February 2014

Happy February Spokane Chapter members of the Institute of Internal Auditors! Hope everyone had a good month.

This is your official IIA Chapter newsletter, which will be coming to you on a monthly basis this chapter year. We hope the information in this newsletter will be useful in bringing relevant information to your attention, including topics such as recent news that pertains to our profession, upcoming trainings, tips, and lessons that we hope will help you in our mutual pursuit of auditing.

In the News

Records Exposed Hit New High in 2013 (01/24/2014)
The alliance, a not-for-profit group of technology and security providers, online security and privacy advocates and government agencies that promotes online trust, this week issued its annual Data Protection and Breach Readiness Guide. The alliance claims that its research verifies that more than 740 million records were exposed in 2013 data breaches worldwide, making last year the worst ever for records exposure.


With insider-related fraud up 43% in 2012, clearly traditional security approaches are not working. Data loss prevention (DLP) systems, Internet monitoring tools and other controls are failing to stop a growing number of data breaches linked to insiders.


Clerk Sentenced to Jail for Stealing $18K in Unemployment Benefits (01/21/2014)
A former unemployment insurance clerk for the New Jersey State Department of Labor and Workforce Development was sentenced today for stealing $18,825 in unemployment benefits by using her access to the department’s computer system to redirect benefits from unemployment claims to her own bank account.

http://www.nj.com/middlesex/index.ssf/2014/01/former_nj_labor_department_clerk_sentenced_to_a_year_in_jail_for_stealing_18k_in_unemployment_benef.html
A Look Ahead…To Spokane Chapter Events

Chapter Luncheons

*Additional information on the topics and registration process will be provided on the [Chapter website](#) as well as in future communications.

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**MARCH 2014 LUNCHEON:**

**Financial Reporting Frauds and Risk Indicators**

March 5, 2014

11:30AM-2:00PM

$30.00 per participant – box lunch included

*Ryan Sturgis, CPA*
Senior Manager, Moss Adams Financial Services Group

*John Hancock, CPA*
Partner, Moss Adams Portland

**STCU**

106 West Nora Avenue
Spokane, WA  99205

**NOTE:** Please do not park in member reserved parking spots closest to the branch. Parking is available on the street or in the adjacent parking lots.

All attendees will obtain an understanding of lessons learned from prior scandals, current trends in financial reporting frauds, and ways to identify red flags in your own institution’s financial statements.

About the Presenters:

*Ryan Sturgis has worked in the Moss Adams Financial Services Group since 2001 with a specific focus relating to banking and credit union engagements. He is a common speaker at various internal and external regional and national events. Prior to joining Moss Adams, Ryan worked in the consumer finance division of a national bank. Ryan received his BA in Business Administration from Washington State University.*
John Hancock has over 30 years of experience in public accounting with Moss Adams LLP and is the leader of the firm’s Financial Services Group. John manages financial audit engagements, provides management recommendations for cost savings and efficiency improvements, assists with regulatory compliance and implementation issues, initiates profitability enhancements, and develops projections, forecasting, and feasibility analyses. John also provides merger and acquisition consulting and consults on risk management evaluations.

Prior to joining Moss Adams, John was a vice president in the corporate banking division of a national bank.

Sign up on our Eventbrite site prior to 02/27/2014:


APRIL 2014 LUNCHEON:

Auditing with Excel II
April 17, 2014
12:00 PM – 4:00 PM
Stephen Hunt
Staff Auditor, AmericanWest Bank

Global Credit Union
1520 West 3rd Avenue
Spokane, WA 99201

Back by popular demand! This half-day session will focus on discovering more secrets and tricks regarding auditing with Excel. Stay tuned for more details to follow in next month’s newsletter.
Other Training Events

IIA Members-only webinars:

The Insider Threat is the Most Serious Threat (02/25/2014)

On-demand 24/7 Webinar Playback

One benefit of being an IIA member is having access to an extensive library of archived webinars.

NOTE: On-demand webinars do not qualify for NASBA CPEs.

Click HERE for additional details on these members-only webinars from the IIA.

Chapter Announcements

Contact Stephen Hunt, Newsletter Editor, at Stephen.Hunt@awbank.net to include an announcement in an upcoming IIA Chapter Newsletter.

A valuable resource from the IIA is the new CIA Learning System Self-Study manuals. The Learning System is a comprehensive training course designed to provide chapters, members, and the audit community of professionals with information and tools to master the global exam syllabus. These tools can be purchased on the Institute of Internal Auditor’s site:

https://store.partnerrc.com/IIA/chapters

IIA Chapter Members can save an additional $100!
Chapter 138 Officers 2013-2014

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Dawn Flerchinger

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Membership Chair
Melanie Shanks

Newsletter Editor
Stephen Hunt

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Job Postings

Clearwater Paper
Internal Auditor II
Spokane

Apply online at:
http://clearwaterpaper.com/

AmericanWest Bank
Senior Auditor
Spokane

Apply online at:
http://www.awbank.net

Back to Basics

Sometimes it’s good to get back to the basics of something we do every day. In this section of the newsletter we will review some of the basic skills and practices that internal auditors use on a daily basis. This month’s topic deals with the writing quality of our audit reports, and is based on Sally F. Cutler’s Designing and Writing Message-Based Audit Reports1.

Audit Reports: Writing Quality

The logic fostered by a good report design goes a long way to providing its readers with a clear, readable report. However, design must also be supplemented by content that is clear and readable.

Professional Practice Advisory 2420 notes:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

Readability

Readability in American English is a complex issue. Text factors affecting readability include the length and complexity of the sentences, the relative familiarity of the words used, and the page design and other graphic design elements. However, readability cannot be assessed in the absence of readership assessment. Readability is dependent on the reading skill, the content familiarity, and the attitude of the reader, as well as the psychological and physical environment in which the reading takes place.

Some general principles of readability are clear and are worth applying to report writing. Specifically, sentences should be held to a readable length, and words should be selected based on their familiarity to the reader.

Numerous readability measurements are available, including those supplied with most word processing software. Such measurements can be helpful in assessing the relative ease or difficulty a reader may face in reading a report.

There are other practical approaches that can also help you assess readability. Some writers find that reading aloud reveals overly long sentences – you run out of breath before the period! Most writers also benefit from objective, peer-reader feedback. When you ask for such feedback, be sure to clarify the writing concerns on which you are seeking feedback. Such clarification helps the reviewer focus his or her efforts and is more likely to result in feedback that meets your needs.
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Tone

Tone is created almost exclusively by the words you use. Because even a balanced audit report contains “bad news” for the auditee, the tone of the writing is significant. You want your readers to be persuaded to take action, and such persuasion is more effective if the tone of the writing is objective. Objectivity, of course, demands a focus on the accuracy of the conditions and the reasonableness of your opinion. Still, strong messages are often necessary to communicate the severity of the exposures. Thus, the aim is to use an objective tone to deliver honest, clear messages – even when the messages contain bad news.

Connotation

An objective tone is achieved by attending to the connotation of the words. “Denotation” is the meaning of a word, and “connotation” is its shading, coloring, implication, or emotional baggage.

Some words carry little connotation and some words carry a lot. In general, the more vivid the image the word summons in the reader’s mind, the stronger it connotation. For example, “fumbling” is stronger than “awkward” because “fumbling” calls up a more vivid image. Since abstract words usually do not call up vivid images, abstract words usually have weaker connotations.

However, responses to the connotations of words are conditioned by culture and individual experience. This is why readers will inevitably have somewhat different reactions to the tone of messages, especially when they are negative messages. It is worthwhile to understand that an unexpectedly strong reaction to your writing may be triggered by a difference in response to the connotation of one or several words.

Words with strong negative connotations set up obstacles for the reader, who can become preoccupied with the tone and so lose focus on the message. Readers who become defensive or combative because of the tone of the writing cannot be expected to attend to the messages or to be persuaded to take action.

Conclusion

Many other factors come into play when writing an accurate, objective, and concise audit report. It is important to remember the audience that one is trying to reach, and to write to persuade, not just to inform. When in doubt, have a helpful team member review your report. The insight from a second pair of eyes could be the difference between a good and bad final product.
As always, have a great month, and Happy Auditing!

- Your Spokane Institute of Internal Auditors Officers

Have luncheon topic or training ideas?
Please contact Stephen Hunt at Stephen.Hunt@awbank.net.

IIA Newsletter articles or comments?
Please contact Stephen Hunt via phone, (509) 434-3771, or email, at Stephen.Hunt@awbank.net.