

Office of Internal Audit

Annual Report 2021

City Auditor
Stan Sewell, CPA, CGFM, CFE





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

January 31, 2022

To: Audit Committee Members

Re: 2021 Annual Report

Dear Audit Committee Members:

The attached report contains the results of calendar year 2021 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 tenth annual Community Survey and our seventh annual CAFR Financial Review.

The COVID-19 Pandemic continues to affect operations throughout the City (and the world). During this time, our office has managed to maintain relatively normal levels of productivity. Timely access to staff and records has been a headwind. However, availability seemed to improve during the year.

Pamela Swinney returned to our office as a Senior Auditor, replacing Barry Teague. Pam served our office as a Senior Auditor for several years until moving to Florida. We are very happy she has returned to Chattanooga.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

PERSONNEL

The City of Chattanooga's Office of Internal Audit (OIA) had five (5) professional audit staff positions and one (1) part-time administrative staff position as of December 31, 2021:

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

Senior Auditors: Lisa Culver, CFE
Jeff Connor, JD, CFE
Richard Walls, CPA, CIA, CMFO
Pamela Swinney, CPA

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 2021, OIA issued eight (8) audit reports and completed seven (7) post audit reviews (PARs). All audit reports and PARs are available on the Internal Audit webpage. In addition, OIA completed 23 special projects and completed/closed 28 hotline cases.

As of December 31, 2021, there was one (1) audit from the 2021 Audit Agenda in progress: Moccasin Bend Inventory. This audit was nearing the completion of field work at year-end. All audits remaining on the 2021 Audit Agenda were rolled over to our 2022 agenda except for the Human Resources Hiring Practices Audit. The new Administration is in the process of replacing the Employee Information Guide and making substantial changes to procedures within the Human Resources Department.

The OIA will undergo a standard three-year peer review during 2022. Upon completion, results will be provided to the Audit Committee and posted to the Internal Audit page of the City's website.

According to the Association of Local Government Auditors (ALGA) benchmarking survey for 2018¹, 80% of audit shops reported over half of their staff had at least one professional certification. One hundred percent of OIA staff possess at least one (1) professional certification, most possess multiple certifications.

The average annual budget for a local government audit shop with five auditors was \$927,000 in 2018. OIA's FYE 2022 budget is \$745,486. 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 19.² OIA completed 66 total projects during 2021.

OTHER

For 2022, the Chattanooga Area Chapter of the Institute of Internal Auditors (IIA) appointed Bambi Gifford to the audit committee. Ms. Gifford is a Certified Public Accountant with experience in finance, public accounting and internal auditing. She replaces Anne Wilkins who served on the Audit Committee for five years and as the Chair during 2020.

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 that managers throughout the city may not have the time to research.

¹ ALGA typically conducts a benchmarking survey every two years. As of the date of this report and likely due to staffing strains related to the Pandemic, 2018 is the latest survey that has been conducted.

² The average number of audits was nine (9) vs. OIA's eight (8) and the average number of Non-audits was ten (10) vs OIA's 58. Many shops complete PAR's as audits whereas OIA classifies these as Non-audits (OIA completed seven (7) PARs).