



A publication of the Greater Boston Chapter of The IIA - December 2009 Edition

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Academic Relations

Internal Audit Student Night and Career Fair

Dr. Priscilla Burnaby

On October 20, 2009, Bentley University's Beta Alpha Psi and the Greater Boston Chapter of the Institute of Internal Auditors (IIA) co-hosted the Internal Audit Student Night and Career Fair. Dr. Priscilla Burnaby, the Bentley faculty member who organized the event, summarized the goals of the event as, "The objective of the first hour is to introduce the students to the internal auditing profession. In the second part of the evening at the job fair, I hope many students will find internships and job opportunities." The nineteen participating companies were: ALTRAN Control Solutions, BDO, Blue Cross Blue Shield, Boston University, Caturano and Company, Deloitte & Touche LLP, Dunkin' Brands, Inc., Ernst & Young, Fidelity, Grant Thornton, Hologic, Inc., KPMG, Liberty Mutual, PricewaterhouseCoopers, Protiviti, Raytheon Company, Staples, TJX Companies, Inc., and Wolf & Company PC.

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PricewaterhouseCoopers, Protiviti, Raytheon Company, Staples, TJX Companies, Inc., and Wolf & Company PC.

The first speaker was Dr. Priscilla Burnaby, who teaches internal auditing at Bentley. She provided the definition of internal auditing and outlined the three courses required at the undergraduate and graduate levels to receive an Internal Auditing Certificate from The IIA's Internal Auditing Education Partnership program. Clayton LeBlanc, a Senior Manager from Raytheon Company, then described the role of internal auditing in an organization. He explained that internal audit teams are independent and objective *(continued on next page)*

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Congratulations to the following chapter members who have earned IIA certifications in Q3 2009!

New Certified Internal Auditors (CIAs)

Justin Anderson	Boston Scientific
Peter Galop	n/a
Garrett Hickey	Liberty Mutual
Martyn Rees	Wolf and Company PC
Deepika Chandarana	G Tech
Damien Browne	Deloitte and Touche LLP
Craig Holden	NSTAR Electric and Gas Company
Stephen Bernard	Federal Reserve Bank of Boston
Andres Barraza	Vertex Pharmaceuticals, Inc.
Kyle Stewart	Raytheon Company

New Certified Financial Services Auditors (CFSA's)

Dawn Soloway	Rockland Trust Company
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New Certified Governmental Auditing Professionals (CGAPs)

Kathleen Toli	SSA OIG OA
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Chapter Event

Crazy Eddie's Fraud

Mind, Motivations, Manipulations, and Techniques of a Fraudster

(and Free Holiday Networking Lunch)

Sam Antar is the former CFO of Crazy Eddie and a convicted felon. He is now teaching others how to spot fraud in public companies. Antar is cousin of "Crazy Eddie" Antar, the founder of the New York City area consumer electronics chain. The business was a forerunner of Best Buy and Circuit City. When the company, which went public in 1984, and blew up in a financial scandal in 1987, Sam Antar was its CFO. The debacle cost investors roughly \$145 million and involved just about every kind of accounting fraud then known to man including receipt skimming, money laundering, and the counting of bogus inventory. The total dollars involved were puny and the scams simple compared with later swindles like Enron. Sam E. Antar will tell his version of the fraud.



Event Details:

Friday, Dec 11, 2009, 8:30-9:00 registration - 9:00 to 4:30 P.M.;

Seaport - World Trade Center Conference

200 Seaport Boulevard, Boston, MA 02210

7.0 CPE hours

100.00 Members | 150.00 Non-Members

Contact: [Donna Salem](mailto:Donna.Salem@acteva.com)

Registration: <http://www.acteva.com/booking.cfm?bevaID=193184> ↑

(from page 1, Student Night) from those they audit within an organization. They provide assurance and consulting services in the scope areas of governance, risk, and controls. Their services add value to their organizations by making suggestions for making controls more effective and the use of resources more efficient.

Scott Baranowski, Director of Internal Audit & Principal at Wolf & Company, spoke about the types of internal auditing consulting services offered to organizations. He explained that The IIA's Standards identify the several types of consulting engagements. The first is the formal services that are planned and subject to a written agreement. The second type is informal routine activities, such as participation on standing committees, limited-life projects, ad hoc meetings, and routine information exchange. The third are special assignments, for example participation on a merger and acquisition team or system conversion team. The final type of engagement is emergency engagements where a team is established for recovery or maintenance of operations after a disaster or other extraordinary business event or a team assembled to supply temporary help to meet a special request or unusual deadline.

Mariya Voloshina, Audit Analyst from Fidelity Investments, spoke about her first year as an internal auditor. Mariya graduated from Bentley with an undergraduate degree in Corporate Finance and Accounting and went on to complete a Masters of Science in Accounting. She spoke about the wide range of audits she worked on during her first year and how she traveled to several locations to complete her work. She found working with many different teams of people and on a wide variety of topics a continuous growth experience. Mariya especially liked working with all levels of management and various levels of support staff.

Paul Kiley, Vice President from Caturano and Company, and his staff, Brendan Day, Jeremy Maturi, and Amanda Smalley, spoke about their diverse internal auditing professional experiences from the many different types of industries serviced, to various functions audited, and the vast number of geographic locations visited to service their clients. The diverse types of audits they worked on include accounting and finance, human resources, manufacturing, information technology, sales, customer service, research and development, and contract management. The diverse scopes of audits they performed include risk management, analysis of business processes, control testing, assisting with client projects, and fraud investigations. They performed audits are all over the United States, Canada, Europe and the Orient.



The evening was concluded by the drawing of three \$100 American Express gift certificates for the students who attended the event provided by the Greater Boston Chapter of the IIA. ↑

Pictured: Priscilla Burnaby from Bentley University, Clayton LaBlanc from Raytheon Company, Paul Kiley from Caturano and Company, Scott Baranowski from Wolf & Company and Mariya Voloshina from Fidelity Investments

From the IIA Headquarters

Knowledge Report: Internal Auditing and Risk Management

In March 2009, The IIA hosted a roundtable in Washington, D.C., to discuss what internal auditors can do to help their organizations through these turbulent financial times. Chief Audit Executives (CAEs) from 28 Fortune 250 companies participated in the roundtable, as well as representatives from the U.S. Public Company Accounting Oversight Board, the U.S. Securities and Exchange Commission, and The IIA's Principal Partners that provide internal audit services.

Risk and risk management were recurrent themes in almost every topic addressed in the roundtable discussions. Overall, roundtable participants agreed that the economic crisis underscores the need for greatly enhanced and more focused risk management. In addition, CAEs stated they are being asked to take the lead in ensuring that risk management processes are working effectively across the organization, allowing auditors to play a key role as strategic partners of risk management.

To delve deeper into the insight provided by roundtable participants, The IIA's Audit Executive Center conducted a survey regarding the role of internal auditing in organization wide risk management efforts. Survey responses unearthed four key themes regarding the state of risk management efforts and the roles of internal auditing in this key activity:

1. Risk management practices and cultures are evolving.
2. Risk management integration efforts also are evolving.
3. Risk management will be a higher priority for internal audit activities in the next 12 months.
4. There appears to be a continued lack of support at the management and board levels in some organizations for risk management.

This Knowledge Alert provides a more detailed summary of all survey findings, including a breakdown of responses from participants working in Fortune 100, 250, 500, and 1,000 companies, as well as organizations in the financial services, banking, and real estate industry.

You can access the entire article here:

<http://www.theiia.org/guidance/benchmarking/gain/knowledge-services/> ↑

Chapter Contributions

Not that Kind of Mining – How Data Mining Raises the Bar in Assurance

Patrick King

This current regulatory environment continues to evolve into one of the most formidable ever seen. Requirements of corporate governance are at an all-time high as audit committees, boards of directors and executives require more assurance on the operating effectiveness of their controls from their internal auditors, external auditors and accounting departments. While these requirements will lead to improved success against fraud and financial misrepresentation, community financial institutions are likely to be challenged as there may be fewer people and less money available to complete the activities. A technique gaining momentum to affirm assurances to senior management and bolster risk management practices while keeping costs low is data mining. Essentially, the process is extracting and analyzing large volumes of data from computer applications in a manner that detects obscure facts, trends, or inconsistencies. The techniques allow the user to perform testing on 100% of a population to identify all of the discrepancies rather than choosing a sample and testing only a limited piece. Initially, the ability to report on particular measures and statistics directly helps to manage and consolidate data, providing the opportunity to maximize audit effectiveness. Looking down the road a bit, the operations can be improved as 100% of data is tested for veracity, suspicious transactions are found, and requirements of Sarbanes-Oxley and similar regulations are met.

Don't be an easy target

When you have disparate systems, it makes it difficult to monitor data and identify potential fraud, and you could become an easy target for thieves. Data mining allows institutions to proactively extract electronic information developing knowledge of trends and standard practices. Utilizing that information, it is easier to detect irregular behavior before an institution experiences a financial loss or reputation damage.

All institutions maintain financial data electronically, including general ledger transactions, customer information, customer transactions, and vendor information. This data is used to manage and operate the day-to-day activities of the institution to record income, prepare statements, process transactions, and pay

vendor invoices. Applying data mining techniques to this data could identify high risk and possibly suspicious transactions including:

- Matching dollar journal entries recurring at similar frequencies (e.g. quarter-end);
- Duplicate invoice numbers from the same vendor;
- Unusually high or even-dollar payments to vendors;
- Loans over and under specified lending limits, terms, or rates;
- Deposit accounts with a change of address and reversal transactions performed within a given period.

The Road to Acceptance

Historically, one of the biggest hurdles to the implementation of data mining is the belief within the institution that this type of testing activity is for organizations in larger asset or revenue ranges. Even the single-branch community bank will have thousands of transactions running through the systems on a regular basis, many of which cross over multiple systems. It would not be physically possible to monitor 100% of the transactional activity by reading through the paper reports kept at the institution. Not to mention what the cost would be for employee time and the paper resources used in this endeavor. In fact, the majority of systems running in institutions today have been designed by their creators with the ability to produce the necessary reports and export data in a usable format.

When conducting due diligence, the institution needs to define what data it will be interested in testing and what information will be needed in order to perform the tests. Additionally, there should be research conducted to determine where the data is coming from and in what format, so that the output will be usable to the data mining tools. Within the systems, there exist numerous options for export. Each system can be run on a number of databases and can have any number of reporting capabilities and formats, so evaluate each system on a case-by-case basis to determine the best method for obtaining the data. Once implementation is completed, the benefits of continuous testing quickly become apparent as standard tests can be performed at any time by utilizing updated information. As use of data mining grows within the institution, the techniques will lend themselves for developing new tests on additional data systems. The regulatory environment is redefining how institutions are required to mitigate risk and provide *(continued on page 4)*

(from page 3, *Data Mining*) assurance. The ever-increasing regulatory pressure on management to properly protect customer information and allow auditors to provide assurance of financial statements and operational controls is pushing the industry to find more effective and efficient methods of testing. Most technology systems in use today were endowed with the basic function to pull data into a usable format. Taking advantage of this capability, institutions can evolve their traditional means of testing and raise the bar on their assurance and risk management practice. ↑

From the IIA Headquarters

Understanding the Expectations of Key Stakeholders and Their Perception of What Adds Value



The Institute of Internal Auditors Research Foundation (IIARF) announces the release of the new book Implementing the International Professional Practices Framework, 3rd Edition. Releasing this book now is very timely as internal auditors focus on how to leverage and best apply the release in 2009 of a new framework for internal audit professional guidance, the International Professional Practices Framework (IPPF).

The IPPF for internal auditing is the sole global set of professional requirements for the internal audit profession. The IPPF and the Standards (included as part of the IPPF) lay the foundation for effective internal auditing.

At the basic level, the IPPF sets for each and every internal audit professional around the world the fundamental level of performance. At a stakeholder level, the IPPF puts audit committees in a better position to appoint, appraise, use, and support their internal auditors by understanding what internal auditors need to do to provide effective internal audit services.

This book came from the desire to provide internal audit profession a resource for:

- Further explanations of meanings behind the principles-based Standards in the IPPF and answers to frequently asked questions.
- Practical tools that help you implement the Standards in your organization.
- Examples of leading practices in implementing the Standards and best practice internal auditing.
- Discussion of trends and various points of view on topics core to the profession of internal auditing.

As noted, the book includes practical tools. There are more than 30 exhibits which include:

- Valuable examples, such as internal audit charters that align with the latest changes in Standards
- Outlines of a number of commonly used risk frameworks and control models
- Checklists and tools to help assess and encourage conformance with Standards
- Components of common internal audit sourcing contracts
- Examples such as report formats, rating examples and macro level opinions.

This book is organized and aligned with the Standards, to make it easy to help find help on some of the more cutting edge and complex areas of internal audit such as:

- Audit committee alignment
- Internal audit's role in governance, including internal auditing of IT governance and ethics programs.
- Fraud risk tools for the internal auditor
- Internal audit's role related to risk management programs
- Internal quality assessments of internal audit

Through understanding the topics and applying the exhibits to your organization, you will be able to leverage the knowledge of leading thinking and practical real-world applications of the principles-based Standards.

Each internal audit activity needs to determine how best to add value for its organization given the needs and climate of the organization. In order to best add value, internal auditing needs to understand the expectations of key stakeholders and their perception of what adds value. This book illustrates how to take those expectations and — through the IPPF, the Standards, and leading practices and tools for implementation — embark on the mission to add value to the organization through the providing of effective assurance and consulting service.

To purchase the book, please go here:

<http://www.theiia.org/bookstore/product/implementing-the-international-professional-practices-framework-3rd-edition-1423.cfm> ↑

HIRE EDUCATION, TALENT AND DRIVE

Bentley's Career Services office delivers exactly what -- and who -- you need for internships and full time employment.

Bentley University is an IIA Internal Auditing Educational Partnership (IAEP) school. Students at both the graduate and undergraduate level can earn a certificate from the IAEP program if they complete three courses. All students must take the internal audit class and two other related courses electives such as Risk Assessment and Performance Measurement, Fraud Examination Information Technology Auditing or Internship in Accounting.

Bentley's Career Service staff prides itself not just in delivering qualified candidates for your needs but in working closely with firms to deliver the **best** matches possible. Your Bentley candidates will be distinguished not only by their education but by their talent and their drive.

Our curriculum integrates the liberal arts and sciences to provide the knowledge and perspective that enhance student's career success. This, combined with the state of the art facilities that employ the latest technologies, is what contributes to Bentley students who are ready to hit the ground running with their careers!

Hundreds of leading companies in a wide range of industries attend Bentley career fairs and participate in the Campus Recruiting Program each year. *Princeton Review* ranks Bentley #12 nationally for *Best Career/Job Placement Services*. To learn more about how Bentley can assist your hiring needs, contact Jennifer Thibodeau, Employer Relations Manager, at 781.891.2373 or jthibod2@bentley.edu. ↑



On the Horizon — Keeping You Updated on What's Around the Corner

Conference

Date

Location

GAM Conference	March 29 - 31, 2010	Orlando, Florida
Gaming Conference	April, 19 - 21, 2010	Las Vegas, Nevada
Leadership Conference	April, 23 - 27, 2010	Lake Buena Vista, Florida
International Conference	June 7 - 9, 2010	Atlanta, Georgia
GRC Conference	August 23 - 25, 2010	Philadelphia, Pennsylvania
All Star Conference	October 18-20, 2010	Las Vegas, Nevada

For a list of chapter programs taking place in 2009 – check the 2009 [events matrix](#);
for additional details on chapter events contact the [individual chapter](#).

[Click here](#) for a comprehensive list of [IIA HQ events](#).

The Beantown Auditor is published quarterly via E-mail and can be viewed online at the Chapter website:

<http://www.theiia.org/chapters/index.cfm/home.page/cid/13>.

Opinions expressed in this newsletter do not necessarily reflect the policy of The IIA or the Greater Boston Chapter of The IIA.

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