External Quality Control Review
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, 2015 through December 31, 2017
October 5, 2018

Ms. Sharon Kaye Jones, CIA, CFE
Internal Audit Manager
County of Chester Internal Audit Department
313 Market Street, Suite 6302
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, 2015 through December 31, 2017. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guide 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 whether your internal 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 attestation 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, except for the deficiencies noted below, 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, 2015 through December 31, 2017.

Deficiencies found in your internal quality control system included a lack of procedures designed to ensure that Internal Audit Department personnel understand and refer to current applicable standards as they perform their work. These control deficiencies resulted in recurring nonconformance with GAS 3.73-3.74, 4.02 and 5.02.

We offer the following observations and suggestions to help your organization achieve full compliance with Government Auditing Standards:

- GAS 3.73-3.74, 4.02, and 5.02 address the need for auditors performing financial audits and attestation engagements to be knowledgeable of and perform work in accordance with the applicable AICPA standards in addition to Government Auditing Standards. As we gained an understanding of the Internal Audit Department's quality control system, we determined that Department personnel did not refer to the current applicable AICPA standards as they performed their work. During our review of engagements, we identified three instances where AICPA standards applicable to one agreed-upon procedures engagement were not complied with, and six instances where AICPA standards
applicable to three financial audits were not complied with. We recommend that the Internal Audit Department take measures to ensure that all Department personnel understand and refer to the current applicable standards as they perform their work.

We have prepared a separate letter providing other useful, less significant observations and suggestions for strengthening your internal quality control system.

Jeffrey N. Vargas, CPA, CGMA
Allegheny County Controller’s Office
Pittsburgh, PA

Karletta Jones, CPA, CIA
Northern Arizona University
Flagstaff, AZ
October 5, 2018

Ms. Sharon Kaye Jones, CIA, CFE
Internal Audit Manager
County of Chester Internal Audit Department
313 Market Street, Suite 6302
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, 2015 through December 31, 2017 and issued our report thereon dated October 5, 2018. 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 Internal Audit Department performs audit engagements that best serve the needs of the County of Chester and the interests of taxpayers.
- The audit staff gain a thorough understanding of auditee operations, considering and discussing the areas of risk, strengths and opportunities before audits are initiated.
- The Internal Audit Department conducts audits efficiently while thoroughly documenting the work performed.

We offer the following observations and suggestions to help your organization achieve full compliance with Government Auditing Standards:

- GAS 4.10 through 4.14 indicate that auditors should plan and perform procedures to develop the elements of findings that are relevant and necessary to achieve the audit objectives. The elements of a finding are criteria, condition, cause, and effect or potential effect. GAS 4.28 indicates that clearly developed findings assist management or oversight officials of the audited entity in understanding the need for taking corrective action. During our review of two financial statement audit engagements, we observed that the findings reported were not fully developed. We recommend that the Internal Audit Department develop and report all of the elements of each finding to assist management or oversight officials of audited entities in understanding the need for taking corrective action.

- GAS 4.03 and 4.04 indicate that when performing a GAGAS financial audit, auditors should communicate pertinent information that in the auditors professional judgment needs to be communicated to individuals contracting for or requesting the audit, and to cognizant legislative committees when auditors perform the audit pursuant to a law or regulation, or they conduct the work for the legislative committee that has oversight of the audited entity. Where the identity of those charged with governance is not clearly evident auditors should document the process followed and conclusions reached for identifying appropriate individuals to receive the required auditor communications. GAS 4.45 indicates that audit organizations in governmental entities should distribute auditors’ reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. As appropriate, auditors should also distribute copies of the reports to other officials who have legal
oversight authority or who may be responsible for acting on audit findings and recommendations, and to others authorized to receive such reports. During our review of engagements, we noted that engagement letters and auditors’ reports for two financial audits were not issued to those charged with governance. We recommend that the Internal Audit Department document in its audit workpapers the rationale used to identify those charged with governance and for distributing communications and auditors' reports.

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,

Jeffrey N. Vargas, CPA, CGMA
Allegheny County Controller’s Office
Pittsburgh, PA

Karletta Jones, CPA, CIA
Northern Arizona University
Flagstaff, AZ
November 1, 2018

Ms. Corrie Stokes, City Auditor and Acting Peer Review Coordinator
Office of the City Auditor, Austin Texas
Corrie.stokes@austintexas.gov

Dear Ms. Stokes,

I would like to thank the Association of Local Government Auditors (ALGA) for arranging the triennial Peer Review of Chester County. ALGA’s review of our organization is a valuable tool for improving the quality of audits conducted by the County of Chester Internal Audit staff. I am extremely pleased that you found that our work meets Government Auditing Standards.

As part of your evaluation, you have also provided recommendations that should improve our work and strengthen our commitment to excellence. We are in agreement with these recommendations and will develop an action plan to address these matters. The action plan will focus on including the proper documents and terminology in our financial reports, agreed upon procedure engagements, findings and footnotes. In addition, we will ensure that audit correspondence related to the Prison will also be provided to the Chester County Prison Board members upon commencement and completion of their audit.

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.

Thank you for your time and assistance.

Sincerely,

Sharon Kaye Jones, CIA, CFE
Internal Audit Manager
The County of Chester