



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number 2015-015

***FINAL Follow-Up Report: Review of Controls over
Non-Vested Pension Refunds***

April 22, 2015

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COBB COUNTY INTERNAL AUDIT

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Director

April 22, 2015

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director

SUBJECT: **FINAL Follow-Up Report** – Review of the Controls over Non-vested Pension Refunds

We have completed our first and final follow-up review of the subject report. Our objective was limited to reviewing, as of March 10, 2015, actions taken to implement the 14 recommendations in our original report dated September 12, 2013. This report should be read in conjunction with the original and does not represent a complete reexamination of the activities. The auditor's role in follow-up reviews is to compile corrective actions taken by the auditee, assess whether those actions are adequate to correct the reported deficiencies, and relay those results to County management.

We verified two of the recommendations have been fully implemented: a generic email account was established for participant responses, along with a designated custodian and backup; and additional procedures were implemented to ensure Human Resources (HR) staff does not take physical control of refund checks on behalf of former participants. Four recommendations were partially implemented. These include finalizing the standard operating procedures and/or maintaining documentation to support the implementation of refund initiation, revised distribution templates, refund tracking, and SunTrust reconciliations.

Six recommendations have not been implemented. A discussion with the pension attorney is needed to determine the County's options regarding interest liability beyond the designated holding period, and discrepancies identified during the testing have not been verified. Other recommendations that require action is the development of processes for monitoring outstanding checks, locating payees, and ensuring the accuracy of summary reports; an evaluation of the continued appropriateness of the Retirement Activity Report; and an updated contract addendum with SunTrust Bank.

The remaining two recommendations involve the Pension Board of Trustees' periodic review of benefit administrative processes, the applicability of existing contract provisions, and the determination of whether the Pension Board is required to comply with County purchasing policies.

The HR Director and Pension Board Chair each disagreed with one or more of these recommendations. Proposed alternative solutions and our responses were included in the original report.

We will not perform any additional follow-up on the Non-vested Pension Refunds. HR management should continue to implement the corrective actions as agreed and assumes the risk if not fully implemented.

Should you wish to discuss any aspect of this report, please contact me at extension 2559 or Steven Harper, Auditor-in-Charge, at extension 2557.

Distribution:

Tony Hagler, Human Resources Director
Jim Pehrson, CPA, Finance Director/Comptroller
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