From the Editor

By Kenneth E. Spence, CFE

We've said it before—"It's a great time to be an internal auditor!" For us the era of the internal auditor began with the dot-coms in 1995. Most of those firms bet on brand recognition and market share, but without a sustainable business model against which to execute. They also managed to evade deployment of sound business best practices. In 2000 that bubble burst. Not long after, starting in late 2001 came a string of seemingly singular events that made Enron, WorldCom, Global Crossing, Adelphia, Tyco, HealthSouth and others household names. Different companies in different industries in different parts of the country but the same old song—corporate fraud and misconduct. The line of ethical misconduct was crossed many times, largely enabled by gatekeepers' duties seemingly obfuscated by lucrative financial incentives

Enter Sarbanes-Oxley with the requirement to evaluate systems of internal controls. Many in senior management complained about the cost to comply. Few, if any, were sympathetic about the significant cost ineffective and missing internal controls had on investors as well as on investor confidence in our country's financial systems.

Hello sub-prime mortgage mess. In 2007 we awoke to why our homes had been going up in value so quickly. It also brought us charges of more corporate fraud and misconduct, in addition to incredible top-management compensation packages. How do you spell greed? A call for corporate transparency went out across the land. The electorate brought the country a new administration in Washington which promptly ushered in 'bailouts' and new legislation. Lay-offs, rising unemployment, foreclosures, mergers, bankruptcies, consumer spending reductions, increased taxes, and public services cutbacks have been the fallout.

Internal auditing has established a beachhead amidst these conflicts. Soon you will be updating your risk assessment and developing next year's audit plan. In times like this your audit plan should include those risks that impede adequate cash flow, access to capital, and liquidity. It should also address inventories (booked and un-booked), and confirm billing and accounts receivables processes. Other identified key risks and their mitigation scenarios (best case, worst case, and steady state) need to be on the audit plan. You should watch those balance sheet items carefully. We hope you will consider *New Perspectives* articles as part of your planning process. They highlight many other issues you should be concerned with.

The lineup of articles in this issue of New Perspectives provides an excellent basis for moving forward in the new audit year. Whether it's the latest on COSO Monitoring Guidance, or implementing a CobiT Framework, auditing a new payroll system, employing consulting skills, understanding consequences of choices, redesigning audit reporting, or advice for small audit shops. It's all there, and our cast of outstanding columnists continues to shower you with their sage wisdom.

We can be certain of uncertainty. The epidemic of greed, fraud, and corporate misconduct will persist, thus giving pro-active internal audit departments many opportunities to provide valued services to their organizations. The tag line in an Aspen, Colorado newspaper says it best we think, "If you don't want it printed, don't let it happen." That could be our battle cry in these turbulent times.

Read well. **NP**

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