of the
County of Chester Internal Audit Department

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

for the period January 1, 2009 to December 31, 2011
May 18, 2012

Sharon Kaye Jones
Internal Audit Manager
County of Chester
313 Market Street
Suite 6320
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, 2009 through 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. 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, 2009 through December 31, 2011.

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

Sincerely,

Wayne Good
District of Columbia
Inspector General’s Office

Frank Kedl
County of Northampton, PA
May 18, 2012

Sharon Kaye Jones  
Internal Audit Manager  
County of Chester  
313 Market Street  
Suite 6320  
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, 2009 through December 31, 2011 and issued our report thereon dated May 18, 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:

- As noted in prior peer reviews, working paper documentation is consistent and thoroughly prepared for each financial audit.
- Auditors are resourceful in obtaining continuous professional education credits at low costs during fiscally constrained periods.
- The SAS #99 documentation is very thorough and is a useful tool for assessing the risk of fraud.

We offer the following observations and suggestions to enhance your organization’s demonstrated adherence to Government Auditing Standards (GAS):

- GAS 3.52 & 3.53(e) (3.84 & 3.85(e)) states that each audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The policies and procedures should be designed to provide reasonable assurance that audits and attestation engagements are performed and reports are issued in accordance with professional standards. During our review, we noted that the audit manual did not adequately address policies and procedures for performance audits.

We suggest, if the office chooses to continue conducting performance audits, that the policies and procedures manual include more detailed procedures...
related to performance audits and that those procedures be communicated to the staff.

- GAS 7.50 (6.51 new) states that auditors must prepare a written audit plan for each audit. The form and content of the written plan may vary among audits and may include an audit strategy, audit program, project plan, audit planning paper or other appropriate documentation of key decisions about audit objectives, scope, and methodology and the auditors' basis for decisions. During our review of one performance audit, we noted that an audit plan was prepared but there was no documentation supporting the planning that occurred prior to the preparation of the audit program and execution of the audit.

We suggest that the results of planning and audit status meetings be documented to show evidence of the topics discussed such as audit strategies, objectives development, personnel assignments, project plan, potential audit findings, and any other items that would be discussed and used by the auditors' as a basis for making decisions during planning.

- GAS 7.52 (6.53 new) states that supervisors or those designated to supervise auditors must properly supervise staff. During our review of one performance audit, we noted supervision was apparent by the preparation of an audit program and editing of the audit report. However, there was no evidence of supervisory review of any work papers as we noted is the procedure for the financial audits.

We suggest supervisors perform the same review procedures for performance audits as is done for financial audits, which includes completion of their internal audit workpaper review questionnaire and providing review notes.

- GAS 8.19 (7.19 new) states that auditors should include in the audit (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. During our review of one performance audit, we noted that there was no mention of internal controls in the audit report.

We suggest that a statement on internal controls be included in the report to the extent that internal controls were addressed.

The items discussed above relate to the review of one performance audit that occurred in FY 2009. The audit workload at the County of Chester Internal Audit Department is predominately financial audits. The universe of performance audits from which to review was very small. During the three year review period only two performance audits were performed using about four percent of their auditor resources.
We extend our thanks to you, your staff and the other county officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Wayne Good
District of Columbia
Inspector General's Office

Frank Kedl
County of Northampton, PA
June 7, 2012

Ms. Kelly Hammond, Peer Review Coordinator  
Association of Local Government Auditors  
Internal Audit Division  
Frederick County Government  
12 E. Church Street, 2nd Floor  
Frederick, MD 21701

Dear Ms. Hammond,

I would like to thank the Association of Local Government Auditors for arranging the County of Chester’s most recent Peer Review. I am including herein our responses to comments and recommendations made by the review team as a result of their observations and testing.

- **GAS 3.52 & 3.53 (c) (3.84 & 3.85 (e))** states that each audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The policies and procedures should be designated to provide reasonable assurance that audits and attestation engagements are performed and reports are issued in accordance with professional standards. During our review, we noted that the audit manual did not adequately address policies and procedures for performance audits.

  We suggest, if the office chooses to continue conducting performance audits, that the policies and procedures manual include more detailed procedures related to performance audits and that those procedures be communicated to the staff.

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**Response**

The County of Chester’s Internal Audit Department is governed by Pennsylvania County Code and as such, their annual audit agenda is comprised primarily of financial audits of the County’s magisterial district courts, row offices, prison, and nursing home each year. In addition, special projects may be requested by elected officials of the County and/or the County Controller who is administratively responsible for the audit function. Over the past 3 years, the current Controller has initiated reviews to evaluate “operational efficiencies” in order to find ways to save the County time and expense. These “projects” were initially referred to as “performance audits” however after further evaluation should have been more properly classified as “non-audit services and/ or reviews with agreed upon procedures”. 
In accordance with recommendations made by the peer review team, Internal Audit will accept any requests for “special projects” in terms of “agreed upon procedures”. These projects will continue to be initiated only upon the request of management and completed as time allows based on their normal annual audit requirements. The comprehensive Internal Audit Manual will also be revised to specifically identify procedures related to planning, supervising, approving and reporting on these “agreed upon procedures”.

Please feel free to contact me should you have any questions or concerns. I may be reached at 610-344-5913 or at sjones@chesco.org.

Sincerely,

[Signature]

Sharon Kaye Jones, CIA
Internal Audit Manager
County of Chester