



## Association of Local Government Auditors

March 26, 2009

Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit  
101 E. 11th Street  
Chattanooga, Tennessee 37402

Dear Mr. Sewell,

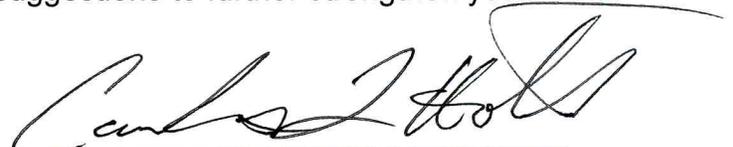
We have completed a peer review of the City of Chattanooga, Internal Audit Division for the period January 1, 2008, to December 31, 2008. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Chattanooga, Internal Audit Division's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2008, to December 31, 2008.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

  
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Gary S. Chapman, CIA, CGAP, CFE  
Senior Auditor  
Internal Audit Department, City of  
Tampa, Florida

  
\_\_\_\_\_  
Carlos L. Holt, CIA, CGAP, CFE  
Audit Manager  
Metro Nashville and Davidson County  
Government



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Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit  
101 E. 11th Street  
Chattanooga, Tennessee 37402

Dear Mr. Sewell,

We have completed a peer review of the City of Chattanooga, Internal Audit Division for the period January 1, 2008, to December 31, 2008, and issued our report thereon dated March 26, 2009. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention an observation and areas in which we believe your office excels:

- GAS 3.16 states that "Under GAGAS, a government internal audit function can be presumed to be free from organizational impairments to independence for reporting internally if the head of the audit organization meets all of the following criteria:
  - a. is accountable to the head or deputy head of the government entity or to those charged with governance;
  - b. reports the audit results both to the head or deputy head of the government entity and to those charged with governance;
  - c. is located organizationally outside the staff or line-management function of the unit under audit;
  - d. has access to those charged with governance; and
  - e. is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal."

We found that the City of Chattanooga, Internal Audit Division meets all of the stated criteria and should be presumed to be free from organizational impairments to independence for reporting internally.

- Planning procedures are comprehensive and ensure audit procedures are designed to address the control risks identified during the preliminary survey.

- The Office did a commendable job in following up on audit recommendations and documenting their resolution.

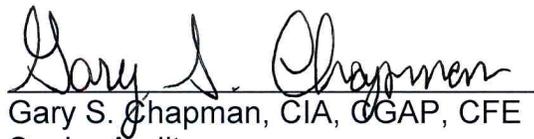
We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- GAS 3.61 requires that "Internal audit organizations that report internally to management should provide a copy of the external peer review report to those charged with governance. Government audit organizations should also communicate the overall results and the availability of their external peer review reports to appropriate oversight bodies." While the Division intends to go beyond the Standard by not only providing copies to those charged with governance and appropriate oversight bodies, but by making the report available to the public via its website, it does not have a policy documenting compliance with the Standard.

We recommend that the Division develop a policy on the distribution of the external peer review report.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Gary S. Chapman, CIA, CGAP, CFE  
Senior Auditor  
Internal Audit Department, City of  
Tampa, Florida



Carlos L. Holt, CIA, CGAP, CFE  
Audit Manager  
Metro Nashville and Davidson County  
Government



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

March 26, 2009

Gary S. Chapman, CIA, CGAP, CFE  
Senior Auditor  
Internal Audit Department, City of  
Tampa, Florida

Carlos L. Holt, CIA, CGAP, CFE  
Audit Manager  
Metro Nashville and Davidson County  
Government

Dear Mr. Chapman and Mr. Holt:

The City of Chattanooga's Internal Audit Division submits the following comments in response to the audit of its operations. I am pleased the independent auditors did not find any significant weaknesses in the Internal Audit Division's (Division's) internal quality control system. The auditors stated that our system of internal control provided reasonable assurance of compliance with Government Auditing Standards (GAS) and met the objectives of the Association of Local Government Auditors quality control guidelines during the period audited. I am also extremely gratified that in the management letter the auditors noted a number of areas in which the Division excels. In particular, you noted that:

- With regard to organizational impairments and independence, the City of Chattanooga, Internal Audit Division meets all of the stated criteria and should be presumed to be free from organizational impairments to independence for reporting internally.
- Planning procedures are comprehensive and ensure audit procedures are designed to address the control risks identified during the preliminary survey.
- The Office did a commendable job in following up on audit recommendations and documenting their resolution.

The management letter included one suggestion to improve the Division's demonstrated compliance with GAS. We concur with this suggestion and have already added a section to our policy and procedure manual (pending its next revision) indicating our peer review will be provided to those charged with governance, as well as posted to the Division's website.

The Division is committed to continuously improving and refining its audit processes. As such, we very much appreciate your insights, perspectives and discussions of best practices while conducting our review. We thank both of you for your professionalism, openness, cooperation, and courtesy during the audit. We also thank Drew Harmon, Municipal Auditor, City of Roanoke, Virginia, for coordinating this peer review.

Very truly yours,

Stanley L. Sewell  
Director of Internal Audit