

Office of Internal Audit

Annual Report 2017

City Auditor
Stan Sewell, CPA, CGFM, CFE





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

March 28, 2018

To: Audit Committee Members

Re: 2017 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2017 Office of Internal Audit activities.

In addition to our audits, we completed a substantial number of other projects spanning a variety of areas. We did not note any particular operational or departmental area of focus for 2017. During the year, we completed our sixth annual community survey and our third annual CAFR financial review. We also conducted a training session for newly elected officials.

In past years, we have contracted with specialists to conduct IT assessments. These have typically been highly technical security assessments such as penetration testing and determining the security of web based systems. We anticipated an assessment that would evaluate the operational impacts of a cyber-attack during 2017. We were expecting this project to be organized by the City's IT Department and conducted by a Federal defense contractor providing their resources at no cost to the City. Although the assessment did not occur, we are hopeful the project will take place during 2018.

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, 2017:

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

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 2016, OIA issued 8 audit reports and completed 10 post audit reviews (PARs). All audit reports and PARs are available on the Internal Audit webpage. In addition, OIA completed 35 special projects and completed/closed 19 hotline cases.

During 2017, the Office of Internal Audit canceled Audit 17-09 (CPD Confidential Informant Funds) due to the completion of an extensive special project in the area planned for audit. The Compensatory Balances audit was replaced with an audit of the Tool Room Inventory Process. This replacement was due to changes in the control environment related to compensatory balances. These Audit Agenda modifications were reported to the Audit Committee via a memorandum dated November 13, 2017.

As of December 31, 2017, there were three audits from the 2017 Audit Agenda in progress: Codes Enforcement, Street Maintenance and Tool Room Inventory. All three were in the preliminary survey stage.

No Audits remained on the 2017 Audit Agenda for consideration in our development of the 2018 Agenda.

Per the Association of Local Government Auditors (ALGA) benchmarking survey for 2014 (Group Two - 3 to 5 auditors), the average number of projects (Audit, PAR and Non-Audit) per year was 37¹. OIA completed 72 total projects (94% above average).

OTHER

For 2017, the Chattanooga Chapter of the Tennessee Society of Certified Public Accountants reappointed Henry Hoss to his second full term as an audit committee member. During 2017, Huan Frazier resigned from the Audit Committee due to a relocation. She was replaced by Dr. Anne Wilkins, an Assistant Professor at the University of Chattanooga. Dr. Wilkins is a Certified Public Accountant with extensive experience in public accounting, research and education.

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 72 projects reported for OIA represent 72 individual projects. A 2016 ALGA survey indicates an average of 22 projects resulting in an output (report or memo).