



# Affiliate 257, Inland Empire Chapter

# Inland Empire Audit News

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May 2009

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## President's Message



This is the last message of the chapter year and my last message to you as president. It has been a pleasure serving you for the last twelve months. While it was a challenging experience, I must say that I feel really good about what we accomplished this year. To add icing to the cake, I have met some great people that have become great associates and hopefully great friends as time passes. I encourage each of you to volunteer or attend more meetings. It is a great opportunity to network with your peers and to build professional, and personal, relationships for the future.

I hope to see you all at the last general meeting of the chapter year. We will announce the chapter's Member of the Year during an extended lunch meeting. The nominees are Carmen McGowin-Paul and Michael Mena from the Riverside County Auditor Controller's Office, Denise Mejico from the San Bernardino County Auditor Controller's/Recorders Office, and Teresa Velarde from the Inland Empire Utilities Agency. More information about the nominees is available on our website. Don't forget about the 2010 Western Regional Conference we are co-sponsoring with the other Southern California chapters: [www.2010wrc.com](http://www.2010wrc.com).

As always, feel free to contact me or any of your chapter leadership if you have questions, suggestions, or concerns.

Best Regards,

*Karen L. Johnson, CPA*

*Have A Great Summer!*

## 2008-2009 Chapter Board and Committee Chairpersons

<b>President</b> — Karen Johnson	(951) 522-0277	<b>Secretary</b> — Cheryl Lynch	(951) 358-3322
<b>1<sup>st</sup> Vice Pres</b> — Angela Villanueva	(951) 358-5659	<b>CAP Administration</b> — Glenda Stewart	(951) 955-8295
<b>Programs/Seminars</b> — Melissa Bender	(951) 955-6771	<b>Membership</b> — Claire Melhorn	(909) 645-1650
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### Chapter Governors

- Vinod Desai - PFF Bank and Trust*
- Arlys Erickson - Air Force Audit Agency*
- Michael Miller - Wilmon Corporation*
- Dr. Richard Savich - Cal State San Bernardino*
- Mike Valinotti - Southern California Edison*



“...The practice of rewarding executives who have demonstrated a lack of ethics creates a tarnished perception of the organization...”

## The Emerging Role of Internal Auditing in Building Stakeholder Trust

### From “Tone at the Top” April 2007

Governance, transparency and accountability reforms have dramatically changed today’s business environment around the world and organizations are challenged with an abundance of new standards and stakeholder expectations. As a result, stakeholders have expressed a need to make themselves heard on important issues and they want to have a voice on who has a seat on boards.

Internal auditors are often tasked with assessing an organization’s governance structure. They identify whether the board composition meets the needs of the organization, and then provide an independent assessment, opinion, and recommendations. In addition, at the heart of an internal

auditor’s responsibility is assessing ethical environments, operational issues and policies and procedures.

What role should internal auditing play in good corporate governance and what are their responsibilities to stakeholders? Following is a listing of some of the priorities of stakeholders and the role that internal auditing can take in the concerns.

\* **Stakeholders do not trust a board that lacks independent leadership.**

To ensure independent oversight, a board chair should be a non-executive leader. Internal auditors understand the importance of both a perception of independence and independence in reality. As they

*(Continued on page 3)*

## In The News

### Roundtable with Fortune 100 and Regulators Results in IIA Paper Regarding the Economy

*From IIA website, April 2009*

ALTAMONTE SPRINGS, Fla. – A major reshaping of risk priorities and audit coverage at some of the largest companies in the United States is underway as organizations respond to a changing business environment and economic crisis. These and other insights were the center of discussions among chief audit executives (CAEs) from Fortune 100 and 250 companies, as well as representatives from the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board, at a roundtable event hosted by The Institute of Internal Auditors (IIA) in Washington D.C. on March 16, 2009. A resulting whitepaper was released today by The IIA, titled, “A World in Economic Crisis: Key Themes for Refocusing Audit Strategy.”

“Putting this group together in one room to analyze how internal auditors can be integral and proactive in responding to the financial crisis was a critical step to helping organizations return to or maintain their health in the current economic environment,” commented IIA President Richard Chambers, CIA. “Internal auditing is a cornerstone of good governance and vital to protecting stakeholders. In times like

these it would only make sense that our role in strengthening organizations be emphasized and maximized.”

In navigating through the current economic uncertainties, the CAEs participating in the roundtable discussion indicated they are now taking a more proactive and strategic role in working with stakeholders to improve the risk and governance cultures of their organizations. Participants candidly offered their insight and strategies for redirecting the focus of internal audit activities to meet the challenges. While the wide-ranging discussions touched on numerous topic areas, they centered around four key themes.

\* Changing expectations from internal auditing’s stakeholders are resulting in revisions to internal audit strategies. The audit committee is now relying more heavily on internal auditing to keep stakeholders informed of ERM strategies and changes in the audit plan. Internal auditing is also being asked to play a more strategic role in the oversight and governance of the organization, as governance is another area receiving an increased focus by audit committees. And as normal benchmarks failed executives and risk management experts in predicting the scope of the meltdown, internal auditors can take a leading role by

*(Continued on page 6)*

## Meet Your Chapter Leaders



### Jim Gillam – Historian

Jim Gillam began his career in the printing industry and served in varying capacities as a graphic designer, art department supervisor and also in providing technical support for the Macintosh portion of a wide area network. He went back to school and completed his B.S. degree in Business with an accounting concentration and graduated with highest honors from Cal State San Bernardino. He then spent several years at a local CPA firm, Rogers, Anderson, Malody and Scott LLP, as a Staff Accountant involved with income tax return preparation as well as corporate and municipal audits. He joined the staff of Internal Auditors at San Bernardino County in November 2007. Just recently, he assumed the duties of an accountant in the Reimbursable Projects Section for San Bernardino County



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### The Emerging Role of Internal Auditing... *(Continued from Page 2)*

assess the organization's governance, internal auditors are well positioned to look deeply into the board's structure and composition to uncover an evidence of perceived or actual conflicts.

- \* **Stakeholders expect disclosure of the company's true condition.**

Every organization will have areas in need of improvements, but deciphering which weaknesses might be red flags often is difficult for an outsider. The work done by internal auditors reveal of the true picture of an organization's viability or lack thereof. The internal audit activity provides assurance that internal controls in place are adequate to mitigate risks, ensure that governance processes are effective and efficient and organizational goals and objectives are met.

- \* **Stakeholders want reasonable exit scenarios.**

The practice of rewarding executives who have demon-

strated a lack of ethics creates a tarnished perception of the organization. Assessing the appropriateness of separation policies and procedures for poor performance should be a part of the internal auditors' governance audit.

*This article is available in full in The Institute of Internal Auditor's April 2007 Tone at the Top newsletter. Tone at the Top is committed to provide executive management, boards of directors, and audit committees with concise, leading-edge information on such issues as risk, internal control, governance, ethics, and the changing role of internal auditing. You can read this article and other Tone at The Top editions and subscribe to receive future editions of Tone at the Top by visiting*

<http://www.theiia.org/periodicals/newsletters/tone-at-the-top/>

# Members' Corner

## May Anniversaries

<u>Name</u>	<u>Years</u>	<u>Name</u>	<u>Years</u>	<u>Name</u>	<u>Years</u>
Sandy Yoshima	17	Russell Dominski	3	Andrea Cook	1
Cherie Kechour	16	Andy Hsia	3	Vanessa Doyle	1
Thomas Ng	16	Michael Mena	3	Jim Gillam	1
John Panzullo	14	Erik Olson	3	Megan Gomez	1
Terry Allen	13	Lee Jan	2	Lisa Lazar	1
Stanley Pinkston	12	Darlene Nunez	2	Annie Ly	1
Miran Escalona	4	Keri Rose	2	Denise Mejico	1
Mary Barber	3	Eric Stopnik	2	Julie Tran	1
Melissa Bender	3	Braden Bargmeyer	1	Larry Walker	1
		Janet Chen	1		

## A Little Audit Humor

An internal auditor for a manufacturing group was concerned about anomalies in inventory levels. He believed someone might be stealing inventory but he couldn't prove it. He had his eye on one shifty-looking individual who every day drove his old truck out of the factory with the load covered by several tarp. Time after time the auditor stopped the bloke, made him remove tarp and then inspected the load. On every occasion there was only trash in the truck which the driver said he was taking to the dump. On three occasions the auditor made the driver remove the tarp and then unload the trash in front of him, suspecting that there might be stolen inventory hidden underneath. Nothing. He could never find anything amiss. After a few months of this the auditor was offered a better job elsewhere and resigned. A few weeks later he was drinking in a bar when the shifty character walked in. On an impulse the auditor went up to him and said, "Look, I've left the company, I'm not interested in taking it any further and I won't turn you in, but I just have to know. What were you taking?" The driver replied "Tarp."

### New Members During April

Xiao Ying Luo

Kathleen Ng

Alexander Marzo

**GLEIM'S CIA**  
Complete System **GUARANTEES**  
success on the exams!

Contact Kara Pretty at:  
**800.874.5346 Ext. 147**  
or by e-mail at [kara.pretty@gleim.com](mailto:kara.pretty@gleim.com)

## Editor's Corner



### Ask Arthur...

**Q: I want to become an CIA, where can I get more information about the certification process?**

**A:** The IIA's Certification Department created a PowerPoint Presentation to assist candidates with the process used to; apply to an IIA certification program, register for exams, schedule appointments at computer-based testing centers (operated by Pearson VUE), receive their official exam results, and become certified.

The majority of these activities can be performed online by the candidate through the Certification Candidate Management System (CCMS), and the presentation includes screenshots from the CCMS, as well as screenshots from the Pearson VUE scheduling system. The PowerPoint presentation, has been posted under the following Web page [www.theiia.org/certification](http://www.theiia.org/certification) for each certification, along with the Certification Candidate Handbook.

While you are visiting, take a look at IIA new and improved website. The IIA launched a redesign of its Web site, [www.theiia.org](http://www.theiia.org), in early March that includes more room to promote IIA guidance, events, services, and other information. The expanded site also allows more flexibility to be creative with text and graphics.



## Interesting Observations

*The following is an excerpt from the Daily News Article titled, "Audit: Prof misused more than officials first thought" authored by Joanie Baker ...*

"...A former professor at Western Kentucky University was responsible for "questionable and illegal activities" related to at least eight grants, cost-shares and foundations at the school, according to a new internal audit.

The report, provided recently to WKU's Board of Regents, states Katrina Phelps was responsible for a variety of payroll improprieties and other malfeasance; it comes just months after the former psychology professor and director of the ALIVE Center signed a plea agreement with the U.S. Attorney's Office, admitting to her involvement in issuing approximately \$27,087.20 in university checks to individuals not entitled to the payment, then "intentionally misapplying the proceeds." The funds were from a grant the university received from the U.S. Department of Justice. But according to the audit, which provided a summary of all the grants connected to Phelps, the university should have sought \$36,466 in restitution - nearly \$10,000 more than the amount she pled guilty to issuing.

The report recommends that the university contact the other federal grant funding agencies and determine whether some \$527,446 in funds the university received from Phelps-related grants - money that should not have been charged to the grants - should be returned by the school. The report also states that \$517,185 was used for "items not specifically allowed for in the grant document, but appeared to be spent for the purposes of the grant." ... In February, Phelps signed a plea agreement following a charge by the FBI of theft from a program receiving federal funds. In the plea, Phelps agreed to pay back more than \$27,000 in restitution before she is sentenced July 7.

The plea states Phelps "intentionally misapplied" funds from the Department of Justice, while the WKU audit says "numerous purchases, some made with a University procurement card, were found to be unrelated to the grant, undocumented, personal in nature and missing..." *Very interesting indeed...*

To view the original article visit: <http://www.bgddailynews.com/articles/2009/05/10/news/news3.txt>

**Do you have a question, newsletter idea, or interesting observation?  
Please contact me at [iia\\_inlandempirechapter@yahoo.com](mailto:iia_inlandempirechapter@yahoo.com)**

**In The News** (Continued from Page 2)

working with management and other risk management groups to brainstorm emerging risks.

- \* A more strategic focus on risk and risk management is developing. Risk and risk management were recurrent themes that permeated virtually every topic area in the roundtable discussions. CAEs are being asked to take the lead in ensuring that risk management processes are working effectively across the organization, allowing internal auditing to play a key role as strategic partners and champions of risk management. Additionally, the focus of ERM is increasingly transitioning from a tactical level to a strategic level. Participants indicated that the transition presents opportunities and challenges for internal auditors and risk managers alike.
- \* Major shifts in the focus of internal auditing's coverage are already taking place. Roundtable participants confirmed they are proactively shifting the focus of their audit plan in recognition of their organization's changing risk profile. Some of this shift is directly related to actions the organization is taking to streamline for economic reasons. A second area of shifting risk profiles is the increased risk presented by areas such as credit and liquidity and exposure to third parties in financial distress.
- \* CAEs have been undertaking various initiatives within internal auditing to do more with less. Roundtable participants see a continuing need for internal auditing to become even more cost conscious. Keeping an eye on risks and audit coverage while focusing on efficiencies and operational effectiveness to drive down costs remains a key focus for CAEs.

Despite the pressures and challenges of the current economic crisis, the roundtable discussions point to unprecedented opportunities for internal auditing to expand its focus in several strategic areas. Assessing the effectiveness of risk management will become an increasingly vital role for internal auditing, and the declining economy signals a new era in

the strategic and systemic approach to assessing risk. Connecting the organization's business strategies with identified risks will be a priority. Internal auditors also have the task of assisting stakeholders as they respond to these economic challenges. The roundtable participants recognize this opportunity and are using it to further enhance the stature and credibility of their internal audit functions.

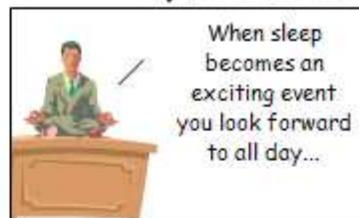
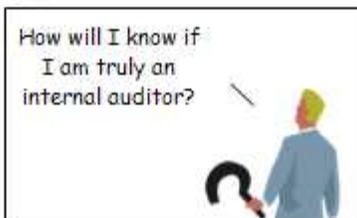
"This is an excellent opportunity for internal audit functions in the United States and around the world to step up and be more proactive with senior management and audit committees," said Joe Steakley, senior vice president of internal auditing and enterprise risk management at Hospital Corporation of America, who was a participant in the roundtable discussion. "During these challenging economic times, stakeholder expectations continue to increase and challenge us. In response, our internal audit function facilitates a robust risk management activity to proactively identify emerging risks, and we oversee many aspects of our company's anti-fraud program – including the use of sophisticated technology for continuous monitoring."

To supplement the roundtable participants' views, The IIA conducted a pre-roundtable survey through its Global Audit Information Network (GAIN) survey to get perspectives on the cause and effects of the financial meltdown, as well views of how companies are adapting. The survey resulted in responses from 364 internal auditors in the United States, 117 of which work in the financial services sector, and 34 that work for Fortune 100 companies. The results showed a high degree of correlation between the survey and the concerns of the roundtable participants, and helped guide the roundtable discussions, as well. To learn more about the survey and read The IIA's new whitepaper, "A World in Economic Crisis: Key Themes for Refocusing Audit Strategy," visit [www.theiia.org](http://www.theiia.org).

*To learn more about the Institute of Internal Auditors, visit [www.theiia.org](http://www.theiia.org)*

**The Internal Auditor**

**By Karen Johnson**



## Employment Opportunities

### MANAGEMENT AUDITOR II

#### City of Anaheim

\$69,526 - \$95,598 Annually



The City of Anaheim is seeking two proactive and motivated individuals with experience and knowledge in conducting contract compliance, financial and operational audits. These individuals must show great attention to detail, have excellent interpersonal skills, be able to work independently, and have a great attitude.

This position requires:

- \* Two years of responsible auditing experience supplemented by a Bachelor's degree from an accredited college or university with major course work in accounting, finance, business administration, or a related field. An equivalent combination of experience and education sufficient to perform the essential job functions and provide the required knowledge and abilities is qualifying.
- \* Knowledge and application of complex auditing controls and security systems; principles of auditing program development and implementation; principles of data collection and statistical analysis; accounting and auditing principles and their application to governmental and private enterprise accounting systems; standards for the professional practice of internal auditing; principles of economics and taxation; quantitative methods and principles; pertinent Federal, State and local laws, codes and regulations.
- \* The ability to analyze and evaluate complex auditing problems; evaluate internal controls; and develop and implement manual and electronic data processing auditing systems.
- \* The ability to communicate clearly and concisely, both orally and in writing; establish and maintain effective working relationships with those contacted in the course of work including City management staff and general employees.
- \* CPA or CIA certification is required.
- \* Municipal government, utility and operational auditing experience is highly desirable.

All candidates must complete a City of Anaheim application. Applications will be accepted by the Human Resources Department on a CONTINUOUS BASIS with an initial review on TUESDAY, JUNE 23, 2009.

For additional information about this position and /or to obtain an on-line application, visit: <http://www.anaheim.net/jobs> or call (714) 765-5111.

**If you interested in placing an employment advertisement  
in our newsletter, Let us know.**



**We're on the Web!**

<http://www.theiia.org/chapters/index.cfm?cid=257>