



Inland Empire Audit News

Volume 18, Issue 3

November 2009

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President's Message



Hello everyone,

Thanksgiving is right around the corner. I hope that you are taking the time to focus on the many things you can be thankful for this year in spite of the challenges.

Last month was our October Seminar. For those that were unable to attend, you missed a great training opportunity. Don't forget to attend next month's general meeting. The meeting will be at the San Bernardino County Auditor Controller's Office instead of the Ayres Hotel in Ontario. We will be moving locations periodically in an effort to reduce your attendance costs. The meeting topic will be "Enterprise Risk Management: Understanding Internal Audits Role"

I look forward to seeing many of you at our first general meeting on September 10th (joint meeting with Orange County) and at our Fall Seminar (Doing More With Less) in October. Don't forget about the 2010 Western Regional Conference we are co-sponsoring with the other Southern California chapters: 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,

Melissa Bender, CIA, CGAP, CCSA

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What's on Your (Corporate) Conscience?

From the IIA "Tone at the Top"

November 2009

It has been said that having integrity is doing the right thing when nobody's watching you. Unfortunately, recent news headlines are featuring numerous executives who have made unethical business choices in private, while modeling quite a different public persona that leaves an impression of transparency.

Today, stakeholders are looking with caution at the business world and asking, "Whom can I trust?" It is disheartening to read about companies that are acting irresponsibly. Many other organizations and their governance entities, however, are working tirelessly to find ways to demonstrate their commitment to high ethics and sustainability, as well as intolerance of the slightest perception of wrongdoing or irresponsible risk taking.

Today, there's even a concept referred to as the "triple bottom line," which combines people, planet, and profit and drives sustainable performance and boardroom actions. There are entire

organizations dedicated to holding corporations and other institutions accountable to act responsibly and in the long-term best interests of the environment and the human condition.

Skeptics, however, suggest that executives can hide behind a "corporate shield" of what appears to be socially responsible behavior, while in reality their actions are the antithesis of what is right for their stakeholders and the welfare of the public at large. In fact, "The Myth of the Corporate Conscience," which was written by Jerry Mander and appeared in *Business and Society Review* more than 17 years ago warned of such.

The IIA feels differently, however, and actually positions internal auditors at the forefront of ensuring their organizations have effective policies regarding ethics. The IIA's Standard 2110: Governance requires that the internal audit activity assess and make recommendations for improving the governance process in its accomplishment of various objectives, including promoting appropriate ethics

(Continued on page 3)



"...there's even a concept referred to as the "triple bottom line," which combines people, planet, and profit and drives sustainable performance and boardroom actions...

In The News

New COSO Thought Paper Supports Integration of Strategy and ERM

From IIA website, November 2009

COSO highlights specific areas where management can work with its board to enhance the board's risk oversight capabilities for strategic advantage

ALTAMONTE SPRINGS, Fla. – The Committee of Sponsoring Organizations of the Treadway Commission (COSO) - an organization providing thought leadership and guidance on internal controls, enterprise risk management and fraud deterrence – has released a new thought paper, *Strengthening Enterprise Risk Management for Strategic Advantage*, that highlights specific areas where senior management can work with its board of directors to enhance the board's risk oversight capabilities and the organization's strategic value. This document builds upon four specific board risk oversight responsibilities outlined in a recently released COSO

thought paper, *Effective Enterprise Risk Oversight: The Role of the Board of Directors*, to provide more detail on ways senior management can work with the board and others in the organization to strengthen risk management in all types of organizations.

"Management is often being asked to provide their boards with more information regarding key risk exposures," said COSO Chairman David Landsittel. "The challenge facing management is designing and implementing an enterprise wide approach to risk management that is both strategic and value-adding so that the board and senior management have a rich understanding of the organization's top risk exposures. This thought paper highlights four specific areas where management can work with their board to provide appropriate risk oversight related to strategies and objectives."

(Continued on page 8)

November Membership Meeting



Date: Wednesday, November 18, 2009

Time: 11:30 a.m. - 1:00 p.m.

CPE: 1 hour

Topic: Enterprise Risk Management: Understanding Internal Audits Role

Place: **The San Bernardino County Auditor-Controller's Office**
222 W. Hospitality Drive. San Bernardino, CA 92415

Fee*: \$15 for members

\$18 for non-members

Speakers: Resources Global Professionals

*** Please RSVP Sapna Nagia at (951) 955-3496. Please Note Seating is Limited to 35 ***

In this session participants can expect to learn the key concepts of Enterprise Risk Management, an overview of implementing Enterprise Risk Management, the Value Proposition for implementing Enterprise Risk Management. ?

About the Speakers from Resources Global Professionals

Lester M. Sussman, CPA - Mr. Sussman is the Managing Director of Resources Audit Solutions (RAS) and has 32 years of experience in accounting and auditing. Prior to RAS, Mr. Sussman work for Deloitte & Touche for 26 years and was Senior Vice President of Finance at Gemstar TV Guide, a \$900 million pubic company, until 2005.

Jennifer Matheson, Chartered Accountant - Ms. Matheson is a Client Service Director in the Resources Global Professionals Los Angeles office and an IFRS Subject Matter Expert in the Southern California Region. She has over 20 years of business management and consulting experience was a Director at PricewaterhouseCoopers in the United Kingdom for 10 years.

Bill Ferrari, CPA- Mr. Ferrari is currently Regional Director, Resources Global Professionals. Prior to joining Resources, Mr. Ferrari was with Paramount Pictures and Viacom, Inc. serving in a variety of senior management positions in accounting, finance and internal audit and was with Ernst and Young as an audit manager.

What's on Your (Corporate) Conscience? *(Continued from Page 2)*

and values within the organization. This standard also requires that the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

Internal auditors play an important role in ensuring that the organization is behaving ethically, says Carlo Patetta Rotta, CIA, CFE, CISA, author of "Groundswell of Risk," a feature article in the November issue of The IIA's Internal Auditor magazine. Rotta explains that internal auditors can help ensure the organization complies with laws and regulations and is perceived to behave ethically in any circumstances by:

- * Contributing toward establishing a company culture that is in favor of ethics and where compliance with laws and regulations is a vital success factor for employees in advancing their careers within the organization. How senior management is portrayed in its daily activities becomes pivotal. Ethics should become a significant component of its leadership.
- * Convincing the board to set up an ethics and compliance

department responsible for ensuring that the organization complies with laws, regulations, company policies and procedures, and ethical standards or code of conduct. The department should be managed by a chief ethical officer, or chief compliance officer, who reports directly to the board and is consulted whenever the organization faces any ethical dilemmas.

- * Including ethics audits in the audit plan. This type of audit should focus on aspects of processes that could constitute an unintentional temptation for employees and management to commit unethical actions. Essentially, these are processes where the controls are not in place or are not functioning appropriately, leaving room for employees to perpetrate fraud. Purchasing would be a typical area to investigate in an ethics audit.
- * Ensuring that a whistleblowing procedure has been set up that allows employees and external parties, such as clients and vendors, to highlight any ethically questionable situations anonymously so that the compliance group or internal auditing can take remedial actions.

Members' Corner

November Anniversaries

<u>Name</u>	<u>Years</u>	<u>Name</u>	<u>Years</u>
Gerald Myers	30	Sandra Kjellberg	5
Paul Vicknair	15	Annie Chen	2
Shawn Moore	10	Juan Jimenez	1
Cheryl Lynch	8	Albert Jackson	1
Kevin Scharfenkamp	7	Angela Villanueva	1

A Little Audit Humor

A team of internal auditors had been sent to the sales department to perform an audit. All of the sales personnel were paid on commission. After reviewing records and interviewing sales personnel, one of the internal auditors became suspicious of one of the employees. The sales employee was not bringing in very many sales yet he was always dressed in designer suits, wore expensive watches, and drove a Bentley. The Internal auditor asked, "How have you managed to buy such luxurious items while your sales are low and you have received very little commission?"

"Well," the sales employee answered, "while fishing last summer I caught a large golden fish. When I took it off the hook, the fish opened his mouth and said, 'I am a magical fish. Throw me back to the sea and I'll give you the most luxurious designer suits, watches, and a Bentley'. I threw the fish back to the sea, and got everything it promised." The internal auditor replied, "How can you prove such an unbelievable story?" The sales employee answered, "Well, you can see the suits, watches, and Bentley can't you?"

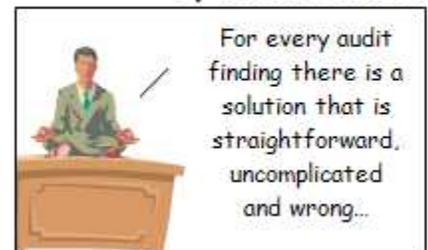
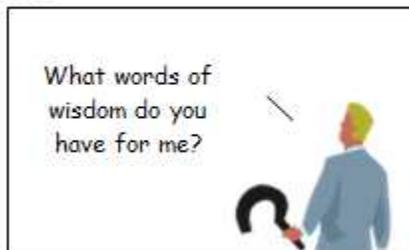
Welcome to Our New Members for October

Kohei Fukutani
Amos Komeh
Linda Welker



The Internal Auditor

By Karen Johnson





Need Help Studying for the Certified Internal Auditor Exam?

Passing the Certified Internal Auditor (CIA) exam is a crucial step in obtaining the CIA certification. Our chapter will be hosting a review course to help you pass the exam.

Location: March Air Reserve Base - 5023 Fourth Street, March Air Reserve Base, CA 92518 (Free parking at the review course site).

Presenter: Ron LaPlante, CIA, CFSA, CPA, CMA, CFE, CFM, CrFA

Class Schedule and Price

Saturday, January 9, 2010, 8:30 a.m. to 5 p.m. Accounting class for those wishing to take part 3 with no accounting background or accounting education. Basic accounting and intermediate topics will be discussed and practiced. Free for those taking part 3. \$75 for those who are not taking part 3.

Saturday, January 16, 2010, 8:30 a.m. to noon Part 1, internal audit role in governance, risk and control cost \$60

Saturday, January 16, 2010, 1:30 p.m. to 5 p.m. Part 2, conducting the internal audit engagement cost \$60

Saturday, January 23, 2010, 8:30 a.m. to 5 p.m. Part 3, information technology and financial accounting topics cost \$175

Saturday, January 30, 2010, 8:30 a.m. to 1:00 p.m. Part 3, financial accounting (cont'd), cost accounting, finance, business analysis,

Economics and taxes. No additional cost, but you must attend part 3, Saturday, January 23, 2010.

Saturday, January 30, 2010, 2:30 p.m. to 5 p.m. Part 4, business management skills cost \$35

Parts 1 and 2 taken together costs \$115 • Part 1, 2 & 3 taken together, \$290 • Parts 1 & 3 or parts 2 & 3, \$230

All four parts \$320 • Parts 1 & 4 or 2&4, \$95 • Parts 1, 2 & 4 \$150 • Parts 3&4 \$210 • Parts 1, 3 and 4 or parts 2, 3 and 4 \$260

For any previous Review students who have paid for recent CIA materials and have not passed the exam, the CLASSES ARE FREE!

Registration: DEADLINE, JANUARY 4, 2010 Please email ronlaplante@sbcglobal.net or CALL 571-242-6737

Cash or checks payable to "Inland Empire IIA" are due on or before the first class taken. Send checks to: Melissa Bender, IIA Inland Empire Chapter, P.O. Box 4914, Riverside, Ca 92514

Purchase Review Materials: Need additional materials for studying? Review materials available for order. Gleim 14th edition question download & book 14th edition, with 1,000+ questions per part cost \$60 (must be ordered together!) If you place an order, you will receive the book on the day of class. If the book is ordered prior to class, allow 4 business days from order date for delivery. Download will be sent to you on the following Monday after class if ordered on the day of class, or on the following business day after the download was ordered if the order is prior to the class date. If you do not take the course, there will be no books or software ordered for you. Your order must be placed by **Monday, January 4, 2010**. The order will be placed on that day and that is the only order that will be placed. If you order after that date, your cost will be increased to retail price per part for book and download plus shipping (\$85).

Editor's Corner



Ask Arthur...

Q: What are the long term employment implications of the recession?

A: The severity of the recession has prompted lasting changes. For example, the downturn caused organizations to pay greater attention to jobs that boost cash flow. In a Robert Half survey, finance and human resource managers said credit and collections and accounts receivable are the functional areas that have increased most in importance in their accounting and finance departments as a result of the recession.

Companies also are learning to avoid narrow job descriptions. Faced with minimal staffing levels, firms are expanding individual responsibilities to take advantage of the diverse knowledge base that some professionals possess. A growing number of employers are seeking candidates who possess previous experience in multiple accounting and finance specialty areas and can fill a variety of roles.

In addition, more businesses recognize that building capable teams that can see them through the rest of the downturn and beyond requires a staffing strategy focused on flexibility. By using a mix of core full-time employees supplemented by project professionals, companies can keep expenses down, reduce the need for layoffs and quickly adjust personnel levels as economic conditions dictate.

Answer courtesy of Robert Half Management Resources - <http://www.roberthalfmr.com/Home>



Interesting Observations

The following is an excerpt from Washington Post titled, "Staggering need, striking neglect" authored by Debbie Cenziper ...

"...In a city ravaged by the highest rate of AIDS cases in the nation, the D.C. Health Department paid millions to nonprofit groups that delivered substandard services or failed to account for any work at all, even as sick people searched for care or died waiting. More than \$1 million in AIDS money went to a housing group whose ailing boarders sometimes struggled without electricity, gas or food. A supervisor said she was ordered to create records for ghost employees. About \$400,000 was paid to a nonprofit organization, launched by a man who once ran one of the District's largest cocaine rings, for a promised job-training center that has never opened. More than \$500,000 was earmarked for a housing program whose executive director had a string of convictions for theft, drugs and forgery. After the D.C. Inspector General's Office could find no evidence that he was operating an AIDS nonprofit group, the city terminated the grant but never sought repayment.

All told, the Health Department's HIV/AIDS Administration awarded more than \$25 million from 2004 to 2008 to nonprofit agencies marked by questionable spending, a lack of clients, or lapses in record-keeping and care, a 10-month Washington Post investigation found. Many of the groups have since closed or are no longer providing AIDS services.

Renee Paige, 50, once threw birthday parties for her two daughters in her apartment in Southeast Washington, where she'd cook beef stew for elderly neighbors and always had bus fare for a friend ...came to a community meeting in April after spending the night on a park bench in heavy rain, with no place to go. "I have AIDS," she told the group, "and I am soaking wet." Weeks later, she died alone, on the bench, one mile from the HIV/AIDS Administration and within two miles of a dozen nonprofit groups that help people with AIDS. "I couldn't understand," said Keena Stewart, who had known Paige for 15 years. "How could she die like that? ..." *Very interesting indeed...*

To view the original article visit: <http://keysnews.com/node/16309>

**Do you have a question, newsletter idea, or interesting observation?
Please contact me at iia_inlandempirechapter@yahoo.com**



RECRUIT YOUR COLLEAGUES REWARD YOURSELF!

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For complete program details visit www.theiia.org/recruit.

In The News (Continued from Page 2)

This thought paper calls attention to COSO's Enterprise Risk Management – Integrated Framework (2004), COSO's definition of ERM, and the key elements of effective board risk oversight. The paper builds upon four critical areas, which are also highlighted in COSO's Effective Enterprise Risk Oversight: The Role of the Board of Directors, to provide a basis for introspection about current approaches to risk management and to be a catalyst for management to strengthen its overall approach to enterprise wide risk management to help boards fulfill their risk oversight responsibilities.

"Through our hands-on work with boards and senior executives of organizations of all sizes and industries, we observe a desire for stronger integration of strategy execution and risk oversight," said Mark Beasley, Deloitte Professor of Enterprise Risk Management and Director of NC State's ERM Initiative. "This COSO thought paper provides a rich discussion of the many ways management and boards can work to capture the strategic advantage of an enterprise-wide approach to risk management."

COSO has developed these two thought papers on enterprise risk management to provide more in-depth discussion on how senior management can strengthen risk management processes for strategic advantage. Both thought papers can be downloaded for free at www.coso.org, in addition to the executive summary of COSO's Enterprise Risk Management – Integrated Framework (2004).

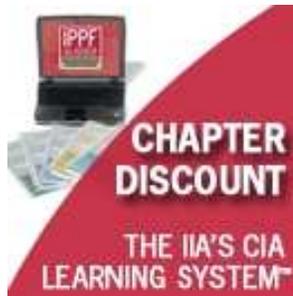
About COSO - Originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO comprises the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), the Institute of Management Accountants (IMA), and The Institute of Internal Auditors (IIA).



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Employment Opportunities



Compliance Auditor

San Manuel Gaming Commission
Highland, CA

Description: Performs on site internal audit work, which is independent with respect to the Casino departments subject to audit. Performs substantial tests. Previews operational adherence to prescribed policies and procedures that conform to the NIGC (MICS). Observes and interviews persons employed in area under audit, to gain an understanding of how the department operates. Summarize audit findings and preliminary recommendations. Compiles data, prepares reports and work sheets to substantiate findings and exceptions to the Compliance Gaming Commissioner, and follows up when necessary.

Requirements: Must possess intermediate knowledge of Microsoft Office software, ability to concentrate in fast paced, heads down environment, excellent organizational and time management skills. Education/Experience requirements: Associate's Degree in Accounting or equivalent from a two year college; or two to three year's related experience and/or training; or equivalent combination of education and experience, Bachelors in Accounting preferred. Must demonstrate excellent interpersonal skills. Candidate must undergo and successfully pass background investigation conducted by the San Manuel Gaming Commission to obtain a Class "A" Gaming License. Applicant must be willing and open to work any shift, any day of the week including weekends, overtime and on call schedules.

Apply at https://www.ultirecruit.com/san1001/jobBoard/JobDetails.aspx?__ID=*4374207822D8DA11

Let us know if you want to place an employment advertisement in our newsletter.



Senior Auditor

Los Angeles County Metropolitan Transportation Authority
Office of the Inspector General

PTSC EMPLOYMENT OPPORTUNITY

Bulletin No: 005604-015 Closing Date: Until Filled

Grade K: \$59,726- \$74,652- \$89,578

Appointments to positions can be made at any point in the salary range with appropriate management approval. This job bulletin is posted to establish or add to a Qualified Candidate Pool (QCP).

Application Procedure - To obtain an application package, call Metro Headquarters at (213) 922-7153 or (213) 922-3900 for the hearing impaired (TDD). All application materials may also be downloaded from Metro's Website at www.metro.net.

More Information is available at www.metro.net



We're on the Web!

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