

Office of Internal Audit

Annual Report 2020

City Auditor
Stan Sewell, CPA, CGFM, CFE





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

January 15, 2021

To: Audit Committee Members

Re: 2020 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2020 Office of Internal Audit (OIA) activities.

In addition to our audits, we completed a substantial number of other projects spanning a variety of areas. We completed our ninth annual Community Survey and our sixth annual CAFR Financial Review.

The COVID-19 Pandemic has affected operations throughout the City (and the world). During this time, our office has managed to maintain relatively normal levels of productivity. The greatest impact on productivity has been due to wait times for interviews and inspection of records. However, the staff have typically managed to remain productive by working on multiple projects at the same time.

Senior Auditor Barry Teague retired from OIA effective September 30, 2020. The position remains vacant at this time.

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, 2020:

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

Senior Auditors: Lisa Culver, CFE
Jeff Conner, JD, CFE
Richard Walls, CPA, CIA, CMFO
Vacant

Administrative Staff: Taffy Dishroon, CMFO

STANDARDS OF PRACTICE

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

ACCOMPLISHMENTS

During calendar year 2020, OIA issued 7 audit reports and completed 7 post audit reviews (PARs). All audit reports and PARs are available on the Internal Audit webpage. In addition, OIA completed 17 special projects and completed/closed 39 hotline cases.¹

As of December 31, 2020, there were 2 audits from the 2020 Audit Agenda in progress: CPD Mobile Cameras and Public Works Pothole Repairs. Both of these audits were nearing the completion of field work at year-end. All audits remaining on the 2020 Audit Agenda were rolled over to our 2021 Agenda.

The Office received its three-year peer review during 2019. The result was a Pass opinion with no management letter.

¹ The actual number of hotline cases closed was 59. The reported number was reduced due to several reports that were similar. The majority of duplicate reports were related to an alleged CPD policy violation and allegations of a hostile work environment at the Library.

Per the Association of Local Government Auditors (ALGA) benchmarking survey for 2018², 80% of audit shops reported over half of their staff had at least one professional certification. One hundred percent of OIA staff possess a professional certification, most possess multiple certifications.

The average budget for a local government audit shop with five auditors was \$927,000 in 2018. OIA's FYE 2021 budget is \$721,088. According to the survey (for Group Two - 3 to 5 auditors), the average number of projects (Audit, PAR and Non-Audit) completed per year was 19.³ OIA completed 70 total projects during 2020.

OTHER

For 2021, the Chattanooga Chapter of the Tennessee Society of Certified Public Accountants appointed David Queen to his second full term as an audit committee member. Mr. Queen is a Certified Public Accountant and was an initial member of the City's Chartered Audit Committee.

OIA regularly provides technical assistance, upon request, to various departments and 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.

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.

² ALGA typically conducts a benchmarking survey every two years. As of the date of this report, a benchmarking report for 2020 had not been issued.

³ The average number of audits was 9 vs. OIA's 7 and the average number of Non-audits was 10 vs OIA's 63. Many shops complete PAR's as audits whereas OIA classifies these as Non-audits (OIA completed 7 PARs).