

# Office of Internal Audit

## Annual Report 2016

**City Auditor**  
Stan Sewell, CPA, CGFM, CFE





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

March 13, 2017

To: Audit Committee Members

Re: 2016 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2016 Office of Internal Audit activities.

In addition to our audits, we completed a substantial number of other projects spanning a variety of areas. We noted several special projects related to personnel matters. During the year, we completed our fifth annual community survey and our second annual CAFR financial review. As in past years, we contracted with specialists to conduct an IT assessment to identify weaknesses and promote a secure information technology environment for City operations. The 2016 project included an assessment of cloud based systems.

Barry Teague returned to our office as a Senior Auditor, replacing Internal Auditor Jennifer Benefield. Mr. Teague was previously employed as an Internal Auditor from 2010 to 2013. We are very pleased to have him back.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

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## 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, 2016:

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

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

Administrative Staff    Taffy Dishroon, CMFO

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## 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).

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## ACCOMPLISHMENTS

During calendar year 2016, OIA issued 7 audit reports and completed 8 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 9 hotline cases.

As of December 31, 2016, there were two audits from the 2016 Audit Agenda in progress: Fire Department Fleet Maintenance Program was in the field work stage and Park Reservations and Collections had just been initiated. Audits remaining on the 2016 Audit Agenda were considered in our risk assessment process for the 2017 Audit Agenda and reviewed with the Audit Committee. Remaining audits were rolled forward to the 2017 agenda.

The Office received its three year peer review during 2016. The result was a Pass opinion with no management letter. Although it is not uncommon for local government auditing offices to receive pass opinions, it is relatively rare that a companion management letter is not provided specifying areas for improvement.

Per the Association of Local Government Auditors (ALGA) bi-annual benchmarking survey for 2014 (Group Two - 3 to 5 auditors), the average number of projects (Audit, PAR and Non-Audit) per year was 37<sup>1</sup>. OIA completed 60 total projects (62% above average).

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## OTHER

During 2016, the Chattanooga Chapter of the Institute of Internal Auditors appointed Huan Frazier to her first term as an audit committee member, replacing David DiStefano. Mr. DiStefano was an original member of the City's Council appointed Audit Committee and a founding member of the City Charter established independent Audit Committee.

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 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.

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<sup>1</sup> The survey question related to projects was structured by type allowing a single audit or project to be double or triple counted (e.g. counted as a performance audit and a contract audit). The actual average number of projects is lower than 37. The 60 projects reported for OIA represent 60 individual projects.