

Office of Internal Audit

Annual Report 2015

City Auditor
Stan Sewell, CPA, CGFM, CFE





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

February 10, 2016

To: Audit Committee Members

Re: 2015 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2015 Office of Internal Audit activities.

In addition to our audit projects, we completed a substantial number of other projects resulting in the identification of fraudulent activity, wasteful spending, overbillings and issues of noncompliance. During 2015, we completed a CAFR financial review we expect to become a standard annual project. We contracted with specialists to conduct an IT assessment to identify weaknesses and promote a secure information technology environment for City operations. We completed our fourth annual community survey and are already preparing for the 2016 community survey.

Internal Auditor, Jennifer Benefield resigned to accept a position with Blue Cross Blue Shield. Ms. Benefield passed the CPA exam in 2015. Her new position allows for substantial growth opportunities during her career. We expect she will have a long and satisfying career. Our part-time Administrative Support Specialist, Taffy Dishroon, obtained her Certified Municipal Finance Officer (CMFO) designation during 2015. We are very proud of her.

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, 2015:

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

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

Internal Auditor Vacant

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 (more commonly referred to as Yellow Book).

ACCOMPLISHMENTS

During calendar year 2015, OIA issued 7 audit reports and completed 6 post audit reviews (PARs). All audit reports and PARs are available on the Internal Audit webpage. In addition, OIA performed 35 special projects and completed/closed 14 hotline cases.

As of December 31, 2015, there were two audits from the 2015 Audit Agenda in progress: Parks Maintenance and Landfill Sustainability. Audits remaining on the 2015 Audit Agenda were considered in our risk assessment process for the 2016 Audit Agenda and reviewed with the Audit Committee. Remaining audits were rolled forward to the 2016 agenda, except for the workers compensation/OJI audit which was rolled to the 2017 draft agenda.

Per the Association of Local Government Auditors (ALGA) bi-annual benchmarking survey for 2014, the average cost per auditor was \$127,257 (\$122,062 for Group Two (3 to 5 auditors)). The average cost per auditor for OIA was \$114,207.

For Group Two, the average number of projects (Audit, PAR and Non-Audit) per year was 37¹. OIA completed 62 total projects (67% above average).

OTHER

During 2015, the Chattanooga Chapter of the Tennessee Society of Certified Public Accountants appointed David Queen to his first full term as an audit committee member.

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 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 67 projects reported for OIA represent 67 individual projects.