

**The County of Berks
Office of the Controller
Internal Audit Department**



**Annual Report
For the year ended December 31, 2019**

County of Berks
Office of the Controller

Internal Audit Department

Vision, Mission, and Value Statement

Vision

The Department of Internal Audit will be the County of Berks most valued resource for the support of financial, operational, and control activities.

Mission

The Department of Internal Audit's mission is to support the County of Berks in achieving system wide goals and objectives.

Values

The Department of Internal Audit is committed to certain values in carrying out its mission:

Providing excellent service to the County of Berks is our primary focus.

- Performing our services in accordance with applicable standards established by the Government Accounting Office (GAO), the Institute of Internal Auditors (IIA), and the American Institute of Certified Public Accountants (AICPA).
- Maintaining our independence, objectivity and confidentiality in the performance of our services.
- Adhering to the highest degree of fairness, integrity and ethical conduct.
- Characterizing our relationships within the County of Berks community with respect, helpfulness, openness, and dependability.
- Maintaining our professionalism as internal auditors through continuance of our education and training.

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Authority and Responsibilities

In accordance with County Code requirements, the County of Berks Internal Audit Department is authorized to direct a broad, comprehensive program of internal auditing within the County. The internal auditors are responsible for examining and evaluating the adequacy and effectiveness of the systems of internal control established by the various agencies of the County and to audit, settle, and adjust the accounts and financial statements of these agencies annually. In accomplishing these, the Manager of Auditing, as well as all members of the audit staff, are authorized to have full, free, and unrestricted access to all County records, property, and personnel, except as restricted by law.

The role of the internal audit department is to assist management to attain organizational goals by providing independent, objective assurance and consulting activity designed to add value and improve an organization's operations. This is achieved through independently reviewing and evaluating the effectiveness of risk management, controls, governance and operations and by providing objective analyses and constructive recommendations for improvement. Management retains full control over the implementation of these recommendations.

The internal audit activity of the organization is responsible for periodically evaluating the processes of internal control operations throughout the organization. That responsibility is carried out in three distinct steps:

1. Ascertaining that the design of the internal controls, as they have been established and represented by management, is adequately designed in relation to the related risk;
2. Determining, through compliance testing and other procedures, that the process is, in fact, operating as intended in an effective and efficient manner; and,
3. Reporting the results of audit work performed and offering recommendations for improving the internal control process.

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Staff Credentials and Certifications

Oliver J. Arthur, *Manager of Auditing*
Bachelor of Science in Accounting, Virginia Commonwealth University
Certified Public Accountant (CPA)
Certified Internal Controls Auditor (CICA)
Certified Global Management Accountant (CGMA)

Kathryn I. Dietrich, *Internal Auditor*
Bachelor of Arts in History, Lafayette College
Certified Fraud Examiner (CFE)

Aaron E. Hengst, *Internal Auditor*
Bachelor of Science in Business Administration, Millersville University
Certified Fraud Examiner (CFE)

Candace A. Romig, *Internal Auditor*
Bachelor of Science in Business Administration, Pennsylvania State University

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2019 Audit Summary

Financial Audits

<u>Auditee</u>	<u>Reportable Conditions</u> *
Central Arraignment Court 23-0-01	None
District Court 23-1-01	None
District Court 23-1-02	None
District Court 23-1-03	None
District Court 23-1-05	None
District Court 23-1-06	None
District Court 23-2-01	None
District Court 23-2-02	None
District Court 23-2-03	None
District Court 23-2-04	None
District Court 23-3-01	None
District Court 23-3-02	None
District Court 23-3-03	None
District Court 23-3-04	None
District Court 23-3-05	None
District Court 23-3-06	None
District Court 23-3-07	None
District Court 23-3-09	None
Sheriff	None
Register of Wills	None
Prothonotary	Yes
Recorder of Deeds	None
Jail Inmate Accounts	TBD
Jail Commissary Fund	TBD

* Reportable Conditions include Material Weaknesses and Significant Deficiencies.
Management items are not included.

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2019 Audit Summary (continued)

Financial Audits continued

<u>Auditee</u>	<u>Reportable Conditions</u> *
Berks Organization of Jail Employees	TBD
Treasurer	None
Clerk of Courts	None

Agreed-upon Procedures

<u>Auditee</u>	<u>Reportable Conditions</u> *
Tax Collectors	See Report
Hotel Tax – Econo Lodge	See Report
Hotel Tax – Rodeway Inn	See Report

* Reportable Conditions include Material Weaknesses and Significant Deficiencies.
Management items are not included.

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2020 Goals and Objectives

- To implement a Financial Fraud Hotline maintained by the Controllers Office for individuals to report potential fraud in Berks County.
- To fully utilize the IDEA software in analyzing data obtained during our audits.
- To complete all Row Office and District Court audits in a timely manner.
- To continue incorporating new audits on Berks County Departments.
- To conduct “Performance Audits” in addition to financial audits at the request of the Controller to increase County efficiency and save taxpayer money.
- To assist in investigations involving fraud complaints received via the County’s Fraud, Waste, and Abuse hotline.
- To continue to complete 40 hours of continuing education annually to gain knowledge of new accounting/ auditing issues and pronouncements required by the GAO Yellow Book.
- To aid the Controller and Deputy Controller with respect to special projects and other tasks.
- To continue to encourage all auditors to pursue and achieve the CPA or CIA designation.

Message from the Controller:

Our Audit department is facing scheduling challenges this year, like all other Berks County Departments. We have had to furlough our auditors because of the pandemic. MDJ courts are operating on a limited basis and all elected officials are working with reduced staff.

We had our first Peer Review in 2019. That is accomplished when an examiner from another county comes in and reviews policies and procedures as well as Audit Documentation. Normally this would create a list of “upgrades” for that county. We received a few suggestions on polishing our act. We also received a “Certificate of Compliance”, which for the first year Peer Review is very unusual.

We purchased the latest version of Idea Software. This program can analyze data and target transactions that need more examination. This will improve the efficiency and effectiveness of our audits. Instead of backfilling history, we are starting with information for 2019. Our big project this year will be loading the parameters and data into the data base. This will be the starting point for all future audits.

For the first time in 2019 – we reviewed Credit Card purchases. We looked at the card user and matched their purchases with the guidelines for their card. Depending on the department these guidelines are individually set up.

We will report next year the steps taken to uphold our standards with the compressed time limit and staffing both at home and inside the office.

Sincerely

Sandy Graffius
Controller