

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



**Annual Report
For the year ended December 31, 2018**

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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Internal Audit Department

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)

Andrew M. Noll, *Internal Auditor*

Bachelor of Arts in English, Albright College

Bachelor of Science in Accounting, Albright College

Certified Fraud Examiner (CFE)

Mindy Zweizig, *Internal Auditor*

Bachelor of Science in Accounting, Albright College

Associate in Applied Science, Reading Area Community College

Enrolled Agent (EA)

Certified Fraud Examiner (CFE)

Certified Internal Controls Auditor (CICA)

County of Berks
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2018 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 | Yes |
| 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 | None |
| Jail Commissary Fund | None |

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

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2018 Audit Summary (continued)

Financial Audits continued

| <u>Auditee</u> | <u>Reportable Conditions</u> * |
|-----------------------|---------------------------------------|
| Treasurer | None |
| Clerk of Courts | None |

Agreed-upon Procedures

| <u>Auditee</u> | <u>Reportable Conditions</u> * |
|---------------------------------|---------------------------------------|
| Tax Collectors | See Report |
| Payroll | See Report |
| Best Western Plus – Hotel Tax | N/A |
| Econo Lodge – Hotel Tax | N/A |
| Klein’s Motel – Hotel Tax | N/A |
| Motel Deska – Hotel Tax | N/A |
| Holiday Inn Express – Hotel Tax | N/A |

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

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2019 Goals and Objectives

- To complete all Row Office and District Court audits in a timely manner.
- To continue to incorporate new audits.
- To conduct additional audits on county departments.
- To conduct “agreed upon procedure engagements” in addition to financial audits at the request of the Controller as a means 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 provide assistance to 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 continues to become more efficient with time management. All our Magisterial District Courts and all Berks County tax collectors are audited once a year. We do hotel tax audits on a rotational basis to make sure they are filing their reports accurately and paying their tax to the county in a timely manner. This money is used to pay the loan on the Santander arena and supplement the budget of the Berks County Visitor's Bureau.

We added the Adult Probation Supervisory Account as well as Berks Organization of Jail Employees account at the jail for 2018. This was the first time for these accounts and will be added to the yearly list of audits. The Payroll and Accounts Payable audit was successfully completed. For 2019 we are planning to include four custodial accounts held by County Departments. This will be a first time this is being added to the audit process.

Our Audit department will be receiving a "peer review". This entails outside auditors from around the country coming in and reviewing our policies and procedures. They highlight things done correctly as well as recommendations for improvements in our process.

We continue to encourage reporting of financial fraud issues. These can be reported to our Manager of Auditing at 610-478-6150 ext. 6144. Bogus expense reports cost the tax payers money in all counties of Pennsylvania.

We appreciate the cooperation of the MDJs, tax collectors, and public officials as they provide timely information to our Controller department auditors. The attention to detail keeps their books balanced and allows us to give them a "no findings" report on their yearly audits. All audit reports can be seen by going to www.countyofberks.com and selecting the Controller Department. There is an option for audit reports and by clicking on this; all official audits can be examined.

Sincerely

Sandy Graffius
Controller