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News Release

For Immediate Release

Internal Auditor Releases Environmental Services Audit

City of Springfield Internal Auditor Kristy Bork completed an [audit report covering operations of the City's Environmental Services Department](#) (pdf). The report was accepted by City Council's Finance and Administration Committee on Oct. 24, 2012.

The report suggested opportunities to enhance and further mitigate risks, based on audit objectives. The audit is part of Council's approved annual audit plan and is [available on the City's website](#). Bork will continue to audit other City departments.

The audit covers the department's general operations in four separate divisions: Clean Water Services, the Office of Sustainability, Environmental Compliance, and Solid Waste Management.

The overall results of the audit indicate that the control environment is "yellow," a state in which the auditor recommends that controls in place need some improvement. Environmental Services management has provided a response to Bork's recommendations.

Bork rated five audit objectives: one was rated at the "green" state, three at the "yellow" state and one at the "red" state. "Green" indicates an overall satisfactory or acceptable state of control, where the environment provides a high degree of assurance regarding the safeguarding of assets, reliability of financial records and compliance with City policies and governmental laws and regulations. A "red" state indicates an unsatisfactory or unacceptable state of control, where significant business risk or exposure to the City requires immediate attention.

A "green" state was indicated for the effectiveness of internal controls over fixed assets and capital improvements, including purchasing, recording, and monitoring controls.

A "yellow" state was indicated for the following objectives:

- a. effectiveness of controls over cash collection procedures and revenue recognition, ensuring such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft;
- b. internal controls over regulatory testing requirements to ensure compliance with issued permits;
- c. and internal controls over budgeting and spending to ensure revenue projections and department expenditures are appropriate and are in compliance with City policies.

Bork recommended new various cash collection procedures including the landfill and billing of hauled waste providers, in addition to developing concrete policies and procedures to further enhance the control environment of the Environmental Services Department.

City Manager Greg Burris agreed with the auditor's recommendation to move the Stormwater Regulatory Compliance Group from Public Works to the Environmental Compliance Division of Environmental Services. That change has already been accomplished.

"Having one department to manage state and federal permits for water quality could better ensure compliance with state and federal guidelines and ensure the most effective and efficient management of City resources," Bork said in her recommendations for improvement on the objective of internal controls over regulatory testing requirements.

A "red" state was indicated for the controls and procedures to record time used for payroll. The auditor recommended implementing an automated time system to help better manage wage and hour policies. This same recommendation has come from auditor Bork during other City departmental audits. The City Manager's office is currently working with the Information Systems department to convert all City departments to electronic time keeping.

"Having automated systems in place to manage wage and hour policies really enhances compliance significantly," Bork explained "This leads to reduced exposure, reduced risk of violations and overall cost savings."

In addition to the Environmental Services audit report, the Finance and Administration Committee also accepted two audit follow-up reports. Bork released the Hotel/Motel audit in July 2011; the audit included three findings. The [follow-up memo](#) (pdf) accepted by the Committee during a closed meeting on Oct. 22, 2012, noted those findings were addressed and no further action is necessary at this time.

Bork released the "Small Business Development Loan – Loan Approval Process Audit" in February 2012. During a closed meeting of the Finance and Administration committee on Sept. 21, 2012, the Committee accepted a [follow-up memo](#) (pdf) that Bork used to document follow-up procedures. There were four findings within the original audit that required Bork to perform follow-up procedures. Based on the audit, the Loan Committee developed additional procedures to screen loan applicants to better document and understand an applicant's background before approving a loan application.

"We requested the audit after learning that one of our borrowers had drug charges brought against him and we appreciate the input from the internal auditor in helping us make our loan program better," said Mary Lilly Smith, economic development director. "We've instituted controls to ensure incidents like this don't happen again."

Councilman Jerry Compton is the chair of City Council's Finance and Administration Committee, which reviewed the audit and follow-up memos.

"I appreciate Kristy's thoroughness and what we saw wasn't anything that stood out as being troublesome. The noted areas that were opportunities for improvement are already being addressed by management," Compton explained.

"In light of people's concerns for fiscal responsibility, we're supportive of being open and transparent, and that's what the public has come to expect. The audit process shows that the City of Springfield continues to monitor and evaluate its business processes to ensure we are on top of things."

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