

Office of Internal Audit

Annual Report 2014

City Auditor
Stan Sewell, CPA, CGFM, CFE





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

January 26, 2015

To: Audit Committee Members

Re: 2014 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2014 Office of Internal Audit activities.

We devoted a substantial amount of time to projects related to city agencies or related organizations during 2014. As you are aware, we conducted some rather extensive projects related to the Electric Power Board, the Chattanooga Public Library and the McKamey Animal Center. It is our perception some very positive changes have and are occurring within these organizations. We instituted an audit satisfaction survey that is distributed to auditees after issuance of an audit report. We completed our third annual community survey and are already preparing for the 2015 community survey.

Internal Auditor, Jennifer Benefield returned to work the end of August, after being on maternity leave. Ms. Benefield has passed the FAR section of the CPA exam and has recently taken the BEC section. We filled the vacant Senior Auditor position in March with Richard Walls, an experienced CPA and CIA, who served as the Knox County Auditor for over twelve years. We have also replaced our part-time Administrative Support Specialist with Taffy Dishroon, an energetic and experienced executive assistant who is currently pursuing her Certified Municipal Finance Officer (CMFO) designation. We are very pleased to have such an incredible team.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

PERSONNEL

The City of Chattanooga's Office of Internal Audit (OIA) had five professional audit staff positions and one part-time administrative staff position as of December 31, 2014:

City Auditor Stanley L. Sewell, CPA, CGFM, CFE

Senior Auditors Lisa Culver, CFE
 Pamela Swinney, CPA
 Richard Walls, CPA, CIA

Internal Auditor Jennifer Benefield, CFE

Administrative Staff Taffy Dishroon

STANDARDS OF PRACTICE

OIA conducts audits in accordance with standards promulgated by the United States Comptroller known as Generally Accepted Government Auditing Standards (more commonly referred to as Yellow Book).

ACCOMPLISHMENTS

During calendar year 2014, OIA issued 6 audit reports and completed 10 post audit reviews (PARs). All audit reports and PARs are available on the Internal Audit webpage. In addition, OIA performed 36 special projects and completed/closed 34 hotline cases.

As of December 31, 2014, there were two audits from the 2014 Audit Agenda in progress: Disposition of Surplus Property and City-wide Utility Usage. Audits remaining on the 2014 Audit Agenda were considered in our risk assessment process for the 2015 Audit Agenda and reviewed with the Audit Committee, with two of the three being included.

Per the Association of Local Government Auditors (ALGA) bi-annual benchmarking survey for 2012 (Group two – 3 to 5 auditors), the average number of projects (Audit, PAR and Non-Audit) per year was 38. OIA completed 86 total projects (126% above average).

The City of Chattanooga's Internal Audit function was recognized as a High Performing Audit Function in a recent research report, *Emerging Strategies for Performance Auditing*, issued by The Institute of Internal Auditors (IIA) Research Foundation, after two years of research. Additionally, this report cited the City of Chattanooga's Charter and Bylaw provisions related to the Audit function as examples. The IIA is the recognized international Internal Audit authority with over 180,000 members globally.

OTHER

Light fixtures in the Office of Internal Audit were replaced with high efficiency LEDs during 2014.

During 2014, James Harris replaced Bill Miller on the Audit Committee, an appointment by the IIA. Mr. Harris is a Certified Public Accountant and Certified Internal Auditor. He retired from Unum Group in 2012 as the Assistant Vice President, Internal Audit, after 21 years of service. Mr. Harris has over 35 years' experience in internal auditing.

OIA regularly provides technical information, upon request, to various personnel throughout the City. These requests typically involve no more than a few hours of time and do not result in a memo, letter or report. These activities are not recorded as projects and no physical files are created. We continued to experience increased levels of such requests during 2014. We encourage these inquiries as OIA is often able to reference previous project work and/or focus attention to a technical matter managers throughout the city may not have the time to research, as they deal with the pressures and stresses of meeting service goals.

From time to time, OIA provides digital data recovery services when hard drives fail to function. Performance of these services do not result in a memo, letter or report. These activities are not recorded as projects and no files are created.