



National Association of Local Government Auditors

June 29, 2005

Sharon Kaye Jones
Internal Audit Manager
County of Chester
2 North High Street, Suite 540
West Chester, PA 19380

Dear Ms. Jones,

We have completed a peer review of the County of Chester Internal Audit Department for the period January 1, 2002, through December 31, 2004. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the National Association of Local Government Auditors (N.A.L.G.A.).

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. 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 County of Chester Internal Audit Department'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, 2002, through December 31, 2004.

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

Sincerely,

Renee Beckham
CPA
City of Jacksonville

Mark Petterson
CISA, CPA
Arizona Board of Regents

Corrie Stokes
CIA, CGAP
City of Austin



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Sharon Kaye Jones
Internal Audit Manager
County of Chester
2 North High Street, Suite 540
West Chester, PA 19380

Dear Ms. Jones,

We have completed a peer review of the County of Chester for the period January 1, 2002, through December 31, 2004, and issued our report thereon dated June 29, 2005. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We noted that your office has implemented a number of the suggestions made during the previous N.A.L.G.A. peer review, and that the quality of audit documentation has continued to improve from year to year during the period we reviewed.

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

- A SAS#99 Management Questionnaire is used to obtain information related to possible fraud or material misstatement of financial statements.
- The Internal Audit Workpaper Review Questionnaire in use facilitates supervisory review of audit documentation and compliance with government auditing standards.
- A detailed engagement letter addresses the objectives, timing, and scope of the audit, the roles of the auditors and management, other terms of engagement, and independence issues.
- An Auditee Affirmation is used to attest to the completeness and accuracy of information provided by management to the auditors.
- Internal Audit identifies the existence and nature of pending litigation and/or legal settlements with each auditee.
- An Auditee Satisfaction Survey is used to seek feedback for the audit process.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to government auditing standards:

- In three of sixteen audit engagements reviewed, no evidence of follow-up on the status of recommendations from prior audits was present. Evidence of follow-up on prior recommendations should be contained in the workpapers.
- Internal Audit's standard format for findings does not include the cause of the finding. Government Auditing Standard 4.21 suggests that the cause element be included when problems are found. Inclusion of the cause would facilitate writing of recommendations within the audit report.
- Audit workpapers do not include documentation of audit planning. We suggest that a summary of planning be referenced or included in the workpapers to document changes to the audit program.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Renee Beckham
CPA
City of Jacksonville



Mark Petterson
CISA, CPA
Arizona Board of Regents



Corrie Stokes
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COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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RAY E. WHITE, JR., CPA
Acting Controller

June 30, 2005

Mark Petterson, CISA, CPA
Rene Beckham, CPA
Corrie Stokes, CGAP, CIA
NALGA Quality Control Reviewers

Your review of our organization was a valuable part of our effort to improve the quality of audits for the County of Chester. I am extremely pleased that you found that our work meets *Government Auditing Standards*.

Just as importantly, you have provided recommendations in several areas that should improve our work product and strengthen our commitment to excellence. We are in complete agreement with these "suggestions for improvement" and have already developed an action plan to address these matters. This action plan will provide for the inclusion of the "cause statement" for all audit findings noted during the course of our reviews and for formal documentation of annual audit planning. It is our understanding that the action plan that we have suggested to you is "acceptable".

The staff and I were pleased to have had the opportunity to meet you and solicit new ideas. Thank you very much for your time and assistance.

Sincerely,

SHARON KAYE JONES, CIA
Internal Audit Manager
The County of Chester