The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.
WELCOME

Lori Laubach, CHC
Partner

Shirley Komoto, CIA, CHC, PMP
DIRECTOR
INTRODUCTIONS

• Name
• Organization
• Reporting structure
• Size of department
• Thoughts
AGENDA

• Introductions and Survey Information
• Roundtable Discussions
  o Selected Topics
  o Internal Audit of Future
• Closing and Key Takeaways
WHERE DOES THE CAE DIRECT REPORT IN YOUR ORGANIZATION?
WHAT KEY FUNCTIONS ARE INCLUDED IN YOUR ORGANIZATIONS INTERNAL AUDIT UMBRELLA?
DO YOU HAVE FORMAL PROCESSES THAT ANNUALLY ADDRESS FRAUD RISKS?
DOES YOUR DEPARTMENT CONDUCT INTERNAL AUDITS IN THE FOLLOWING AREAS?

- Financial
- Operational – Supply Chain
- Operational – Revenue Cycle
- IT and Cybersecurity
- Compliance
- Other (please specify)
HOW MANY FTE’S IN INTERNAL AUDIT?

<table>
<thead>
<tr>
<th>Number of FTE’s</th>
<th>Count of Responses</th>
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<tbody>
<tr>
<td>1</td>
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<tr>
<td>18</td>
<td>1</td>
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<tr>
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</tbody>
</table>

Plus consultant equivalent of another 2
ALIGNING RISK AND AUDIT EXPECTATIONS INCREASINGLY RISKY AND COMPLEX BUSINESS LANDSCAPE

• How is your IA department aligned with the expectations of your key stakeholders?
• How does your IA department help your organization achieve its strategies and raise your organization’s performance and value?
• What are the main obstacles that hinder your department in adding significant value to your organization?
COMMUNICATING AUDITS
Changes in messaging, delivery, monitoring, tracking, reporting

• What is the best way to communicate audit results that builds buy in and contributes to positive change?
• How do you create recommendations that address the risks and help management achieve their objectives?
• How do you monitor remediation to ensure that recommendations are implemented and institutionalized? What tools, apps?
• What best practices have you seen?
DATA ANALYTICS AND PREDICTIVE MODELING IN INTERNAL AUDIT

• How are you using data analytics in IA today?
• How many of you have direct access to pull data when needed?
• What are the challenges and opportunities for improvement regarding data analytics?
• What are the best practices you have seen, opportunities?
• How would you rank the data analytics capability maturity in your organization?
ENTERPRISE RISK MANAGEMENT

• How does your organization stay on top of changing and emerging risks?
• How do you incorporate data analytics into your risk assessment?
• What functions and disciplines are in your risk assessment process?
• How do you prioritize risks?
• Do you monitor risk response?
• How would you rank the capability maturity of risk management in your organization?
INTERNAL AUDIT FUNCTION

• How does your organization align IA with rapid changes?
• How does your department standardize processes across decentralized operations?
• How do you maintain independence? Challenges?
• Auditing versus monitoring?
• What is your process to track, report, escalate and validate corrective actions? Do you include recommendations from all audit and consultant reports?
• What are your gaps?
THE FUTURE OF INTERNAL AUDIT

• What are the challenges facing IA now and in the future?
• What does IA need to do to address those challenges and increase the stature, influence and impact in your organization?
• What are the best practices you have seen?
NEXT STEPS

• Key takeaways
• Roundtable notes
THANK YOU FOR A GREAT SESSION!!

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(253)284-5256

Shirley Komoto
Shirley.Komoto@mossadams.com
(562)618-7993
# MAGNUM HUNTER RESOURCES CORPORATION

<table>
<thead>
<tr>
<th>Entity</th>
<th>SEC Enforcement Action</th>
<th>Civil Monetary Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>MHR</td>
<td>Failed to properly evaluate and apply applicable ICFR standards and improperly concluded that MHR had no material weaknesses</td>
<td>$250,000</td>
</tr>
<tr>
<td>Former CFO Ronald Ormand</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Former CAO David Krueger</td>
<td>Suspended from appearing and practicing before the SEC as an accountant</td>
<td></td>
</tr>
<tr>
<td>Former MHR Consultant Joseph Allred</td>
<td>Improperly evaluating the severity of MHR’s internal control deficiencies and misapplying relevant standards for assessing deficiencies and material weaknesses</td>
<td>$15,000</td>
</tr>
<tr>
<td>Former audit engagement partner Wayne Gray</td>
<td>Suspended from appearing and practicing before the SEC as an accountant</td>
<td></td>
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## Environmental Scan: Emerging Risks and Opportunities in Health Care

<table>
<thead>
<tr>
<th>Emerging Risks and Opportunities in Health Care</th>
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</thead>
<tbody>
<tr>
<td><strong>1.</strong> DATA MINING AND DATA ANALYSIS** are transforming government oversight and health care provider self-monitoring. As organizations grow their data analysis tools and expertise, data mining and analysis will help to improve compliance and health care delivery efficiency and effectiveness and ultimately to focus resources on those interventions that can produce the best health care outcomes.</td>
</tr>
<tr>
<td><strong>2.</strong> CONTINUED RISE OF RETAIL HEALTH CARE (e.g., Walmart, CVS) will continue to redefine where people seek care, increase patient choice and access and will continue to erode traditional forms of delivery.</td>
</tr>
<tr>
<td><strong>3.</strong> PATIENT CHOICE – PATIENT POWER** are growing opportunities for patients to participate in health care decision-making and choose providers, the end-of-life movement and growing consumerism with Yelp reviews of hospitals and physicians, diagnosis by Google, WebMD and websites that compare costs or outcomes by provider, etc. Balancing consumerism in medicine with appropriate clinical diagnosis and management will be an increasing challenge.</td>
</tr>
<tr>
<td><strong>4.</strong> CONFLICTING GOALS OF OPEN HEALTH CARE INFORMATION AND PRIVACY** and protected health information are creating ethical and legal issues for all health care providers.</td>
</tr>
<tr>
<td><strong>5.</strong> CONNECTIVITY ACROSS THE CONTINUUM OF CARE** from patients, physicians, acute and ambulatory care, laboratories, pharmacies, procedure centers, hospice, home care, etc., will increase access to information and treatment, will increase patient choice, and will also change the ways in which care is delivered. Quality and continuity of care are challenges that will need to be carefully considered.</td>
</tr>
<tr>
<td><strong>6.</strong> RISE IN TELEMEDICINE** which is remote health status diagnosis, treatment and monitoring and mobile health care devices will increase access to health care and will accentuate the corresponding vulnerability of patients, providers and systems to cyber threats.</td>
</tr>
<tr>
<td><strong>7.</strong> ABILITY TO CONTROL GENETICS OF HUMANS** animals and agricultural plants will impact human welfare and will result in a worldwide dialogue about accompanying ethical, legal and moral issues.</td>
</tr>
<tr>
<td><strong>8.</strong> CONVERGENCE OF 3D DIGITAL DESIGN, MEDICAL IMAGING AND 3D PRINTING** is allowing physicians to use patient-specific data to deliver small-scale personalized medical solutions today (e.g., dental implants, prosthetic hands) and will revolutionize surgical practice in the future.</td>
</tr>
<tr>
<td><strong>9.</strong> BIONIC PEOPLE** and the increasing use of medical devices, implants and smart drugs are increasing wellness and longevity, however, new risks such as cyber threats are introduced.</td>
</tr>
<tr>
<td><strong>10.</strong> CONVERGENCE OF NANOTECHNOLOGY, BIOTECHNOLOGY, INFORMATION TECHNOLOGY AND COGNITIVE SCIENCE** will eliminate disease, accelerate healing, increase longevity and increase counterbalancing ethical and technological challenges. For example, food is being bioengineered to promote health and extend longevity; however, the long-term effects of bioengineering food and the economic implications of longer life are counteracting forces.</td>
</tr>
</tbody>
</table>
QUESTIONS TO ASK GROUP

• For those internal audit functions that manage their organization's FWA hotline, what practices have you implemented to help make it successful?
• What strategies do you use to help your auditors complete their audits within a reasonable timeframe?
• Enhancing the internal audit function.
• What are other IA organizations doing surrounding fraud risk management?
• Audit Committee reporting (level of detail, creative reporting ideas, SOX results reporting)
  o How do you define your audit universe?
  o What are the keys to a successful rotational model?
  o How are you approaching data analytics?
• Share audit manuals?
• Evaluation and communication of deficiencies to the Senior Management Team
• Successful collaboration with various departments
• Process or tools for maintaining SOX documents and information. 2. Experience with Co-Sourcing due to challenge in finding talent.
• How to address risks proactively and how data analytics can be used during all phases of the audit process - not just during testing.