



Office of the County Auditor
Shelly A. Banks, C.P.A.

Cook County Auditor
69 West Washington, Suite 2200 • Chicago, Illinois 60602 • (312) 603-1500

May 27, 2015

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

McGladrey LLP completed an external Quality Assessment Review (QAR) of Cook County's Office of the County Auditor (OCA) for the current period. The principal objectives of the QAR were to assess the internal audit function's conformance to The Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), in conjunction with Generally Accepted Governmental Auditing Standards (GAGAS).

Government Auditing Standards require that our Office undergo a periodic external quality review and report the results to Audit Committee. The attached report contains the results of the QAR. The OCA received the highest rating with no findings.

Respectfully Submitted,

Shelly Banks, CPA
Cook County Auditor

TONI PRECKWINKLE

PRESIDENT
**Cook County Board
of Commissioners**

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Cook County

External Quality Assessment Review (QAR)

April 20, 2015



Assurance ■ Tax ■ Consulting



April 20, 2015

Ms. Shelly Banks
Director - Office of the County Auditor
Cook County
69 West Washington Street, Suite 2200
Chicago, Illinois 60602

Dear Ms. Banks:

We have provided external quality assessment review services ("QAR") related to the Office of the County Auditor ("internal audit function") for Cook County. Our services were performed in April 2015.

Our report is divided into the following sections:

- **Executive Summary**—provides an introduction, the overall assessment rating, the QAR approach, and positive attributes noted during the QAR
- **Exhibits**—provides a summary of the conformance evaluation for each of the Institute of Internal Auditors' (IIA) *Standards* and the IIA's definitions of the ratings for QAR engagements

Business advice for enhancing the maturity of the internal audit function was provided to the Director – Office of the County Auditor throughout the engagement. Consideration of our business advice is optional and not implementing the advice would have no overall impact on the QAR rating.

This report is intended solely for the information and use of management and the Board of Commissioners of Cook County. It is not intended to be, and should not be, used by anyone other than these specified parties. Cook County's external auditors and regulators may be provided with a copy of this report in connection with fulfilling their respective responsibilities.

We appreciate the cooperation extended to us during this QAR and are pleased to be of service to Cook County.

Sincerely,

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

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I. EXECUTIVE SUMMARY

McGladrey recently completed performing an external quality assessment review (QAR) of Cook County's Office of the County Auditor ("internal audit function"). The principal objectives of the QAR were to assess the internal audit function's conformance to The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, in conjunction with Generally Accepted Governmental Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and an evaluation of whether internal auditors apply the IIA's Code of Ethics.

A. OVERALL QAR ASSESSMENT

Our overall assessment concludes that the internal audit function **generally conforms** to the IIA's *Standards, Definition of Internal Auditing, and Code of Ethics*, and GAGAS.

Exhibit A provides a detail of the assessment for each individual IIA standard. Exhibit B provides a definition of the ratings, including "generally conforms," as prescribed by the IIA.

B. QAR APPROACH

Gathering Preliminary Information

The QAR process began by obtaining and reviewing specific information about the internal audit function including, but not limited to, the following items:

- Background information about Cook County and the internal audit function
- Information about risk management, governance and oversight activities
- Information about the internal audit function's staffing, organization and internal audit practices
- Information about the internal audit function's management, plans, policies, procedures and practices
- Listing of internal audit projects from 2014 for purposes of selecting internal audits for review

We requested the Director – Office of the County Auditor (CAE) to complete applicable background information forms from the IIA's Quality Assessment Manual and also the IIA's Global Audit Information Network (GAIN) Benchmarking Tool to provide relative benchmarking information against her peers.

On-Site Visit

During the on-site visit, we reviewed pertinent documentation provided to us by the CAE. Fieldwork was performed focusing on the four main areas of a QAR including: 1) internal audit governance; 2) internal audit staff; 3) internal audit management; and 4) internal audit processes. The QAR also included a review of a representative sample of the internal audit function's working papers and internal audit reports.

We conducted interviews with relevant stakeholders to gain a deeper understanding of the internal audit function. We also considered the survey responses from key stakeholders.

C. POSITIVE ATTRIBUTES OF THE INTERNAL AUDIT FUNCTION

Some of the successful practices observed during the QAR were the:

- Implementation of a Quality Assurance and Improvement Program (QAIP) and performance of periodic internal assessments in addition to receiving an external quality assessment review once every three years.
- Establishment of an annual risk assessment process, including information technology risks, which is used in creating the annual internal audit plan.
- Involvement as a component of the County's enterprise risk management program, including participation in the countywide risk assessment program.
- Increased utilization of SharePoint as a portal and repository for retaining relevant work papers and deliverables for each internal audit, and Microsoft Access for performing computer-assisted auditing techniques.
- Provided value-added recommendations to internal audit customers to improve efficiencies of program utilizing limited resources (e.g., utilizing Microsoft Access to improve the efficiency of tracking and reporting delinquent taxes).
- Committed to providing relevant and sufficient training to the internal audit team.
- Strong internal controls technical knowledge of the team members and knowledge of the County's operations and related risks.

II. EXHIBIT A—STANDARDS CONFORMANCE EVALUATION SUMMARY

During our review, we analyzed the internal audit function’s activities within the County and evaluated these practices against the *Standards* prescribed by the IIA¹. Our assessment of each standard is identified below (“X”) and outlined in the body of this report. If applicable, references to any specific report observations are included below the *Partially Conforms* and *Does Not Conform* ratings.

		GC	PC	DNC
Attribute Standards				
1000	Purpose, Authority, and Responsibility	X		
1010	Recognition of the Definition of Internal Auditing	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction With the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		

¹ <http://www.theiia.org/guidance/standards-and-guidance/>

		GC	PC	DNC
1322	Disclosure of Nonconformance	X		
Performance Standards				
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination	X		
2060	Reporting to Senior Management and the Board	X		
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		

		GC	PC	DNC
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2500	Monitoring Progress	X		
2600	Management's Acceptance of Risks	X		
IIA Code of Ethics		X		
Definition of Internal Auditing		X		

OVERALL EVALUATION	GC – Generally Conforms
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III. EXHIBIT B—DEFINITIONS

Ratings	Conditions
GC – Generally Conforms	<p>The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the <u>individual Standard</u> or element of the Code of Ethics in all material respects. For the <u>sections</u> and <u>major categories</u>, this means that there is general conformity to a majority of the individual <i>Standards</i> or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the <i>Standards</i> or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.</p>
PC – Partially Conforms	<p>The evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the <u>individual Standard</u> or element of the Code of Ethics, <u>section</u>, or <u>major category</u>, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the <i>Standards</i> or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization.</p>
DNC – Does Not Conform	<p>The evaluator has concluded that the activity 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 <u>individual Standard</u> or element of the Code of Ethics, <u>section</u>, or <u>major category</u>. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.</p>