

Office of Internal Audit

Annual Report 2019

City Auditor
Stan Sewell, CPA, CGFM, CFE





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

January 30, 2020

To: Audit Committee Members

Re: 2019 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2019 Office of Internal Audit activities.

In addition to our audits, we completed a substantial number of other projects spanning a variety of areas. We completed our eighth annual community survey and our fifth annual CAFR financial review.

As required every three years by Generally Accepted Government Auditing Standards, the Office of Internal Audit underwent a peer review during 2019. As noted in our report, the Office received a Pass opinion with no management letter comments.

The Office of Internal Audit had no turnover in staff during 2019.

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, 2019:

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

Senior Auditors Lisa Culver, CFE
 Jeff Conner, JD, CFE
 Barry Teague, CPA, CFE
 Richard Walls, CPA, CIA

Administrative Staff Taffy Dishroon, CMFO

STANDARDS OF PRACTICE

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

ACCOMPLISHMENTS

During calendar year 2019, OIA issued 8 audit reports and completed 5 post audit reviews (PAR's). All audit reports and PARs are available on the Internal Audit webpage. In addition, OIA completed 27 special projects and completed/closed 23 hotline cases.

As of December 31, 2019, there were four audits from the 2019 Audit Agenda in progress. The Franchise Fees audit was pending auditee response. The CPD Property/Impounds audit was on hold at the auditee's request. The City Court Clerk Collections and the Real Estate Management audits were in the preliminary survey stage. One Audit remained on the 2019 Audit Agenda (311 Call Center Operations) which was rolled over to our 2020 Agenda.

The Office received its three-year peer review during 2019. 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) benchmarking survey for 2018, 80% of audit shops reported over half of their staff had at least one professional certification. 100% of OIA staff possess a professional certification, most possess multiple certifications.

The average budget for a local government audit shop with five auditors is \$927,000. OIA's FYE 2020 budget is \$729,608. Per the survey (for Group Two - 3 to 5 auditors), the average number of projects (Audit, PAR and Non-Audit) completed per year was 19¹. OIA completed 63 total projects during 2019.

OTHER

For 2020, the Chattanooga Chapter of the Association of Certified Fraud Examiners appointed William Acuff to his first full term as an audit committee member. Mr. Acuff is a Certified Public Accountant, Certified Internal Auditor and Certified Fraud Examiner. He replaced Amie Haun on the 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.

¹ The average number of audits was 9 vs OIA's 8 and the average number of Non-audits was 10 vs OIA's 55. Many shops complete PAR's as audits whereas OIA classifies these as Non-audits (OIA completed 5 PARs).