

2016 ANNUAL REPORT

independent governance compliance
qualified accountable efficient consultants
Internal Audit alert
assurance transparency diligent **trust**
effective Cobb County Government
improve risk **focus** objective

April 18, 2017

Internal Audit Department



Cobb County...Expect the Best!

This report summarizes the activities of the Internal Audit Department for Calendar Year 2016



Cobb County...Expect the Best!

2016 Annual Report
MESSAGE FROM THE DIRECTOR

DATE: April 18, 2017

TO: Board of Commissioners
Audit Committee
David Hankerson, County Manager

The Cobb County (the County) Internal Audit Department is a monitoring function within the County's governance structure that provides an added level of transparency and accountability to citizens and other stakeholders. We provide independent, objective assurance and consulting services designed to add value and improve County operations. Enclosed is a summary of our calendar year (CY) 2016 performance measures and accomplishments. We issued three original assurance and seven follow-up reports. We also provided a variety of other consulting and business advisory services which are detailed throughout the report. In addition, highlights from this year's Audit Committee activities are reflected on Page 3.

During CY2016, our first External Quality Assessment Review was conducted with the ***highest rating of general conformance*** to the International Standards for the Professional Practice of Internal Auditing (the Standards), as developed by The Institute of Internal Auditors (IIA). As such, we became the second local government in the Metropolitan Atlanta region to successfully reach this milestone. See Appendix A for the 2015 Quality Assessment Evaluation Summary.

New to our annual report is a section that provides an overview of our CY2015-16 Countywide Risk Assessment process (See Page 14). We have also added our CY2016 Internal Assessment of Conformance to the IIA Standards in Appendix B. Other noteworthy activities are reflected on Page 7.

As required by the IIA Standards, I attest that our organizational independence remains intact. Our activity continues to be free from interference in determining the scope, performing the procedures, and communicating the results of our work. In addition, the Audit Committee continues to provide its oversight into our activities.

If you have any questions or would like to discuss any aspect of this report in more detail, please let me know. Again, we are appreciative of your continued support and confidence.

Latona R. Thomas, CPA
Internal Audit Director

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DEPARTMENT MISSION

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve Cobb County's (the County's) operations. We serve to help the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the County's risk management, internal control, and governance processes.

As the Internal Audit Department supports the Board of Commissioners, County Manager, Departments, and Elected Officials in the realization of their business goals and objectives, our contributions are in the form of testing and reporting on the efficiency and effectiveness of departmental internal control systems and processes. County management relies on these systems and processes for safeguarding the County's assets and resources.

AUDIT COMMITTEE ACTIVITIES

The Cobb County Audit Committee was created by Board of Commissioners' (BOC) Resolution on July 10, 2012. The Committee's primary purpose is to assist the BOC in fulfilling its oversight responsibilities by reviewing and evaluating the County's Internal Audit function. It also facilitates open communication between the BOC, Elected Officials, Constitutional Officers, County Management, the Internal Audit Department, and external auditors. Committee members during 2016 included:

- Tim Lee, Chairman, Board of Commissioners
- Bob Weatherford, District 1 Commissioner
- Angie Davis, Clerk of State Court, *(elected official committee member)*
- Brett McClung, CPA, *(citizen committee member)*
- Laurie Dyke, CPA/CFF, CFE *(citizen committee member)*

Effective January 2017, Mike Boyce became the Chairman of the Board of Commissioners and the Audit Committee. Bob Weatherford will continue to serve as District Commissioner representative for 2017.

During 2016, the Committee continued its oversight responsibilities of the Internal Audit function. Other activities included, but are not limited to the following:

- Received periodic updates on Internal Audit activities, the status of the CY2015-2016 Audit Plan, and other changes in staffing levels;
- Reviewed the Department's FY2017/18 Management and Financial Plans;
- Received and accepted the results of the External Quality Assessment Review (QAR) of the Internal Audit Department;
- Approved an extension CY2015-16 Audit Plan based on changes in staffing resources;
- Provided support for an extension of the Audit Committee through 2017 pending further discussion and final recommendation in 2017; and
- Provided support for an updated Internal Audit Department charter to include reference to the Audit Committee.

AUDIT COMMITTEE ACTIVITIES, continued...

Based on the recommendations included in the External QAR and with the Audit Committee's concurrence, the Board of Commissioners' approved the following:

- Approved the amendment to the resolution establishing the Cobb County Audit Committee to extend the deactivation date until December 31, 2017; and appoint the District 1 Commissioner to the Audit Committee for 2017 [November 22, 2016].
- Approved an updated Internal Audit Department Charter in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing [November 22, 2016].
- Approved the revised Audit Committee Charter to include references to amendments to the original Board of Commissioners' Resolution [December 13, 2016].

Performance Measures

Following is a list of outputs designed to measure the overall performance of the internal audit function in achieving our mission, and to highlight the value and return on investment provided by our services. Specific risks eliminated or mitigated as a result of Internal Audit Department services are highlighted during the 'Assurance Services' section beginning on Page 7.

Outcome Measures (captured from reports)

Outcome Measures are an accounting of the impact of our audit results and recommended corrective actions quantified on an annual basis. No specific quantitative benefits were noted during 2016, but the qualitative benefits were deemed to be significant. Specific outcome measures from the respective referenced reports are as follows:

Qualitative measures are harder to quantify; however, recommendations and information provided in our reports and consulting services provided the following benefits:

Qualitative Benefits

FINAL REPORT – Review of the Controls over Revenue Processed Through the Cobb County Government Service Centers (GSC), 2016-001, February 11, 2016

- Increased Safeguard of Assets/Protection of Resources: Actual - Recommendations, when implemented, will provide additional security over cash collections and employee capital. We analyzed the five-year annual collections for GSCs and found the average to be approximately \$17 million. In addition, we identified weaknesses in the collection, transportation, validation, and overall physical security. Average transactions total approximately 25,000 annually.
- Reliability of Information: Actual - Recommendations, when implemented, will provide assurance of the completeness and accuracy of cash collections and other financial data. We found instances where GSCs transactions were not subsequently validated by the primary service provider, inadequate segregation of duties, and other security weaknesses.

FINAL REPORT – 2016-001, continued...

- Efficient Use of Resources: Potential - Recommendations, when implemented, will increase the efficiency of GSCs services and provide cost savings. We found instances where GSCs services can be streamlined and/or eliminated. In addition, automating transactions may reduce the paper required for copying documents and thus result in an overall cost savings to GSCs operations.

FINAL REPORT: Survey – Security Controls Over the Transportation of Cash and Negotiable Instruments, 2016-002, March 28, 2016

- Increased Safeguard of Assets/Protection of Resources: Actual - Recommendations, when implemented, will help to reduce the risk of transporting cash within the County and ensure that the County is consistent in the standards/procedures used to store cash at County facilities.

FINAL REPORT – Review of Department Controls over Accountable Equipment, 2016-010, November 14, 2016

- Increased Safeguards of County Assets: Actual - Recommendations, when implemented, will provide additional security over the County's accountable equipment items. We computed the four-year average amount spent on accountable items to be approximately \$1.84 million.
- Reliability of Information: Actual - Recommendations, when implemented, will provide assurance of the completeness and accuracy of accountable equipment lists/tracking documents. We were unable to substantiate the completeness and accuracy of accountable equipment items as maintained by the respective County departments.

Recommendations

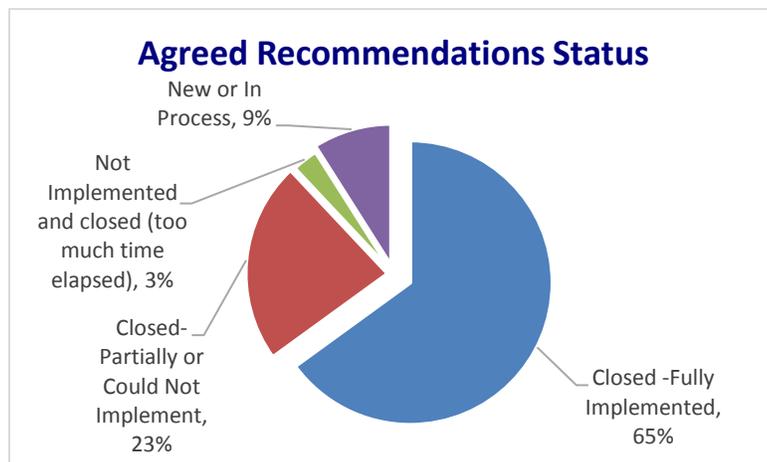


Chart 1 - Source: Internal Audit Recommendations Database (rounded)

We issued 3 new written assurance projects for a total of 43 recommendations in 2016. We completed and issued 7 follow-up projects and 1 department annual report. Since we started tracking recommendations in 2009, the auditees have agreed or proposed acceptable alternative solutions, with 98%¹ (405 of 414) of our recommendations. The chart shows the status of the 405 recommendations, as of December 31, 2016.

¹ Per 2016 Association of Local Government Auditors Benchmarking Survey (published October 2016), 80% of respondents formally follow up on the implementation of audit recommendations, but only about 63% of recommendations were implemented within a timely period.

Customer Survey Results

At the conclusion of every audit, the Auditee is given an opportunity to complete a survey of our work within their department or area. Based on the response received, we achieved an overall rating of 94%² out of 100. Below is a listing of the overall ratings for the survey questions.

Ratings Legend:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neither Agree or Disagree
- 4 = Agree
- 5 = Strongly Agree

Questions	Rating
(1) The audit objectives were clearly communicated to me.	5
(2) The auditor or audit team conducted themselves in a professional and courteous manner.	5
(3) The auditor or audit team maintained an adequate level of communication throughout the audit.	5
(4) The draft report was adequately discussed and any problems resolved before the report was formally issued.	5
(5) The audit report clearly presented the results of the audit.	5
(6) Recommendations in the audit report were practical and reasonable.	4
(7) Overall, the audit added value to my business unit and helped to improve our operations.	4
Percentage of Maximum Rating	<u>4.71%</u>

Table 2 – Source: Internal Audit Department, Customer Survey Database

Time Allocation



Sixty-four percent³ of our staffing time was allocated to performing our core functions of planning and performing assurance and consulting services, including retirement calculations. Administrative meetings include weekly internal status meetings, bi-weekly County Manager status meetings, monthly manager meetings, and other countywide meetings, including periodic attendance at Board of Commissioners' meetings.

Sixteen percent of our time was allocated to general administrative tasks, which includes managerial and staff time used for progress discussions, annual performance appraisals, and routine daily administrative functions. Training time (8%) includes the required continuing professional education hours and internal training needed for new staff members. Chart 2 shows the time allocation for the Department Director, 2 Staff Auditors, and the Administrative Specialist direct support (excluding administrative and planning time).

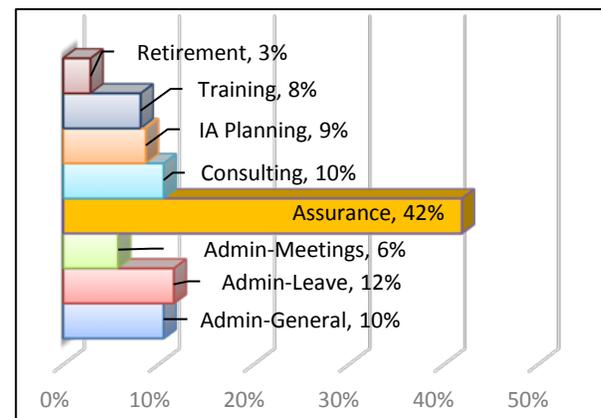


Chart 2 - Source: Internal Audit Time Reporting (rounded)

² Per 2016 Association of Local Government Auditors Benchmarking Survey (published October 2016), about half of the respondents reported conducting a customer satisfaction survey, with an average reported satisfaction of 85%.

³ Per 2016 Association of Local Government Auditors Benchmarking Survey (published October 2016), the percentage of 75% is for an audit function with three to five auditors. Direct time to core functions impacted by staff turnover, training, etc.

Other Noteworthy Activities

- Completed our 1st External Quality Assessment Review w/Highest Rating received!!!
- Initiated Audit Software/Automation Tool (*currently in configuration phase*)
- Facilitated the County's 1st Accountable Equipment training

Assurance Services

ASSURANCE SERVICES (AUDITS/REVIEWS)

Assurance services are independent appraisals of County operations, programs and procedures that result in formal reports issued to management for response to findings identified and, if applicable, proposed recommendations. The following are the assurance services reports issued in 2016.

Audit: FINAL REPORT – REVIEW OF THE CONTROLS OVER REVENUE PROCESSED THROUGH THE COBB COUNTY GOVERNMENT SERVICE CENTERS, Report Number 2016-001, February 11, 2016

Synopsis: The overall objective of this review was to determine if controls over cash collection, allocation, transportation, and reporting at the Government Service Centers were adequate and in accordance with Cobb County Government regulations and requirements.

The Government Service Centers provide a convenient selection of services to Cobb County residents. On an annual basis, the GSCs collect an average of \$17 million in revenue and handle approximately 25,000 transactions for the Tax Commissioner's Office, Water System, Business License Division, State Court, Elections, Library, Cobb Community Transit (CCT), and Tax Assessor.

We determined that the Government Service Centers (GSCs) were generally meeting the service level expectations of the agencies/departments they serve. GSCs have implemented numerous control activities to safeguard revenue processed; however, we identified several control weaknesses and opportunities for improvement needed to ensure adequate controls exist. Additional controls over the collection, transportation, validation, and security were needed, existing controls could be improved, and overall efficiencies gained. Some payments were not logged and/or subsequently validated by the receiving agency/department; procedures for safeguarding the cash (e.g. lock drawers, locked safes) were not always followed; segregation of duties was not always achieved in the processing of cash; end-of day balancing procedures could be improved; and the procedures for transporting some payments needed to be re-evaluated. We also determined that there were some gaps in the overall security for employees and cash processed in the facilities in which the GSCs reside.

Recommendations included:

- Develop controls to mitigate the risk of cashiers working from the same cash drawer and ensure cash drawers remain locked when not in use.
- Restrictively endorse all checks upon receipt to restrict the disposition and prevent unauthorized cashing.

FINAL REPORT – Review of the Controls Over Revenue Processed Through The Cobb County Government Service Centers, Report Number 2016-001, continued...

- Improve procedures in the use of safes including limiting access, keeping them locked when not in use, protecting the combination, and evaluating whether they provide adequate safeguards against burglary, water and fire damage.
- Improve end-of-day balancing procedures to require the independent verification of cashier reconciliations, the use of a “cash drawer closing worksheet” to document the end-of-day count of cash, and the reporting of overages and shortages.
- Revise current procedures to require each receiving agency/department to validate and acknowledge receipt of payments.
- Increase overall efficiencies by streamlining procedures, updating and revising the policies and procedures manual, and implementing periodic training.
- Re-evaluate the current services provided and determine appropriate level of service to be provided on behalf of the respective agency/department.
- Assess the overall security of the facilities where the GSCs reside to include whether safety measures are adequate to protect assets and all employees who work at the facilities.

Impact: The recommendations in this report will help improve the overall security of the facilities where the GSCs reside and ensure controls over \$17 million annual revenue collections are adequate to guard against theft and loss.

Audit: FINAL REPORT: Survey – Security Controls over the Transportation of Cash and Negotiable Instruments, Report Number 2016-002, March 28, 2016

Synopsis: Our objective was to determine and evaluate the methodology for the transportation of cash and negotiable instruments within Cobb County agencies and departments. We evaluated and summarized the 61 responses to our survey. We were only able to use/analyze the responses for transportation methodology and security controls regarding storage in the responses because the information provided on the average collection amount and frequency of cash handled were not based on actual cash received but estimates of the cash processed by the offices. We also evaluated and summarized the cash handling operational procedures provided by the responders to the survey.

The results of our survey showed various means (i.e. employees, mail courier service, armored car service, etc.) were used to transport and store cash. Only 41% (25 of 61) of the responders provided written cash handling procedures and there were no countywide policies governing the transportation and storage of cash.

Recommendations included:

We recommended that the County Manager establish a task force to develop countywide procedures and policies to minimize the risk of transporting cash and establish standards for the proper safes to use for cash storage. These procedures should include cash-in-transit best practices and also be included in the cash handling manual and covered during cash handling training. Departments should perform an annual assessment of these controls and continually train employees who transport cash. In addition, departments should reduce the amount of cash handled by redirecting cash payments to the Office of Finance & Economic Development (OFED).

FINAL REPORT: Survey – Security Controls Over the Transportation of Cash and Negotiable Instruments, Report Number 2016-002, continued...

Impact: When implemented, the recommendations in this report will help reduce the risk of transporting cash within the County and ensure that the County is consistent in the standards/procedures used to store cash at our facilities.

Audit: FINAL REPORT – Review of Department Controls over Accountable Equipment, Report Number 2016-010, November 16, 2010

Synopsis: The objective of this review was to determine if each department’s controls over accountable equipment were adequate to ensure that Cobb County’s accountable equipment is complete and accurate, properly safeguarded, and properly reported. We also performed a follow-up on a prior audit recommendation.

We found that departmental controls over accountable equipment were not adequate to ensure complete and accurate lists are maintained and properly reported. We also found that additional controls were needed to strengthen the current safeguards over accountable equipment (A/E) items. In addition, the remaining prior year recommendation to revise the County’s account dictionary was completed in December 2015. We selected 50% of the County Departments and performed various audit procedures on controls at the department level. We gathered information about each sampled department’s controls, conducted interviews with custodians and other affected staff, tested the existing controls, and physically inspected or observed both A/E items and the corresponding safeguards. We also independently obtained and analyzed various A/E reports from the County’s financial system.

Recommendations included:

We made recommendations to strengthen both countywide and department controls.

Countywide recommendations require the:

- Implementation of additional guidance on the A/E requirements to include countywide training and improvements to the monitoring of the A/E function.
- Streamlining of countywide A/E forms and development of new forms, as needed.

Department recommendations require that A/E lists be updated in compliance with the existing countywide A/E policy. Specific emphasis should include the following, at a minimum:

- Minimum data field requirements;
- Department-wide A/E lists;
- A/E purchases posted to non-6258 expenditure object codes and ‘small and attractive’ A/E items; and
- Annual reconciliations between perpetual and physical inventories.

Additional department recommendations include: addressing acquisition and accountability controls to require system approvals by authorized personnel; adequate segregation of duties; physical inventories; County financial system use as an independent source; appropriate signatures; surplus warehouse A/E list maintained in an auditable format; and tagging of A/E items consistent with the countywide A/E policy requirements. Finally, unannounced validation checks of office locations, facilities, and field vehicles to ensure safeguard measures are operating as intended was also recommended. Also, the overall physical security measures should be periodically reviewed with improvements made as needed.

FINAL REPORT – Review of Department Controls over Accountable Equipment, Report Number 2016-010, continued...

Impact: The recommendations, if implemented, will strengthen countywide and departmental controls over accountable equipment and ensure proper safeguards exist. County leadership and citizens can be assured that the County's accountable equipment items are protected against waste, fraud and abuse.

FOLLOW-UP REPORTS COMPLETED

We perform periodic follow-up audits to evaluate the status of prior recommendations to ensure they are implemented timely by management. 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. The following is information on the follow-up audits conducted this year.

Audit Number	Date	Name	Recommendations		
			Open (as of 12/31/2015)	Resolved (during 2016)	Remaining (as of 12/31/2016)
2016-003	6/24/2016	Second and Final Follow-up Report: Review of the Controls over Revenue Processed through the Class System	13	6	7 ⁴
2016-004	6/24/2016	First and Final Follow-up Report: Audit of Controls Over Cable Franchise Fee Revenue	7	3	4 ⁵
2016-005	6/24/2016	First and Final Follow-up Report: Review of Superior Court Clerk Processing of Intangible Tax Revenue	5 ⁵	3	2 ⁵
2016-006	7/25/2016	First and Final Follow-up Report: Survey of the Cobb County Medical Examiner's Office Operations	27	14	13 ⁵
2016-007	7/25/2016	Second and Final Follow-up Report: Review of Cobb County Mobile/Wireless Telecommunication Costs	5 ⁶	1	4 ⁵
2016-008	11/14/2016	First Follow-up Report: Survey - Security Controls over the Transportation of Cash and Negotiable Instruments	5	0	5
2016-009	11/14/2016	First Follow-up Report: Review of the Controls over Revenue Processed Through the Cobb County Government Service Centers	16	9	7

⁴Although not fully implemented, no additional follow-up will be performed on these items due to the length of time outstanding or other issues with implementation. Specific details for each of the follow-up reports referenced are located at the Internal Audit Department website: <http://cobbcounty.org/audit/>.

⁵The auditee disagreed with one of the recommendations. See original and follow-up reports at the website referenced above.

⁶Remaining number in process versus closed was inverted in the 2015 annual report. Correction reflected here.

Citizen Cost-Savings/Idea Reports

The Internal Audit Department facilitates an internal database of suggestions from citizens that potentially provide cost-savings, increased efficiency, and/or improved County operations. During 2016, we received 16 suggestions, which were promptly evaluated by the appropriate department(s). DOT work order/traffic requests account for 50% of the suggestions. A formal response was provided to each citizen who included their contact information. Although none resulted in quantifiable savings, each was deemed a valuable suggestion. *[NOTE: We are currently working with Information Services to re-configure the database for greater functionality and efficiency.]*



Projects in Process (as of 12/31/2016)

The following projects were initiated and substantially completed in 2016 or are currently in process. The reports will be issued in 2017. Details will be included in the calendar year 2017 Annual Report.

Projects

- Review of Selected Activities of the Friendship Club for Calendar Year Ending December 31, 2015**
Objective: The overall objective of this review was to determine if funds of the Cobb County Employees' Friendship Club (the Club) had been properly accounted for and disbursements were properly documented and in accordance with the established by-laws. In addition, we determined if procedural or policy changes were made in accordance to established by-laws and if prior year recommendations had been implemented. *[See Report Number 2017-001, issued January 20, 2017]*
- Survey - Assessment of the Business License Division System Data Reliability for Cash Handling Practices**
Objective: The objective of our survey consulting project was to assess the reliability of the Accela software system data as used for cash handling practices within the Business License Division (BLD) of the Community Development Agency (CDA). This survey is a supplemental consulting project to an audit of the controls over cash handling practices within the Business License Division of the Community Development Agency. *[See Report Number 2017-002, issued April 10, 2017]*
- Information Services Department - Survey of Operational Risks**
Objective: The overall objective of this survey is to evaluate the current controls and corrective actions by Information Services (IS) to ensure the completeness and accuracy of software license management; sufficiency and controls over network circuitry, hardware, and software; countywide security controls; current applicability of the IS strategic plan; and controls over the record retention process. *[Fieldwork in process]*

Projects in Process, continued...

- **Fleet Department - Survey of Operational Risks**

Objective: The survey objective is to evaluate the current controls and corrective actions by Fleet Management to ensure adequate controls over parts inventory; acquisition, replacement, maintenance, and disposition of Cobb County (County) owned vehicles; and perform a cost analysis of the County's use of leased versus purchased vehicles. *[Fieldwork in process]*

Consulting Services

Consulting activities are advisory in nature, designed to add value and improve the governance of County operations. Consulting may require participation on committees or panels, the facilitation of studies or reviews, and/or the performance of analyses. This process is less formal than assurance services and reports are not generally issued as a result, but may be issued in some instances. We also provide services to non-BOC elected officials as requested.

Service on Committees

Internal Audit personnel served on the following committees and provided independent, objective input to assist County management in meeting their objectives.

- Actuary Verification Committee (Human Resources/Finance)
- Contract Management Initiative (Countywide)
- Interview Committee – Transportation Director
- RFP – Supplemental Benefits/Voluntary
- RFQ- Wrecker Services



General Guidance and Consultation



Internal Audit personnel provided general information or input on the following topics of management concern:

- Silver Eagle Nominations/Presentation
- Clerk of Superior Court system changes
- Cobb County Nonprofit Grant Program Discussions
- Tax Commissioner Cash Loss/Till Procedures
- PDs/Accounts Payable Payments (*w/Finance & Purchasing*)
- Business License Division (*in process*)
- CDBG Sub-Recipient Reimbursement Information

Audit Alerts



Audit Alerts are usually one-page newsletter style publications presented to County departments of a potential risk area that should be evaluated in their departments.

- Sensitive or Confidential Information in Procedure Manuals, February 23, 2016

Retirement Computations

Our review of retirement calculations is intended to be an additional quality review and not intended to be relied upon solely as an attestation of the accuracy of the calculations. The final determination of whether all factors have been considered and accurately applied to the calculation of retirement benefits is the responsibility of the Human Resources Department.

During 2016, we completed **141** Regular/Vested Term/Survivor Benefit Calculations.



Future Goals

FY2017/2018 Key Performance Objective & Measure⁷

Expand coverage by 15% in FY2017 and 7% in FY2018 through streamlining internal procedures using automation and strategic employee training.

GOAL #1 – Increase the efficiency and effectiveness of the Internal Audit Department operations.

- Update the Countywide Risk Assessment and develop the CY2017-18 Audit Plan by December 2016.
- Research automation tools and resources specific to the internal audit function by March 2017.
- Review and implement any Audit Committee recommendations by September 2018.

GOAL #2 – Improve County transparency and increase public awareness of Internal Audit Department operations.

- Develop and facilitate ‘Governance-focused’ training seminars for County agencies and departments throughout FY17 and FY18.
- Co-host the 2017 Annual Association of Local Government Auditors Conference by providing local support in May 2017.
- Revise the Department’s external website to be more expansive by September 2017.

⁷See FY2017/2018 Biennial Budget Book for further details on the Internal Audit Department Management Plan.

CY2015-16 Countywide Risk Assessment

Our countywide risk assessment⁸ was used to systematically establish audit priorities based on County functions, programs, activities, and initiatives with the most significant financial, managerial, operational and/or compliance risks identified. Using a combination of subjective qualitative and quantitative risks/criteria, each auditable⁹ unit/activity was evaluated.

Qualitative criteria included, but was not limited to, Board of Commissioners' (BOC) strategic plan; Citizens Oversight Committee priority ratings and improvement matrix; input from BOC members, Audit Committee, and County leadership; Internal Audit experience and prior audit work; professional guidance; benchmarking against audit priorities of other local governments. A list of quantitative risk factors is reflected in the table to the right.

Potential audit projects consistent with established priorities were then selected and allocated based on Internal Audit's staff resources. Broad audit objectives are included in the department's audit plan. Specific audit objectives are determined after the Internal Audit staff complete their required preliminary survey process for each project.

Excerpts of the current risk areas addressed or currently being addressed are summarized in each of the department's annual reports. Full length copies of the individual audit project reports can be found on the Internal Audit department's webpage at: <http://cobbcounty.org/audit/>.

Due to the subjectivity in the risk factors and the changing risks and priorities of County government, risks are continuously evaluated based on their impact on BOC goals and objectives. The Audit Plan may be modified to accommodate these changes and other special requests; however, the Audit Committee and County Manager are notified of significant additions, deletions, or other changes.

CY2015-16 QUANTITATIVE RISK FACTORS/CATEGORIES

- Size of Unit
 - Employees
 - Expenditures
 - Revenues
 - Value of Countywide Transactions
 - Locations
- Liquidity and Negotiability
- Complexity of Transactions
- Compliance with Regulations
- Public Exposure/Perception
- Quality of Internal Control System
- Changes in Operations
- Time Expired Since Last Audit
- Management Experience
- Impact on Safe Community

⁸ A risk assessment is a systematic process for assessing and integrating professional judgments about probable conditions or events that may warrant audit coverage.

⁹ Elected official offices were included in the countywide risk assessment for evaluation but were excluded from the selection process of potential audit projects due to the current organizational structure. See Internal Audit Department Charter, revised November 22, 2016.

Staff Development/Training

The County's Internal Audit Department is in compliance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA) Standard 1230 which states, "Internal auditors should enhance their knowledge, skills, and other competencies through continuing professional development¹⁰."

Auditors that have a Certified Public Accountant (CPA) designation must comply with the Georgia State Board of Accountancy requirement of eighty (80) hours of continuing professional education (CPE) every two odd-numbered years, to include a minimum of sixteen (16) hours in accounting and auditing subjects.

While the IIA *Standards* do not require a specific number of hours for non-certified Internal Auditors other than the hours are adequate, all staff without specific designations are required to complete at least forty (40) hours of CPE every two years, to include a minimum of sixteen (16) hours in government accounting and auditing subjects. During 2016, staff completed the required number of CPE hours as indicated above.

Professional Affiliations



Internal Audit Department staff are individually or collectively members of the Institute of Internal Auditors and the Association of Local Government Auditors (ALGA).

Staffing and Contact Information

Latona Thomas, CPA, Director	(770) 528-2559	latona.thomas@cobbcounty.org
Andrea Clayton, Staff Auditor	(770) 528-2558	andrea.clayton@cobbcounty.org
Megan Pickens, Staff Auditor ¹¹	(770) 528-2557	megan.pickens@cobbcounty.org
Shelly Norton, Administrative Specialist ¹²	(770) 528-2556	shelly.norton@cobbcounty.org

Website: <http://cobbcounty.org/audit/>

¹⁰ Per 2016 Association of Local Government Auditors Benchmarking Survey (published October 2016), 91% reported that their staff had met the continuing professional education requirements. Our group has met the continuing education requirements 100%.

¹¹ Megan Pickens joined our staff in February 2016.

¹² Shelly Norton joined our staff in February 2017.

Additional Acknowledgements

Since the issuance of our 2015 Annual Report, we have experienced significant changes in staffing. As such, we would like to acknowledge the efforts and contributions of these previous team members to the overall results reflected in this report.

Barry Huff, Staff Auditor (*part-time*)

Elle Aenchbacher, Administrative Specialist

APPENDIX A

2015 External Quality Assessment Evaluation Summary¹³

Cobb County Government
Internal Audit Department
Quality Assessment Evaluation Summary

Attribute Standards	Standard Description	GC	PC	DNC	N/A
1000	Purpose, Authority, and Responsibility	X			
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	X			
1100	Independence and Objectivity	X			
1110	Organizational Independence	X			
1111	Direct Interaction with the Board	X			
1120	Individual Objectivity	X			
1130	Impairment 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 International Standards for the Professional Practice of Internal Auditing"				X
1322	Disclosure of Nonconformance			X	
Performance Standards	Standard Description	GC	PC	NC	N/A
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			
2070	External Service Provider and Organizational Responsibility for Internal Auditing	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			
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 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			
IIA Code of Ethics		X			
Definition of Internal Auditing		X			
Overall conformance		X			

¹³ Excerpt taken from the External Quality Assessment for the period January – December 2015, dated August 12, 2016. [See IA webpage.]

Cobb County Government Internal Audit Department Conformance Rating Criteria

Conformance Rating Criteria

GC –“Generally Conforms” means the assessor has concluded the following:

1. For individual standards, that the internal audit activity conforms to the requirements of the standard or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
2. For the sections (Attribute and Performance) and major categories, the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
3. For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

PC –“Partially Conforms” means the assessor has concluded the following:

1. For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard or element of the IIA Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
2. For the sections (Attribute and Performance) and major categories, the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
3. For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the Standards or IIA Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC –“Does Not Conform” means the assessor has concluded the following:

1. For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard and/or elements of the IIA Code of Ethics.
2. For the sections (Attribute and Performance) and major categories, the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
3. For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit 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.

APPENDIX B

2016 Internal Assessment of Conformance



COBB COUNTY INTERNAL AUDIT

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Director

CY2016 Internal Assessment of Conformance¹

ATTRIBUTE STANDARDS	DESCRIPTION	GC/PC/DNC
	GC: Generally Conforms PC: Partially Conforms DNC: Does Not Conform	
1000	Purpose, Authority, and Responsibility	GC
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	GC
1100	Independence and Objectivity	GC
1110	Organizational Independence	GC
1111	Direct Interaction with the Board	GC
1120	Individual Objectivity	GC
1130	Impairments to Independence or Objectivity	GC
1200	Proficiency and Due Professional Care	GC
1210	Proficiency	GC
1220	Due Professional Care	GC
1230	Continuing Professional Development	GC
1300	Quality Assurance and Improvement Program	GC
1310	Requirements of the Quality Assurance and Improvement Program	GC
1311	Internal Assessments	GC
1312	External Assessments	GC

¹ Our internal survey is based on our Description of the Quality Control System (QCS). The QCS is a detailed description of each attribute and performance standard requirement and our internal assessment of conformance to each. [See Attribute Standards 1310 and 1311.]

ATTRIBUTE STANDARDS	DESCRIPTION	GC/PC/DNC
	GC: Generally Conforms PC: Partially Conforms DNC: Does Not Conform	
1320	Reporting on the Quality Assurance and Improvement Program	GC
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	GC
1322	Disclosure of Nonconformance	N/A
PERFORMANCE STANDARDS	DESCRIPTION	GC/PC/DNC
	GC: Generally Conforms PC: Partially Conforms DNC: Does Not Conform	
2000	Managing the Internal Audit Activity	GC
2010	Planning	GC
2020	Communication and Approval	GC
2030	Resource Management	GC
2040	Policies and Procedures	GC
2050	Coordination	GC
2060	Reporting to Senior Management and the Board	GC
2070	External Service Provider and Organizational Responsibility for Internal Auditing	N/A
2100	Nature of Work	GC
2110	Governance	GC
2120	Risk Management	GC
2130	Control	GC
2200	Engagement Planning	GC
2201	Planning Considerations	GC
2210	Engagement Objectives	GC
2220	Engagement Scope	GC

PERFORMANCE STANDARDS	DESCRIPTION		GC/PC/DNC
	GC: Generally Conforms	PC: Partially Conforms DNC: Does Not Conform	
2230	Engagement Resource Allocation		GC
2240	Engagement Work Program		GC
2300	Performing the Engagement		GC
2310	Identifying Information		GC
2320	Analysis and Evaluation		GC
2330	Documenting Information		GC
2340	Engagement Supervision		GC
2400	Communicating Results		GC
2410	Criteria for Communicating		GC
2420	Quality of Communications		GC
2421	Errors and Omissions		GC
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "		GC
2431	Engagement Disclosure of Nonconformance		N/A
2440	Disseminating Results		GC
2450	Overall Opinions		GC
2500	Monitoring Progress		GC
2600	Communicating the (Management of the) Acceptance of Risks		GC
	IIA Code of Ethics		GC