July 2014

Happy July Spokane Chapter members of the Institute of Internal Auditors (IIA)! 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.

**Chapter Opportunity**

An exciting opportunity to participate in a leadership role within the Spokane Chapter of the Institute of Internal Auditors is now available! The position of Treasurer is currently open for the 2014-2015 chapter year (current membership with the IIA is required). Serving in this position is an excellent way to build a résumé and to demonstrate accounting and reporting skills while handling the day to day duties of managing the financial matters for a nonprofit organization. If you are interested in serving as the next Treasurer for the Spokane IIA Chapter, please contact David Gifford by email (David.Gifford2@awbank.net) with a brief description of your interest in the position and any background (education, work) in accounting.
In the News

How can internal audit be made really effective? (06/24/2014)
Simply stated, internal audit is audit done independently by an organization’s own people while external audit is done by people coming from outside organizations like Directorates under the Office of the Comptroller and Auditor General of Bangladesh for government organizations and offices, or chartered accountant firms in case of companies and other private organizations.
http://www.thedailystar.net/op-ed/how-can-internal-audit-be-made-really-effective-30012

Ford lowers mpg estimates on 6 models after internal audit (06/12/2014)
Ford Motor Co., admitting that it made a mistake in calculating fuel economy estimates for several car models, including hybrids, will revise the mpg ratings downward and repay owners for the added fuel costs. It is the second time in a year that Ford has had to re-label vehicle mpg ratings and underscores the intense pressure on automakers -- from the EPA and customers alike -- to make sure that mpg labels reflect real-world fuel economy.

Spokane developer sentenced for fraud charges (06/10/2014)
Spokane developer Greg Jeffreys was sentenced Monday for fraud charges dating back to 2006. Jeffrey's pleaded guilty in November 2013 to multiple charges including wire fraud, bank fraud and conspiracy to commit felony criminal contempt.

2 Reasons Your Audit Report Fell Flat
The audit report is a critical part of the audit process. It, at a minimum, formally communicates to stakeholders the state of a control environment. The reporting phase is oftentimes troublesome.
http://www.thatauditguy.com/2-reasons-audit-report-fell-flat/
**A Look Ahead…To Spokane Chapter Events**

**Chapter Luncheons**
*Additional information on the topics and registration process will be provided on the [Chapter website](http://www.theiia.org) as well as in future communications.*

No Chapter Luncheons are planned during the 2014 summer months. Check back later for details on our fall luncheons.

- September 2014 – TBD
- October 2014 – TBD
- November 2014 - TBD

**Other Training Events**

**IIA Members-only webinars:**

- **Pulse of the Profession** (07/15/2014)
- **Independent Audit Committees in Public Sector Organizations** (07/23/2014)
- **Risks Around Social Media** (08/19/2014)
- **Hot Topics in Compliance** (09/04/2014)
- **Internal Audit – the World’s Greatest Profession** (10/02/2014)
- **Master Data: Best Practices and New Challenges for Internal Auditors** (11/18/2014)

**On-demand 24/7 Webinar Playback**
One [benefit of being an IIA member](http://www.theiia.org) is having access to an extensive library of archived webinars.

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

Click [HERE](http://www.theiia.org) for additional details on these members-only webinars from the IIA.
Chapter Announcements

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

Job Postings:

Horizon Credit Union
Internal Auditor
Spokane

Spokane Teacher’s Credit Union
Senior Auditor
Spokane

Apply online www.hzcu.org

Apply online www.stcu.org

Volunteer Opportunity:

Calling all Certified Fraud Examiners (CFEs) –

The Gonzaga Justice for Fraud Victims Project (JFVP) is looking for two CFE mentors during its fall semester. The Justice for Fraud Victims Project (JFVP) is a joint partnership of state, local, and federal law enforcement officials, local Certified Fraud Examiners (CFEs), and Gonzaga University students and faculty formed to assist victims of fraud in the Inland Northwest.

The fall semester runs from 9/2/14 through 12/19/14, with classes currently scheduled for Thursday evenings. Mentors typically meet with a student group for 1-2 hours each week during that class time. JFVP mentors must be CFEs.

Interested candidates should contact Lenore Romney at lenorer@hmacpa.com.

Have training or newsletter suggestions or comments?
Contact Stephen Hunt via phone, (509) 434-3771, or email, at Stephen.Hunt@awbank.net.
Ideas Needed!

We are currently looking for ideas for next year’s luncheons. If you have an idea for a topic you’d like to learn more about, or if you know of a speaker that would be beneficial to hear from, please contact us!

Resignation of our Chapter Treasurer

It is with deep regret that we announce the resignation of our chapter Treasurer, Dawn Flerchinger. As a valued member of our board over the last year, Dawn was appreciated by all who had the opportunity to work with her.

On behalf of the Institute of Internal Auditors Spokane Chapter, please join us in wishing Dawn a very big thank you for all she has done for our chapter!

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!
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 is on “Auditees” vs. “Audit Customers” – Does It Make a Difference? By Phil Flora of IASessions.com (http://IASessions.com/articles/audit_f01.php)

“Auditees vs. Audit Customers” – Does It Make a Difference?

Positive Interaction with Others:
Do words, facial gestures and tone we use when interacting with others make a difference? My experience is yes! A smile and a positive word can help in fulfilling your role as an auditor without creating conflict by doing something as simple as being pleasant and courteous. Aggressive questions and unreasonable demands can start a relationship on the wrong path.

Several years ago I was in my office trying to complete a workpaper review and received a call from a management person asking me why an auditor that reported to me thought she was doing something inappropriate. I said calmly why/how did you come to that conclusion. Please help me understand. There wasn’t a tone of defensiveness in my voice. The first thing I needed to accomplish was to gather enough information to determine what went wrong. She stated that the auditor performing work in her area of responsibility never smiled and wrote notes every time she said something. How did the auditor demonstrate to the audit customer that there was a significant problem?

Communication Issues:
The following communication issues were underlying the situation:

- Audit process wasn’t clearly explained to the audit customer
- Auditor wasn’t aware of the potential conflict with the customer through body language, voice tones, etc.
- Interviewing and writing comments is a basic auditor activity to fulfill professional documentation standards, but do all customers understand or see that as a normal part of the audit process unless it is explained to them
• Listening to an audit customer and asking for feedback is a way to potentially avert a conflict
• Closed body posture and a stern look communicated to the management person that there was a problem

Where do you go from here? I asked the auditor about the audit progress and potential findings and was told that things were going well and no significant findings had been identified. After the discussion between the auditor and me the status of the audit to date was communicated by the auditor in-charge and we started to rebuild the business customer relationship.

**What would have potentially happened if there were significant problems?**

• Conflict between the audit customer and auditor may detract from the real audit issues
• Communication would be difficult
• Audit project hours would probably increase based on the relationship issues
• Staff changes may need to be made to address perceived auditor objectivity concerns (by the audit customer)
• Focus would be more directed toward relationship issues instead of the audit objective, findings, recommendations and business process improvement

**Conclusion & Summary:**
Items to consider for successful communications and relations:

• Relationships are important to the effective discharge of audit responsibilities
• Auditors must have strong interpersonal and communication skills plus business acumen (knowing the business) skills
• Adversarial relationships with audit customers take more time from all concerned and result in less time focused on performing the audit work
• Building good relationships with audit customers and treating them as customers shows you understand that the business you are auditing is more important to organizational success than the audit process

Making mistakes are not critical, but not learning from mistakes can be fatal to an auditor’s long-term success!

We hope you’ve enjoyed this month’s “Back to Basics” article. Have a great month, and Happy Auditing!

- *Your Spokane Institute of Internal Auditors Officers*