



External Quality Control Review

of the
City of Chattanooga, Tennessee
Internal Audit Division

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period January 1, 2009, through December 31, 2011



Association of Local Government Auditors

March 28, 2012

Stanley Sewell, CPA, CGFM
Director of Internal Audit
101 E. 11th Street
Chattanooga, Tennessee 37402

Dear Mr. Sewell,

We have completed a peer review of the City of Chattanooga, Internal Audit Division for the period January 1, 2009 to December 31, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and non audit services engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Chattanooga Internal Audit Division's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2009 to December 31, 2011.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Paul Geib
Milwaukee Public Schools

Alvie Edwards
Chesterfield County, VA



Association of Local Government Auditors

March 28, 2012

Stanley Sewell, CPA, CGFM
Director of Internal Audit
101 E. 11th Street
Chattanooga, Tennessee 37402

Dear Stan Sewell,

We have completed a peer review of the City of Chattanooga, Internal Audit Division for the period January 1, 2009 to December 31, 2011 and issued our report thereon dated March 28, 2012. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The Office did a commendable job in continuing to follow up on audit recommendations and documenting their resolution.
- Office staff was well qualified with excellent training opportunities, and possessed several certifications (CIA, CFE, CPA and CGFM).
- Audit reports were well written and concise, and provided clear findings and high value recommendations.

The following observation and your corrective action to enhance your organization's demonstrated adherence to *Government Auditing Standards* is noted below:

- Standard 7.46 requires Auditors communicate an overview of the objectives, scope, and methodology, and timing of the performance audit, and planned reporting, while Standard 7.48 indicates that the Auditor may use an Engagement Letter to communicate the information.

Observation: In reviewing the Office's work papers, we observed that while your office provides an Entrance Letter to the Auditee that communicates the planned reporting, and a broad overview of the area of audit and approach, more specific documentation of what is communicated could be enhanced. However, during the peer review, the Director updated the Audit Program Guide to note specific documentation requirements on communicating the Scope, Objectives and Methodology reviewed with the Auditee during the Entrance Conference, as well as

sending the Auditee the Engagement Letter detailing planned scope, objectives and methodology.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Paul Geib
Milwaukee Public Schools



Alvie Edwards
Chesterfield County VA



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

March 28, 2012

Paul Geib
Milwaukee Public Schools
Milwaukee, Wisconsin

Alvie Edwards
Chesterfield County
Chesterfield, Virginia

Dear Mr. Geib and Mr. Edwards:

The City of Chattanooga's Internal Audit Division submits the following comments in response to the review of its operations. I am pleased the independent auditors did not find any significant weaknesses in the Internal Audit Division's (the Division's) internal quality control system. The auditors stated that our system of internal control provided reasonable assurance of compliance with Government Auditing Standards (GAS) and met the objectives of the Association of Local Government Auditors quality control guidelines during the period audited. I am also extremely gratified that in the management letter the auditors noted a number of areas in which the Division excels. In particular, you noted that:

- The Office does a commendable job in following up on audit recommendations and documenting their resolution.
- The Staff is well qualified with excellent training and certifications (CIA, CFE, CPA and CGFM).
- Audit reports are well written and concise, providing clear findings and high value recommendations.

The management letter included one suggestion to improve the Division's demonstrated compliance with GAS. We concur with this suggestion. We have updated our audit program guide and our policy and procedures manual (pending its next revision) to require specified information conveyed during the entrance conference to be recorded in the meeting notes. As you noted, we have also updated our audit program guide to require an engagement letter upon completion of preliminary survey work. This is in addition to our standard entrance letter and will enhance the documentation of communication with the auditee.

The Division is committed to continuously improving and refining its audit processes. As such, we very much appreciate your insights, perspectives and discussions of best practices while conducting our review. We thank both of you for your professionalism, openness, cooperation, and courtesy during the audit. We also thank Gary Chapman, City of Tampa, Florida, for coordinating this peer review.

Very truly yours,

Stanley L. Sewell
Director of Internal Audit