

COOK COUNTY

Quality Assessment Review – *Internal Audit*



July 28, 2025

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Executive Summary

The Institute of Internal Auditors (IIA) in the International Professional Practices Framework (IPPF) has established a voluntary set of quality standards (IIA Standards) that encourage internal audit departments to demonstrate their compliance with the IIA Standards on internal auditing. To demonstrate compliance, the IIA Standards recommend that an internal audit function perform a Quality Assessment Review (QAR) at least once every five years. QARs may be performed completely by an external third-party, or they may consist of a self-assessment with validation by an independent third-party. Cook County has chosen the full external assessment, and selected RSM US LLP (RSM) to perform the assessment.

RSM performed the QAR over Cook County's Office of the County Auditor (OCA) Function focusing on the Internal Audit Work Plan. The special investigations and/or other work performed by OCA were not within our scope. Fieldwork was conducted during September 2023 through February 2024. We performed the QAR based upon the IIA's quality standards, specifically the section 1300 standards which outline the maintaining of a Quality Assessment and Improvement Program. The IIA provides three categories to rate the overall quality of an internal audit department: *Generally Conforms*, *Partially Conforms* or *Does Not Conform* (see page six for full definitions). Based upon our work performed, we have assessed Cook County's Internal Audit function as **Partially Conforming** with the IIA's Standards.

The professional standards presented in the 2018 revision of Government Auditing Standards (known as the Yellow Book) provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence in order to provide accountability and to help improve government operations and services. These standards, commonly referred to as generally accepted government auditing standards (GAGAS), provide the foundation for government auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process. Peer reviews, an external quality assurance review under GAGAS, provides for three peer ratings of *pass*, *pass with deficiencies*, or *fail* (see page nine for full definitions). Based upon our work performed, we have assessed Cook County's Internal Audit function as **pass with deficiencies**.

Executive Summary

During the performance of our review, several key, specific risk areas were identified, which OCA Management, the Office of the President, and the board should consider to further refine the scope and mission of Cook County's Internal Audit (IA) function. The most notable opportunities for IA process improvement are noted beginning on page 10 of this report; included as an appendix is the full list of the IIA's Standards along with our assessment of Cook County's compliance with each.

Additionally, our review involved confirming closure of improvement opportunities noted during the prior full external assessment conducted in 2019. Of the six observations noted during the previous QAR in 2019, four have been remediated, while two remain repeat observations and have been included within this report (see Observation #3 Planning and Resource Management). Detail around the remediated findings is included in Appendix B of this report.

Objective and Scope

RSM was engaged to perform a QAR of the Office of the County Auditor's internal quality control system. The primary objective of the QAR was to evaluate Cook County's conformance to the IIA's IPPF set of quality standards (IIA Standards). Another objective of this QAR is to conduct an external assessment as part of the county's monitoring procedures over its compliance with professional standards related to quality control policies and procedures for GAGAS engagements. The work performed included the following:

- Reviewing and analyzing the OCA completed program guides and prior internal QAR documentation, along with detailed information and documentation described below.
- Submitting, reviewing and evaluating surveys of OCA staff and a representative sample of executive leadership and management.
- Conducting meetings with the County Auditor to gather additional background information and documentation.
- Reviewing and evaluating a sample of audit reports, working papers, and engagement plans.
- Reviewing OCA's risk assessment and audit planning processes, audit ordinance, organizational charts, audit personnel position descriptions, independence assertions, audit tools and methodologies, engagement and staff management processes, and other relevant documents.

The quality assessment team met with OCA throughout the course of the review, including an exit conference on March 28, 2024. The internal audit activity environment partially conforms with IIA standards. We have outlined observations below that are intended to enhance OCA's ability to function in conformance with IIA standards.

Definition of Assessment Ratings-IIA

Using the IIA's evaluation methodology, we have assigned a rating of GC (Generally Conforms), PC (Partially Conforms) or DNC (Does Not Conform) to each area assessed (as noted in the Executive Summary). The following definitions for these ratings, as taken from the IIA's methodology guidance, describe each of these ratings' categories.

Categories of Ratings

GC — “Generally Conforms” means the evaluator has concluded that the internal audit department's relevant structures, policies, and procedures, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the *Code of Ethics* in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual *Standards* or elements of the *Code of Ethics*, and partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the internal audit department has not implemented the *Standards* or the *Code of Ethics*, is not applying them effectively, or is not achieving their stated objectives.

PC — “Partially Conforms” means the evaluator has concluded that the internal audit department is making good-faith efforts to comply with the requirements of the individual Standard or element of the *Code of Ethics*, section, or major category, but has fallen short of achieving some of their major objectives. These will usually represent some significant opportunities for improvement in effectively applying the *Standards* or *Code of Ethics* and/or achieving their objectives. Some of the deficiencies may be beyond the internal audit department's control and may result in recommendations to senior management or the board of the organization.

DNC — “Does Not Conform” means the evaluator has concluded that the internal audit department is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the *Code of Ethics*, section, or major category. These deficiencies would usually have a significant negative impact on the internal audit department's effectiveness and its potential to add value to the organization. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Summary of Results

The IIA has defined two broad categories of Standards against which internal audit departments are assessed: Attribute Standards and Performance Standards. The IIA's Attribute Standards focus on an internal audit department's positioning within the organization, its conduct and the continuous improvement efforts practiced by the internal audit department. The following areas were included within the scope of our review:

Attribute Standards

	Results of Assessment		
	GC	PC	DNC
		✓	
		✓	
		✓	
1000 – Purpose, Authority and Responsibility: Reviewed the Internal Audit Charter and Audit Committee Charter that define the purpose, authority and responsibility of the Internal Audit function.		✓	
1100 – Independence and Objectivity: Reviewed the independence and objectivity of the department as a whole and of individuals within internal audit.		✓	
1200 – Proficiency and Due Professional Care: Reviewed Internal Audit's processes for making certain that engagements were proficiently performed, and that Internal Audit applied the care and skill expected of a reasonably prudent and competent internal auditor.		✓	
1300 – Quality Assurance and Improvement Program: Reviewed the program in place to provide quality assurance and continuous improvement within the Internal Audit department.		✓	
GC = Generally Conforms PC = Partially Conforms DNC = Does Not Conform			

Summary of Results (continued)

The IIA's Performance Standards focus on an internal audit department's planning, execution and reporting processes in place to effectively address the organization's audit objectives. The following areas were included within the scope of our review:

Performance Standards

	Results of Assessment		
	GC	PC	DNC
2000 – Managing the Internal Audit Activity: Reviewed procedures and practices being used to make certain that the Internal Audit department adds value to the organization, including using risk-based plans to evaluate audit priorities, adequately managing resources to perform audits, coordinating internal audit and external audit activities to prevent unnecessary duplication of procedures, and providing periodic updates to the Board and senior management regarding results of ongoing Internal Audit activities.		✓	
2100 – Nature of Work: Reviewed how Internal Audit evaluates and contributes to the improvement of risk management, control and governance processes within Cook County.	✓		
2200 – Engagement Planning: Reviewed procedures used by Internal Audit staff to develop and document a plan for each review, including the scope, objectives, timing and resource allocations.	✓		
2300 – Performing the Engagement: Reviewed procedures used by Internal Audit to adequately identify, analyze, evaluate and document adequate information to achieve the engagement's objectives.	✓		
2400 – Communicating Results: Reviewed procedures used by Internal Audit to communicate engagement results throughout the organization.		✓	
2500 – Monitoring Progress: Reviewed procedures used by Internal Audit to monitor the disposition of control and compliance observations as well as process and cash flow improvement opportunities communicated to management.	✓		
2600 – Communicating the Acceptance of Risks: Reviewed procedures used by Internal Audit to address differences in the assessment of residual risk between Internal Audit and Senior Management.	✓		
GC = Generally Conforms PC = Partially Conforms DNC = Does Not Conform			

Definition of Assessment Ratings-GAGAS

Using the United States Government Accountability Office (GAO) issued Government Auditing Standards, 2018 Revision, Technical Update April 2021, evaluation methodology, we have assigned a rating of Pass with deficiencies overall. The following definitions for these ratings, as taken from the GAO's methodology guidance, describe each of these ratings categories.

Categories of Ratings

Peer review rating of pass: A conclusion that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects.

Peer review rating of pass with deficiencies: A conclusion that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects with the exception of a certain deficiency or deficiencies described in the report.

Peer review rating of fail: A conclusion, based on the significant deficiencies described in the report, that the audit organization's system of quality control is not suitably designed to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects, or that the audit organization has not complied with its system of quality control to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects. .

IMPROVEMENT OPPORTUNITIES

#1 – Purpose, Authority and Responsibility – Internal Audit Charter – County Ordinance

Standard	Description
IIA IPPF	<i>Substandard 1000: Purpose, Authority, and Responsibility:</i> The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of the Internal Audit and the mandatory elements of the International Professional Practices Framework.
The IIA Position Paper- The Internal Audit Charter	The Internal Audit charter is vital to internal audit's success and should be reviewed annually by the governing body. The IIA has identified seven key areas that support the overall strength and effectiveness of the activity and should be covered in the internal audit charter.

Observation: The County Ordinance Chapter 2, Article IV, Division 6, Sec. 2-311 of the Cook County Municipal Code serves as the Audit Charter for the County Auditor position, responsibilities, and office. While the IIA recommends annual review, this ordinance has not been reviewed and updated since July 30, 2020. Additionally, although the Ordinance does include many of the necessary elements that should be included in an Internal Audit Charter, there are additional components identified by the IIA International Standards for the Professional Practice of Internal Auditing that should also be considered for inclusion, such as:

1. Adherence to the IIA IPPF (soon to be Global Internal Auditing Standards).
2. A statement that the CAE will have unrestricted access to communicate and interact directly with the governing body without management present.
3. A statement that safeguards will be established to limit impairments to independence or objectivity for any other duties or responsibilities assigned.
4. A requirement for the CAE to confirm at least annually the independence of the internal audit activity to the governing body.
5. A statement that the internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity including its evaluation of conformance to IIA Standards.
6. A requirement for the CAE to report periodically the results of its quality assurance and improvement program to senior management and the governing body and to obtain an external assessment of the activity at least once every five years.

Without these elements defined, the charter, and ultimately the effectiveness of the internal audit function may not be optimized.

#1 – Purpose, Authority and Responsibility – Internal Audit Charter – County Ordinance

Recommendation: It is recommended that OCA internally review the Ordinance on an annual basis to determine whether any updates are necessary. When changes are deemed necessary, we recommend proposed changes be raised to the Board of Commissioners to consider and approve the recommended updates.

Management Response: OCA concurs with this recommendation. On June 11, 2025, the Cook County Board of Commissioners approved amendments to the Cook County Auditor Ordinance. This amended ordinance became effective immediately upon adoption.

Within the amended ordinance, a new section was added. The new section added was Sec. 2-311.15, Annual Review, which states “The Auditor Ordinance will be reviewed annually by the County Auditor to determine compliance with audit standards. The County Auditor’s findings and recommendations, if any, shall be presented to the President and to the County Board within 60 days following the end of each fiscal year.”

Beginning in November 2025, the County Auditor will review the Auditor Ordinance each November and present any findings and recommendations to the President and to the County Board within 60 days following the end of the fiscal year as required. With the amendment to the Cook County Auditor Ordinance, this recommendation was implemented/addressed.

Responsible Party: William Carroll **Target Date:** Corrective action completed

#2 – Independence and Objectivity – Organizational Independence

Standard	Description
IIA IPPF	<p><i>Substandard 1110: Organizational Independence:</i> The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.</p> <p>1110.A1 - The internal audit activity must be free from interference in determine the scope of internal auditing, performing work, and communicating results.</p> <p><i>1100-Independence and Objectivity- Interpretation</i></p> <p>This can be achieved through a dual-reporting relationship – including the chief audit executive's functional reporting relationship with the board.</p> <p><i>Substandard 1111: Direct Interaction with the Board:</i> The chief audit executive must communicate and interact directly with the board.</p>
GAGAS 2018	3.18 In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity. impartial judgment on all issues associated with conducting the engagement and reporting on the work.

Observation: Based on the documentation provided during our review, the County Auditor has not confirmed to the board, at least annually during the review period as required, the organizational independence of OCA. The County Auditor position, responsibilities, and office are covered under County Ordinance Chapter 2, Article IV, Division 6, Sec. 2-311 of the Cook County Municipal Code. The Ordinance states, “The Office of the President will have direct supervision and management oversight of the Auditor. The Auditor will report functionally and administratively to the President.” The Ordinance also assigns duties to the Board of Commissioners and the Audit Committee for the review of audit results. The Ordinance provides the Auditor the authority to conduct objective and independent financial, management, and performance audits of all Cook County departments, offices, boards, activities, agencies and programs as well as in any government entity funded by the county. It requires that all elected officials, officers and employees of the County, and any funded entity shall furnish the Auditor unrestricted access to employees, information and records (including electronic data) within their custody.

Based on discussion with OCA and responses to questionnaires, OCA was not able to provide this confirmation due to instances where limitations were placed on access to documentation or its ability to communicate and evaluate internal controls across the county. Without the confirmation of independence, objectivity may be compromised, and OCA may not be able to provide the most complete and useful information to the Board of Commissioners and the Audit Committee.

See following slide for recommendation.

#2 – Independence and Objectivity – Organizational Independence (continued)

Standard	Description
IIA IPPF	<p><i>Substandard 1110: Organizational Independence:</i> The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.</p> <p>1110.A1 - The internal audit activity must be free from interference in determine the scope of internal auditing, performing work, and communicating results.</p> <p><i>1100-Independence and Objectivity- Interpretation</i></p> <p>This can be achieved through a dual-reporting relationship – including the chief audit executive's functional reporting relationship with the board.</p> <p><i>Substandard 1111: Direct Interaction with the Board:</i> The chief audit executive must communicate and interact directly with the board.</p>
GAGAS 2018	3.18 In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity. impartial judgment on all issues associated with conducting the engagement and reporting on the work.

Recommendation: It is recommended that the President and board work with OCA to evaluate means to enable OCA to be in the position to confirm its objectivity and independence as required. This may include:

- Setting the “tone at the top” by communicating the Ordinance requirements that provide OCA with no interference in its scoping, performance, or communicating of audit results.
- Considering modifying OCA’s reporting line, with the department reporting functionally to the independent Audit Committee. OCA could continue to report to the Office of the President for administrative purposes. This would provide OCA with a direct line of communication with the Board of Commissioners and Audit Committee, allowing unrestricted and independent access and communications, related to the annual risk assessment and audit plan, engagement planning, as well as discussion of findings and remediation activities.
- Obtaining additional information and training on the recent relevant IIA and GAGAS framework changes that will become effective in 2025, especially those that impact the board’s oversight responsibilities.

See prior slide for observation detail.

#2 – Independence and Objectivity – Organizational Independence (continued)

Recommendation: It is recommended that the President and board work with OCA to evaluate means to enable OCA to be in the position to confirm its objectivity and independence as required. This may include:

- Setting the “tone at the top” by communicating the Ordinance requirements that provide OCA with no interference in its scoping, performance, or communicating of audit results.
- Considering modifying OCA’s reporting line, with the department reporting functionally to the independent Audit Committee. OCA could continue to report to the Office of the President for administrative purposes. This would provide OCA with a direct line of communication with the Board of Commissioners and Audit Committee, allowing unrestricted and independent access and communications, related to the annual risk assessment and audit plan, engagement planning, as well as discussion of findings and remediation activities.
- Obtaining additional information and training on the recent relevant IIA and GAGAS framework changes that will become effective in 2025, especially those that impact the board’s oversight responsibilities.

See prior slide for observation detail.

Management Response: OCA concurs with this recommendation. On June 11, 2025, the Cook County Board of Commissioners approved amendments to the Cook County Auditor Ordinance. This amended ordinance became effective immediately upon adoption.

Per the amended ordinance, Sec. 2-311.7. Powers and duties; charter; scope of audits. The Auditor will report administratively to the President and the County Board. Administrative reporting shall not interfere with the Auditor’s objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work. Administrative reporting includes but is not limited to the following: status of audit schedule; department operations; and status of corrective action. The County Auditor shall have unrestricted access to communicate and interact directly with the Audit Committee Chair without management present. The County Auditor is given authority to implement, and document safeguards the County Auditor deems necessary to identify and reduce threats to independence. The County Auditor shall report to the County Board at the end of each fiscal year, regarding the independence and effectiveness of OCA.

With the amendment to the Cook County Auditor Ordinance, this recommendation was implemented/addressed.

Responsible Party: William Carroll **Target Date:** Corrective action completed

#3 – Proficiency and Managing the Activity – Planning and Resource Management

Standard	Description
IIA IPPF	<p><i>Substandard 1210 - Proficiency:</i> Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.</p> <p><i>Substandard 2010: Planning:</i> The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.</p> <p><i>Substandard 2030: Resource Management:</i> The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.</p> <p><i>Substandard 2340: Engagement Supervision:</i> Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.</p>
GAGAS 2018	<p>4.04 The audit organization should have a process for recruitment, hiring, continuous development, assignment, and evaluation of personnel so that the workforce has the essential knowledge, skills, and abilities necessary to conduct the engagement. The nature, extent, and formality of the process will depend on various factors, such as the size of the audit organization, its structure, and its work.</p> <p>4.02 The audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.</p> <p>8.63 Understanding information systems controls is important when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems.</p>

Observation: While risk-based annual audit plans were created in four of the five years reviewed (not performed in 2020 due to COVID related shutdowns), approximately 15% of the planned audits were completed in the year planned. Although some of the audits were completed in later years, a majority of the planned audits were not performed over the full period under review. The inability to complete the approved risk-based audit plan stems largely from staffing constraints that OCA has faced over the past several years. This was also identified as an issue in the prior external QAR assessment conducted in FY 2019. The County Auditor had consistently communicated the inability to attract and retain talent over the last three years, given the approved pay scales. The Bureau of Human Resources (BHR) has enhanced salary packages for some of OCA open positions in order to make the positions more competitive and entice talent in a tight market. Despite the new support from BHR, and the recent filing of some open positions, OCA continues to struggle to find and retain qualified applicants, especially those with the information technology specialization, that is are required in order to perform critical risk audits and elevate the county auditor team. Without these qualified staff members, OCA may continue to be forced to prioritize audits and continue to face the inability to complete the full audit plan within a given fiscal year.

See following slide for continued discussion and recommendation.

#3 – Proficiency and Managing the Activity – Planning and Resource Management (continued)

Standard	Description
IIA IPPF	<p><i>Substandard 1210 – Proficiency:</i> Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.</p> <p><i>Substandard 2010: Planning:</i> The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.</p> <p><i>Substandard 2030: Resource Management:</i> The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.</p> <p><i>Substandard 2340: Engagement Supervision:</i> Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.</p>
GAGAS 2018	<p>4.04 The audit organization should have a process for recruitment, hiring, continuous development, assignment, and evaluation of personnel so that the workforce has the essential knowledge, skills, and abilities necessary to conduct the engagement. The nature, extent, and formality of the process will depend on various factors, such as the size of the audit organization, its structure, and its work.</p> <p>4.02 The audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.</p> <p>8.63 Understanding information systems controls is important when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems.</p>

Observation: (continued) Additionally, the lack of available auditors increases the difficulty of staffing engagements with sufficient, appropriate, and effective internal audit resources. OCA has continued to not have qualified information technology auditors on staff to properly assess these risks and test this highly technical and critical environment. With new, less experienced personnel, supervisors are now spending time training and overseeing staff and will have less time available to conduct audits independently.

Recommendation: As of the end of June 2024, OCA has eight of its budgeted 23 full-time positions filled. OCA should continue to work with the BHR to elevate the levels to entice quality applicants. Based on the present and past staffing issues and the market, it may be beneficial to consider procuring a co-sourcing vendor to be available to execute audits when backlogs occur, to supplement the teams with specialists to fill competency voids, and to assist in cases of future turnover. While procurement of a co-sourced partner would require up-front effort, it would assist OCA to complete its audit plan, especially high priority items, even in times of turnover or when additional unplanned needs arise.

Management Response: OCA concurs with this recommendation. For the Fiscal Year (FY) 2025 budget, OCA included \$200,000 to procure outside assistance. In addition, since December 1, 2024, OCA filled seven of its open positions in FY 2025. As of June 2025, OCA has 16 of its 21 full-time positions filled and is currently working to fill the remaining open positions.

Responsible Party: Heath Wolfe **Target Date:** Existing vacancies expected to be filled by December 31, 2025.

#4 – Quality Assurance and Improvement Program

Standard	Description
IIA IPPF	<i>Substandard 1312 – External Assessments Interpretation:</i> The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational and strategic comments.
GAGAS 2018	<p>5.09 At least annually, the audit organization should obtain written affirmation of compliance with its policies and procedures on independence from all of its personnel required to be independent.</p> <p>5.84 An audit organization not already subject to a peer review requirement should obtain an external peer review at least once every 3 years.</p> <p>5.45 The audit organization should evaluate the effects of deficiencies noted during monitoring of the audit organization's system of quality control to determine and implement appropriate actions to address the deficiencies. This evaluation should include assessments to determine if the deficiencies noted indicate that the audit organization's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements, and that accordingly the reports that the audit organization issues are not appropriate in the circumstances.</p> <p>5.46 The audit organization should establish policies and procedures that require retention of engagement documentation for a period of time sufficient to permit those performing monitoring procedures and peer review of the organization to evaluate its compliance with its system of quality control or for a longer period if required by law or regulation.</p>

Observation: OCA should have a more comprehensive quality assurance program in place. OCA Audit Manual indicates that the department operates in compliance with IIA Professional Standards and GAGAS, as reflected in audit reports and County Ordinance. The County Ordinance Chapter 2, Article IV, Division 6, Sec. 2-311 of the Cook County Municipal Code, Sec. 2-311.8. Standards, states "Audits shall be conducted in accordance with generally accepted government auditing standards." From our review of the issued audit reports on the County Auditor website, audits issued in 2020 and 2023 were performed "in accordance with Cook County Auditor Ordinance," which references GAGAS, or in accordance with specific regulatory criteria for specialized reviews.

Because audits are being issued in accordance with GAGAS, in addition to a QAR under IIA Standards, OCA is also subject to GAGAS Quality Standards. GAGAS standards require that every three years an external peer review is conducted by independent reviewers. Prior to this assessment, for which we are reporting, the most recent independent external assessment was performed on FY 2015 to FY 2018, with a report dated, May 10, 2019. Therefore, this assessment should have been conducted on FY 2019 - FY 2021 in late calendar year 2021 or early 2022.

See following slide for continued discussion and recommendation.

#4 – Quality Assurance and Improvement Program (continued)

Standard	Description
IIA IPPF	<i>Substandard 1312 – External Assessments Interpretation:</i> The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational and strategic comments.
GAGAS 2018	<p>5.09 At least annually, the audit organization should obtain written affirmation of compliance with its policies and procedures on independence from all of its personnel required to be independent.</p> <p>5.44 The audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to the relevant engagement partner or director, and other appropriate personnel, any deficiencies noted during the monitoring process and recommend appropriate remedial action. This communication should be sufficient to enable the audit organization and appropriate personnel to take prompt corrective action related to deficiencies, when necessary, in accordance with their defined roles and responsibilities.</p> <p>5.45 The audit organization should evaluate the effects of deficiencies noted during monitoring of the audit organization's system of quality control to determine and implement appropriate actions to address the deficiencies. This evaluation should include assessments to determine if the deficiencies noted indicate that the audit organization's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements, and that accordingly the reports that the audit organization issues are not appropriate in the circumstances.</p>

Observation: (continued) Additionally, there was no evidence to support an annual written affirmation of compliance with OCAs policies and procedures on independence from each of its auditors. Lastly, there was no annual review and analysis of OCA's quality assurance monitoring program over its audit efforts, improvement opportunities, and communication of potential action plans.

Recommendation: Since the reports are required to be issued under GAGAS, it is recommended that a peer review be conducted in three years. While IIA standards only require an external QAR once every five years, it may be performed more frequently to combine the assessment against all applicable quality internal auditing standards. Both a peer review and QAR should be specified when contracting to ensure both compliance reviews are completed.

Each year OCA should conduct a review of its quality assurance monitoring program and implement corrective actions to improve, where necessary. This information should be communicated to the Audit Committee. Additionally, on an annual basis, each auditor should affirm its independence in accordance with requirements. Impediments to this affirmation should be addressed by management and the Board.

Management Response: OCA concurs with this recommendation and is actively exploring options to obtain an external review every three years which will include an assessment of compliance with both GAGAS and IIA's standards. Additionally, OCA will implement a more structured quality assurance monitoring program, which will include an annual independence statement from OCA and staff, and will report the results to the Audit Committee on an annual basis.

Responsible Party: Heath Wolfe **Target Date:** Estimated completion for corrective action by December 31, 2025.

#5 – Proficiency and Due Professional Care – Communications and Communicating Results

Standard	Description
IIA IPPF	Substandard 2420-Quality of Communications: Communications must be accurate, objective, clear, concise, constructive, complete, and timely.
GAGAS 2018	8.35 sufficient staff, supervisors, and specialists with adequate collective professional competence and other resources are available to conduct the audit and to meet expected time frames for completing the work. 8.54 Auditors should evaluate and document the significance of identified internal control deficiencies within the context of the audit objectives.

Observation: In our review of survey responses and a sample of completed audits, we noted that there have been challenges with the timeliness and completeness of communication between the audit team and the process owners/auditees over the past five years. These communication hurdles have resulted in audits not being completed timely, with reports being issued late and excess resources/time required by all parties.

Of the audit projects reviewed, we observed an average of nine to 14 months between project kickoff and the issuance of a report. There appeared to be a myriad of reasons for these delays, but the overarching cause appears to be resource constraints on OCA team. The audit staff and supervisors are stretched between several projects, resulting in extending the length of time spent on each project due to multi-tasking and an inability to devote enough team members to each project, as noted in improvement opportunity #3. Another key issue that was observed was challenges scheduling meetings with project stakeholders to vet report findings, a requirement of the OCA prior to issuing the final report. Without timely communication of issues, the county is unable to address and close the control gaps timely, which may lead to additional impact and losses.

Additionally, while the majority of the required reporting elements were included in the reports, we noted that there were often documented findings within audit reports that were not aligned to clear risk impact statements nor quantified financial impact. Per IIA standards and guidelines, aligning findings with statements of risk that clearly identify the risk to the organization (reputational, financial, etc.) provides an additional level of clarity to the auditee. Providing a clear explanation of risk assists the auditee to develop an appropriate action plan and provides additional assurance that the remediation efforts properly address the identified issue and related risk.

#5 – Proficiency and Due Professional Care – Communications and Communicating Results

Standard	Description
IIA IPPF	Substandard 2420-Quality of Communications: Communications must be accurate, objective, clear, concise, constructive, complete, and timely.
GAGAS 2018	8.35 sufficient staff, supervisors, and specialists with adequate collective professional competence and other resources are available to conduct the audit and to meet expected time frames for completing the work. 8.54 Auditors should evaluate and document the significance of identified internal control deficiencies within the context of the audit objectives.

Recommendation: Communication continues to be one of the most significant challenges facing internal audit functions. There are expectation gaps between auditors and auditees where opportunities exist for clarity. Examples of strategies to improve communication include:

- To comply with both the current and revised GAGAS requirements significance of issues should be evaluated and defined.
- The future requirements of the IIA Global Auditing Standards, will also require the assignment of a risk rating to each identified issue in reports. This rating must be documented clearly to indicate the issue's impact and severity concerning the relevant internal control.
- Written timelines and realistic deadlines should be established and monitored throughout the engagement, including setting expectations related to turnaround times for requests, timing, and deadlines. Performance goals for both the auditor and auditees should be structured around meeting timelines within their control.

Management Response: OCA concurs with this recommendation and is actively exploring ways to redefine our recommendation development process to ensure significant issues are evaluated and defined. OCA will also develop a process of assigning a risk rating to each audit recommendation as required by IIA's standards.

OCA appreciates the third strategy presented in this recommendation to improve communication and is actively working with our auditees in a collaborative manner as opposed to setting expectations, written timelines, etc. OCA will emphasize the need to be cognizant of auditees' time and stress the importance of working together throughout the audit engagement.

Responsible Party: Heath Wolfe **Target Date:** Estimated completion for corrective action by December 31, 2025.

#6 – Competence and Continuing Professional Education

Standard	Description
GAGAS 2018	<p>4.16 Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period as follows. 24 hours of CPE in subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates and 56 hours of subject matter that directly enhance auditors' professional expertise to conduct engagements.</p> <p>4.17 Auditors should complete at least 20 hours of CPE in each year of the 2-year periods.</p> <p>4.25 Auditors may be exempted from the 56-hour CPE requirement by the audit organization, but not the 24-hour requirement, if they a. charge less than 20 percent of their time annually to engagements conducted in accordance with GAGAS and b. are only involved in performing engagement procedures, but not involved in planning, directing, or reporting on the engagement.</p> <p>4.42 Auditors hired or assigned to a GAGAS engagement after the beginning of an audit organization's 2-year CPE period may complete a prorated number of CPE hours. An audit organization may define a prorated number of hours based on the number of full 6-month intervals remaining in the CPE period.</p> <p>4.51 Policies and procedures for documentation may address maintaining documentation of the CPE hours completed by each auditor subject to the CPE requirements for an appropriate period of time to satisfy any legal and administrative requirements, including peer review. Documentation may include the following information...the number of CPE hours earned toward the 56-hour and 24-hour requirements.</p> <p>4.52 The audit organization may monitor CPE compliance through its internal inspections or other quality assurance monitoring activities.</p>

Observation: While OCA has a process in place for tracking completion of general CPE to meet current IIA IPPF requirements, there was not sufficient processes in place to track and monitor to ensure compliance with GAGAS specific CPE requirements. The tracking mechanism did not identify GAGAS (Yellow Book) qualified hours taken to meet the 24 mandated hours per two-year period, nor evidence of monitoring to ensure oversight was taking place to ensure compliance was met. Additionally, there was not evidence of a pro-rated analysis performed or provided for those employees who had not been at OCA the full two-year period selected for review, to determine compliance with GAGAS requirements.

Of the five individuals who were full-time throughout the two-year cycle reviewed, there was not evidence to support two individuals meeting the 24 Yellow Book specific hours. This government specific continuing education ensures that auditors keep current with relevant changes in regulations as well as risks and issues affecting governments to ensure competence when performing audits.

See following slide for recommendation.

#6 – Competence and Continuing Professional Education

Standard	Description
GAGAS 2018	<p>4.16 Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period as follows. 24 hours of CPE in subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates and 56 hours of subject matter that directly enhance auditors' professional expertise to conduct engagements.</p> <p>4.17 Auditors should complete at least 20 hours of CPE in each year of the 2-year periods.</p> <p>4.25 Auditors may be exempted from the 56-hour CPE requirement by the audit organization, but not the 24-hour requirement, if they a. charge less than 20 percent of their time annually to engagements conducted in accordance with GAGAS and b. are only involved in performing engagement procedures, but not involved in planning, directing, or reporting on the engagement.</p> <p>4.42 Auditors hired or assigned to a GAGAS engagement after the beginning of an audit organization's 2-year CPE period may complete a prorated number of CPE hours. An audit organization may define a prorated number of hours based on the number of full 6-month intervals remaining in the CPE period.</p> <p>4.51 Policies and procedures for documentation may address maintaining documentation of the CPE hours completed by each auditor subject to the CPE requirements for an appropriate period of time to satisfy any legal and administrative requirements, including peer review. Documentation may include the following information...the number of CPE hours earned toward the 56-hour and 24-hour requirements.</p> <p>4.52 The audit organization may monitor CPE compliance through its internal inspections or other quality assurance monitoring activities.</p>

Recommendation: We recommend the following improvements to OCA's CPE monitoring program:

- CPE planning is conducted around ensuring all audit personnel will be able to meet the 24-hour, 56-hour, and 20-hour requirements outlined under GAGAS as well as new requirements outlined in the Global Auditing Standards and GAGAS 2024. This includes calculating and maintaining evidence for pro-rated requirements for those joining OCA and ensuring records are obtained and maintained for those that terminate within the two-year cycle.
- The tracking tool be updated to provide for the tracking of Yellow Book required hours.
- The OCA County Auditor should monitor the fulfillment of each auditor's CPE requirements multiple times throughout the year to ensure that specific CPE requirements will be met.

See prior slide for observation detail.

#6 – Competence and Continuing Professional Education

Standard	Description
GAGAS 2018	<p>4.16 Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period as follows. 24 hours of CPE in subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates and 56 hours of subject matter that directly enhance auditors' professional expertise to conduct engagements.</p> <p>4.17 Auditors should complete at least 20 hours of CPE in each year of the 2-year periods.</p> <p>4.25 Auditors may be exempted from the 56-hour CPE requirement by the audit organization, but not the 24-hour requirement, if they a. charge less than 20 percent of their time annually to engagements conducted in accordance with GAGAS and b. are only involved in performing engagement procedures, but not involved in planning, directing, or reporting on the engagement.</p> <p>4.42 Auditors hired or assigned to a GAGAS engagement after the beginning of an audit organization's 2-year CPE period may complete a prorated number of CPE hours. An audit organization may define a prorated number of hours based on the number of full 6-month intervals remaining in the CPE period.</p> <p>4.51 Policies and procedures for documentation may address maintaining documentation of the CPE hours completed by each auditor subject to the CPE requirements for an appropriate period of time to satisfy any legal and administrative requirements, including peer review. Documentation may include the following information...the number of CPE hours earned toward the 56-hour and 24-hour requirements.</p> <p>4.52 The audit organization may monitor CPE compliance through its internal inspections or other quality assurance monitoring activities.</p>

See prior slides for observation and recommendation detail.

Management Response: OCA concurs with this recommendation and has updated its internal SharePoint site to track what specific category the training was allocated by the training provider. The categories of "Government, Information Technology, Ethics, Auditing and Accounting, Specialization" are new dropdown features within OCA's updated SharePoint tracking site. OCA staff are required to complete at least 20 hours of Government CPEs per fiscal year to ensure compliance and remain proficient with current trends.

Responsible Party: Heath Wolfe **Target Date:** The corrective action for OCA's tracking of CPEs is completed. Additionally, OCA's County Auditor will performed periodic monitoring of staff's CPEs. Evidence of the periodic monitoring will be documented during staff meetings and/or emails through November 30, 2026.

IIA STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Appendix A

Appendix A

Evaluation Summary: Quality Assessment

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary - Overall Evaluation		GC	PC	DNC
OVERALL EVALUATION			X	
Quality Assessment Evaluation Summary - Major/Supporting Standards		GC	PC	DNC
1000	Purpose, Authority, and Responsibility <i>See Improvement Opportunity #1</i>		X	
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity		X	
1110	Organizational Independence <i>See Improvement Opportunity #2</i>		X	
1111	Direct Interaction with the Board <i>See Improvement Opportunity #2</i>		X	
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency <i>See Improvement Opportunity #3</i>		X	
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		

Appendix A

Evaluation Summary: Quality Assessment - continued

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary - Major/Supporting Standards		GC	PC	DNC
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments <i>See Improvement Opportunity #4</i>		X	
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"	X		
1322	Disclosure of Nonconformance	X		
2000	Managing the Internal Audit Activity		X	
2010	Planning <i>See Improvement Opportunity #3</i>		X	
2020	Communication and Approval	X		
2030	Resource Management <i>See Improvement Opportunity #3</i>		X	
2040	Policies and Procedures <i>See Improvement Opportunity #3</i>		X	
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		

Appendix A

Evaluation Summary: Quality Assessment - continued

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary - Major/Supporting Standards		GC	PC	DNC
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		

Appendix A

Evaluation Summary: Quality Assessment - continued

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary - Major/Supporting Standards		GC	PC	DNC
2400	Communicating Results		X	
2410	Criteria for Communicating	X		
2420	Quality of Communications <i>See Improvement Opportunity #5</i>		X	
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		
	The IIA's Code of Ethics	X		

PRIOR EXTERNAL QUALITY ASSESSMENT REVIEW UPDATE

Appendix B

Appendix B

Status of Prior Observations from Previous QAR

Standard	Detailed Observations	Remediation Efforts
1210 - Proficiency	<p>The IIA standard 1210.A3 states that, “Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.”</p> <p>Given the current staffing composition of OCA, as well as the open information technology auditor requisitions, OCA does not have sufficient knowledge of key IT risks and controls and available technology-based audit techniques to complete the five IT audits scheduled within the 2019 audit plan. OCA’s IT Auditor position has been vacant since July 2018 and the remaining staff has limited IT audit experience.</p>	<p>This finding has not been remediated.</p> <p>Refer to Observation #3 Planning and Resource Management.</p>
1320 – Reporting on the Quality Assurance and Improvement Program	<p>The IIA standard 1320 states that, “The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:</p> <ul style="list-style-type: none"> • The scope and frequency of both the internal and external assessments • The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest • Conclusions of assessors • Corrective action plans <p>While OCA has an internal quality assurance and improvement program (QAIP) which includes a supervisory review of a sample of audits each year, the results of these reviews are not reported or communicated to the board or Audit Committee.</p>	<p>Internal Audit confirmed the results of the prior QAIP were presented to and approved by the Audit Committee on 7/18/2019 and the Board of Commissioners in open session on 7/25/2019.</p> <p>This item is considered remediated.</p>
2030 – Resource Management	<p>IIA standard 2030 states that, “The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.”</p> <p>It was noted that OCA was unable to achieve the execution and delivery of the number of internal audits planned over the last couple of years.</p>	<p>This finding has not been remediated.</p> <p>Refer to Observation #3 Planning and Resource Management.</p>

Appendix B

Status of Prior Observations from Previous QAR

Standard	Detailed Observations	Remediation Efforts
2060 – Reporting to Senior Management and the Board	<p>The IIA standard 2060 states that, “The chief audit executive must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.”</p> <p>Based on our review, it was noted there was no formal reporting to senior management or the board on the internal audit’s performance relative to its audit plan in 2018.</p>	<p>Internal Audit confirmed that the President and Chief of Staff are updated on the Office of the County Auditor’s activities on a bi-monthly basis. These updates include the audit plan/progress, resource requirements, and results of audit activities (upon completion).</p> <p>This item is considered remediated.</p>
2120 – Risk Management	<p>The IIA standard 2120 states that, “The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.”</p> <p>The OCA does not have a mechanism for capturing and evaluating relevant risk across the organization. The former County Auditor led the Cook County Risk Advisory Committee (CCRAC) which historically met twice per year. The objective of CCRAC was to serve as a mechanism for County leadership to review and discuss systemic risk objectives and to operate as a high-level forum to aid the administration of risk-related programs across the County. There have been no meetings held since the County Auditor’s departure in November 2017.</p>	<p>There are a number of enterprise-wide risk assessments initiatives underway to identify, assess, develop or recommend, and review mitigation plans. This includes the annual ACO Risk Assessment performed over financial operations, as well as ones prepared over emergency management, information technology and cybersecurity. While there is not one holistic approach to risk management, key risks are being identified and addressed through a variety of initiatives.</p> <p>This finding is considered remediated.</p>
2440 – Disseminating Results	<p>The IIA standard 2440 states that, “The chief audit executive must communicate results to the appropriate parties.”</p> <p>RSM obtained a population of eight audits completed in 2018 and selected a sample of two to review engagement documentation and testing. Based on our review, we noted the following:</p> <ul style="list-style-type: none"> The final communication and distribution of results is not performed in a timely manner. It was noted no final reports were issued in 2018. Furthermore, one of the audits selected for review began in January 2017, however, the draft report was not issued until May 2018 and a final report has not yet been issued to-date. 	<p>Internal Audit confirmed that final communication and distribution of results for audits performed during the testing period were issued. This was confirmed via review of audit workpapers (i.e. project kick-off details, project schedule, etc.) and review of published audit reports on the Cook County website.</p> <p>This item is considered remediated.</p>

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