

# Internal Audit Division Annual Report Calendar Year 2012



*Cobb County...Expect the Best!*



# *From The Division Manager*

DATE: April 5, 2013

TO: Board of Commissioners  
David Hankerson, County Manager

Enclosed please find a summary of our 2012 performance measures and accomplishments. We continue to recognize how critical our Division is to the County's internal control structure and are committed to providing independent, objective assurance and consulting services in the most efficient way possible. Once again, we were able to provide assistance to more than 50% of the County's agencies and departments (*excluding the offices of elected officials and constitutional officers*). Your continued support makes it possible for us to assist you in meeting your business goals and objectives.



During 2012, an increased focus was placed on our Division and the services we provide. At the recommendation of the Cobb County Citizen Oversight Committee, the Board of Commissioners adopted a resolution creating an Audit Committee. The committee's purpose is to assist the Board in fulfilling its oversight responsibilities by reviewing and evaluating the County's financial information, established systems of internal controls and the audit process. The committee has held several meetings during which, we were able to provide committee members with an overview of the division's operations, current staffing levels, and prior annual reports. We look forward to working with the Audit Committee in the near future and receiving their input and recommendations on enhancements and/or changes.

As required by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, we are able to 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 creation of an Audit Committee will further enhance our independence.

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 support and consideration.

A handwritten signature in black ink, consisting of stylized initials and a long horizontal line extending to the right.

***Latona R. Thomas, CPA***  
***Internal Audit Division Manager***

## *Table of Contents*

<b>Assurance Services (Audits/Reviews)</b> .....	Page 1
<b>Follow-Up Reports Completed</b> .....	Page 3
<b>Citizen Cost-Savings/Idea Reports</b> .....	Page 4
<b>Projects in Process</b> .....	Page 4
<b>Consulting Services</b> .....	Page 5
Reports Issued.....	Page 5
Service on Committees .....	Page 6
General Guidance and Consultation .....	Page 6
<b>Audit Alert</b> .....	Page 6
<b>Retirement Computations</b> .....	Page 6
<b>Performance Measures</b> .....	Page 7
Time Allocation .....	Page 7
Recommendations.....	Page 8
Outcome Measures (captured from reports) .....	Page 8
Customer Survey Results.....	Page 9
<b>Countywide Community Activities</b> .....	Page 10
<b>Other Noteworthy Activities</b> .....	Page 10
<b>Staff Development/Training</b> .....	Page 10
<b>Professional Affiliations</b> .....	Page 10
<b>Staffing and Contact Information</b> .....	Page 11

**Internal Audit Division Annual Report  
Calendar Year 2012**

---

**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 2012.

**Audit: Review of Cobb County 800 MHz Operations, Report Number 2012-001, February 3, 2012**

**Synopsis:** The results of our audit procedures revealed 800 MHz generally complied with applicable BOC meeting agendas regarding operational requirements, capital replacements, and expenditures for Fiscal Year 2010 had been properly authorized. Our results also revealed weaknesses and/or improvements needed in the areas of license agreement management, radio count inventory, record retention, segregation of duties, and the overall billing and collection process.



**Impact:** The findings/recommendations in this report will improve the controls over 800 MHz operations to ensure:

- Complete and accurate radio counts are maintained and used to prepare the pro-rata allocation of both core replacement and annual maintenance costs;
- Program assets are properly accounted for and secured;
- Billing and collection information is properly accounted for and reported in the County's financial system;
- Expenditures are properly authorized in accordance with operational requirements; and
- Increased efficiency and effectiveness throughout the overall billing process.

\*\*\*\*\*

**Audit: Review of Cobb County E911 Fund, Report Number 2012-002, February 6, 2012**

**Synopsis:** Our review showed that generally the E911 Fund is administered effectively. However, changes are needed to ensure the solvency of the Fund and improve controls over the processing of remittances and expenditures.



**Impact:** Implementation of suggested recommendations will help ensure the E911 Fund remains solvent, and there are adequate controls over the accounting of E911 funds. In addition, Cobb County management will be assured the Fund is properly managed in accordance with the current laws and regulations.

\*\*\*\*\*

**Audit: Letter Report: Supplemental Analysis of Wireless Providers Billing Practices, Report Number 2012-003, February 6, 2012**

**Synopsis:** During our review of the E911 Fund, we determined that wireless providers bill the County for 911 recovery costs using a 'per subscriber billing rate' rather than the actual costs. Using this method could lead to overcharging the County if the rate is not adjusted when the number of subscribers increase. Current billing methodology does not comply with current Georgia law.



**Impact:** Although only one provider is currently overcharging us, the potential that other providers can overcharge is increased if we do not determine the actual cost of providing services and monitor the billing to ensure it does not exceed that amount. Our recommendation will ensure the County is billed properly.

\*\*\*\*\*

## Internal Audit Division Annual Report Calendar Year 2012

---

### **Audit: Final Report – Survey of Special Revenue Funds in Cobb County, Report Number 2012-005, May 3, 2012**



**Synopsis:** We determined that the County adhered to applicable laws in the creation and administration of Special Revenue Funds. We did not conduct tests to provide assurance on specific detailed transactions, but financial reports did indicate that funds used were consistent with the purpose of the respective Special Revenue Funds.

**Impact:** The results of this survey provide management with an assurance that Special Revenue Funds were properly set up as required by law or necessity and data in the financial reports for these funds indicate that the revenue and expenditures are consistent with their purpose.

\*\*\*\*\*

### **Audit: Final Report – Review of Selected Activities of the Friendship Club for the calendar year ended December 31, 2011, Report Number 2012-006, June 28, 2012**

**Synopsis:** Our review showed the funds of the Club were properly accounted for. Disbursements were made in accordance with established by-laws and were approved by the Club’s Board and Treasurer. Bank reconciliations were conducted properly and financial reports were submitted timely to the Board. Also, the Center for Family Resources followed established guidelines for distribution of funds to employees.



**Impact:** This year’s assessment of the controls over the Club’s finances gives assurance to the employees that their contributions are handled responsibly and are making an impact in the lives of their fellow employees and families in the community.

\*\*\*\*\*

### **Audit: Final Report - Review of Cash Handling Activities in the Community Development Agency, Development and Inspections Division, Report Number 2012-010, November 16, 2012**

**Synopsis:** We determined that generally controls were in place to ensure collected cash was accounted for and deposited daily. Although the controls are generally working, we identified areas where controls could be strengthened to prevent the misappropriation of funds.

**Impact:** We made several recommendations designed to reduce the number of people who have access to cash; require adherence to proper cashier cash handling procedures; reduce the amount of cash handled by cashiers; strengthen/streamline the end-of day balancing and verification process; and strengthen physical controls over cash. These recommendations will strengthen the controls over the cash handling procedures in the Development and Inspections Division. Citizens can be more assured that the estimated annual \$3.2 million paid for permits and inspections are properly accounted for and deposited to the County’s account.



\*\*\*\*\*

## Internal Audit Division Annual Report Calendar Year 2012

**Audit: Letter Report: Supplemental Analysis of ACCELA System Controls-Review of Cash Handling Activities in the Community Development Agency, Development and Inspections Division, Report Number 2012-011, November 16, 2012**

**Synopsis:** During the Development and Inspections Cash Handling audit, management expressed concerns about whether control weaknesses exist that allowed changes in cash transactions without detection, and their inability to monitor or identify when changes are made to critical information within the permit record. As such, we conducted limited testing to evaluate whether the ACCELA<sup>1</sup> system used to facilitate fee calculation and collection had controls to prevent the misappropriation of funds. Our tests showed that payments could not be changed after they have been processed and the receipt issued. Test results also revealed the system's ability to require an explanation of voided transactions, and maintain a historical record of all voided transactions.



**Impact:** We facilitated a joint meeting with representatives of both Development and Inspections and Information Services. Immediate measures were implemented, where applicable, and other long-term action items were agreed upon for additional testing and research. These changes provide Development and Inspections' management with reports and other tools to monitor changes in permit records and the ability to determine if employees are providing an explanation for any deletion of remittances.

### 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 five follow-up audits conducted this year.

Audit Number	Date	Name	Recommendations		
			Open	Resolved	Remaining
2012-004	2/16/2012	First Follow-Up Report: Countywide Departmental Accountable Equipment Audit	15	14	1
2012-007	7/31/2012	Fourth Follow-up Report: Review of Cobb County Street Light District Program	9	3	6
2012-008	9/21/2012	Second Follow-Up Report: Letter Report - Update of Petty Cash Policy Statement	1	1	0
2012-009	9/21/2012	Second Follow-Up Report: Letter Report - Update of Lease Review Policy	1	1	0
2012-012	11/20/2012	Final Follow-up Report: Review of Cobb County Cooperative Extension 4-H Checking Account for the calendar year ended December 31, 2010 and 2011 Plant Sale Activities	12	11	1

### Comments on Selected Follow-Up Reports

**Final Follow-Up Report: Review of Cobb County Cooperative Extension 4-H Checking Account for the year ended December 31, 2010 and 2011 Plant Sale Activities** - We determined that 11 of the 12 recommendations have been fully implemented. The remaining recommendation is in process; however, we collectively agreed to discontinue the use of Internal Audit resources in reviewing this account. As such, no additional follow-up is warranted.

<sup>1</sup> A web-based computer software solution that tracks and manages land use and community development activities needed to support and promote economic development and prosperity, including permits; building safety; inspections; investigations and reviews.

## Internal Audit Division Annual Report Calendar Year 2012

---

**Second Follow-Up Report: Letter Report – Update of Petty Cash Policy Statement** - In our first follow-up report, we determined that the policy statement was finalized and was in the process of being published to the intranet; however, the Accounts Payable Manual had not been revised to include our original recommendations and any changes based on the revised policy statement. In May 2012, we were notified that the Policy had not been published and was in the process of being revised to incorporate new paperless procedures. As of August 15, 2012, the Policy has been revised but has not been published to the intranet and the Accounts Payable Manual has not been updated to reflect appropriate changes.

### ***Citizen Cost-Savings/Idea Reports***

The Internal Audit Division facilitates an internal database of suggestions from citizens that potentially provide cost-savings, increased efficiency, and/or improved County operations. During 2012, we received 29 suggestions of which twelve were received from employees. Employee suggestions were forwarded to the Internal Employee Suggestion Program for consideration. Each of the remaining 17 suggestions was promptly evaluated by the appropriate department(s); however, none resulted in any quantifiable savings. A formal response was provided to each citizen who included their contact information.

### ***Projects In Process***

The following projects were initiated and substantially completed in 2012 or are currently in process. The reports will be issued in early 2013. Details will be included in the calendar year 2013 annual report.

#### **Review of the Controls Over the Processing of Benefit Payments and Invoices in the Human Resources Department**

**Audit:** The objective of our audit was to determine if controls are adequate to ensure that employee benefit payments received in Human Resources (HR) are properly accounted for, efficiently processed and deposited; and payments initiated for premiums and administrative program fees are accurate and efficiently processed.

\*\*\*\*\*

#### **Review of the Controls Over the Revenue Recognition of the Breeze Card Program**

**Audit:** The objective of our audit was to determine that controls were in place to validate the completeness and accuracy of the revenue recognized through the Breeze Card program and that the County was receiving the correct amount of funds due.

\*\*\*\*\*

#### **Human Resources Third Party Administrators (TPA) Claims Audit**

Internal Audit retained a qualified audit consultant firm to co-source an audit of the TPAs responsible for administering Cobb County's Health Benefit and Workers' Compensation plans. The audit covers medical, dental, prescription drugs and workers' compensation payments incurred during the 24-month period January 2011 through December 2012.

\*\*\*\*\*

## Internal Audit Division Annual Report Calendar Year 2012

---

### **Review of the Cobb County Non-Profit Grant Program Administered by Cobb Community Collaborative (CCC)**

**Audit:** The objective of our audit is to determine if controls are adequate to mitigate the inherent risks in the Cobb County Non-Profit Grant Program. We are evaluating whether grant awards are being monitored properly, scoring of applications and awarding of funding is consistently applied using established criteria, and whether best practices by other entities (i.e. other counties, CDBG, Parks Grant Program) are appropriate for implementation in the non-profit grant program.

\*\*\*\*\*

### **Review of the Controls Over Non-Vested Pension Refunds**

**Audit:** The objective of our audit is to determine if controls around pension refunds are adequate to ensure payments are accurate, distributed in accordance to the most current amended pension plan, and properly reported as necessary.

## ***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.

### ***Reports Issued***

Internal Audit personnel served as facilitator on the following committees/panels and studies that resulted in a report.

**Consulting Report:** Memorandum of Inventory of Items Discovered in the Purchasing Department Safe, August 14, 2012.

**Synopsis:** Internal Audit staff was requested to assist in the inventory of items discovered in the County Purchasing Department's safe during their office relocation because the source of the items was unknown. The purpose of the inventory was to make an accounting of the items and place them under control. We, in conjunction with Support Services and Purchasing personnel, inventoried and photographed the items, created independent handwritten inventory lists and signed for agreement of contents. The items were placed in a locked cabinet for safekeeping in the Support Services Agency office until final disposition.

**Impact:** In order to ensure proper disposition of the items, we recommended the Police Department be contacted to assist in determining both the source of the items and their intended disposition. The items were subsequently transferred to the Police Department Evidence Unit and included the appropriate transfer of responsibility signatures.

**Consulting Report:** Tripartite Committee (Advisory Panel) Summary Status of Action Items, November 5, 2012.

**Synopsis:** At the conclusion of the committee member appointment term, the Internal Audit Division Manager provided a summary status of action items developed by the Tripartite Committee members. The action items were developed based on the guidelines provided in the March 9, 2010 Order of the Superior Court regarding the Advisory Panel.

**Impact:** The summary provided a current status of the committee's efforts and serves as a guide for the resolution and implementation of outstanding corrective action items.

## Internal Audit Division Annual Report Calendar Year 2012

---

### **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)
- Tuition Reimbursement Committee (Countywide)
- Customer Service Award Council (Countywide)
- Suggestion Incentive Committee (Internal/Employee)
- Tripartite Committee (Circuit Defender)
- Position Classification Committee (Human Resources)
- RFP – Brokerage Services (Support Services Agency)
- RFP – Wrecker Services (Public Safety)
- RFP – Northwest Environmental Impact Statement (Department of Transportation)
- RFP - Sandy Plains Park (Parks)
- RFP - Banking Services (Finance)
- RFP – Design/Build of Noonday Creek Park (Parks)
- Interview Panel for Economic Development Coordinator (Economic Development)
- Interview Panel for Purchasing Director (County Manager)

### **General Guidance and Consultation**

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

- Accountable Equipment Policy
- Economic Development Ordinance
- Policy on Contract Management
- Citizen Oversight Committee/Audit Committee
- HR I-9 Annual Verification /Immigration Compliance
- Chaplain Fund/501©3 organizations

### **Audit Alert**

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. One audit alert was issued in 2012.

- **Mail Security** – issued to all departments to remind them of their responsibility to ensure controls over mail within their office locations are adequate to guard against theft or misuse. In addition, departments were reminded to follow the County’s cash handling policy for remittances received in the mail.

### **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 2012, we completed the following estimates:

- Regular/Vested Term/Survivor Benefit Calculations – 142

**Internal Audit Division Annual Report  
Calendar Year 2012**

**Performance Measures**

**Time Allocation**

Seventy-two percent<sup>2</sup> 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.

Eight 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. Due to staff turnover in 2012, additional administrative time was used for the interview and selection of new hires. The graph below shows the time allocation for the Division Manager, staff auditors<sup>3</sup> and the Administrative Specialist (excluding administrative and planning time).

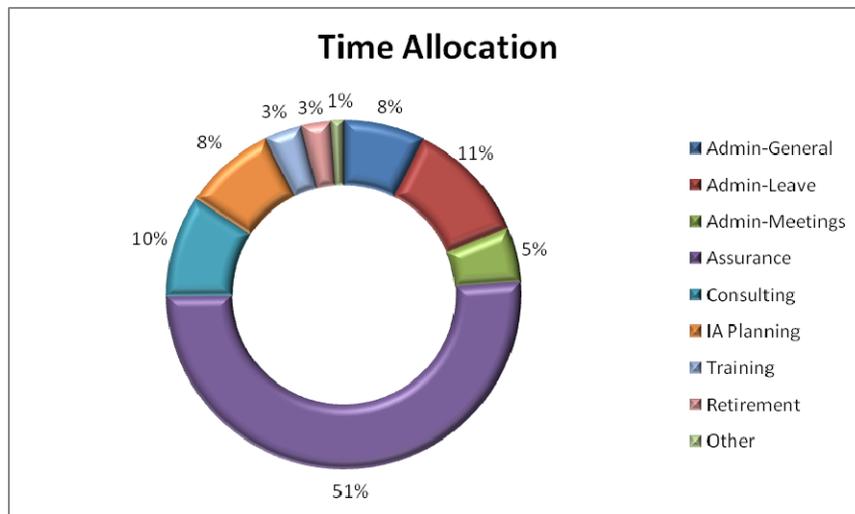


Table 1 - Source: Internal Audit Time Reporting Worksheets

The Administrative Specialist provided administrative and direct support to the Division. Additional details of time allocation for 2012 are presented below.

Administrative Specialist Time Allocation	Hours	Percent
Administrative/Planning	2,005	96%
Assurance/Consulting	37	2%
Training/Other	48	2%
<b>Total Time</b>	<u>2,090</u>	

Table 2 - Source: Internal Audit Time Reporting Worksheets

<sup>2</sup> Per 2012 Association of Local Government Auditors Benchmarking Survey, this percentage is 70% for an audit function with three to five auditors (published March 2013).

<sup>3</sup> Staff auditors' time reflects the Division operating with one staff auditor for six months during 2012.

## Internal Audit Division Annual Report Calendar Year 2012

---

### Recommendations

We issued seven reports with 41 recommendations in 2012. Since we started tracking recommendations in 2009, the auditees have agreed with 99% (219 of 222) of our recommendations. The chart below shows the status, of the 219 recommendations, as of December 31, 2012.

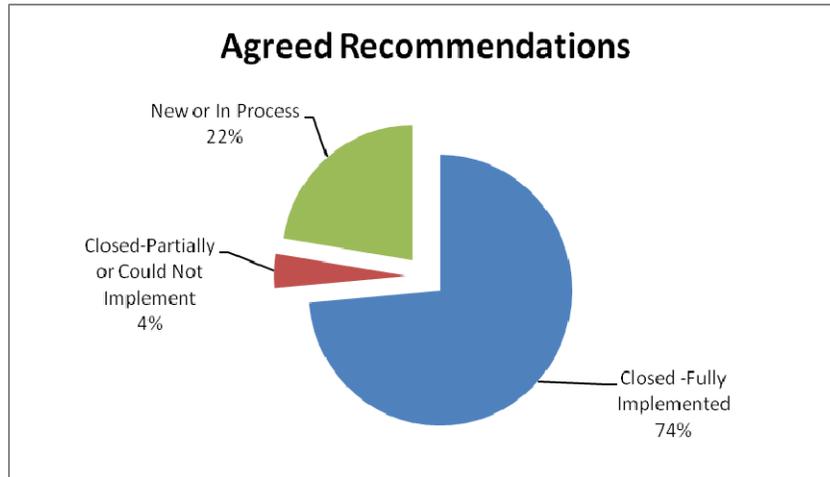


Table 3 - Source: Internal Audit Recommendation Database

### Outcome Measures (captured from reports)

Outcome Measures are an accounting of the impact of our audit results and recommended corrective actions quantified on a fiscal year basis consistent with the County's fiscal reporting period.

#### **Quantifiable Benefits**

- Increased control over \$3.2 million in fines and fees collected.<sup>4</sup>
- Increased safeguards and controls over 800 MHz radios and spare parts (approximately 5000 radios).<sup>5</sup>

<sup>4</sup> Review of Cash Handling Activities in the Community Development Agency, Development and Inspections Division, 2012-010, November 16, 2012

<sup>5</sup> Review of Cobb County 800 MHz Operations, 2012-001, February 3, 2012

**Internal Audit Division Annual Report  
Calendar Year 2012**

---

**Outcome Measures, continued...**

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

<b>Non-Financial Benefits</b>
<ul style="list-style-type: none"> <li>• Assurance the E911 Fund is properly managed in accordance with the current laws and regulations.<sup>6</sup></li> <li>• Assurance that Special Revenue Funds were properly set up as required and revenue and expenditures are consistent with their purpose.<sup>7</sup></li> <li>• Controls over the mail were enhanced and guarded against theft and misuse.<sup>8</sup></li> <li>• Ensured recommendations for improvement of operations are timely implemented.</li> </ul>

For specific impact, see the previous pages under Assurance and Consulting services.

**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 compiled responses received, we achieved an overall rating of 91.43 out of 100. Below is a listing of the overall ratings for the survey questions.

Questions	Rating
(1) The audit objectives were clearly communicated to me.	4.50
(2) The auditor or audit team conducted themselves in a professional and courteous manner.	4.75
(3) The auditor or audit team maintained an adequate level of communication throughout the audit.	4.25
(4) The draft report was adequately discussed and any problems resolved before the report was formally issued.	4.75
(5) The audit report clearly presented the results of the audit.	4.75
(6) Recommendations in the audit report were practical and reasonable.	4.50
(7) Overall, the audit added value to my business unit and helped to improve our operations.	4.50
<b>Percentage of Maximum Rating</b>	<b>91.43%</b>

Table 3 – Source: Internal Audit Division, Customer Survey Database

**Ratings: 1 = Strongly Disagree; 2 = Disagree; 3 = Neither Agree Nor Disagree; 4 = Agree; 5 = Strongly Agree**

<sup>6</sup> Review of Cobb County E911 Fund Report, 2012-002, February 6, 2012

<sup>7</sup> Survey of Special Revenue Funds in Cobb County, 2012-005, May 3, 2012

<sup>8</sup> Audit Alert, Mail Security, December 21, 2012

**Internal Audit Division Annual Report  
Calendar Year 2012**

---

**Customer Survey Results, continued**

***Specific auditee comments included the following:***

“The audit process was extremely easy. Barry Huff was easy to work with and kept me informed during the process. The audit reinforced that we are doing things the right way!”

“It was amazing how quickly Latona and Barry researched our bureau's history and identified areas we could improve. Nobody likes to hear the baby is ugly. Both Latona and Barry were respectful and professional throughout the process. Many thanks from E911.”

“Though the audit was a painful process and at times had unreasonable turnaround times for reconstructing data and actions, the outcome produced some beneficial changes to operations.”

“I am satisfied with the work that IA performed.”

***Countywide Community Activities***

- United Way Campaign
- Veterans Day and other ‘Support the Troops’ events
- Wheeler High School ‘Senior Project’ judging
- YWCA of Northwest Georgia
- Gobble Jog for Must Ministries

***Other Noteworthy Activities***

- Featured in the September 2012 Issue of CobbLine Newsletter
- Revamped the Division’s Feedback Survey Process
- Developed written procedures for the Division’s follow-up database maintenance

***Staff Development/Training***

The County’s Internal Audit Division 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 development.”

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.

***Professional Affiliations***

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

**Internal Audit Division Annual Report  
Calendar Year 2012**

---

***Staffing and Contact Information<sup>9</sup>***

Latona Thomas, CPA, Division Manager	(770) 528-2559	<a href="mailto:latona.thomas@cobbcounty.org">latona.thomas@cobbcounty.org</a>
Barry Huff, Staff Auditor	(770) 528-2558	<a href="mailto:barry.huff@cobbcounty.org">barry.huff@cobbcounty.org</a>
Steven Harper, Staff Auditor	(770) 528-2557	<a href="mailto:steven.harper@cobbcounty.org">steven.harper@cobbcounty.org</a>
Kay Ogle, Administrative Specialist	(770) 528-2556	<a href="mailto:kay.ogle@cobbcounty.org">kay.ogle@cobbcounty.org</a>

Website: <http://internal-audit.cobbcountyga.gov>

---

<sup>9</sup> Based on staffing as of the date of this report.