Value-Added Auditing

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IIA Austin
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Session Highlights

- Adding Value..More Than An Expression
- On the Forefront of Current Issues
- Orienting & Educating the Audit Committee
- Focus on Risk
- Recruiting and Retention…Raising the Bar
- Other Best Practices
Adding Value:
Real Audits….Real Benefits!

- Officer Compensation and Expenses
- Employee Benefit Programs (Pensions, 401K, Medical, Dependent Health Care Eligibility, etc.)
- Third party vendors
- Contract Compliance (Structured Bid Analysis, Routine Competitive Cost Analysis, etc.)
Other Value Added Audits

- Advertising
- Construction
- Payroll (really!)
- Accounts payable
- Sales & use tax; fuel taxes; payroll taxes
- Telecommunications
### Adding Value: Highlight Accomplishments!

<table>
<thead>
<tr>
<th>Recoveries 000's</th>
<th>Other Identified Opportunities 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Audits</strong></td>
<td></td>
</tr>
<tr>
<td>$ 3,900</td>
<td>$ 640</td>
</tr>
<tr>
<td><strong>Field Audits:</strong></td>
<td></td>
</tr>
<tr>
<td>Administrative Offices</td>
<td>540</td>
</tr>
<tr>
<td>Airport Ticket Offices</td>
<td>520</td>
</tr>
<tr>
<td><strong>Corporate Audits:</strong></td>
<td></td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>280</td>
</tr>
<tr>
<td>Accounting &amp; Finance</td>
<td>120</td>
</tr>
<tr>
<td>Other</td>
<td>270</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 5,630</td>
</tr>
</tbody>
</table>

*Example Schedule - For Illustrative Purposes Only*
Adding Value: Internal Audit Alumni

Over 50 Former Internal Auditors Continue To Add Value Throughout The United Organization…

<table>
<thead>
<tr>
<th>VP-Reservations</th>
<th>Cargo Accounting Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Accounting Managers</td>
<td>Finance Directors &amp; Managers</td>
</tr>
<tr>
<td>Corporate Real Estate Managers</td>
<td>International Accounting Managers</td>
</tr>
<tr>
<td>Dining Services Manager</td>
<td>Sales &amp; Marketing Directors</td>
</tr>
<tr>
<td>Division Controllers</td>
<td>Technology Managers</td>
</tr>
</tbody>
</table>
Forefront of Current Issues

- Social Media
- ERM Revisited
- AI

- Sustainability
- Ethics Hotlines
- Fraud
- Data Analytics
- Cybersecurity
Forefront of Current Issues

Ethical Environment

We Don't Perfume The Pig!
## Audit Committee Orientation

<table>
<thead>
<tr>
<th>Financial Statement Item</th>
<th>Significant Acctg Policy / Estimate</th>
<th>Critical Acctg Policy (Y/N)</th>
<th>Includes External Audit Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>Cash Receipts Cash Disb.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spare Parts &amp; Supplies</td>
<td>Inventory Maint. Expense</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Routes / Airport Operating Right</td>
<td>Impairment – Routes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Pensions</td>
<td>Pension Acctg</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Critical Acctg Policy (Y/N):

- Yes (Y)
- No (N)
## Audit Committee Orientation –
### Internal Audit Reports

<table>
<thead>
<tr>
<th>Rating</th>
<th>Audit Entity</th>
<th>Date Completed</th>
<th>Follow-up Scheduled</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>XXX-ATO</td>
<td>1/02/07</td>
<td></td>
<td>Excellent measures identified over cash and accountable documents at this ATO.</td>
</tr>
<tr>
<td>Good</td>
<td>Yield Mgmt System</td>
<td>1/31/07</td>
<td></td>
<td>Effective measures observed in the Revenue (Yield) Management System activities.</td>
</tr>
<tr>
<td>Needs Improvement</td>
<td>XXX-ATO</td>
<td>9/16/06</td>
<td>Within 1 year</td>
<td>Enhanced controls over cash handling and accountable documents needed at this locale. For example: Monthly physical inventory of accountable documents is not performed.</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>XXX-ATO</td>
<td>5/6/06</td>
<td>4(^{th}) Quarter</td>
<td>See detailed report attached.</td>
</tr>
</tbody>
</table>
## Audit Committee Orientation – External Auditor’s Assessment

*(illustrative example only)*

<table>
<thead>
<tr>
<th>Area</th>
<th>Level of Subjectivity</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>Low</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Maintenance Expense</td>
<td>Low</td>
<td>Acceptable, but Conservative</td>
</tr>
<tr>
<td>Tax Contingency Reserve</td>
<td>Moderate</td>
<td>Acceptable</td>
</tr>
</tbody>
</table>
Quality Assessment Review (QAR)

QAR – Adds Value

- Senior management and Audit Committee focus on Internal Audit function
- Best Practices
- Feedback from customers
- Everyone gets audited (including the auditors)
Corporate Risk Assessment

EVALUATING THE RISKS
(illustration only)

- Cash Mgt
- Aircraft Rentals
- Advertising
- PAC
- Employee Uniforms
- Company Store

$ Impact

LOW

HIGH

Rev Mgt

LOW

HIGH
1st Rule of Thumb in Best Practices… Recruit the Best!

- Big 4 Public Accounting Experience
- Advance Degrees/Certifications (CIA, CPA, CISA, CRMA, MBA)
- Strong Interpersonal Skills
- Proven Technical Proficiency
- Preferred Industry Experience
- Culturally Diverse
- Bilingual Experts
2nd Rule of Thumb in Best Practices...
Retain the Best - “Focus on Flexibility”

- Staggered Work Schedules
- 9/80 Work Weeks
- Compensatory Time Off
- Staff Input of Preferred Audit Project
- “Lunch & Learn” Training Sessions
- Team Building Events
- Peer Mentoring
- Perfect Attendance Program-Ford Explorer Raffle
- Identify “other” soft-dollar incentives
Even More Best Practices We Started

- Audit Rating System
- Audit Honor Roll
- “Outstanding” Plaques
- “Other” Company Personnel participate on audit
- Staff to Audit Committee Meetings
- Executive of the Month
- Recruitment Referral Bonuses
- Casual Work Environment
- Professional Affiliation Enrollment
- Monthly staff meetings
- Audit Process Satisfaction Survey

“Try Something New!”