

2022 ANNUAL REPORT



August 1, 2023

Internal Audit Department



Cobb County...Expect the Best!

This report summarizes the activities of the Internal Audit Department for Calendar Year 2022.



Cobb County...Expect the Best!

CY2022 Annual Report
MESSAGE FROM THE DIRECTOR

DATE: August 1, 2023

TO: Board of Commissioners
Audit Committee
Dr. Jackie McMorris, County Manager
Jimmy Gisi, Deputy County Manager

The Cobb County (the County) Internal Audit Department is a monitoring function within the County's internal control framework that serves as an added level of transparency and accountability to citizens and other stakeholders. We provide independent, objective assurance and consulting services designed to enhance and protect the County's value and improve County operations.

Enclosed please find a summary of our calendar year (CY) 2022 performance measures and accomplishments for your information. During CY2022, we issued a total of ten assurance written reports and three audit alerts. We also provided a variety of other consulting and business advisory services which are detailed throughout the report.

In addition, our 2nd External Quality Control Review was completed and issued on September 30, 2022. The review was performed by an external team of Internal Audit professionals and conducted in accordance with the guidelines of the Association of Local Government Auditors (ALGA) and covered the Internal Audit Department internal quality control system for the period January 1, 2017 through December 31, 2021. The review concluded that our internal quality control system is suitably designed and operating effectively to provide reasonable assurance of conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* issued by the Institute of Internal Auditors. **This determination is the highest level of conformance that can be achieved.** See Appendices on Pages 22-25 for further details and results.

As required by the IIA's *International Standards for the Professional Practice of Internal Auditing*, 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. For highlights from this year's Audit Committee activities, see Page 3.

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 confidence.

A handwritten signature in black ink, appearing to read "Latona R. Thomas".

Latona R. Thomas, CPA, CIA
Internal Audit Director

TABLE OF CONTENTS

Department Mission	Page 3
Audit Committee Activities	Page 3
Performance Measures	Page 4
Outcome Measures (captured from reports)	Page 4
Qualitative Benefits.....	Page 4
Recommendations	Page 9
Customer Survey Results.....	Page 9
Time Allocation	Page 10
Other Noteworthy Activities	Page 10
Assurance Services (Audits/Reviews)	Page 11
Supplemental Internal Audit Services	Page 16
Follow-Up Reports	Page 16
Projects in Process (as of 12/31/2022)	Page 17
Citizen Cost-Savings/Suggestions	Page 17
Consulting Services	Page 17
Audit Alerts/Publications	Page 18
CY2021-22 Streamlined Risk Assessment Process	Page 19
Staff Development/Training	Page 20
Professional Affiliations	Page 20
Staffing and Contact Information	Page 21
Additional Acknowledgements	Page 21
Appendices	
Appendix A – CY2022 External Assessment of Conformance to the IIA Standard.....	Page 22
Appendix B – External Quality Control Review Certificate of Compliance.....	Page 25

DEPARTMENT MISSION

The mission of the Internal Audit Department is to enhance and protect Cobb County's (the County) value by providing risk-based and objective assurance, advice, and insight. Our independent, objective assurance and consulting services are designed to add value and improve the County's operations. Our department also helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

AUDIT COMMITTEE ACTIVITIES

Audit Committee Composition

The Cobb County Audit Committee (Committee) was created by a 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 CY2022 included:

- Lisa Cupid, Chairwoman, Board of Commissioners
- JoAnn Birrell, Commissioner, District 3
- Carla Jackson, Tax Commissioner, *(Elected Official committee member)*
- Brett McClung, CPA, *(Citizen committee member)*
- Laurie Dyke, CPA, CFE, CFC *(Citizen committee member)*

Effective January 2023, Commissioner Monique Sheffield, District 4, is the District Commissioner representative for the 2023 calendar year.

Committee Oversight Responsibilities

During CY2022, the Audit Committee continued to provide oversight responsibilities of the Internal Audit function. Specific activities include, but are not limited to the following:

- ✓ Received and discussed periodic updates on Internal Audit activities, status of audit plans/projects, summary of operational/staffing changes and its impact on operations, etc.
- ✓ Received and discussed projects initiated under the supplemental internal auditing services contract.
- ✓ Approved an extension of the CY2021-22 Audit Plan.
- ✓ Approved the CY2021 Annual Report for publication and distribution.
- ✓ Approved the CY2021-22 Streamlined Risk Assessment Approach and Proposed Timeline.
- ✓ Discussed member residency notification.

Performance Measures

The 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 in the 'Assurance Services' section beginning on Page 11.

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 CY2022, but the impact on qualitative benefits were deemed to be significant. Specific outcome measures from the respective referenced reports are as follows:

Qualitative benefits¹ are harder to quantify; however, recommendations and information provided in our reports and consulting services provided the following benefits:

Qualitative Benefits

Report #2022-001, February 3, 2022

FINAL REPORT - Survey of Department Application User Access Control

Outcome Measure	Impact
Increased Safeguards over County Systems and Data	Recommendation, when implemented, will provide increased controls over County systems and data at the Department level.
Compliance with County Policy	Recommendation when implemented, will provide assurance that Departments review user access periodically.
Reliability of Information	Recommendation when implemented will provide assurance on the overall data reliability, as well as the completeness and accuracy of SharePoint Application List.
Methodology	
This is based upon the known inherent risks related to user access and the benefits of strengthening the control environment around user access.	

The remainder of this page is left blank intentionally
(for formatting purposes).

¹ As applicable in referenced reports.

Report #2022-002, February 3, 2022**FINAL REPORT – Review of Administrative Contract of the Cobblestone Golf Course**

Outcome Measures	Impact
Improved oversight and monitoring of controls for the contract	Recommendation, when implemented, will facilitate effective governance and compliance with contract requirements.
Expense reduction	Recommendation, based on the evaluation of the current fees and best prices obtained for purchases.
Business continuity	Recommendation, when implemented, will provide that all staff involved with the contract have received the signed contract and any amendments in order to clearly understand the expectations of the contract. An establish business continuity plan will help to mitigate risks associated with disruption of operations.
Compliance with contract agreement	Recommendation, when implemented, will provide assurance that Parks is abiding by the terms and obligations set forth in the agreement.
Methodology	
During the audit period, October 1, 2017 – September 30, 2021, we reviewed all revenues and expenses. The average five-year revenue totaled \$1,943,704.78 and the average total expenses were \$1,926,795.88 for an overall average profit of \$36,908.91.	

Report #2022-003, February 3, 2022**FINAL REPORT – Survey of Parks, Tennis and Aquatics Professional Lesson Scheduling & Revenue Collection Practices**

Outcome Measures	Impact
Reliability of Information	Recommendations, when implemented, will ensure the completeness and accuracy of revenue earned for tennis court rentals by the tennis professionals and the swim lane fees paid for private lessons.
Compliance with County Policy	Recommendations, when implemented, will provide assurance that the practice and limitations of employees providing private lessons is in compliance with the County's Conduct and Performance Policy.
Increase Revenue	Recommendations, when implemented, will ensure that all revenue earned is received, potentially increasing revenue not previously captured.
Methodology	
During the consulting engagement, Internal Audit observed manual practices with known inherent risks around the recording and receipt of revenue. In addition, we measured current practices against the County's Conduct and Performance Policy.	

Report # 2022-004, April 7, 2022**FINAL REPORT – Electronic Fund Transfer (EFT) Payment Diversions**

Outcome Measures	Impact
Increased Safeguards over Vendor Information & Payments	Recommendations, when implemented, will provide increased safeguards over vendor information and payments. The recommendations will also ensure the security of vendor information by restricting access to vendor information, as well as establishing and enabling existing controls to function as designed.
Reliability of Information	Recommendations, when implemented, will provide increased assurance on the completeness, accuracy, and integrity of the authentication process of vendor modifications.
Increased Segregation of Duties Controls	Recommendations, when implemented, will ensure segregation of duties in vendor master management payment process to deter vendor payment errors or fraud being concealed.
Revamped Staff Training and Development	Recommendations, when implemented, will ensure Accounts Payable Division and other department staff who work with vendors are trained on cybersecurity, risks, internal controls, etc.
Improved Fraud Notification Protocols	Recommendations, when implemented, will ensure notification of identified fraud to select stakeholders within the County for the proper investigation and implementation of corrective action(s).
Compliance with County Policy	Recommendations, when implemented, will ensure compliance with the County Policy for record retention, and ensure that the audit trail of information related to vendor master modifications are maintained and retained.
Methodology	
We noted significant improvements in the internal control framework over the vendor modification and payment processes that contributed to fraudulent diversion of vendor payments totaling \$988,862 across FY2021 and FY2022. Corrective actions will also increase the reliability of project, financial, and other reporting. In addition, we assessed current fraud handling practices against industry standards and the County will benefit from establishing a countywide fraud notification protocol.	

The remainder of this page is left blank intentionally
(for formatting purposes).

Report #2022-006, August 2, 2022**FINAL LETTER REPORT – Review of Compliance with Kronos Edits**

Outcome Measure	Impact
Compliance with the County's Timekeeping Policy	Recommendations, when implemented, will ensure that Kronos edits made in compliance with established policy and County expectations.
Record Retention	Recommendation, when implemented, will ensure that adequate supporting documentation is retained to justify timecard edits.
Increased efficiency over Kronos edits	Recommendation, when implemented over Kronos edits by reducing the number of edits required.
Methodology	
During the audit period, October 1, 2021 – January 31, 2022, we reviewed Kronos pay code edits for the agencies and departments under the BOC. We analyzed the edits by pay code type, agency/department, employee, and frequency over an 80-workday period, excluding holidays and weekends.	

Report #2022-008, October 7, 2022**FINAL REPORT – Review of Compliance with Part-Time (PT) Hours**

Outcome Measures	Impact
Compliance with County Policy	Recommendations, when implemented will ensure compliance with the County Personnel and Payroll Policy.
Compliance with Affordable Care Act (ACA) Requirements	Recommendations, when implemented, will ensure the County is compliant with the ACA requirements and readily available.
Increased Staffing/Workload Effectiveness	Recommendation, when implemented will ensure that staffing levels are sufficient to accomplish the job assignments, meeting agency or department objectives, and minimize healthcare costs.
Methodology	
We reviewed part-time staff hours for the period January 1, 2021 to March 31, 2022, and November 2020 through October 2021 for compliance with the Affordable Care Act health care requirements. We determined that 56% (28 out of 50) of the part-time employees initially identified to have exceeded the part-time hours were deemed compliant with the policy, as they had been transferred to full-time status during the scope period. The remaining 44% (22 out of 50) were determined to be non-compliant.	

The remainder of this page is left blank intentionally
(for formatting purposes).

Report #2022-09, October 13, 2022**FINAL REPORT – Survey of County Point-Of-Sale (POS) Systems and Collection Practices**

Outcome Measures	Impact
Reliability of Information	Recommendation, when implemented, will provide assurance on overall data reliability, completeness, and accuracy of the County's list of payment channels and credit card processors.
Compliance with external requirements	Reduced credit card fee expenses.
Reduced credit card fee expenses	Recommendation, when implemented could result in lower credit card processing fee expenditures paid.
Consistencies and efficiencies gained	Recommendations, when implemented will improve overall processes around the procurement of credit card processors and the monitoring of credit card processing fees.
Methodology	
This is based upon the known inherent risks related to data reliability, requirements for PCI DSS and benefits obtained through inter-departmental coordination.	

Report #2022-010, October 14, 2022**FINAL REPORT – Cobb County Payment Card Industry (PCI) Readiness Assessment Report
(Performed by RSM US, LLP)**

Outcome Measures	Impact
Information Security	Provide an independent verification that ensures that the current infrastructure and applications meet expectations and compliance requirements.
	Potential reduction in the County's information technology costs and provide a better return on investments by identifying and resolving vulnerabilities and weaknesses.
	Adopt best practices by conforming to legal and industry regulations.
	Protect against the highest risk factors and escalating threats while developing and maturing their PCI DSS compliance.
Methodology	
We reviewed 24 Cobb County departments, of which 21 confirmed that they accept credit card payments. For each of the 21 departments, we performed interviews and document reviews and determined that the County departments accept payment cards using multiple methods, including online, over the phone, via interactive voice response (IVR) and in person. We also noted that Information Services provides shared services to all departments.	

The remainder of this page is left blank intentionally
(for formatting purposes).

Recommendations

We issued 10 new written assurance projects for a total of 64 recommendations in CY2022. Since we started tracking recommendations in 2009, the auditees have agreed or proposed acceptable alternative solutions, with 99%² (707 of 716) of our recommendations. The chart shows the status of the 707 recommendations, as of December 31, 2022.

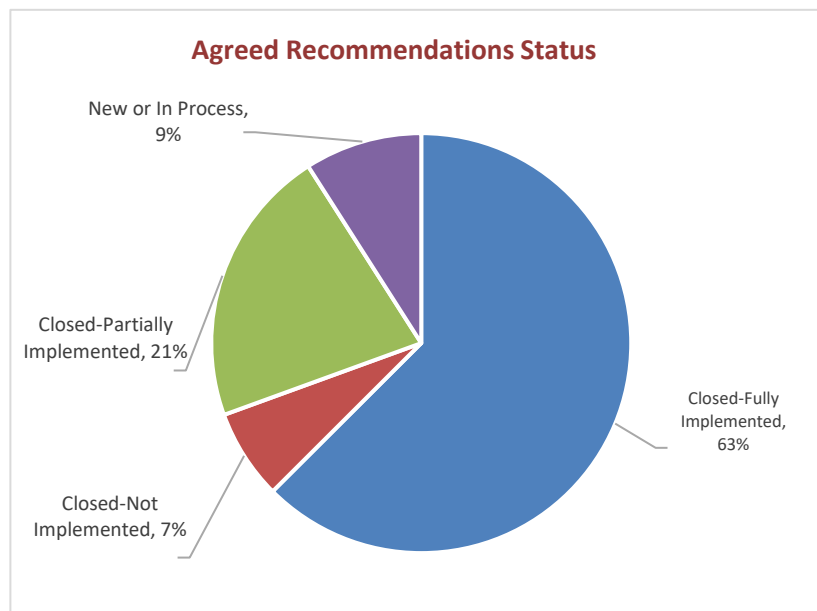


Chart 1 – Source: Department Recommendations Database.

Customer Survey Results

While individual surveys are not included, below are some comments highlighted during the External Quality Control Review during CY2022:

- *Very happy with the quality of work being provided by the Internal Audit Office.*
- *Pleased with how audit areas are selected and how Internal Audit is willing to help new Elected Officials.*
- *Ms. Thomas and team are professional and cooperative.*
- *Ms. Thomas has done an excellent job in managing the Internal Audit Office. Respects the methodology in preparing the Audit Plan and Risk Assessment. Likes that Internal Audit takes requests and listens to management regarding high-risk areas.*

² Per 2022 ALGA Benchmarking Survey, the percentage is 99% for an audit function with three to five auditors and 98% for County organizations.

Time Allocation



Sixty-eight percent³ (68%) of our staffing time was allocated to performing our core functions of planning and performing assurance and consulting services, inclusive of Quality Assurance and Improvement Program (QAIP)⁴. Administrative meetings include bi-weekly internal status meetings, monthly Deputy County Manager status meetings, monthly Division 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. Chart 2 below reflects the time allocation for the Department staff, excluding the Administrative team member's administrative and planning time.

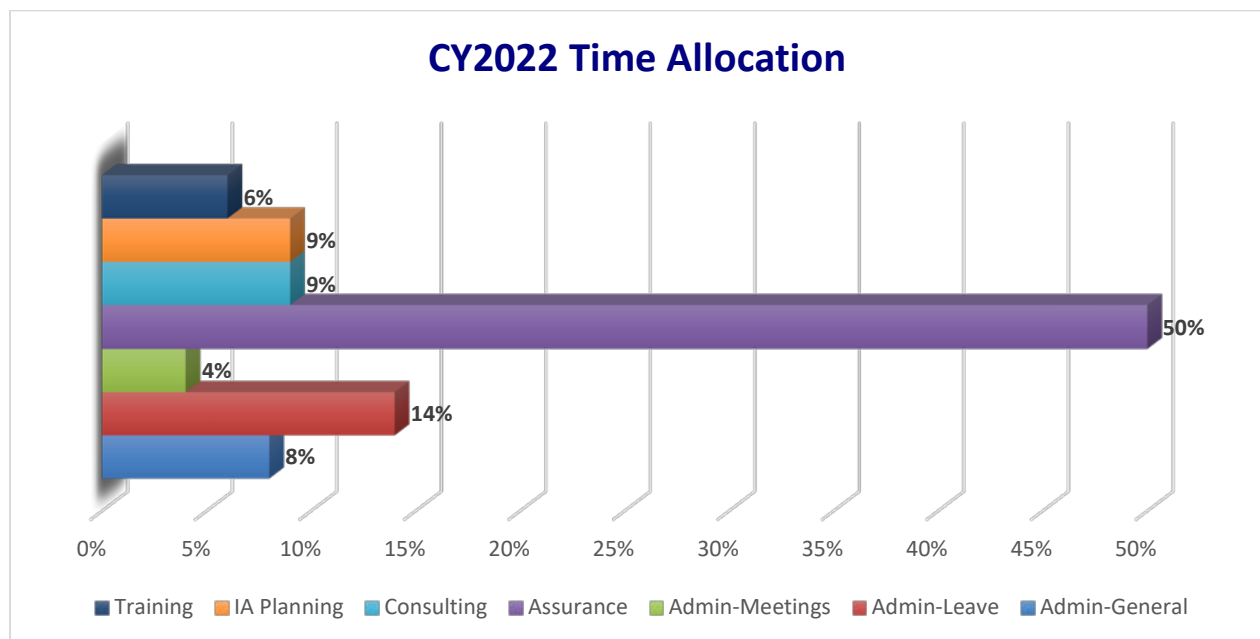


Chart 2 – Source: Internal Audit Department Time Tracking Database (rounded).

Other Noteworthy Activities

External Quality Control Report!!!

- Results:** *Our internal quality control system is suitably designed and operating effectively to provide reasonable assurance of conformance with the International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors. This determination is the highest level of conformance that can be achieved.*

³ Per 2022 ALGA Benchmarking Survey, the percentage is 58% for an audit function with three to five auditors.

⁴ A QAIP involves a continuous assessment at both an individual audit engagement level as well as at a broader internal audit activity level. It also ensures that quality is built in to, rather than on to, the way the internal audit activity operates. [Source: www.theiia.org]

Other Noteworthy Activities, continued...

- Continued to maintain conformance with the Institute of Internal Auditors (IIA) Standards for the Professional Practice of Internal Auditing.
- Finalized and distributed our CY2021 Annual Report of Accomplishments and Performance Measures
- Atlanta IIA Government & Public Sector Auditors Conference (2022 Planning & Facilitation)
- Completed 1 of 2 required Peer Review Reciprocity Reviews.
- Facilitated Phase I of the department's re-organization for greater sustainability.
- Successfully offboarded the 'Retirement Estimate' validation process to the Actuary

Assurance Services

ASSURANCE SERVICES (AUDITS/REVIEWS)

Assurance services are objective assessments of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. These services 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 CY2022. <https://cobbcounty.org/internal-audit> for full copies of each report.

Report Number	Report Date	Report Title
2022-001	3-Feb-22	FINAL LETTER REPORT- Survey of Department Application User Access Control
2022-002	3-Feb-22	FINAL REPORT – Review of the Administrative Contract for the Cobblestone Gold Course
2022-003	3-Feb-22	FINAL CONSULTING REPORT - Survey of Parks Tennis and Aquatics Professional Lesson & Revenue
2022-004	7-April-22	FINAL CONSULTING REPORT - Electronic Fund Transfer (EFT) Payment Divisions
2022-005	12-May-22	FINAL REPORT- Internal Self-Assessment Quality Assurance Report
2022-006	2-Aug-22	FINAL REPORT – Review of Compliance with Kronos Edits
2022-007	26-Aug-22	FINAL REPORT – Follow-up-Network Security Audit (Performed by RSM US, LLP)
2022-008	7-Oct-22	FINAL REPORT – Review of Compliance with Part-Time (PT) Hours
2022-009	13-Oct-22	FINAL SURVEY REPORT – Survey of County Point-of-Sale (POS) Systems and Collection Practices
2022-010	14-Oct-22	FINAL REPORT – Cobb County PCI Readiness Assessment Report...(Performed by RSM US, LLP)
2022-A001	14-July-22	AUDIT ALERT – (Business Continuity)
2022-A002	7-Oct-22	AUDIT ALERT – (Workload Management)
2022-A003	14-Nov-22	AUDIT ALERT – (Behavioral Red Flags of Fraud)

Completed...no reports issued

- FY2022 Year-End Encumbrances Validation...completed 10/1/2022

Assurance Services, continued...

Report Number	2022-001
Report Title	FINAL LETTER REPORT - Survey of Department Application User Access Control
Objective	The overall objective of this review was to survey the system applications within Cobb County (the County) Agencies and Departments (Departments) to determine that user access is restricted to current employees, active contractors, or third-party vendors and to determine if the existing approach is adequate to prevent unauthorized access to County systems and data in a timely manner.
Executive Summary	We previously reviewed the controls over terminated employee user access and made recommendations to strengthen the controls and disable access in a timely manner. As a result of the preliminary survey performed in that review, we determined to subsequently review user access for Department system applications with specific emphasis on those hosted offsite and are not behind the County's firewall. We started with a discovery sample of approximately 50% of the Department system applications selected to determine the accessibility of the reports, as well as the information that the reports would typically capture.
Recommendations	We made one recommendation to strengthen the internal controls over Department system application user access and to validate the completeness and accuracy of the County's listing of Department system applications.
Impact on County Governance	The recommendation when implemented will strengthen the controls over Department application user access. While not included in the original objective, County leadership and citizens can be assured the County has a complete and accurate list of Department system applications and that access to those applications is limited to only current employees, contractors, or third-party vendors.

Report Number	2022-002
Report Title	FINAL REPORT – Review of the Administrative Contract of the Cobblestone Golf Course
Objective	The overall objective was to evaluate and ensure that the administrative contract between Cobb County and Affiniti Golf Partners, Inc. (AGP) for the Cobblestone Golf Course (Cobblestone) has adequate oversight and controls and are consistently monitored.
Executive Summary	<p>During our preliminary survey, we determined that existing controls are in place, but improvements are needed for increased oversight and controls as well as consistency in monitoring the contract agreement. Existing controls include an onsite visit with AGP leadership, review and substantiation of various financial reimbursement requests, and compliance with the County's budget process. Currently, there is not a designated staff member to oversee the operational contract requirements, other than the Parks Director; and evidence of the monitoring activities was not consistently documented and maintained.</p> <p>In addition, a system to ensure critical tasks and responsibilities are transferred during staff turnover is not in place. Due to the lack of information being handed down, there were some requirements of the agreement that were not upheld and some inconsistency in the approval of documentation. Furthermore, a physical inventory of goods, materials, accountable equipment, and capital assets were not updated per the Cobb County Accountable Equipment policy.</p>

Recommendations	We made seven (7) recommendations to strengthen the internal control environment and increase the effectiveness of monitoring controls over the contract agreement.
Impact on County Governance	The seven recommendations along with the corrective actions taken by Parks, Recreation, and Cultural Affairs (Parks) Department, when implemented, will strengthen the controls and monitoring over the contract agreement.

Report Number	2022-003
Report Title	FINAL CONSULTING REPORT – Survey of Parks Tennis and Aquatics Professional Lesson & Revenue Collection Practices
Objective	The overall objectives of this review were to identify control weaknesses in the existing process and make recommendations that would ensure the methodology used to assign coaches to private lessons is in compliance with the Cobb County (County)'s Conduct and Performance Policy and provide reasonable assurance that the methodology is consistent across tennis and aquatics locations, is fair and equitable for all coaches, and that the revenue collected is accurate based on the revenue earned.
Executive Summary	Upon review of the County's Conduct and Performance Policy, we determined that the practice of allowing employees to teach private lessons is both an actual and perceived conflict of interest. If Parks Management determines to allow full-time employees to teach private lessons, specific and documented safeguards would need to be in place. We also determined that the revenue collection practices need improvement to ensure revenue is recorded in the system when earned and to ensure consistency across locations.
Recommendations	We made five (5) recommendations to ensure compliance with the County's Conduct and Performance Policy and strengthen the controls over the collection of revenue.
Impact on County Governance	The recommendations, when implemented, will ensure compliance with County policy and strengthen controls over the revenue earned for the tennis courts rented by the tennis professionals and the swim lane fees paid for private lessons. Citizens and County leadership can be assured that private lessons are managed in a fair, equitable, and consistent manner and corresponding revenue earned is collected properly, complete, and accurate across all tennis and aquatic center locations.

Report Number	2022-004
Report Title	FINAL CONSULTING REPORT – Electronic Fund Transfer (EFT) Payment Diversions
Objective	The overall objective of this consulting project was to gain an understanding of how a fraudulent electronic transfer of funds discovered on November 3, 2021 occurred and assess the related control weaknesses.
Executive Summary	During our review, we identified weaknesses in the overall internal control framework for the vendor modification and payment process that contributed to the fraudulent transactions. In addition to the initial fraudulent instance, two additional instances of fraud were identified relating to two separate vendors. The loss due to the three incidents of the fraudulent redirection of vendor payments totaled \$988,862 and occurred in FY2021 and FY2022.

	The accompanying pages include a summary of the weaknesses noted and the corresponding recommendations to improve and/or strengthen various components of the County's internal control framework.
Recommendations	We made thirteen (13) recommendations to strengthen the internal control framework over the vendor modification process.
Impact on County Governance	The recommendations, when implemented, will improve and strengthen the internal control framework over vendor modifications and payments. County leadership, vendors, stakeholders, and citizens can be assured that vendor modifications are properly authenticated, reviewed, documented, and monitored to minimize, if not eliminate, the fraudulent redirection of vendor payments.

Report Number	2022-005
Report Title	FINAL REPORT – Internal Self-Assessment Quality Assurance Report
Objective	The objective was to determine to what extent the internal auditing activity adds value and improves the County's operations, and to provide assurance that the internal audit activity is in conformity with <i>the Standards and Code of Ethics</i> .
Recommendations	We made seven (7) recommendations to enhance our current department activities.
Impact on County Governance	Compliance with the Standards and ensure that our External Quality Assurance Review is completed in an efficient manner.

Report Number	2022-006
Report Title	FINAL REPORT – Review of Compliance with Kronos Edits
Objective	The overall objective was to perform a review of compliance with Kronos edits with Cobb County timekeeping policies.
Executive Summary	During our preliminary survey, we identified existing controls within the Kronos system and various department controls designed to ensure that Kronos edits are in compliance with the County's timekeeping policies; however, additional countywide guidance and training is needed to ensure the consistency, completeness, and compliance of Kronos edits. Included in the accompanying pages are a detailed synopsis of our results.
Recommendations	We made three recommendations to strengthen the internal control environment over Kronos edits.
Impact on County Governance	The three recommendations along with the corrective actions, when implemented, will strengthen the controls over the edit process in Kronos. County leadership and other stakeholders can be assured that employee pay based on Kronos edits are valid, completed, and properly supported with adequate documentation.

Report Number	2022-007
Report Title	FINAL REPORT – Follow-up-Network Security Audit (Performed by RSM US, LLP)
Objective	The objective was to revisit the Q1 2021 assessment of domains associated the County's network security processes and technology while providing a status on the recommendations from the original Report #2021-001, dated February 23, 2021.

Follow-up Review Summary	<p>During the Q3 2022 review, RSM noted the below summarized results.</p> <p>>Of the 19 observations made by RSM in 2021, 14 have been addressed through technology and process enhancement. Addressed observations include the higher priority items associated with MFA, recommended by RSM in 2021.</p> <p>>For the remaining 5 observations, the County has projects in progress to evaluate and enable solutions.</p>
---------------------------------	--

Report Number	2022-008
Report Title	FINAL REPORT – Review of Compliance with Part-Time (PT) Hours
Objective	The overall objective of this audit was to test departmental compliance with Part-Time (PT) hours as required by the Cobb County (County) Personnel Payroll and Time Keeping policies.
Executive Summary	During our review, we identified twenty-two (22) instances of non-compliance with Personnel Payroll Policy, of which twenty-one (21) instances were attributed to staff shortages, extra staff hours needed to facilitate various County elections, and an increased demand for County services. We also found that part-time employee hours are being reported in the Kronos timekeeping system, but the federal health care benefit coverage eligibility and notification to part-time employees was not completed timely. In addition, improved monitoring controls are needed at both the departmental and countywide level to ensure consistent and complete compliance.
Recommendations	We made four (4) recommendations to improve compliance with the part-time hours requirement set by the Personnel Payroll policy and compliance with the Affordable Care Act (ACA) when part-time employees become eligible for health benefits.
Impact on County Governance	The four recommendations along with corrective actions, when implemented, will improve and strengthen compliance with Personnel Payroll policy and health care benefits requirements. The County and its stakeholders can be assured that part-time employee hours are properly monitored to ensure that additional benefits costs, such as health care, are not incurred outside of the established County budget process.

Report Number	2022-009
Report Title	FINAL SURVEY REPORT – Survey of County Point-Of-Sale (POS) Systems and Collection Practices
Objective	The overall objective was to survey the various methods for collecting credit card payments, including in-person, online, and telephone to evaluate the use of credit card payment systems and processors throughout Cobb County (the County) agencies/departments for consistencies, best practices and to determine if efficiencies can be gained.
Executive Summary	In 2015, the County had a Payment Card Industry Data Security Standard (PCI DSS) compliance gap assessment. As part of this assessment, a list of the County's agencies, departments, and elected official offices that accept credit card payments and the respective credit card processors used was compiled. We determined that the list was not maintained and updated in a countywide comprehensive list. We also observed that there is no centralized function with an oversight and monitoring role of credit card processors.

	Though we observed some consistencies, best practices, and efficiencies, due to the volume of credit card processors; their rates and fees; as well as the lack of an updated list of payment channels and processors; we determined that improvements are needed to strengthen the internal controls over the oversight and monitoring of credit card processing across the County.
Recommendations	We made three recommendations to improve the internal controls on the oversight and monitoring of credit card processing at the County.
Impact on County Governance	The three recommendations when implemented, will strengthen the controls over credit card processing at the County, thereby improving the County's status towards achieving external compliance requirements, and potentially reducing the associated fees. In addition, County leadership and stakeholders can be assured that there is adequate oversight and monitoring over credit card processing.

Report Number	2022-010
Report Title	FINAL REPORT – Cobb County PCI Readiness Assessment Report...(Performed by RSM US, LLP)
Objective	To conduct a PCI DSS readiness assessment and identify weaknesses and create a prioritized road map to meet the compliance requirements.
Executive Summary	According to our analysis, Cobb County, along with each of its departments, has taken the needed steps to mitigate risk by leveraging PCI DSS-compliant third-party vendors for payment acquisition and processing. However, additional action is necessary to ensure that all aspects of Cobb payment card environment are PCI DSS-compliant.
Recommendations	Several recommendations were made to address the County's payment card environment.
Impact on County Governance	A strong information security environment over the receipt of credit cards and compliance with payment card industry standards.

Supplemental Internal Audit Services

Two projects were completed under the supplemental internal audit services contract during CY2022. For details, refer to Report Numbers 2022-007 and 2022-010. As of 12/31/2022, we were in discussions to scope and solicit requests for proposals for CY2023 supplemental internal audit services. As of the date of this report, prospective responses are being evaluated.

Follow-up Reports

The summary of CY2021-22 follow-up reviews were completed and issued in Report #2023-001, dated April 13, 2023.

Projects in Process

(as of 12/31/2022)

The following projects were initiated or in process during CY2022, and the reports will be issued in 2023 unless otherwise stated. Details will be included in the calendar year CY2023 Annual Report.

Engagement Name/Title

Supplemental Letter - Review of Compliance with Kronos Edits (SWAP)
 Review of Compliance with Travel PCard Expenditures
 Review of Mable House Revenue Collection Practices & PCI Readiness
 Review of Compliance with Parking Deck Agreement (LAZ) & PCI Readiness
 Audit Alert (Why?)

Citizen Cost-Savings/Suggestions



of an improvement.

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 CY2022, no suggestions were received; however, one citizen comment began with an email which was directed to County's DOT staff and later resulted in the planning

Consulting Services

Consulting services are advisory in nature without assuming management responsibility. Consulting services



may require participation on committees or panels, the facilitation of studies or reviews, and/or the performance of analyses. These services are generally performed at the specific request of the Board of Commissioners, County Manager, Agency, Department, or Elected Official's office. This process is less formal than assurance services and reports are generally not issued but may be in some instances. For written consulting reports issued, see 'Assurance Services' on Page 11. Additional details of consulting services are reflected below.

The remainder of this page is left blank intentionally
(for formatting purposes).

Consulting Services, continued...

Summary of Consulting Services Provided

[Group and/or Individual Team Members]

Consulting Engagement Name/Title	Agency, Department, or Elected Official Office
CY2022 Actuary Validation w/HR & Finance (Countywide)	HR/Finance
HR/Fire Overtime	HR/Fire
PCard Project Management Team	Purchasing
Interview Committee (HR Director)	County Manager
District Attorney (Investigative Unit)	District Attorney
Extension Services re: UGA Audit	Extension
Probate Court Cash Handling	Probate Court
Validation of FY2022 Year-end Encumbrances	Finance
OnBase Liaison	Information Services
HR Intern Guidance	Human Resources
ARPA Community Health Subcommittee	Deputy County Manager
Citizens Cost Savings Program (Countywide)	Countywide
General Consulting/Telephone Discussions	Countywide

Audit Alerts/Publications

Audit Alerts/Publications are periodically distributed to County agencies, departments, and elected official offices to make them aware of potential risk areas that should be evaluated or to provide guidance to address potential risk areas. During CY2022, three publications were issued.

Alert Number	Date Issued	Synopsis of Audit Alert
2022-A001	7/14/2022	<u>Business Continuity</u> - A provocative way to ensure mission critical operations proceed during disruption.
2022-A002	10/7/2022	<u>Workload Management</u> - Refers to assigning tasks to team members or teams to maximize workforce skills and abilities to achieve the best performance and deliver the highest quality services.
2022-A003	11/14/2022	<u>Behavioral Red Flags of Fraud</u> - Recognizing the behavioral clues displayed by fraudsters can help organizations more effectively detect fraud and minimize their losses.

CY2021-22 Streamlined Risk Assessment Process

Our CY2021-22 streamlined risk assessment⁵ 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.

Due to limited Internal Audit resources, a streamlined risk assessment approach was deployed. The streamlined risk assessment criteria included, but was not limited to, Board of Commissioners' (BOC) strategic commitment areas; Citizens Oversight Committee priority ratings and improvement matrix; input from BOC members, Audit Committee, and County leadership; Internal Audit experience and prior audit work; analysis of emerging risks from industry/professional organizations; analysis of County revenues and expenditures; and outstanding projects from the CY2019-20 Audit Plan. See Table 1 to the right for a complete list of streamlined risk assessment criteria.

Potential audit projects consistent with established priorities were then discussed with the Audit Committee, 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.

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.

CY2021-22 STREAMLINED RISK ASSESSMENT CRITERIA

- BOC Strategic Commitment Areas
- Current or Emerging risk discussions with the following:
 - Board of Commissioners
 - Audit Committee
 - County Manager/Deputy County Manager
 - Finance Director/Comptroller
 - Agency Directors
 - County Attorney
 - County Clerk
 - Information Services Director
 - Internal Audit Team & Professional Organization training
- Emerging risks from industry/professional organizations
- Five-year analysis/trends in revenues
- Five-year analysis/trends in expenditures by object codes
- Recurring/annual projects
- Outstanding projects from the CY2019-20 Audit Plan
- Schedule of Governance, Risk, and Internal Control training (*4-tiered approach*)
- Special projects/requests
- Audit leads from other projects
- Analysis of Available Hours of Internal Audit staff

Table 1 – Source: Internal Audit CY2021-22 Streamlined Risk Assessment

⁵ A risk assessment is a systematic process for assessing and integrating professional judgments about probable conditions or events that may warrant audit coverage.

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 development⁶."

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. Auditors with the Certified Internal Auditor (CIA) must comply with the annual training requirement of (40) hours, and Certified Fraud Examiners (CFE) must comply with the annual training requirement of twenty (20) credits, with ten (10) to be fraud related and two (2) ethics related.

While the IIA Standards do not require a specific number of hours for non-certified Internal Auditors, 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 CY2022, all 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, the Association of Local Government Auditors (ALGA), and the Association of Certified Fraud Examiners (ACFE).

⁶ Per 2022 ALGA Benchmarking Survey, 93% of audit organizations reported that their staff had met continuing professional education requirements.

Staffing and Contact Information

Below is a synopsis of our staff as of 12/31/2022:

*Current Staffing*⁷

See below for our current staffing as of the date of this report:

- Latona Thomas, CPA, CIA, Director
- Erica Brooks Peters, CPA, Division Manger
- Tenaye Francois-Arneson, CIA, CFE, Division Manager
- Margarite Benevento, Senior Internal Auditor
- Rebecca Ash-Allen, Part-time Administrative Team Member

Website: <https://cobbcounty.org/internal-audit>

Additional Acknowledgements

We would like to acknowledge our newest adopted team members: Rose and her handler, Angela Thorne.



Rose is a Labrador retriever that joined the Cobb County District Attorney's office in 2021 to serve as a support resource for victims and staff. Rose quickly became a frequent visitor to the County's Administration Building for meetings and other functions when she won the hearts of the Internal Audit Department team. During her visits, Rose allows team members to break away from their work to experience her friendly, playful, and comforting demeanor. We look forward to her special visits and appreciate Angela bringing her for treats and games. Both brighten our day.

Pictured Left to Right (front row): Rebecca Ash-Allen, Rose, and Tenaye Francois-Arneson; (back row): Latona Thomas, Angela Thorne, Erica Brooks Peters, and Margarite Benevento.

⁷ As of the date of this report, we are in the process of recruiting for a Senior Internal Auditor as approved in the FY2022 budget.

APPENDIX A



COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA, CIA

100 Cherokee Street, Suite 250
 Marietta, Georgia 30090
 phone: (770) 528-2556
 latona.thomas@cobbcounty.org

Director

CY2022 External Assessment of Conformance to the IIA Standards¹

ATTRIBUTE STANDARDS	DESCRIPTION	Results
1000	Purpose, Authority, and Responsibility	GC
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	GC
1100	Independence and Objectivity	GC
1110	Organizational Independence	GC
1111	Direct Interaction with the Board	GC
1112	Chief Audit Executive Roles Beyond Internal Auditing	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
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	GC

¹ Based on the results of the External Quality Control Review, issued 09/30/2022. [Conducted in accordance with guidelines of the Association of Local Government Auditors (ALGA) for the period January 1, 2017 to December 31, 2021]

Equal Opportunity Employer

Cobb County...Expect the Best!
www.cobbcounty.org

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 and Reliance	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
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

PERFORMANCE STANDARDS	DESCRIPTION	GC/PC/DNC
	GC: Generally Conforms PC: Partially Conforms DNC: Does Not Conform	
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	GC
2440	Disseminating Results	GC
2450	Overall Opinions	GC
2500	Monitoring Progress	GC
2600	Communicating the Acceptance of Risks	GC
	IIA Code of Ethics	GC

CY2022 Overall Conformance

DESCRIPTION	GC/PC/DNC
GC: Generally Conforms PC: Partially Conforms DNC: Does Not Conform	
Internal Audit Department's Summary of Overall Conformance	<u>GC</u>

**Association of Local Government Auditors (ALGA)
External Quality Control Review
Certificate of Compliance**



**The Association of Local Government Auditors
Awards this**

Certificate of Compliance

to

Cobb County Internal Audit Department

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with the *International Standards for the Professional Practice of Internal Auditing* for assurance and consulting engagements during the period January 1, 2017 through December 31, 2021.

Corrie Stokes

Corrie Stokes
ALGA Peer Review Committee Chair