

From the Editor



By Kenneth E. Spence, CFE

I awoke from a deep sleep the other night and thought, "WOW! Is there anything in this country of ours that is working right?" As this column is being written the looming question is whether there will be a Big 3 or a Big 0. Struggling with issues even Harvard Business School's wildest case study could not dream up, the auto industry CEOs are in Washington seeking financial help, while grandstanding Senators, who are contributors to a big part of that industry's and the country's issues, reduce Detroit's problems to the lowest common denominator for their constituents—the CEOs should fly commercial.

Many corporate Board members feel they have been blindsided by recent events while others wonder if they might be next in line. "How could it be? We hired what we thought were very good people, established good communications and reporting channels and then granted what seemed to be appropriate authority. They and others told us the controls the organization and we had were in place worked fine. We even hired people to check and report to us on finances, control effectiveness and other issues. What happened?"

Why didn't Boards have access to information they really needed? The answer to this question will be the subject of debate for years. You can be sure one outcome from this will be corporate governance under the microscope again with resulting regulations and standards to promote even greater corporate transparency and accountability. How will our role as internal auditors change? Should it change?

I reported to three Boards twice a year spending many hours preparing comprehensive reports on audit and compliance. I often felt my expertise and skills would have been better utilized by doing my 'real job' of actively overseeing what I was responsible for rather than spending so many hours writing about what we did, found and had yet to do. I visualized a much less time consuming but more effective reporting approach, but until Board members became more facile with personal computing I filed it in my 'audit concepts' lock box, as an idea slightly ahead of its time. Personal computing is now well entrenched with the average Board member. It's an ideal time to take the lid off the lock box and share what I will label, a full disclosure, transparent and green reporting model. Since that defies an acronym let's give it a working title—Share It All Model (SIAM). In sharing SIAM, I risk divulging that I am somewhat technology-challenged. For those of you without this adversity try to grasp the concept and apply your computer literacy as appropriate.

The idea is to create an encrypted, password protected, read-only site on your department's file server to which you would grant access rights to Audit Committee members and senior management. Arriving at your homepage the graphical user interface displays a number of 'window panes' upon which they can click. Each home page click drills to several possible levels of information.

For instance, they click on 'Enterprise Risk Management' and a page appears showing three buttons: *IIA Standards (2010 & 2120)* which when selected pulls

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up that Standard; *Our Assessment Process* yields a discussion of your ERM process; and *Results by Year* shows 7 years of risk assessment results. Back at the top level they click on 'Audit Plan' and see four buttons: *IIA Standards (2010 & 2130)*; *Our Audit Plan Process* which when selected pulls up a discussion on how your plan is developed; *This Year's Audit Plan & Coverage* pulls up the audit plan with various graphs and charts showing the depth and breadth of coverage; *Prior Years Audit Plans & Coverage* show similarly the 7 prior years.

Returning to the home page they click on 'Audit Schedule' and have three buttons to choose from: *IIA Standards (2020 & 2030)*; *This Year's Schedule*; *This Year's Status (as of)* with current stats and year to year comparisons. Back at the home page selection of 'Audit Reports' gives them more buttons to select from: *IIA Standards (2060, 2440 & 2500)*; *Completed Reports*; *Management Responses*; *Status of Recommendations (as of)*.

The selection of 'Value' brings them to buttons for: *IIA Standard (2000)*; *Hard and Soft Dollars*; *Other ascribed value*; and *Management compliments*. They could choose to click on 'Budget' and see buttons for: *IIA Standard (2030)*; *Current Year*; *Past Years (7 years of budgets)*.

If they select 'Staff' that will bring them to: *IIA Standards (1210, 1220 & 1230)*; *Individual staff members* with color headshots and bios (experience, education & credentials), *job description*, and *recent training received* (past several years); *Approved staff complement* and *Open positions*; and *Department organization chart*.

They can also select 'Governance' to see: the *Organization's Mission statement*, *By-Laws and Major policies*; *Audit and Compliance Department charters*; the

Audit Committee Charter, the complete *IIA Standards*, *COSO* and *SOX*. Finally, from the home page they (and this is very controversial) select: 'CAE annual performance reviews' to see all of the CAE's performance reviews. The idea here is to ensure everyone knows how management 'officially' believes the CAE is doing his/her job overall and whether there are areas of performance concerns, as well as perhaps providing some downside protection when the CAE reports adverse events and activities.

Well, that is SIAM. Applying a SIAM-like approach eliminates time consuming periodic reporting to the Audit Committee because the members have full access to all available plans, activities and results 24/7. The information they see on your file server is not filtered or selective. Those periodic carefully constructed reports to the Audit Committee? They are outdated since the reports now only need to be a single page summarizing your impressions of organization controls overall. SIAM produces a great reduction in report preparation time. At Audit Committee meetings you simply access your department file server, share a few prepared remarks and be ready to respond to their questions. You can claim credit for being green since those large once-read paper reports disappear.

Sharing it all is a change whose time has arrived. As the name suggests, the Audit Committee members will have all the information they need relating to the internal audit function for which they are responsible. The Compliance function can also use this approach. It will be a learning experience for all involved, but pacesetting internal auditors should begin to consider what changes in communication need to occur between them and their Boards.

Speaking of change notice our new look. We have modernized our cover page masthead, the first such change since *New Perspectives* began over twenty years ago. What you see is the final choice of the Editorial Committee and Board after evaluating many options. We hope you will like it.

Our recent *New Perspectives* Readership Survey showed very positive ratings by our readers. Almost 96% thought the topics were both timely and useful in planning audits. We almost scored 100 when 99.4% consider *New Perspectives* to be well written. Many respondents want to see articles that provide more detailed audit steps. We are working on that, but it will take you to help make this request a reality. If you can write an audit report you can write an article for *New Perspectives*. It will help your career and your peers! We are asking you to set an annual goal to contribute an article on an audit you have performed recently. Did you know that if you have written a report then your article is more than half done? Check out the AHIA website for a copy of our Writer's Guidelines that will help you. We'll work with you to give the article the necessary balance and polish.

Our line-up of articles for this first issue of 2009 is exciting. Rather than reciting what you can read in the Table of Contents or via the feature article Executive Summaries, rest assured we are bringing you authors from among the very best 'in the business.' We are sure you will benefit from the knowledge and expertise they bring.

As we kick off our first issue of *New Perspectives* for 2009 we make the commitment to continue to provide you the information necessary to support your professional success.

I wish you good reading. **NP**