

**City of Chattanooga
Internal Audit Division
Annual Report 2010**

PERSONNEL:

The City of Chattanooga's Internal Audit Division had five audit staff positions and one part-time administrative staff position as of December 31, 2010:

Director of Internal Audit
Stanley L. Sewell, CPA, CGFM

Senior Auditor
Lisa Culver, CFE

Internal Auditor
Pamela Swinney, CPA
Barry Teague, CPA
Vacant Position

P-T Administrative Staff
Nelda Slade

STANDARDS OF PRACTICE:

The Division 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). Due to compliance with GAGAS, the Division has been exempted from the State requirement to follow the standards of practice set by The Institute of Internal Auditors (IIA). However, the policies and procedures followed by the Division substantially comply with the IIA standards.

ACCOMPLISHMENTS:

The Division issued eleven (11) audit reports and completed thirteen (13) post audit reviews during the calendar year 2010. All audit reports are available on the Internal Audit Division's website. In addition, the Division performed thirty-three (33) special projects and handled twenty (20) hotline cases. As of December 31, 2010, there are five (5) outstanding audits from the 2010 Audit Schedule. The audit reports for Outdoor Chattanooga Collections and Comcast Contract are out for responses and due January 2011. The following three (3) audits are in process: Swimming Pool Fee Collections, Drivers Education Contract, and Neighborhood Services Department Contracted Services.

The Division updated its policies and procedures manual in March 2010 to address various changes to its operating environment. Another revision is expected to be completed during March 2011.

COMPARISON TO BENCHMARK:

Following is a comparison of key factors for the Division to the Association of Local Government Auditors (ALGA) bi-annual benchmarking survey for 2010 (Group two – 3 to 5 auditors):

<u>Factor</u>	<u>Benchmark</u>	<u>Chattanooga</u>	<u>Comparison</u>
Average spending per auditor	\$122,568	\$96,556	21% Positive
Average annual spending	\$468,579	\$434,502	7% Positive
Average # of performance audits	7.80	11	141% Positive
Average # of other projects (Includes post audit reviews, investigations and any other)	35.10	66	188% Positive

OTHER

The Internal Audit Division had its first peer review in March 2009. The peer review report is posted on the Division’s website. The Division received an unqualified opinion. The Division’s next peer review will cover the calendar years 2009 through 2011 and should be completed by the end of March 2012.

The ALGA bi-annual benchmarking survey showed almost fifty percent (50%) of all respondents (small, medium and large operations) are now using computer assisted analysis techniques. The Internal Audit Division is currently assessing available products and expects to begin utilization of data mining/analysis software by the end of the current fiscal year (June 30, 2011).