President’s Message:

Fall is officially upon us! My favorite things about fall are the cooler weather, carving pumpkins, and baking pumpkin seeds. With fall comes Thanksgiving, a time to be thankful of what you have and an opportunity to give back to others and the community. This includes giving back in your career. The IIA is seeking leadership candidates for 2016-2017. The following positions are open:

- Executive Officers
- Board of Directors
- North American Board
- The IIA Research Foundation Board of Trustees
- 17 Committees comprising 250 members
- District Advisors and District Representatives

Candidates should have relevant expertise and the ability to participate in the leadership of the IIA. Nominations are accepted from IIA institutes and chapters, IIA members who know of interested candidates, or candidates themselves. If you or someone you know is interested in any of these positions, please submit your nomination by Monday, November 2. For more information or to submit a nomination form, please visit: https://na.theiia.org/about-us/Pages/Call-for-Volunteers.aspx

Andrea Felder

October Meeting

Topic: Ethics – Developing Ethical Systems

Overview of Ethics
- Ethics’ particular role for accounting and internal audit professionals
- Ethics as shared values
- Ethics as individual values
- IIA Code of Ethics as the basis for Ethical Decision-making

October Meeting

Date: Tuesday, November 3, 2015
Place: KDOT
Eisenhower State Office Building
700 SW Harrison
Auditorium 4 A
Time: 11:30 a.m. – 1:00 p.m.
Menu: Dijon chicken tenders
Oven roasted new potatoes
Seasoned green beans
Green Salad
Rolls and butter
Spice Cake
Iced Tea and Water
RSVP: By noon, Friday, October 30, 2015

Reservations: Annie Shaffer
Payless
Annie.Shaffer@Payless.com
785-559-6582

Please email Lori Miller at lmiller@capfed.com if you have any dietary restrictions.

Registration:

<table>
<thead>
<tr>
<th></th>
<th>Member</th>
<th>Non-member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunch &amp; meeting</td>
<td>$12</td>
<td>$17</td>
</tr>
</tbody>
</table>

- Applying Ethical Decision-making to the Profession of Accountancy
- Case Study in Internal Audit Issues

Speaker: Barbara Scofield

Barbara Scofield is a certified public accountant (Texas) and professor of accounting at Washburn University. Barbara received a B.A. in psychology from SUNY Albany, an M.B.A. from Texas Christian University, Fort Worth, Texas, and a Ph.D. in accounting from The University of Texas at Austin.
She teaches financial accounting and managerial accounting at the undergraduate and graduate levels as well as a variety of other accounting topics.

Barbara serves on the editorial board of Today’s CPA and writes a column on financial reporting in Oil, Gas, and Energy Quarterly. Her case studies and research are published in Issues in Accounting Education, Journal of Accounting Education, Critical Perspectives in Accounting, and Southern Business Review.

Event Refund Policy – The Institute of Internal Auditors (Topeka Chapter)
The purpose of this policy is to ensure event cancellations are refunded appropriately. Events include, but are not limited to: monthly meetings, luncheons, and seminars. Cancellations made prior to the event registration deadline will be refunded at 100% of the event fee (or would not be billed if the attendee did not pay in advance).

Cancellations made after the event registration deadline will not be refunded (or would be billed at 100% of the event fee if the attendee did not pay in advance).

IIA Topeka Chapter - 25 Year Anniversary
Our Chapter celebrated its 25th year anniversary on Tuesday – October 13 – with a gathering of past presidents and members at the Dillon House, a historic home built in the 1900s. We were honored to have ten past presidents in attendance.

The Chapter was originally founded on October 12, 1990, and officers and governors at that time were:

President Barb Davison
1st Vice President Doug George
2nd Vice President Perry Adkins
Secretary Carmen Hill
Treasurer Mike Clark
Board of Governors Ken Abita, Rita Barnard, Mary Hoover

Deb Goodrich a local historian and author talked about Charles Curtis, former Vice President of the United States (1929-33), and Native American Indian who made his home in Topeka.

The Chapter has developed a reputation of providing quality education programs to the members and expects to continue that reputation for another 25 years.

IIA Chat
Name: Adrian Perez
Employer: KRGC
Position: Auditor
Time in this position: 2 years
Education: Bachelor of Science in Business - Accounting
What was your first job? I worked at Little Caesars Pizza while in high school.

What is your favorite food? Not pizza. It is definitely BBQ.

What is your dream vacation? Any all-inclusive Hawaiian vacation

Name one person (dead or living) you would like to meet? Warren Buffet

What talent would you most like to have? Any musical talent would be nice.

What book are you currently reading? Casino Operations Management

What is your prized possession? My children are my most prized possession.

What do you try to avoid? Social media

If you could have any job you wanted, what would it be? Architect

What is your greatest accomplishment? Earning a college degree as a parent.

What would you like to get around to doing when you have time? Learning another language

How would you like to be remembered? I would like to be remembered as generous and patient

Who is the person you most admire and why? I admired my Grandmother the most for her strength and courage.

What’s a pet peeve of yours? Clutter

What might people be surprised to learn about you? I don’t like shopping…at all.

What is one of your favorite Thanksgiving memories or traditions? I used to wake up at 4 am every Thanksgiving to smoke our turkey, this was also my excuse for abstaining from shopping on Black Friday.

Updating Your IIA member Information:

IIA members can keep their personal information up to date by visiting the IIA’s website at www.theiia.org. In the upper right hand corner click on "Sign In". Once you are signed in, click on "Profile" and then "My Profile". Here you will be able to see your information and you can edit your personal information, address, and contact information by clicking on the "Edit" button. You can also update your contact preferences by clicking "My Preferences". If you need additional assistance, please contact Andrea Felder at andrea.felder@bcbsks.com.

Newsletter Articles:

Please contact Crystal Perez at cperez@capfed.com with any articles or suggestions for the newsletter. You may also know of special events (weddings, promotions, certifications, etc.) that you would like to put in the newsletter.

Volunteer Opportunities:

The Topeka chapter has had proven success because of the people who volunteer their time. Volunteering takes leadership, dedication, and effort. There is currently an opening for a newsletter committee position and a membership committee position. If you think you possess those qualities and would be interested in serving the internal audit community, please contact Andrea Felder at andrea.felder@bcbsks.com.

IIA Website Members Only Webinar:

The IIA website offers free webinars each month to IIA members. Speakers and topics vary, but participants receive 1 CPE for each webinar. Registration is required, see The IIA website for details. Additionally, previous members only webinars are archived and accessible to members at no cost.
The next Members Only webinar:

Financial Statement Fraud
**Date:** Tuesday, October 20, 2015  
**Time:** 12 NOON – 1 P.M. CST

Measuring IA value and Performance
**Date:** Tuesday, November 17, 2015  
**Time:** 12 Noon – 1:00 P.M. CST

Visit The IIA website for registration and more information: [www.theiia.org](http://www.theiia.org)

**eSeminars**

**Lean Six Sigma Tools for Internal Audit Planning**  
**Date:** October 19 – 28, 2015  
**Time:** 1:00 P.M. – 4:20 P.M. CST

**Control Self-assessment: An Introduction**  
**Date:** October 20 – 29, 2015  
**Time:** 1:00 P.M. – 4:20 P.M. CST

**Operational Auditing: Influencing Positive Change**  
**Date:** November 2 – 11, 2015  
**Time:** 1:00 P.M. – 4:20 P.M. CST

Visit the IIA website for registration and more information: [www.theiia.org](http://www.theiia.org)

**Bookstore**

**THIS MONTH’S FEATURE:**
**Intellectual Property: Auditing the Process**

An organization should periodically audit intellectual property in order to help ensure that its rights are captured, preserved, safeguarded, and properly valued. When performing an audit of the intellectual property process the audit department must ensure that the staff performing the audit is qualified to do so. Additionally, the purpose of the audit should be well articulated prior to embarking on the effort. The purpose of this book is to provide a guide for auditors to perform an audit of intellectual property. The book is broken down into nine parts, as follows:

- Introduction Types of Intellectual Property
- The Audit Staff
- The Purpose of the Audit
- The Scope of the Audit
- The Preliminary Review
- Flowcharting the Process
- Control Testing
- Substantive Testing
- Reporting

Auditing intellectual property is a worthwhile endeavor. The audit can be performed within a reasonable time and provide potential cost savings to the organization.

**IIA Research Foundation Bookstore**

With hundreds of titles to choose from, including books, training materials, certification preparation, interactive programs, and more. The IIA Research foundation Bookstore is your one-stop shop for internal audit resources. All Bookstore products have been reviewed by internal auditors to guarantee a perfect fit. Check out the member’s only bookstore for resources for all your Internal Auditing needs. [www.theiia.org/bookstore](http://www.theiia.org/bookstore)

**CONGRATULATION CORNER!**

The certified Internal Auditor (CIA) designation is the only globally accepted certification for internal auditors and remains the standard by which individuals demonstrate their competency and professionalism in the internal auditing field. Please join us in congratulating the following chapter members who recently obtained their CIA certification:

**CIA’s**

(These are not listed for this month)

**ANNIVERSARIES**

Join us in congratulating for following individuals celebrating significant milestones as members of the
WELCOME NEW IIA CHAPTER MEMBERS

The Topeka Chapter would like to extend a warm welcome to our new members who recently joined our group.

IA Magazine Website

The digital edition of Internal Auditor is a full replicated version of the magazine that delivers internal audit insights and news in a visually enhanced, user-friendly design with new topic sections, enhanced search, and much more!

Visit the website at www.internalauditor.org and check out the October 2015 issue featuring “Defense in Depth”. In this article, Jane Seago highlights the IIA’s three lines of defense model and how to implement a structure to achieve organizational objectives.

Certified Internal Auditor (CIA)

Since its launch in 1973, The IIA’s CIA program has opened countless doors of opportunity for practitioners around the world as it communicates their ability to serve as a key player in an organization’s success. Candidates leave the program enriched with educational experience, applicable knowledge, and business tools that can deliver a positive impact in any organization or business environment.

The IIA’s CIA credential is the most highly sought after global certification for internal auditing professionals. If you are looking to grow professionally, you owe it to yourself and your organization to pursue the CIA.

Candidates who have successfully completed the CIA Part One exam within the past 24 months are also eligible to apply.

For more information, please visit the Internal Audit Practitioner web page

Seeking IIA Leadership Candidates for 2016-17

Volunteers play a key role, and the contributions they make impact the day-to-day functions of internal auditors and shape the future of the internal audit profession.

The IIA is seeking qualified members to serve in the following leadership roles:

- Executive Officers
- Board of Directors
- North American Board (US, Canada, Caribbean only)
- The IIA Research Foundation Board of Trustees
- 17 Committees comprising 250 members
- District Advisors and Representatives (US, Canada, Caribbean only)

Candidates should have relevant expertise and the ability to participate in the leadership of The IIA. Nominations are accepted from IIA Institutes and Chapters, IIA members who know of interested candidates, or candidates themselves.

Nominations for 2016–17 should be completed and submitted electronically by November 2, 2015. If you are elected or appointed to serve, your term will begin in April 2016 or July 2016.
Chapter Achievement Program (CAP)

Do any of your internal audit activities earn Chapter Achievement Program (CAP) points for your Topeka Chapter of the IIA? What is CAP, why is it important and what can you do to help?

The Chapter Achievement Program (CAP) is designed by the Institute of Internal Auditors to guide chapters for developing quality programs and completing administrative duties to ensure it is meeting its obligations to its members. Points are awarded for each activity in accordance with the IIA guidelines. The goal is to provide valuable professional activities and development opportunities to our members and earn CAP points.

Certain activities that are conducted by member may qualify. Points are reported to the IIA on the 10th of each month covering three areas:

Service to Members: Attendance at monthly meetings, conferences and seminars, social events and new IIA certification.

Service to the Profession: Academic Relations; Chapter Scholarship Program, Student events held by the chapter. Advocacy; Junior Achievement Involvement, Building Awareness Champion Program, funding support for District advisors and District Representatives, Internal Audit Awareness month events, Host an Internal Audit event at work, Audit Channel TV submissions, Write exam questions for IIA certifications, Submit or Publish an article in the Internal Auditor magazine, participate on a non IIA sponsored or an IIA sponsored Quality Review Team, Chapter recognizes the member company for completing their QA.

Chapter Administration: Involves administrative reporting requirements to the IIA.

Chapter Objectives

Service to Members
• Education Objective: Offer over 20 hours per year of affordable CPE with more than 60% rated as excellent.
• Certification Objective: Two members become certified annually.
• Social Objective: Members get to know other members from different organizations.

Service to Profession
• Membership Objective: Increase active membership.
• Professional Development Objective: Continue to offer affordable and quality training for auditors
• Academic Relations Objective: Promote the profession at Washburn University.

Chapter Administration
• Leadership Development Objective: Have 1 or 2 officers attend the Leadership Conference.
• Chapter Finance Objective: Have our lunch meeting fees cover the meeting expense; make additional income from the seminars to fund other activities (Leadership Conference, WU scholarship, WU student night).
• Communication and Participation Objective: Send out monthly newsletter and update website.
## CAP Summary

**As of: 10/10/15**

<table>
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<tr>
<th>Category</th>
<th>Minimum for Bronze</th>
<th>Chapter Points (to Date)</th>
<th>% of Minimum</th>
<th>Balance to Minimum</th>
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<tr>
<td>I. Service to Members</td>
<td>325.00</td>
<td>588.54</td>
<td>181%</td>
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<td>II. Service to Profession</td>
<td>200.00</td>
<td>60.69</td>
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<td>III. Chapter Administration</td>
<td>160.00</td>
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<td></td>
<td><strong>685.00</strong></td>
<td><strong>774.23</strong></td>
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Total from Master Template: **774.23**

**Current CAP Status:** Bronze

**Targets:**

- Bronze: 685.00
- Silver: 1,060.00
- Gold*: 1,560.00

*Platinum 10 consecutive years of Gold
*Ruby 10 consecutive years of Platinum
*Sapphire 15 consecutive years of Platinum
*Diamond 25 consecutive years of Platinum
## 2015 - 2016 Officers and Board of Governors

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Company</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Andrea Felder</td>
<td>BCBS</td>
<td>(785)291-8897</td>
<td><a href="mailto:andrea.felder@bcbsks.com">andrea.felder@bcbsks.com</a></td>
</tr>
<tr>
<td>1st VP, Seminars</td>
<td>Tony Risinger</td>
<td>Westar Energy</td>
<td>(785)575-1968</td>
<td><a href="mailto:tony.risinger@westarenergy.com">tony.risinger@westarenergy.com</a></td>
</tr>
<tr>
<td>2nd VP, Programs</td>
<td>Annie Shaffer</td>
<td>Payless Shoes</td>
<td>(785)559-6582</td>
<td><a href="mailto:annie.shaffer@payless.com">annie.shaffer@payless.com</a></td>
</tr>
<tr>
<td>Secretary</td>
<td>Mandy Barta</td>
<td>Westar Energy</td>
<td>(785)575-8197</td>
<td><a href="mailto:mandy.barta@westarenergy.com">mandy.barta@westarenergy.com</a></td>
</tr>
<tr>
<td>Treasurer</td>
<td>Autumn Franks</td>
<td>FHLBank</td>
<td>(785)438-6009</td>
<td><a href="mailto:autumn.franks@fhltopeka.com">autumn.franks@fhltopeka.com</a></td>
</tr>
<tr>
<td>Board Member</td>
<td>Crystal Perez</td>
<td>Capitol Federal</td>
<td>(785)231-6359</td>
<td><a href="mailto:cperez@capfed.com">cperez@capfed.com</a></td>
</tr>
<tr>
<td>Board Member</td>
<td>Lori Miller</td>
<td>Capitol Federal</td>
<td>(785)231-6396</td>
<td><a href="mailto:lmiller@capfed.com">lmiller@capfed.com</a></td>
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<tr>
<td>Board Member</td>
<td>Jenny Tryon</td>
<td>Westar Energy</td>
<td>(785)575-1652</td>
<td><a href="mailto:jenny.tryon@westarenergy.com">jenny.tryon@westarenergy.com</a></td>
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<tr>
<td>Board Member</td>
<td>Julie Pennington</td>
<td>Legislative Post Audit</td>
<td>(785)296-5817</td>
<td><a href="mailto:julie.pennington@lpa.ks.gov">julie.pennington@lpa.ks.gov</a></td>
</tr>
<tr>
<td>Board Member</td>
<td>Richard McMullen</td>
<td>Kansas Department of Transportation</td>
<td>(785)-296-5399</td>
<td><a href="mailto:mcmullen@ksdot.org">mcmullen@ksdot.org</a></td>
</tr>
<tr>
<td>Board Member</td>
<td>Bob Stambaugh</td>
<td>BCBS</td>
<td>(785)291-7647</td>
<td><a href="mailto:bob.stambaugh@bcbsks.com">bob.stambaugh@bcbsks.com</a></td>
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<tr>
<td>Board Member</td>
<td>Tiffany Lake</td>
<td>Westar Energy</td>
<td>(785)575-8193</td>
<td><a href="mailto:tiffany.lake@westarenergy.com">tiffany.lake@westarenergy.com</a></td>
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<tr>
<td>Board Member</td>
<td>Kyle Brewster</td>
<td>Stormont-Vail HealthCare</td>
<td>(785)354-6931</td>
<td><a href="mailto:kbrewstie@stormontvail.org">kbrewstie@stormontvail.org</a></td>
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<tr>
<td>Board Member</td>
<td>Robert Knott</td>
<td>Capitol Federal</td>
<td>(785)231-6355</td>
<td><a href="mailto:rknot@capfed.com">rknot@capfed.com</a></td>
</tr>
<tr>
<td>Board Member</td>
<td>Shanae Gooden</td>
<td>Kansas Army National Guard</td>
<td>(785)274-1265</td>
<td><a href="mailto:asgooden@gmail.com">asgooden@gmail.com</a>, <a href="mailto:shanae.d.gooden.civ@mail.mil">shanae.d.gooden.civ@mail.mil</a></td>
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<tr>
<td>Board Member</td>
<td>Jamie Hogan</td>
<td>FHLBank</td>
<td>(785)438-6102</td>
<td><a href="mailto:jamie.hogan@fhltopeka.com">jamie.hogan@fhltopeka.com</a></td>
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<tr>
<td>Audit Committee</td>
<td>Mark Zillinger</td>
<td>BCBS</td>
<td>(785)291-8236</td>
<td><a href="mailto:mark.zillinger@bcbsks.com">mark.zillinger@bcbsks.com</a></td>
</tr>
<tr>
<td></td>
<td>Richard McMullen</td>
<td>Kansas Department of Transportation</td>
<td>(785)296-5399</td>
<td><a href="mailto:mcmullen@ksdot.org">mcmullen@ksdot.org</a></td>
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<tr>
<td>Finance Committee</td>
<td>Autumn Franks</td>
<td>FHLBank</td>
<td>(785)438-6009</td>
<td><a href="mailto:autumn.franks@fhltopeka.com">autumn.franks@fhltopeka.com</a></td>
</tr>
<tr>
<td></td>
<td>Robert Knott</td>
<td>Capitol Federal</td>
<td>(785)231-6359</td>
<td><a href="mailto:rknot@capfed.com">rknot@capfed.com</a></td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>Andrea Felder</td>
<td>BCBS</td>
<td>(785)291-8897</td>
<td><a href="mailto:andrea.felder@bcbsks.com">andrea.felder@bcbsks.com</a></td>
</tr>
<tr>
<td></td>
<td>Crystal Perez</td>
<td>Capitol Federal</td>
<td>(785)231-6359</td>
<td><a href="mailto:cperez@capfed.com">cperez@capfed.com</a></td>
</tr>
<tr>
<td>Social Media</td>
<td>Justin Stowe</td>
<td>LPA</td>
<td>(785)-296-7977</td>
<td><a href="mailto:justin.stowe@lpa.ks.gov">justin.stowe@lpa.ks.gov</a></td>
</tr>
<tr>
<td>Academy Relations</td>
<td>Reza Espahbodi</td>
<td>Washburn University</td>
<td>(785)670-1010</td>
<td><a href="mailto:reza.espahbodi@washburn.edu">reza.espahbodi@washburn.edu</a></td>
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<tr>
<td>Government Relations</td>
<td>Mary Hoover</td>
<td>DCF</td>
<td>(785)296-2973</td>
<td><a href="mailto:mary.hoover@dcf.ksgov">mary.hoover@dcf.ksgov</a></td>
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<td>Newsletter</td>
<td>Crystal Perez</td>
<td>Capitol Federal</td>
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<td><a href="mailto:cperez@capfed.com">cperez@capfed.com</a></td>
</tr>
<tr>
<td>Hospitality</td>
<td>Lori Miller (Chair)</td>
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<td>(785)231-6396</td>
<td><a href="mailto:lori.miller@capfed.com">lori.miller@capfed.com</a></td>
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<tr>
<td></td>
<td>Brenda Kindle</td>
<td>FHLBank</td>
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<td><a href="mailto:brenda.kindle@fhltopeka.com">brenda.kindle@fhltopeka.com</a></td>
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<tr>
<td>Certificates</td>
<td>Bob Stambaugh</td>
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<td>(785)291-7647</td>
<td><a href="mailto:bob.stambaugh@bcbsks.com">bob.stambaugh@bcbsks.com</a></td>
</tr>
<tr>
<td>Anniversary Committee</td>
<td>Ken Abitz</td>
<td>Kansas Insurance Department</td>
<td>(785)383-3993</td>
<td><a href="mailto:kabitzi1@cox.net">kabitzi1@cox.net</a></td>
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<tr>
<td></td>
<td>Mary Hoover</td>
<td>DCF</td>
<td>(785)296-2973</td>
<td><a href="mailto:mary.hoover@dcf.ksgov">mary.hoover@dcf.ksgov</a></td>
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<tr>
<td></td>
<td>Doug Georg</td>
<td>BCBS</td>
<td>(785)</td>
<td><a href="mailto:dou.gorge@bcbsks.com">dou.gorge@bcbsks.com</a></td>
</tr>
<tr>
<td>Membership Committee</td>
<td>Kyle Brewster</td>
<td>Stormont Vail</td>
<td>(785)354-6931</td>
<td><a href="mailto:kbrewstie@stormontvail.org">kbrewstie@stormontvail.org</a></td>
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<td></td>
<td>Brenda Kindle</td>
<td>FHLBank</td>
<td>(785)438-6152</td>
<td><a href="mailto:brenda.kindle@fhltopeka.com">brenda.kindle@fhltopeka.com</a></td>
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## TOPEKA IIA 2015-2016 SCHEDULE AND LOCATIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Details</th>
<th>Location</th>
</tr>
</thead>
</table>
| Tuesday, November 3, 2015 | Lunch Meeting (1 CPE)  
Barbara Scofield  
Ethics                              | KDOT     |
| Tuesday, December 1, 2015 | Lunch Meeting  
Chris Kuehl  
TBD                                 | Cap Fed  |
| Tuesday, January 5, 2016  | Lunch Meeting (2 CPE's)  
Harry Campbell  
Get Real Leadership            | Westar   |
| Tuesday, February 2, 2016 | Lunch Meeting (1 CPE)  
Mike Joyce  
TBD                                 | KDOT     |
| Tuesday, March 1, 2016   | Lunch Meeting (1 CPE)  
Rodney Walsch and Chris Bruhn  
SOC 1 SSAE 16 and SOC 2        | TBD      |
| Tuesday, April 5, 2016   | Lunch Meeting (2 CPE's)  
Brian Kruk  
Quality Assessment              | Westar   |
| TBD                    | Spring Seminar  
TBD                               | TBD      |
| Tuesday, May 3, 2016    | Lunch Meeting  
Martin Schlossman (1 CPE)  
ERM                               | KDOT     |

*Locations are subject to change*
### Upcoming Events (Kansas City Chapters)

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<thead>
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<th>DATE</th>
<th>TIME</th>
<th>LOCATION</th>
<th>SPONSORING CHAPTER</th>
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<tbody>
<tr>
<td>11/05/2015</td>
<td>8:00 – 12:00</td>
<td>Location: The Ritz Charles</td>
<td>Kansas City – Meeting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IIA Kansas City Chapter</td>
<td>Topic: Emerging Risks: How Micro and Macro Economic Events Impact the Audit Plan</td>
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<tr>
<td></td>
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<td>Speaker: Chris Kuehl, Armada Corporate Intelligence</td>
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<tr>
<td>12/03/2015</td>
<td>8:30 – 12:30</td>
<td>Location: St. Andrews Golf</td>
<td>Kansas City – Meeting</td>
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<td>Club</td>
<td>Topic: Non Verbal Communication &amp; Ethics</td>
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<td>IIA Kansas City Chapter</td>
<td>Speaker: Jeff Lanza, Retired FBI Agent</td>
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<td>02/04/2016</td>
<td>12:30 - 4:30</td>
<td>Location: Marriott Country</td>
<td>Kansas City – Meeting</td>
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<td></td>
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<td>Club Plaza</td>
<td>Topic: Aligning Your Audit Plan with Board Expectations</td>
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<td>IIA Kansas City Chapter</td>
<td>Speaker: Larry Rittenberg, Co-Author &amp; Chair Emertus – COSO</td>
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<tr>
<td>03/03/2016</td>
<td>8:00 – 12:00</td>
<td>Location: The Ritz Charles</td>
<td>Kansas City – Meeting</td>
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<td>IIA Kansas City Chapter</td>
<td>Topic: Practical Creativity – From Pie-in-the-Sky to Boots-on-the-Ground</td>
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<td>Speaker: Mike Jacka, Flying Pig Audit, Consulting and Training Services</td>
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<tr>
<td>04/07/2016</td>
<td>12:30 – 4:30</td>
<td>Location: Pinstripes</td>
<td>Kansas City – Meeting</td>
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<td>IIA Kansas City Chapter</td>
<td>Topic: Fraud Management – The Tools for Identifying Red Flags and Building an</td>
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<td>Effective Control Environment</td>
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<td>Speaker: Shauna Woody-Coussens, BKD</td>
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<td>05/05/2016</td>
<td>9:00 – 12:00</td>
<td>Location: St. Andrews Golf</td>
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<td>Club</td>
<td>Topic: Cyber Security – Refocusing Security Controls</td>
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<td>IIA Kansas City Chapter</td>
<td>Speaker: John McHenry &amp; Vinny Troia, McGladrey</td>
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<tr>
<td>06/02/2016</td>
<td>8:00 – 3:00</td>
<td>Location: The Ritz Charles</td>
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<td>IIA Kansas City Chapter</td>
<td>Topic: Data Analytics – The Research Behind Effectively Using Data Analytics</td>
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<td>Speaker: Priya Sorjoo &amp; Warren Stippich, Grant Thronton</td>
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<td>08/04/2016</td>
<td>9:00 – 12:00</td>
<td>Location: The Ritz Charles</td>
<td>Kansas City – Meeting</td>
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<td>IIA Kansas City Chapter</td>
<td>Topic: A Look Back at the CBOK Results</td>
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<td>Speaker: Deanna Sullivan, Sullivan Solutions and CBOK Contributor</td>
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The Value of QAIP

Fannie Mae’s quality program demonstrates the effectiveness of its internal audit operations in meeting stakeholder expectations.

In today’s environment, an effective quality assurance and improvement program (QAIP) is critical to ensuring that internal audit meets the requirements of the audit committee, executive management, and other stakeholders. Internal and external assessments are key parts of the QAIP, and a robust QAIP incorporates many elements that are part of an organization’s day-to-day activities. The IIA Practice Guide, Quality Assurance and Improvement Program, states, “Quality in internal audit begins with the structure and organization of the audit activity. Quality should be built into, and not onto, the way the activity conducts its business — through its internal audit methodology, policies and procedures, and human resource practices.” By embedding quality into processes, rather than treating it as extra work, external quality assessments (EQAs) become a turnkey operation.

Fannie Mae has approximately 106 internal audit employees, performing 95 to 110 audits per year. A professional practice group comprising six full-time employees administers the QAIP. The group also is responsible for internal operations and reporting, and approximately 50 percent of its time is focused on the QAIP.

The QAIP is a regulatory requirement whose scope covers all operations of the internal audit department, including audits, reviews, audit issue follow-up, and special projects. Most of the program’s components have been in place since before 2007; however, heightened requirements for financial services companies and the internal audit profession require Fannie Mae Internal Audit to continually refine and expand the program.

Because of the size and complexity of the enterprise, and to demonstrate continued compliance with The IIA’s International Standards for the Professional Practice of Internal Auditing (Standards), internal audit has had an EQA performed more often than the required five-year period. In the 2014 EQA, internal audit received the highest rating — Generally Conforms — from The IIA’s Quality Services team. Before that, audit’s last EQA was in 2010, and going forward, it plans to have one performed every three years.

Fannie Mae considered several processes when looking at the overall quality of its internal audit function. And while process design may differ from organization to organization, having these processes in place is a key step toward building a high-quality department.

Independence and Objectivity

To strengthen independence, Fannie Mae’s CAE reports directly to the chair of the audit committee and administratively to the CEO. Additionally, the audit committee sets the CAE’s compensation, and the audit department has goals that are completely separate from those of the overall organization.

An independence and objectivity policy provides required actions related to various situations that may lead to potential impairments, including the transfer of the CAE or audit staff from the business units into the internal audit
department, cosourcing engagements, an auditor’s personal relationship with a member of the business unit being audited or consideration of employment with a business unit, scope limitations, and consulting/advisory engagements.

All internal transfers to internal audit complete an independence questionnaire to identify areas where there may be a conflict affecting objectivity. If a potential conflict is identified, the auditor is prohibited from participating in audits of that area for 12 months. This is monitored through a potential conflicts log that is reviewed in conjunction with scheduling. A similar independence questionnaire is completed by any cosource or staff augmentation personnel that is considered before bringing the resource on board. As an additional protection, each assurance engagement includes an assessment of the objectivity of the engagement team members. This assessment is documented in the engagement workpapers.

Finally, audit personnel receive annual training on the policy, the Standards related to independence and objectivity, and The IIA’s Code of Ethics. Audit personnel also certify annually their compliance with the Code of Ethics. The results of the objectivity process form the basis for the CAE’s annual confirmation of the independence of the department to the audit committee.

Staff Development

Fannie Mae Internal Audit’s training program starts with an annual competency assessment to provide a structured guide enabling the identification, evaluation, and development of interpersonal, general, and technical capabilities of individual employees. Each category includes multiple competencies with specific measures identified for each competency. Interpersonal competencies include teamwork/collaboration, communication, driving execution (appropriate prioritization and achieving results), and inspiring/motivating. General competencies include critical thinking, business acumen, documentation, and project management. Technical competencies include mortgage business knowledge, enterprise risk management, and cybersecurity.

Each employee performs an annual self-assessment, and managers assess each person on their team. The manager and employee meet to discuss differences in their assessments and any gaps between where the employee was assessed and the expected rating. These gaps are considered while developing the employee’s annual training plan.

When all assessments have been completed, an analysis is performed by the professional practice group to identify competencies where 15 percent or more of employees have gaps in expected and actual assessed competencies. These competency gaps are an input to the annual department training schedule. Through internal development, or identification of an external training course, internal audit seeks to improve the department’s knowledge and skills related to any competency with a significant gap.

A training plan detailing the courses that will satisfy the employee’s 40-hour continuing education requirement and the breakdown of hours among competencies is developed by each employee (and reviewed by his or her manager) in conjunction with the performance management and goal-setting process. The professional practice group develops a training schedule or menu, considering results of the competency assessment, any significant changes in internal audit methodology, risks facing the enterprise, and results of the prior year’s quality assurance (QA) reviews. The plan is revised as needs change throughout the year. The competency assessment and training plan strengthens the performance management process and the QAIP. Additionally, employees appreciate the visibility into expected competencies and capability at each level provided by the competency assessment criteria.
Risk Assessment

Fannie Mae’s risk assessment process includes an annual risk assessment, a re-baseline of the annual risk assessment at midyear, and a continuous risk assessment (CRA), which is formally documented in the quarters during which the annual and re-baseline risk assessments are not performed. The annual and re-baseline risk assessments have various deliverables, including a revised audit plan; whereas the deliverable for the CRA is an updated watch list that includes key risk considerations identified and their impact on internal audit activities (e.g., covered in an existing audit or additional monitoring, or the addition of a new project to the audit plan). The presentation to the audit committee to support approval of the annual audit plan includes a list of key focus areas for the year; charts with project risk and type trends, plan hours by audit area, and plan hours by risk rating; and an audit plan resource analysis. The results of the CRA are not directly shared with the audit committee and management; however, any significant changes to the audit plan as a result of the CRA are.

Methodology Documents

Methodology documents include methodology manuals, internal practice advisories and practice guides, standard audit programs, and required templates, which are incorporated by reference into the methodology manuals. Methodology manuals outline the basic requirements for internal audit’s activities and cover the risk assessment, planning, fieldwork, and reporting phases of audit engagements, as well as audit issue follow-up and quality management. Fannie Mae practice advisories expand on internal audit’s approach and related criteria for specific areas such as sampling, fraud risk assessment, and acceptance of risk, while Fannie Mae practice guides provide step-by-step guidance and may provide detailed procedures. Standard audit programs ensure certain elements of internal audit’s methodology are considered or performed, and required templates such as a risk control matrix, audit report, and management self-identified issues assessment, help ensure consistent application of the methodology.

All documents, including the internal audit charter, are revised, as needed, with updates identified through the QAIP process; new IIA, regulatory, or industry requirements; or requests for additional guidance from the audit teams. Documents are reviewed at least annually to identify required changes.

Ongoing Monitoring

Ongoing monitoring is achieved through continuous monitoring activities, including engagement supervision and feedback, internal audit management reporting, and internal QA reviews of audit and issue follow-up activity.

Engagement Supervision and Feedback In addition to the requirement that all internal audit workpapers have a second level of review, the department has formally documented the required minimum level of review for all audit activity in a matrix that audit staff can easily refer to.

Customer surveys are sent to business leads for all engagements. Surveys have recently been updated to obtain feedback through scoring (poor, fair, good, very good, excellent) rather than comments to facilitate more efficient completion by business unit management and to support reporting on results. Internal audit initially used an external survey site, but it is working to bring surveys in-house to avoid any future security concerns with an external site. The results of the surveys are not reported to the audit committee or senior management, but are used to identify opportunities to improve the audit process or to identify additional training needs.
Formal engagement evaluations are performed for all audit staff spending more than 80 hours on an engagement. This form also was changed recently to be score-based to increase efficiency in completion of the form (meets expectations, does not meet expectations, exceeds expectations).

To ensure consistent performance, internal audit requires customer surveys and engagement evaluations for each engagement. These tools are an integral part of the audit process.

**Internal Audit Management Reporting** This reporting is prepared and distributed monthly via a PowerPoint presentation to the CAE and audit leadership. The reports are in a dashboard format, with department averages for comparison. Metrics include:

- **Quality**: A year-to-date cumulative average score of all audit and issue follow-up internal QA reviews.
- **Efficiency**: Average days between audit announcement and report issuance, audit plan completion, and staff use.
- **Innovation and Capability**: Staffing activity, tenure, percentage of certifications, highest degree obtained, average training hours per auditor, and budget to actual comparison.

Additional planned reports include tracking of audit issue follow-up completion. Reports currently are prepared manually, which can be challenging, as it requires additional preparation time and a more detailed review than an automated report. To support the ability to add additional reports, internal audit has changed the production cycle for certain reports from monthly to quarterly. Moreover, internal audit management reports are leveraged for audit committee reporting, with the audit committee receiving certain audit management reports annually (e.g., innovation and capability reports) or bi-monthly (e.g., quality reports).

**Internal QA Reviews** These reviews have two primary components: audit QA reviews and internal audit issue follow-up QA reviews. The audit QA reviews are cosourced with an external third party to leverage their subject matter expertise and knowledge of best practices. The reviews have contributed to the improved interaction with management as they promote consistent application of the audit methodology and process. Additionally, the reviews provide the external auditors additional assurance on the effectiveness of the internal audit department as an entity-level control. The reviews are performed throughout the year, independent of the periodic self-assessment process.

The professional practices team selects audits to be reviewed by the third party at the beginning of the year, and required templates include a QA checklist. Approximately 25 percent of current-year projects are selected for review. The QA checklist:

- Is broken down by phase (e.g., plan, fieldwork, report) and further broken down within each phase by key activity (e.g., announcement, risk identification, and walkthroughs in the planning phase).
- Includes specific criteria for each activity. Each section receives a score, which is totaled to derive an overall score (0 to 100) for the project. The scores are broken down between quality (60 percent) and documentation (40 percent).

Internal audit performs audit issue follow-up (AIF) reviews using a checklist similar to the engagement review checklist, but the focus is on AIF activities. Reviews are done quarterly on a sample of the past quarter’s follow-up activity.
At the conclusion of engagement or AIF QA reviews, the QA checklist, including review comments, is shared with the responsible audit team members for their review. QA “lessons learned” are shared with the CAE, leadership team, and audit staff quarterly, and key observations are incorporated into training materials for future use, or methodology documents are updated to provide additional guidance as necessary.

**Periodic Self-assessment** Internal audit has recently put in place a self-assessment process to ensure it stays current with the Standards. Internal audit completes self-assessments in those years when an external assessment is not performed. In addition to interviews and surveys of stakeholder groups and review of internal audit activity, internal audit uses checklists developed based on QAIP guidelines promulgated by The IIA. The results of the internal QA reviews are leveraged for the workpaper quality review component.

**Audit Committee and Executive Management** Reporting Audit committee and executive management reporting are the most time intensive nonaudit-related element of the QAIP. To maximize efficiency in preparation of these reports, they are automated, where possible, and audit committee reporting is leveraged for executive management reports.

Audit committee reporting includes materials for the CAE’s report to the audit committee at each board meeting, and a memo providing key updates during months when the audit committee does not meet. The report includes regular categories:

- Current internal audit results.
- Internal audit issue and issue theme trending.
- Analysis of report ratings year over year. Internal audit has three report ratings: The control rating (satisfactory, needs improvement, unsatisfactory), a management awareness rating (high, medium, low), and a control environment trending rating (improving, unchanged, declining).
- An update on the status of the internal audit plan.
- An update on the department’s methodology and QAIP results.
- A summary of headcount and staffing activity.

Quarterly, internal audit issues a dashboard to each business head with the status of internal audit activity in his or her area. The goal is to provide the executive with a view of what is reported to the audit committee, as it applies to his or her area. The dashboard includes a five-quarter trend analysis of the following for internal audit issues, Sarbanes-Oxley deficiencies, and matters requiring attention:

- Current inventory of issues by priority.
- Issue status change.
- Management self-identified issue percentage year-to-date.
- Remediation time frames.
- Internal audit ratings year-to-date.
- Detailed issue status reports also are provided to the business monthly. These reports include issue description, priority, and status.
Strategic Plan

Internal audit’s strategic plan is updated semi-annually. The first part of the plan outlines at a high level the department’s vision, mission, and core values as well as four to five strategic areas of focus. The second part includes details related to the department’s strategic goals and action plans, including specific action items that will contribute toward achieving the goal and a target date for each action item. The goals and action plans span one to two years (a three-year horizon is recommended; however, Fannie Mae Internal Audit found two years to be more practical). Twice a year, the leadership team reviews the plan and status of the action items, adds new goals and action items as necessary, and changes timelines, if necessary. The plan and status against each goal is shared with internal audit management and the internal audit department at least annually.

QAIP Evolution

While maintaining and continually refining the QAIP is challenging from a resource perspective, internal audit has found that its interaction with management and the audit committee has improved as a result of the refinements. For example, during the 2010 EQA, management noted opportunities for improvement in interactions with internal audit. No such feedback was received in the 2014 assessment, and IIA Quality Services noted that interviews with management indicated internal audit’s role is highly valued.

Fannie Mae’s QAIP continues to evolve with changes in the industry, leadership, and the regulatory landscape. In maintaining or making improvements to the program, the function must evaluate trade-offs between activities to ensure it does not spread itself too thin and lose the very benefits it is trying to reap. Internal audit also must consider which activities can serve multiple purposes, to maximize its time and resources.