invoice for EA. The invoice did not reference a City purchase order number and was not able to be located in the City's accounting system. The invoice included the purchase of a 46 inch 3D television purchased for \$1,000. The OIA performed a surprise inventory of televisions to determine if the invoiced television was onsite at any of the City's seven senior centers, fitness center, or main office on Columbus Avenue. We were unable to locate this particular item. The OIA contacted the vendor and because there was not a purchase order or a signed form indicating the item was picked up, the vendor agreed to write-off the invoice.



During our site visits to observe and inventory televisions, we noted that the televisions that were present and being utilized by seniors were older and in some cases non-functioning or obsolete. The inventory results were then compared to recent vendor invoices that were paid by the City for the purchase of several additional large LCD televisions to ascertain whether the purchased televisions were properly available and being utilized by seniors. We noted that an additional three televisions were not accounted for which were purchased for approximately \$2,150.

Out of the four missing televisions valued at approximately \$3,150 in total, a police report was only filed for two of the televisions, with one of the police reports being filed after our inventory was performed indicating that the televisions were not discovered to be missing until this audit. One senior at the fitness center politely told us that a larger TV would be appreciated so seniors could better see the screen while exercising. Unfortunately the televisions that were earmarked for the needs of the seniors are now missing.

We requested a copy of all asset listings maintained by EA. However, we were advised that EA does not currently maintain any formal asset inventory records nor is there a system in place for ensuring assets are properly safeguarded or for monitoring assets and employees responsible for those assets. Protective measures must be taken in regards to safeguarding assets to prevent loss, theft, or unauthorized use.

### **Recommendation**

We recommend the following to ensure that the assets within the department's custody are subject to proper safekeeping, use, care, and disposition:

- EA Director monitor assigned staff to ensure their proper accountability of assets.
- EA develop formal policies and procedures designed to ensure assets are adequately accounted for and safeguarded. Assets with larger values should be locked in a secure area with restricted access (for example just the program director and a designee). Also the procedures should address the proper monitoring of assets and monitoring of the person assigned to custody of the asset(s).
- EA maintain ongoing formal listing of assets which is also typically a requirement of many grantors. A periodic inventory should be taken with the counts compared to accounting records and asset listings to ensure equipment and other assets are on hand.

### **Management Response**

EA has implemented an Equipment Inventory Policy Procedure. EA is currently completing a total inventory of all Department assets at all sites. EA has multiple sites and is in the process of ensuring these site assets are at least minimally as secure as the level of security at 1600 Columbus Avenue where items stated above were taken. Assets stored at 1600 Columbus Avenue are secure by access to the basement level can only be reached by using a special key for the elevator. There are only two keys for the elevator. Once in the basement there are two additional locked doors, which also have only two keys issued. In addition the premises are monitored by Sonitrol. It is clear that the TVs were taken by someone that had a key to all of these locks and elevators along with a Sonitrol pass.

In the future EA Director and the Custodian will be the keepers of these keys with other persons having limited access.

**Finding 4: Improvements needed over cash handling functions**General

We noted some deficiencies in safeguarding cash and checks. We reviewed revenue transactions and discovered checks totaling \$500.00 that were entered into the City's accounting system and then were subsequently reversed. Two of the vendors were contacted by the OIA who confirmed that the checks were still outstanding thus indicating that the checks were never deposited. EA was unable to locate the un-deposited checks. We suggested that replacement vendor checks be obtained and properly deposited with the City.

EA routinely receives revenue in the form of cash and checks that are sometimes first received at one of the several senior centers. Although processes are in place to lock various revenues in boxes, file cabinets, desks, offices, etc. we found that such methods are inconsistent and do not easily allow for proper monitoring or for locks to be timely changed subsequent to employee turnover.

The OIA was advised that EA employees issue receipts every time that cash is turned over to another employee. We requested from EA copies of any and all receipts issued by the employee responsible for collecting revenues from senior centers. EA provided us with ten receipts. The receipts are dated from September 9, 2008 through March 19, 2014 and total \$478.00. Total donations and fees for fiscal years 2008 through August 31, 2016 in MUNIS amounted to \$21,115.82. Therefore there were numerous instances where cash or checks were turned over from senior centers to EA without anything signed by both parties indicating agreement as to the amount turned over. There is no evidence indicating that the issuance of receipts was a common or consistent practice by EA. This creates an opportunity for the misappropriation of cash as the person responsible may not always be identifiable.

Senior Centers

Each cash-handling senior center is responsible for preparing and maintaining initial source documents to support revenue received at the center. We noted that the fitness center properly gives receipts for the use of the center to participants. However, the receipts are manually prepared rather than being pre-numbered which has led to a few instances where there were duplicate receipt numbers or sequence gaps.

Classes

Documents related to classes offered to seniors need improvement. Currently attendance sheets are maintained, however, several attendance sheets were unavailable when requested by the OIA. The sheets are maintained monthly, however, there are multiple classes held per month. Therefore attendance per class is not properly reflected in the monthly format. Amounts paid by participants are not consistently noted on the sheets.



### Van Trips

We also noted several deficiencies regarding documentation of senior van/bus trips. There were instances where the dates that the trips were approved by the Director were not consistently noted, the rate per person was not consistently applied or noted by the Director, trips were sometimes marked by an employee as canceled or that the rate was changed and/or waived without anything signed by the Director, inconsistent records regarding passengers and how much was paid by each passenger, and inconsistent entry of beginning and ending mileage. Incomplete or missing records make reconciliations a challenge and create the opportunity for employee fraud.

### **Recommendation**

We recommend the following:

- EA keep all cash and checks in a designated fire proof safe, limit access to the safe to authorized personnel, and immediately change the combination of the safe subsequent to employee turnover.
- Issuance of pre-numbered receipts to anyone that makes a payment (class participants, fitness center use, van trip passengers, etc.) The carbon copies should be retained by the director at the respective senior center.
- Posting of a sign alerting participants that they should always receive a receipt and if a receipt is not received a telephone number should be provided for the participant to call (preferably to EA management).
- The issuance of a pre-numbered receipt each time that cash is turned over from one employee to another. Cash should be counted together and the receipts should be signed by both employees to document that both employees are in agreement as to the amount turned over.
- Use of sign in log should be used by senior centers to monitor individuals attending/using the center.
- Use of attendance sheets for each class with the amount paid per participant noted as well as the total received for the class. The totals on the attendance sheets should match the total on the receipt(s) when cash is turned over from the senior center to EA. These attendance sheets should also be used to reconcile amounts charged by instructors to ensure that the number of classes billed matches the number of classes held.
- On each van trip form, include Director's approval, dates, rates, starting and ending mileage, and an accounting of the amounts received from passengers along with a passenger listing. Each trip should have a complete form and passenger list that ties into the amount of cash turned over.
- The Director approve all adjustments to van trip forms, i.e., employees should not have the opportunity to later document a differing fee amount or that the trip was canceled.



## Management Response

### General:

- EA has contacted vendors and are waiting for the reissuing of new checks for checks that were lost. To date EA has received \$400 of the \$500 checks that were outstanding. EA expects to have all checks received by end of January.
- EA has implemented a Cash Handling Policy and Procedure which includes the use of pre-numbered receipts.
- EA purchased two (2) additional safes for the sites that needed them.
- EA uses and will continue to sign in logs and attendance sheets for all program activities.
- EA will have the Van Trip Form be Approved/Denied by EA Director and Van Driver's Supervisor will verify that the form is complete with date, rate, starting and ending mileage and receipts corresponding to the passenger list.

### **Finding 5: Purchases were not made in accordance with City procurement and accounts payable policies**

The City's procurement and accounts payable policies state that a requisition must be completed for every service and/or supply being purchased that exceeds \$100.00. The policies are in place to ensure funds are properly requested to make a purchase, the services or items requested are properly approved, contracts are properly in place, if applicable, and that the vendor is ultimately properly authorized to provide the goods or services requested. Circumventing the purchase order process can lead to unauthorized purchases or purchases that are not in accordance with City contractual obligations or other applicable laws or regulations. During our audit, we found several instances where office supply orders were placed without the use of a City purchase order. We also found instances where a purchase order was obtained after the vendor invoice was already received. In these instances the items were actually received by EA prior to the requisition and purchase order being completed.

In another occurrence an order was placed by EA for \$24,160.88 of office furniture without a purchase order. A partial payment was made directly to the furniture vendor by an individual as a donation to the City for \$15,372.34 which was approved by the City Council. EA paid the remaining amount from City funds for \$8,788.54. Donations from individuals should be made directly to the City and deposited with the City Treasurer/Collector prior to the City Council's authorization for the department to spend the donation.<sup>2</sup> A donation made directly to a vendor in order to pay for a City expenditure creates the risk of non-compliance with procurement laws as promulgated in Chapter 30B of the Massachusetts General Laws and a potential lack of transparency as to sources and amounts of donations to the City.

### **Recommendation**

We recommend that EA adhere to established policies and procedures regarding procurement, accounts payable, and acceptance/expenditure of donations.

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<sup>2</sup> MGL Chapter 44 Section 53A



**Management Response**

EA has implemented its Purchasing and Accounts Payable procedure along with an Internal Requisition that must be completed and approved by EA Director prior to any purchase or expenditure by an employee for any item over the \$25.00 threshold. In addition EA has and will continue to follow Springfield City Policy and Procedures for accepting all donations and by continuously working with our City Financial Analyst to insure proper steps are taken.

**Finding 6: Numerous non-payroll expenditure accounting issues were noted**

During our testing of expenditures, we observed numerous issues totaling \$19,745.69 including the following: fourteen instances where an incorrect grant year appears to have been charged, two instances where the incorrect grant may have been used for the payments, and six instances where the incorrect line item appears to have been used for the expenditure. The sources of the \$19,745.69 are listed below:

Source	Amount
Council on Aging	\$ 9,318.14
Senior Aide	6,873.14
SHINE	2,303.21
General Fund	1,251.20
Total	\$ 19,745.69

Other issues noted included one instance where IT equipment was ordered directly rather than through the City’s IT department, another where an invoice was paid for \$4,999.98 without a contract even though a contract was prepared but never executed, and one instance where the contract required monthly invoices but a quarterly invoice was received and paid.

These numerous instances of failures to follow City policies and procedures can potentially have very harmful consequences such as negatively impacting future grant funding, erroneously overspending public funds, and inefficiencies. When processes are performed within a department, there should always be proper levels of review and approval of the work to timely detect inadvertent errors or irregularities.

**Recommendation**

We recommend that EA work with their granting agencies to resolve the questioned costs of \$19,745.69.

We also recommend management improve their review and approval processes as follows:

- Perform a continuous thorough review of transactions and processes to ensure completeness and accuracy, and
- Utilize MUNIS workflow rules which are set up as a tool for management to use in authorizing transactions and for making decisions about the items under review. The workflow approvals provide evidence and documentation of the review and approval. Better utilization of this functionality can prevent errors that result in misstatements that could affect financial and operational decisions

**Management Response**

EA has implemented and distributed EA Policy and Procedures to address these issues. In addition, EA has a staff person working on the re-classification of grants charges prior to FY16. FY16 grants are being processed by the Fiscal Manager following Dept. and City Purchase Procedures and verifying fund availability within MUNIS, and processing line item budget changes or expenditure re-classes as needed within the current Fiscal Year. EA will continue to work with all MUNIS work flow partners including finance department and comptrollers department to ensure all appropriate permissions are completed.

**Finding 7: Vendors were overpaid in error**

The City Comptroller's policy requires that only original invoices should be submitted for payment. We found that an employee failed to follow this policy by creating a new invoice aggregating multiple original invoices. After reviewing these invoices, it was determined that overpayments were made to one particular vendor by \$3,825.00.

We discovered further duplicate payments of \$354.05 made to a City vendor. Additionally we preemptively notified EA that another duplicate payment of \$187.50 was about to be processed in the City's accounting system which was appropriately deleted before the payment was processed.

**Recommendation**

We recommend that EA work collaboratively with the Law Department and/or the applicable vendors to address the above mentioned vendor overpayments.

We also recommend that EA:

- Adhere to the City Comptroller's policy which requires obtaining original vendor invoices. However, in the rare instance where an original invoice cannot be obtained, the Comptroller's office will accept a signed affidavit form accompanied by a copy of the invoice used in lieu of the original.
- Communicate to employees that invoices may never be created; invoices should only be processed if received directly from a vendor.
- Not approve of payments for any invoice that appears to have been altered. This will help to ensure the integrity of the invoice being paid as well as help to prevent duplicate or overpayments to vendors.

**Management Response**

EA has implemented Department and City policy and procedures as well as hired and trained new staff to ensure that this type of activity will no longer occur.



**Finding 8: Timeliness of payments to vendors needs improvement**

The City’s vendors and contractors expect the City to meet its obligations for timely and accurate payment for goods and services received. The City’s financial policies state that all financial transactions should be recorded by departments in a timely manner.<sup>3</sup> As shown in the following table, we noted forty three percent (43%) of sampled transactions were paid sixty (60) or more days after the date on the invoice including two instances where the payment was made over two years after the date on the invoice.

<b>Number of days payment made after invoice date:</b>	<b>Percent of Sample</b>
0 - 14	13%
15 - 30	23%
31 - 60	20%
61 - 365	30%
>365	13%
<b>Total</b>	<b>100%</b>

Late payments may result in additional fees assessed by vendors. The payment of such fees takes away from the department’s financial resources which could be used for program activities. Late payments can also inadvertently lead to transactions that are misclassified as to the appropriate fiscal year.

**Recommendation**

We recommend that EA management adhere to the payment terms of a vendor’s invoice and City’s policy on timeliness of invoice payments.

We also recommend that EA management review actual vs. entered invoice dates when approving invoices for payment to properly monitor timeliness of employee data entry transactions.

**Management Response**

EA has implemented changes to our Accounts Payable Policy and Procedure which states that all invoices which have been processed through a purchase order or contract and invoices including receipt of goods verified by the Fiscal Administrative Manager will be processed within ten (10) works days of receipt in a batch to City Comptroller by the Fiscal Manager.

<sup>3</sup> City of Springfield, City Ordinance Chapter 42, Article VII, Section 42-17, Paragraph B



**Finding 9: Time sheets were not signed by supervisor**

According to the City’s Time and Attendance Policy, official time and attendance records consist of the employee’s confirmation of daily hours worked and leave used, management’s approval of that time, and entry of the time into the City’s system of record. All employee time, whether entered through a computer, electronic time clock, or by using a paper time sheet, must be approved by a designated manager or supervisor. In EA, the approver’s signature on the weekly timesheet constitutes authorization and approval of the work schedule, the days and hours actually worked, and the employee’s actual reporting time. We found that several timesheets tested were not signed by the supervisor. As a result of this practice, employees may be compensated for time not worked, or grants, programs, and City funds may be charged inaccurately for payroll costs.

**Recommendation**

We recommend that EA adhere to established policies and procedures regarding review, authorization, and approval of timesheets.

**Management Response**

EA follows city policy of utilizing TLM sign off. EA has put in place a process for sign off on actual time sheets when EA Director is not available to sign off.

**Finding 10: Time sheets do not agree to the City’s accounting records**

During our testing of payroll, we found that several timesheets had a variance between the allocation of time recorded on the employee’s timesheet and what was actually recorded in the City’s accounting system, MUNIS. For example, we found one instance where an employee’s timesheet indicated 37.5 hours were allocated to the City’s general fund, but the accounting records in MUNIS indicated 37.5 hours were allocated to the Council on Aging grant. These variances appear to be errors in the payroll, resulting in the following over charges by grant/City fund for the period under review:

Grant/City Fund	Amount of Overcharge
Council on Aging	\$ 2,721.17
Senior Aide	806.16
Greater Springfield Services	774.26
General Fund*	254.58
Total	\$ 4,556.17

*\*Payroll costs should have been charged to the Senior Aide grant.*

In addition, we found an instance where an employee’s pay did not reflect the actual hours worked as indicated on their timesheet. Their timesheet indicated eighteen and a half hours worked which was signed off by their supervisor. However, the employee was paid for thirteen hours, a shortage of \$90.23.



The failure of internal controls surrounding the review and recording of employee time sheets could lead to a greater potential for noncompliance with federal and state grant requirements, which may result in reductions in future program funding.

**Recommendation**

We recommend that EA:

- Work with their granting agencies to resolve the questioned costs of \$4,556.
- Work with Human Resources to resolve the payroll discrepancy with the affected employee.
- Adhere to established policies and procedures to ensure the adequate review and recording of all payroll expenses.

**Management Response**

EA has implemented a new policy and procedure for Payroll processing in addition to the timesheet recently revised and issued to all staff.

The Finance Dept. staff has worked with EA Financial Manager to correct and resolve the above discrepancies.

**Finding 11: Grant related direct costs classified as indirect rather than using an indirect cost allocation**

We discovered several instances where EA incorrectly classified direct expenditures as indirect costs. Examples include professional services, computer equipment, and office supplies. The sources of the expenditures misclassified as indirect costs are listed below:

Source	Amount
SHINE	\$ 1,950.00
Senior Aide	4,148.85
Total	\$ 6,098.85

The City collaborated with an outside consultant in 2010 in developing a formal cost allocation plan to ensure that a component of administrative (overhead) costs is properly recovered.

**Recommendation**

We recommend that EA work with their analyst in the Office of Management and Budget to determine the proper allocation and classification of indirect costs for their departmental grants.

**Management Response**

EA has now put in place a process that is now verified by staff on a monthly basis with the Department’s Finance Department’s Financial Analyst.

**Finding 12: Fees for services misclassified as donations**

During our audit, we noted fees for various services assessed to seniors. The services included use of senior center gymnasium, participating in aerobic classes, and van trips. The fitness center members pay \$10.00 per month or the facility can be used by the day for \$1.00. Aerobics class attendees are asked for a \$3.00 voluntary donation. Van trip fees are assessed at \$4.00 for destinations within Springfield and \$5.00 for trips outside of Springfield. EA classified the receipt of payments for such services as “donations.”

The Massachusetts Department of Revenue published guidance stating that charges to individuals or groups for the temporary rental of municipal facilities, such as a senior center, are not gifts since they are paid in exchange for a particularized benefit.<sup>4</sup> The incorrect classification of fees as donations can erroneously lead to the inappropriate expenditure of municipal revenues without an appropriation.

**Recommendation**

We recommend that receipt of payments for aerobic classes, the use of fitness equipment, and for van trips be classified as fees rather than donations. Alternatively, management could revise its donation policy to conform to Massachusetts Department of Revenue’s guidance.

**Management Response**

EA past practices were created and implemented with Pat Donovan, a former attorney in the City’s Legal department, who advised the department to implement the classification of these funds as donations. Based on the above recommendation we have reached out to Kathy Breck, current Deputy Director of Legal Department and Finance Department to confirm and review whether the current classification is correct. Based on recommendations by the City Law Dept. and Finance Dept., EA will act on the consistent advice from Law Department and Finance Department.

**Finding 13: Department lacks comprehensive written policies and procedures**

Comprehensive documented policies and procedures that clearly define employee responsibilities are essential to provide both employees and management with guidelines regarding efficient consistent conduct of departmental activities. Additionally, written policies and procedures can help to ensure that City activities are performed in accordance with applicable laws, guidelines, and ordinances. Written policies and procedures can also be used as a tool to help in the training of new employees and to ensure uniformity in recording transactions. Our review of EA’s operations disclosed that the department did not have comprehensive written policies or procedures for its accounting and program-related functions. Even departments that have limited resources should establish detailed written policies and procedures to help to prevent instances of noncompliance or insufficient internal controls.

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<sup>4</sup> Massachusetts Department of Revenue Division of Local Services Opinion Summary 2004-528 (1/1/2005)

**Recommendation**

EA should document all significant business processes, practices, and policies. In doing so, the department should ensure that the written policies and procedures address the instances of noncompliance and internal control deficiencies discussed in this report while adhering to applicable laws, guidelines and ordinances. The new policies and procedures should be communicated to personnel. The policies should be revised from time to time to reflect any significant changes in processes or related to new systems put into place. Any such revisions should also be communicated to affected personnel.

**Management Response**

EA is part of Health & Human Services Division that is currently reviewing and updating its Policies & Procedures. EA utilizes Health and Human Services Division's Policies & Procedures. EA in light of recent findings has either reviewed, updated and implemented additional Policies & Procedures related to Fiscal Management of the department.