

**Cobb County Government  
Internal Audit Department  
External Quality Assessment  
January 1, 2015 to  
December 31, 2015**

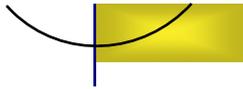
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Cobb County Government  
Internal Audit Department  
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## Executive Summary

To Cobb County Audit Committee and  
David Hankerson, County Manager  
Cobb County Government  
Cobb County, Georgia

### Introduction

Under the International Standards for the Professional Practice of Internal Auditing (“Standards”) developed by The Institute of Internal Auditors (“IIA”), an external quality assessment of an internal audit activity must be conducted at least once every five years by a qualified assessor or assessment team from outside the organization. Cobb County Government (“County”) Internal Audit Department (“the Department”) selected Bambo Sonaik CPA, LLC to perform an external quality assessment on the Department. The external quality assessment was concluded on July 29, 2016 and provides management and the Audit Committee with information about the Department activities for the period January 1, 2015 to December 31, 2015. Future changes in environmental factors and activities by personnel, including actions taken to address recommendations, may have an impact upon the operation of Internal Audit in a way that this report did not and cannot anticipate.

### Opinion on Conformance to the *Standards*, IIA Code of Ethics, and Definition of Internal Auditing

It is our overall opinion that ***the Department generally conforms to the Standards, the IIA Code of Ethics, and the Definition of Internal Auditing.*** A detailed list of conformance to individual Standards is presented on page 9 of this report.

The IIA’s *Quality Assessment Manual* suggests a scale of three ratings:

1. “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*.
2. “Partially Conforms” means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
3. “Does Not Conform” means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

### Objectives, Scope, and Methodology

The principal objectives of the external quality assessment were to:

1. Assess the Department conformance to the Standards, the IIA Code of Ethics, and the Definition of Internal Auditing.
2. Evaluate the effectiveness and efficiency of the Department in providing assurance and advisory services to the Audit Committee, County Manager, Board of Commissioners (“BOC”), residents of Cobb County, and other interested parties.

# Cobb County Government

## Internal Audit Department

### Executive Summary

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3. Identify opportunities and offer recommendations for improvement. Advise the Internal Audit Director and staff for improving their performance and services and promoting the image and credibility of the Department.

The scope of the external quality assessment included the Department, as set forth in the Department charter. The Department charter, approved by the BOC, defines the authority, responsibility, and accountability of the activity.

To accomplish the objectives, the independent external assessment team performed the following procedures:

1. Reviewed documents provided by the Department pertaining to conformance with standards, policies and procedures, approved charters, engagement reports and other relevant documents.
2. Conducted interviews with selected key stakeholders to the Department including Audit Committee members, County Manager, and the Internal Audit Director.
3. Reviewed a sample of engagement work papers and reports.
4. Reviewed benchmark and survey data.
5. Prepared diagnostic tools consistent with the methodology established for an external quality assessment in the IIA Quality Assessment Manual.

#### **Observations Specific to the Department - Summary**

The internal audit activity environment where we performed our review is well structured and progressive where the *Standards* are understood, and management is endeavoring to provide useful audit tools and implement appropriate practices. Consequently, our comments and recommendations are intended to build on this foundation already in place in the internal audit activity.

Observations and recommendations are divided into three groups:

1. Best Practices - Observations that recognize best practices employed by the internal audit activity leading to a level of performance beyond generally conforming to the mandatory guidance of The IIA's International Professional Practices Framework (IPPF).
2. Gap to Conformance with the Standards - Observations and recommendations associated with nonconformance with the mandatory guidance of The IIA's International Professional Practices Framework (IPPF).
3. Opportunities for Continuous Improvement - Observations of process improvement opportunities for the internal audit activity to consider in its continuous improvement efforts. These do not indicate a lack of conformance to mandatory guidance of the IPPF. They are offered as suggestions for the continued growth of the internal audit activity's successful internal audit practice.

Observations noted during the external quality assessment are summarized below, with detailed descriptions on page 4 of this report.

# Cobb County Government Internal Audit Department Executive Summary

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## **Summary of Best Practices with the Standards Noted:**

1. Online access to issued reports.
2. Composition of the Audit Committee.
3. Highly regarded leadership.
4. Effective monitoring and follow-up on engagement recommendations.
5. Leadership assists new Audit Committee members in understanding their roles and responsibilities.
6. Timely communication of engagement status
7. Comprehensive policies and procedures manual

## **Summary of Gap to Conformance with the Standards Noted**

1. Communicate internal assessment results.
2. Timely completion of external assessments.

## **Summary of Opportunities for Continuous Improvement Noted:**

1. Update the Department Charter.
2. Maintain the Audit Committee in the organization structure
3. Additional analysis to enhance the overall risk assessment process.
4. Communication in the Annual Report
5. Categorization of risk
6. Coordinated efforts with external auditors
7. Engagement completion cycle
8. Continued analysis of the Department's IT needs

Thank you for the opportunity to be of service to the Department. We will be pleased to respond to further questions concerning this report and furnish any desired information.

*Bambo Sonaike CPA, LLC*

August 12, 2016

### **Distribution:**

Cobb County Board of Commissioners  
Latona Thomas, CPA, Internal Audit Director

Cobb County Government  
Internal Audit Department  
Report Detail

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**Best Practices with the Standards Noted**

	<b>Standard</b>	<b>Best practices observed</b>
1	<b>2400- Communicating Results</b> - Internal auditors must communicate the results of engagements.	<b>Online access to issued reports</b> The Department publishes all issued audit and follow-up reports on the Cobb County Internal Audit Website in an effort to increase transparency.
2	<b>1110- Organizational Independence</b> - 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.	<b>Composition of the Audit Committee</b> The Audit Committee members include members of the BOC, elected officials, and two subject matter experts with audit, governmental, and other relevant experience to assist the Department with oversight.
3	<b>2000- Managing the Internal Audit Activity</b> - The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	<b>Highly regarded Leadership</b> The Department's leadership is highly regarded by Senior Management and the Audit Committee. The Department is viewed as a credible, professional organization committed to providing value added services.
4	<b>2500- Monitoring Progress</b> - The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	<b>Effective monitoring and follow-up on engagement recommendations</b> The Department uses a database to track the status of recommendations implemented and conduct follow-ups accordingly.
5	<b>1111- Direct Interaction with the Board</b> - The chief audit executive must communicate and interact directly with the board.	<b>Leadership assists new Audit Committee members in understanding their roles and responsibilities</b> The Internal Audit Director has developed a package for new Audit Committee members to provide background on the Department, the Audit Committee, and share professional guidance on the governance process.
6	<b>2060- Reporting to Senior Management and the Board</b> - 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. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.	<b>Timely communication of engagement status</b> Internal Audit Director had bi-monthly meetings with the County Manager and quarterly meetings with the Audit Committee regarding the status of engagements and other relevant department activities. The Department prepared an Annual Report and communicated the results with the Audit Committee, BOC, and County Manager.
7	<b>2040- Policies and Procedures</b> - The chief audit executive must establish policies and procedures to guide the internal audit activity.	<b>Comprehensive policies and procedures manual</b> The Department has established a comprehensive policies and procedures manual to guide the internal audit activities.

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**Gap to Conformance with the Standards Noted**

	<b>Standard</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Management Response</b>
1	<p><b>Standard 1320- Reporting on the Quality Assurance and Improvement Program(QAIP)</b> - The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.</p> <p><b>Standard 1322- Disclosure of Nonconformance</b> - When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.</p>	<p><b>Communicate internal assessment results</b> During our engagement, the Department provided a self assessment report ("Internal Survey of Conformance") assessing it's conformance with the Standards and we confirmed that the results of the internal self assessment had not been shared with the Audit Committee or BOC.</p>	<p>We recommend that the results of the internal assessment of conformance with standards conducted on an annual basis be included in the Department Annual Report and distributed to the Audit Committee and BOC.</p>	<p>Concur – We will update our 'Internal Survey of Conformance' and distribute as an appendix to our department annual report. Estimated completion date: March 31, 2017, and ongoing. Position responsible: Internal Audit Director.</p>
2	<p><b>Standard 1312- External Assessments</b> - External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.</p>	<p><b>Timely completion of external assessments</b> The Department's charter was approved by the BOC on December 8, 2009. As such, the external assessment should have been completed by December 8, 2014 to be in conformance with the standards.</p>	<p>We recommend that the external assessments be conducted at least once every five years by a qualified, independent assessor or assessment team.</p>	<p>Concur – Efforts were made to comply with this requirement, but staff retirements and turnover impacted our ability to meet the timeframe. In addition, all bids received for our initial request for proposal were rejected because they exceeded the approved budgeted amount. As such, we will ensure that all future external assessments are conducted within the required timeframe, subject to approval of funding by the Board of Commissioners. Estimated completion date: As required. Position responsible: Internal Audit Director.</p>

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**Opportunities for Continuous Improvement Noted**

	<b>Standard</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Management Response</b>
1	<b>Standard 1000- Purpose, Authority, and Responsibility</b> - The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	<b>Update the Department charter</b> The Department's charter was approved by the BOC on December 8, 2009. On July 10, 2012 the BOC approved the charter establishing the Audit Committee. We noted that the Department's charter has not been updated to integrate the role of the Audit Committee.	We recommend an update to the Department's charter to incorporate the role of the Audit Committee. We also recommend a periodic review of the Department's charter to incorporate continuing changes in the County's policy.	Concur – We will revise the IA Charter to include the recommended language, subject to the Board of Commissioners' approval of permanently maintaining the Audit Committee structure as referenced in Recommendation #2 below. We will also review the Internal Audit Department Charter on an annual basis and submit changes for Board of Commissioners' approval as needed. Estimated completion date: December 31, 2016, and ongoing. Position responsible: Internal Audit Director.
2	<b>Standard 1110- Organization Independence</b> - The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.	<b>Maintain the Audit Committee in the organization structure</b> The Internal Audit Director currently reports directly to the County Manager and Audit Committee. On December 9, 2014, the BOC approved a resolution to deactivate the Audit Committee effective December 31, 2016.	We recommend that the BOC adopt a policy that will permanently maintain the Audit Committee in the structure of the Department. This will ensure continuing objectivity and independence of the Department.	Concur – We will request Audit Committee support and recommendation to the Board of Commissioners for approval to maintain the Audit Committee in perpetuity. We will also request the Audit Committee to consider revising its meeting schedule to include at least semi-annual meetings with quarterly status updates from the Internal Audit Department on a quarterly basis via email. Estimated completion date: December 31, 2016. Position responsible: Internal Audit Director.
3	<b>Standard 2010 – Planning</b> - 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.	<b>Additional analysis to enhance the overall risk assessment process.</b> The Department and the Audit Committee currently prepare and analyze a countywide risk assessment sufficient to capture the County's risk exposure. During our review of the risk assessment, we noted that revenues and expenditures were analyzed by total and unit for each department.	We recommend that the Department analyze the department and unit revenues and expenditures by individual account. We also recommend the use of more data analytics such as (1) year to year change in the revenues and expenditures and (2) budget vs actual to enhance the overall risk assessment process and potentially identify new risks.	Concur – We will expand our current countywide risk assessment process to include analyses of revenues and expenditures by object codes as recommended. This process will be incorporated into our FY2017 streamlined risk assessment process. Estimated completion date: December 31, 2016, and ongoing. Position responsible: Internal Audit Director.

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**Opportunities for Continuous Improvement- continued**

	<b>Standard</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Management Response</b>
4	<b>Standard 2120 – Risk Management</b> - The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.	<b>Communication in the Annual Report</b> The countywide risk assessment is reviewed and approved by the Audit Committee when determining the audit plan for the year. During our interviews, we noted the countywide risk assessment was not communicated with the BOC.	We recommend that the Department communicate the results of the countywide risk assessment with the BOC and consider including a summarized version in its annual report. This communication should include risk areas that has been addressed, that is currently being addressed, and that has not been addressed	Concur – We will expand our current department annual report to include a section that summarizes the results of our countywide risk assessment. We will also categorize the identified risk in accordance with Recommendation #5 below. Estimated completion date: March 31, 2017, and ongoing. Position responsible: Internal Audit Director.
5	<b>Standard 2120 – Risk Management</b> - The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.	<b>Categorization of risk</b> The risk assessment analysis assigns a score to each department but does not categorize the identified risk into high, medium, and low.	We recommend that the Department categorize the identified risks as high, medium, or low based on the risk scores.	Concur – See response to Recommendation #4 above.
6	<b>2050- Coordination</b> - The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.	<b>Coordinated efforts with external auditors</b> During our engagement, we noted that "The relationship between the IA Department and the County's external auditors is limited to a telephone discussion regarding fraud and an overview of internal audit activities during the fiscal year. As such, there is limited coordination with the external auditors, specifically as it relates to the risk assessment of the County.	We recommend that the Department provide the results of the risk assessment to the External Auditors so as to enhance the level of coordination with the external auditors.	Concur – We will incorporate the results of our countywide risk assessment in our department annual report and provide a copy to the external auditors. We will also review the results during our annual discussion with the external auditors. Estimated completion date: March 31, 2017, and ongoing. Position responsible: Internal Audit Director.

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Opportunities for Continuous Improvement- continued

	Standard	Observation	Recommendation	Management Response
7	<p><b>2420- Quality of Communications -</b> Communications must be accurate, objective, clear, constructive, complete, and timely.</p>	<p><b>Engagement completion cycle</b> During our engagement, we noted that the Department had long engagement cycle times between the start and end of engagements. The Department explained that the long engagement cycles were largely due to staff turnover and additional training needed for the new staff.</p>	<p>We recommend that the Department document and communicate engagement delays to management so as to assist management in the allocation of staffing resources.</p>	<p>Concur – Engagement statuses are provided via bi-weekly updates to the County Manager, and audit plan status updates are provided to the Audit Committee on a periodic basis. Audit Committee updates also includes a periodic analysis of available staff hours and proposed revisions to the audit plan based on engagement delays, department changes, allocation of resources, and experience. Engagements in process at year end are also included in the department annual report.</p> <p>Personnel improvements and external consulting services were requested, as recommended by the Audit Committee, in the FY2016 and FY2017 budget process pending approval by the Board of Commissioners. In addition, we have requested Board of Commissioners' approval for an automated audit management software solution in our FY2017 budget. This solution will enable the Internal Audit Department to automate a number of various manual tools implemented to conform to our professional internal auditing standards. Strategic staff training has also been implemented, and future engagements will include more frequent Director collaboration. Estimated completion date: Immediately and pending Board of Commissioners' approval of budget requests. Position responsible: Internal Audit Director.</p>
8	<p><b>1210- Proficiency -</b> 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><b>Continued analysis of the Department's IT needs</b> We noted that the Department does not have a staff member who has an Information Technology (IT) background for assisting in IT related audits. During discussions with the Internal Audit Director, the Department is in the process of assessing the ability to perform coordinated engagements with the County's IT department.</p>	<p>We recommend that the Department continue to review the staffing needed for IT engagements and the IT audit universe to ensure that adequate resources are available to handle high risk IT audit areas.</p>	<p>Concur –We will continue our existing efforts to analyze IT needs, and the external consulting services referenced in Recommendation #7 above will provide an opportunity to secure the services of IT audit professionals, as needed. Estimated completion date: Periodically and pending Board of Commissioners' approval of budget requests. Position responsible: Internal Audit Director.</p>

# Cobb County Government Internal Audit Department Quality Assessment Evaluation Summary

Attribute Standards	Standard Description	GC	PC	DNC	N/A
<b>1000</b>	<b>Purpose, Authority, and Responsibility</b>	X			
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	X			
<b>1100</b>	<b>Independence and Objectivity</b>	X			
1110	Organizational Independence	X			
1111	Direct Interaction with the Board	X			
1120	Individual Objectivity	X			
1130	Impairment to Independence or Objectivity	X			
<b>1200</b>	<b>Proficiency and Due Professional Care</b>	X			
1210	Proficiency	X			
1220	Due Professional Care	X			
1230	Continuing Professional Development	X			
<b>1300</b>	<b>Quality Assurance and Improvement Program</b>	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
<b>2000</b>	<b>Managing the Internal Audit Activity</b>	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			
<b>2100</b>	<b>Nature of Work</b>	X			
2110	Governance	X			
2120	Risk Management	X			
2130	Control	X			
<b>2200</b>	<b>Engagement Planning</b>	X			
2201	Planning Considerations	X			
2210	Engagement Objectives	X			
2220	Engagement Scope	X			
2230	Engagement Resource Allocation	X			
2240	Engagement Work Program	X			
<b>2300</b>	<b>Performing the Engagement</b>	X			
2310	Identifying Information	X			
2320	Analysis and Evaluation	X			
2330	Documenting Information	X			
2340	Engagement Supervision	X			
<b>2400</b>	<b>Communicating Results</b>	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			
<b>2500</b>	<b>Monitoring Progress</b>	X			
<b>2600</b>	<b>Communicating the Acceptance of Risks</b>	X			
<b>IIA Code of Ethics</b>		X			
<b>Definition of Internal Auditing</b>		X			
<b>Overall conformance</b>		X			

# Cobb County Government Internal Audit Department Conformance Rating Criteria

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## **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 I  
Internal Audit Management's Response



## COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA

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Marietta, Georgia 30090  
phone: (770) 528-2556  
latona.thomas@cobbcounty.org

Director

August 9, 2016

### MEMORANDUM

**TO:** Bambo Sonaik CPA, LLC

**FROM:** Latona Thomas, CPA, Director 

**SUBJECT:** Response to the External Quality Assessment

This memo is provided in response to the external quality assessment of the Cobb County Government Internal Audit Department. In this report, several observations and recommendations were provided to build on the foundation already in place within the internal audit activity. The observations and recommendations were divided into three groups, and our responses are included below accordingly:

**Best Practices with the Standard Noted** – Observations that recognize best practices employed by the internal audit activity leading to a level of performance beyond generally conforming to the mandatory guidance of the IIA's Internal Professional Practices Framework (IPPF).

1. Online access to issued reports
2. Composition of the Audit Committee
3. Highly regarded leadership
4. Effective monitoring and follow-up on engagement recommendations
5. Leadership assists new Audit Committee members in understanding their roles and responsibilities
6. Timely communication of engagement status
7. Comprehensive policies and procedures manual

***Department Response:*** No department response required.

**Gap to Conformance with the Standards** – Observations and recommendations associated with nonconformance with the mandatory guidance of the IIA's Internal Professional Practices Framework (IPPF).

1. Communicate internal assessment results

**Recommendation:** We recommend that the results of the internal assessment of conformance with the standards conducted on an annual basis be included in the Department Annual Report and distributed to the Audit Committee and Board of Commissioners (BOC).

**Department Response:** Concur – We will update our ‘Internal Survey of Conformance’ and distribute as an appendix to our department annual report. Estimated completion date: March 31, 2017, and ongoing. Position responsible: Internal Audit Director.

2. Timely completion of external assessments

**Recommendation:** We recommend external assessments be conducted at least once every five years by a qualified, independent assessor or assessment team.

**Department Response:** Concur – Efforts were made to comply with this requirement, but staff retirements and turnover impacted our ability to meet the timeframe. In addition, all bids received for our initial request for proposal were rejected because they exceeded the approved budgeted amount. As such, we will ensure that all future external assessments are conducted within the required timeframe, subject to approval of funding by the Board of Commissioners. Estimated completion date: As required. Position responsible: Internal Audit Director.

**Opportunities for Continuous Improvement** – Observations of process improvement opportunities for the internal audit activity to consider in its continuous improvement efforts. These do not indicate a lack of conformance to mandatory guidance of the IPPF. They are offered as suggestions for the continued growth of the internal audit activity’s successful internal audit practice.

1. Update the Department Charter

**Recommendation:** We recommend an update to the Department’s charter to incorporate the role of the Audit Committee. We also recommend a periodic review of the Department’s charter to incorporate continuing changes in the County’s policy.

**Department Response:** Concur – We will revise the IA Charter to include the recommended language, subject to the Board of Commissioners’ approval of permanently maintaining the Audit Committee structure as referenced in Recommendation #2 below. We will also review the Internal Audit Department Charter on an annual basis and submit changes for Board of Commissioners’ approval as needed. Estimated completion date: December 31, 2016, and ongoing. Position responsible: Internal Audit Director.

2. Maintain the Audit Committee in the organization structure

**Recommendation:** We recommend the BOC adopt a policy that will permanently maintain the Audit Committee in the structure of the Department. This will ensure continuing objectivity and independence of the Department.

**Department Response:** Concur – We will request Audit Committee support and recommendation to the Board of Commissioners for approval to maintain the Audit Committee in perpetuity. We will also request the Audit Committee to consider revising its meeting schedule to include at least semi-annual meetings with quarterly status updates from the Internal Audit Department on a quarterly basis via email. Estimated completion date: December 31, 2016. Position responsible: Internal Audit Director.

3. Additional analysis to enhance the overall risk assessment process

Recommendation: We recommend the Department analyze the department and unit revenues and expenditures by individual account. We also recommend the use of more data analytics such as (1) year to year change in the revenues and expenditures and (2) budget vs actual to enhance the overall risk assessment process and potentially identify new risks.

**Department Response:** Concur – We will expand our current countywide risk assessment process to include analyses of revenues and expenditures by object codes as recommended. This process will be incorporated into our FY2017 streamlined risk assessment process. Estimated completion date: December 31, 2016, and ongoing. Position responsible: Internal Audit Director.

4. Communication in the Annual Report

Recommendation: We recommend that the Department communicate the results of the countywide risk assessment with the BOC and consider including a summarized version in its annual report. This communication should include risk areas that has been addressed, that is currently being addressed, and that has not been addressed.

**Department Response:** Concur – We will expand our current department annual report to include a section that summarizes the results of our countywide risk assessment. We will also categorize the identified risk in accordance with Recommendation #5 below. Estimated completion date: March 31, 2017, and ongoing. Position responsible: Internal Audit Director.

5. Categorization of risk

Recommendation: We recommend that the Department categorize the identified risks as high, medium, or low based on the risk scores.

**Department Response:** Concur – See response to Recommendation #4 above.

6. Coordination efforts with external auditors

Recommendation: We recommend that the Department provide the results of the risk assessment to the External Auditors so as to enhance the level of coordination with the external auditors.

**Department Response:** Concur – We will incorporate the results of our countywide risk assessment in our department annual report and provide a copy to the external auditors. We will also review the results during our annual discussion with the external auditors. Estimated completion date: March 31, 2017, and ongoing. Position responsible: Internal Audit Director.

7. Engagement completion cycle

Recommendation: We recommend that the Department document and communicate engagement delays to management so as to assist management in the allocation of staffing resources.

**Department Response:** Concur – Engagement statuses are provided via bi-weekly updates to the County Manager, and audit plan status updates are provided to the Audit Committee on a periodic basis. Audit Committee updates also includes a periodic analysis of available staff hours and proposed revisions to the audit plan based on engagement delays, department changes, allocation of resources, and experience. Engagements in process at year end are also included in the department annual report.

Personnel improvements and external consulting services were requested, as recommended by the Audit Committee, in the FY2016 and FY2017 budget process pending approval by the Board of Commissioners. In addition, we have requested Board of Commissioners' approval for an automated audit management software solution in our FY2017 budget. This solution will enable the Internal Audit Department to automate a number of various manual tools implemented to conform to our professional internal auditing standards. Strategic staff training has also been implemented, and future engagements will include more frequent Director collaboration. Estimated completion date: Immediately and pending Board of Commissioners' approval of budget requests. Position responsible: Internal Audit Director.

8. Continued analysis of the Department IT's needs

**Recommendation:** We recommend the Department continue to review the staffing needed for IT engagements and the IT audit universe to ensure that adequate resources are available to handle high risk IT audit areas.

**Department Response:** Concur –We will continue our existing efforts to analyze IT needs, and the external consulting services referenced in Recommendation #7 above will provide an opportunity to secure the services of IT audit professionals, as needed. Estimated completion date: Periodically and pending Board of Commissioners' approval of budget requests. Position responsible: Internal Audit Director.

Overall, a status of these opportunities for continuous improvement and recommendations will be incorporated into the bi-weekly meetings with the County Manager and quarterly updates to the Audit Committee until fully completed.

We appreciate the services provided to us by the staff of Bambo Sonaike CPA, LLC, in the completion of the first 'External Quality Assessment' of the Cobb County Internal Audit Department.