



# NEW YORK REPORTS

GOLD AWARD CHAPTER

December 2002



Dear Colleagues:

I am very pleased to announce that the New York Chapter will kick-off a new and exciting Sarbanes-Oxley Forum starting January 28, 2003. This forum will convene every few months to provide an update on Sarbanes-Oxley and provide insights as to how various companies are addressing these important and changing requirements.

The first session will be held on January 28<sup>th</sup> from 9:00 to 11:00 in the morning. Led by Ernst & Young advisors, who are already addressing Sarbanes Oxley issues, the session is designed to provide internal auditors with details on Sarbanes-Oxley requirements, predictions on future clarifications, and implementation strategies used by different companies. This session is open to all members.

At our December luncheon we were very fortunate to have Carman Lapointe Young, past IIA International Chairman of the Board (1994/95). Carman discussed DARE (Deliver Value in Internal Auditing), a home grown version of Enterprise Risk Management used by Canada Post to improve the internal audit process. Carman's PowerPoint presentation is available on the Chapter's web-site.

Our next Chapter meeting is scheduled for Friday January 10<sup>th</sup>. It promises to be an exciting one. The workshop will feature the very popular Courtney Thompson speaking about High Impact Auditing – Practices That Payoff. At our luncheon, LeRoy Bookal, the current IIA International Chairman who will be speaking on the Current State of the Internal Auditing Profession with a focus on Corporate Governance. Please plan on joining us.

Have a health, happy, and prosperous New Year!!!

*Laura A. Lowenhaupt, President  
IIA New York Chapter*

## 2003 INTERNATIONAL CONFERENCE

Register now for The IIA's premier event!

The IIA's International Conference will be held in Las Vegas, Nevada, USA, June 22-25, 2003. The conference will provide a one-of-a-kind career development program with dynamic keynote speakers and 8 professional tracks of topics of current interest to the global internal auditing community. The conference will be held at the MGM Grand Hotel and Casino with room rates of \$123 for single or double. Register online at [www.theiia.org](http://www.theiia.org); fax +1-407-937-1101, or call +1-407-937-1111. Hotel reservations may be made by calling +1-702-891-7468; fax +1-702-891-3136, or online at [www.mgmgrand.com](http://www.mgmgrand.com). For more information, visit The IIA Web site at [www.theiia.org](http://www.theiia.org) and click the Las Vegas Conference logo.

## THE NY CHAPTER'S CIA EXAM STUDENT INCENTIVE PROGRAM

The NY Chapter realizes that the review and examination costs for the CIA examination may be prohibitive to students wishing to take the CIA exam. Therefore, as an incentive for student participation in the CIA program, the NY Chapter is piloting a CIA exam student incentive program, which is designed to provide an opportunity for students to participate in the exam at the Chapter's expense. This program is designed to allow students who meet the eligibility requirements to attend the review class free of charge. Also, the NY Chapter will pay the eligible candidates' registration and examination fees.

For more information and for the Student CIA Incentive Program application, contact either Raymond Elson (212) 314-5266 or Carol McFarlane (212) 578-5351. The application must be completed and returned to either Raymond or Carol along with the completed CIA Exam Registration form by February 15, 2003 for the May 2003 exam.

JANUARY 2003						
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26	27	28	29	30	31	

 This Month's Meeting – January 10, 2003

 Special Event – [Click Here](#)

## 2002 – 2003 CHAPTER OFFICERS

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### EDITOR'S NOTE

There has been much in the news lately about the SEC's crackdown on fraudulent financial reporting.

Most organizations are reviewing their internal policies to find ways to strengthen their internal controls and to mitigate their risks. Priority is being placed on monitoring the corporate environment to ensure that the public is getting the message that the organization is serious about corporate governance.

The Institute of Internal Auditors (IIA) believes that the best tool for deterring fraud is a fully resourced and professionally competent internal auditing staff that provides the value-added services that are critical today to the efficient and effective management of an organization. Howard J. Johnson, the Director of Audit at JC Penny has recently stated, "Strong internal auditing departments are woven into the fabric of their organizations, and their work is integral to the efforts of management."

The focus of this month's newsletter is to bring to your attention all of the resources that the IIA has to offer its members. The IIA website ([www.theiia.org](http://www.theiia.org)) provides a detailed analysis on the new SEC legislation and offers guidance as well as free copies of the Practice Advisories to its members.

I would also like to take this opportunity to thank all of you for your support and contributions in 2002 and to send you Holiday Greetings with best wishes for the New Year.

*Gail Forkosh, CPA  
Newsletter Chair*

### NY CHAPTER MEMBER DIRECTORY

We are pleased to announce that Chapter members can now access the NYIIA directory using IIA member ID and password. For all details, please click [here](#) or visit the Chapter's website at ([www.iaa.org](http://www.iaa.org)).

### QUOTE OF THE MONTH:

"We often discover, what will do by finding out what will not do; and probably he who never made a mistake never made a discovery."

*-Samuel Smiles*

## Sarbanes-Oxley Forum The Path to Compliance First Event

Whether you are the Chief Audit Executive, audit manager, or audit staff, Sarbanes-Oxley will impact you. The impact of this landmark legislation continues to evolve as further guidance and clarification is provided. While the goal is to clearly assign accountability for financial reporting and disclosure, implementation of the financial statement certification process is only the first of many steps. Sarbanes-Oxley will continue to be an important topic of conversation and has the potential to impact the work at some level for every auditor.

This forum will help you understand what the requirements are, how they can be implemented, and how they impact your work going forward. The initial session will provide education, predictions, implementation ideas and considerations, and the opportunity to discuss these issues and challenges with your peers. Please join us as Ernst & Young walks us through the key issues and challenges of Sarbanes-Oxley.

The initial session will cover:

- Sarbanes-Oxley Act – Specific Requirements
- An Update on Expected and Upcoming Clarifications on Regulations
- Impact of Sarbanes Oxley on the Internal Audit function
- Implementation Considerations for Evaluating and Certifying Controls
- Preparing for the upcoming Internal Control Reporting requirements
- Implementation Strategies Companies are Using
- Role of the Internal Auditor

At future sessions, you will hear what other companies and industries are doing. You will also hear what obstacles companies faced and how they overcame them or plan to address them. Future sessions will continue to provide a forum to network with your peers and discuss the challenges that face you today. You won't want to miss them!

Who: All internal audit professionals

When: Tuesday January 28, 2003  
Continental Breakfast & Registration – 8:30AM  
Session – 9AM to 11AM

Where: Madison Square Garden

Cost: \$25 per person

[Click Here](#) for Registration Information

## INTERNAL CONTROLS CHECKLIST

*This following checklist was developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).*

Internal controls cannot ensure success — bad decisions, poor managers, competition, collusion, and override of controls can still present problems. Good controls do, however, help organizations get where they want to go while minimizing pitfalls and surprises. The control environment sets the tone of an organization and provides the foundation for an effective system of internal controls. An effective control system enables management to be apprised of and manage significant risks, as well as monitor the reliability and integrity of financial and operating information; and ensures that the audit committee be a powerful and proactive agent for corporate self-regulation. The Committee of Sponsoring Organizations (COSO) of the Treadway Commission developed the following questions to help senior executives and directors of enterprises of all types and sizes gain a better understanding of their organization's control systems.

### ETHICAL ENVIRONMENT

Do board members and senior executives set a day-in, day-out example of high integrity and ethical behavior?

- Is there a written code of conduct for employees, and is it reinforced by training, top down communications, and requirements for periodic written statements of compliance from key employees?
- Are performance and incentive compensation targets reasonable and realistic, or do they create undue pressure on achievement of short-term results?
- Is it clear that fraudulent financial reporting at any level and in any form will not be tolerated?
- Are ethics woven into criteria that are used to evaluate individual and business unit performance?
- Does management react appropriately when receiving bad news from subordinates and business units?
- Does a process exist to resolve close ethical calls?
- Are business risks identified and candidly discussed with the board of directors?

### RISK IDENTIFICATION AND MANAGEMENT

- Is relevant and reliable internal and external information timely identified, compiled, and communicated to those who are positioned to act?
- Are risks identified, analyzed, and actions taken to mitigate them?
- Are controls in place to assure that management decisions are properly carried out?

### INTERNAL CONTROLS EFFECTIVENESS

- Do senior and line management executives demonstrate that they accept control responsibility, not just delegate that responsibility to financial and audit staff?
- Does management routinely monitor controls in process of running the organization's operations?
- Does management clearly assign responsibilities for training and monitoring of internal controls?
- Are periodic, systematic evaluations of control systems conducted and documented?
- Are such evaluations conducted by personnel with appropriate responsibilities, business experience, and knowledge of the organization's affairs?
- Are appropriate criteria established to evaluate controls?
- Are control deficiencies reported to higher levels of management and corrected on a timely basis?
- Are appropriate controls built-in as new systems are designed and brought on stream?

### AUDIT COMMITTEE EFFECTIVENESS

- Has the board recently reviewed adequacy of the audit committee's written charter?
- Are audit committee members functioning and, in fact, independent of management?
- Do audit committee members possess an appropriate mix of operating and financial control expertise?
- Does the audit committee understand and monitor the broad organizational control environment?
- Does the audit committee oversee appropriateness, relevance, and reliability of operational and financial reporting to the board, as well as to investors and other external users?
- Does the audit committee oversee existence of and compliance with ethical standards?
- Does the audit committee or full board have a meaningful but challenging relationship with independent auditors, internal auditors, senior financial control executives, and key corporate and business unit operating executives?
- 

### INTERNAL AUDITING FUNCTION EFFECTIVENESS

- Does internal auditing have the support of top management, the audit committee, and the board of directors as a whole?
- Has the written scope of internal auditing responsibilities been reviewed by the audit committee for adequacy?
- Is the organizational relationship between internal auditing and senior executives appropriate?
- Does internal auditing have and use open lines of communication and private access to all senior officers and the audit committee?
- Are audit reports covering the right subjects distributed to the right people and acted upon in a timely manner?
- Do key audit executives possess an appropriate level of expertise?

COSO's goal is to improve the quality of financial reporting through a focus on corporate governance, ethical practices, and internal control. COSO comprises The Institute of Internal Auditors, the American Institute of Certified Public Accountants, the American Accounting Association, the Financial Executives Institute, and the Institute of Management Accountants.

## IIA NEWS



### **New IIA Governance Structure Approved**

The IIA membership voted overwhelmingly Dec. 4 to approve changes in IIA Bylaws that will reduce IIA's Board of Directors from 64 to 37 members, assure more global representation on the Board, and create a North American Committee with oversight responsibilities for activities in the United States, Canada, and the Caribbean.

The final vote was 2,672 for the changes and 28 opposed. Members in 157 chapters and institutes worldwide submitted 2,598 valid proxy ballots. In addition, 102 members voted during the Special Membership meeting. The changes will become effective with the election of the new Board in June 2003

### **SEC Proposes New Rules for Auditor Independence**

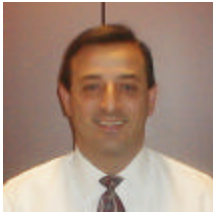
The U.S. Securities and Exchange Commission proposed new requirements for auditor independence on Dec. 2, including regulation regarding internal audit outsourcing by an organization's external auditors. Proposed Rule 2-01(c)(4)(v) provides that an auditor is not independent when the auditor performs internal audit services related to the internal accounting controls, financial systems, or financial statements for an audit client.

### **New Practice Advisories Now Available**

Practice Advisories 1110-2, Chief Audit Executive Reporting Lines; and 2060-2, Relationship with the Audit Committee are now available free of charge to IIA members. Don't miss these important new additions to the Professional Practices Framework!

### **Submit Your Nominations for IIA Awards**

Its time to submit your candidates for two of the most prestigious awards that the Institute of Internal Auditors presents: the Bradford Cadmus Memorial Award and the Victor Z. Brink Award for Distinguished Service. Both awards recognize individuals who have made outstanding achievements in the field of internal auditing. The Bradford Cadmus Memorial Award is presented to individuals who have contributed significantly to the advancement of the profession. The Victor Z. Brink Award honors individuals for their service to The IIA. Criteria and forms are available on the IIA website at [www.theiia.org](http://www.theiia.org). All entries are due by Feb. 21, 2003.



### **CELEBRATING OUR PEOPLE**

The New York Chapter is proud to showcase Jack Savilli as this month's member of the month. Jack Savilli is a Business Development Manager at Jefferson Wells International where he is responsible for developing new clients and managing existing client relationships across four core practice areas consisting of Internal Audit, Tax, Technology Security, and Accounting / Finance. Prior to joining Jefferson Wells, Jack held positions as an Director Finance with TMP Worldwide and Manager within KPMG's audit services group. Jack received his Bachelor of Business Administration in Accounting from Pace University - Pleasantville and is a member of Institute of Internal Auditors (IIA), the New York State Society of CPA's.

During the past two years, Jack has been responsible for the New York Chapter's Membership Committee and has helped to expand the membership ranks. In 2002, he helped the New York Chapter win 1st place in the national Membership campaign by signing up 85 new members for the NY Chapter. Jack has also been instrumental in expanding the member e-mail listing by over 20% and currently maintains over 1,600 e-mails.

On a personal level, Jack and his wife Diane have four daughters. He is active within his community, and is a current director of the Northport Lacrosse Club and as a lacrosse and soccer coach for his children.

### **CELEBRATING OUR COMMITTEES**

#### **Government Relations and Public Sector Committee**

Behind the success of the IIA, are the various committees that work hard to achieve the IIA's aggressive goals. The IIA is always looking for people to volunteer their time and their ideas, so each month, the newsletter is proud to feature a committee and that committee's goals and responsibilities.

This month, the IIA is proud to feature the Government Relations and Public Sector Committee. The primary goal of this committee is to provide CPD/CPE qualified educational and networking opportunities targeted at auditors who work in the government and public sector.

The committee accomplishes this goal in the following manner:

- It identifies opportunities to work with other professional institutions.
- Hosts or participates in programs on issues relevant to auditors in government and public sector institutions.

If you would like to learn more about this committee, please call Emad L Bibawi at (212) 954-2173 or visit our website at NYIIA.ORG.

### **MARCH 2003 SEMINAR**

The Government Relations and Public Sector Committee of the Institute of Internal Auditors is hosting a two hours seminar on March 5th, 2003 from 9:00am to 11:00am entitled "The Role of an Internal Audit Department in a Changing Business Environment for Government and Public Sector Organizations". The guest speakers for this seminar will be Anthony Dalessio, Partner in-Charge of KPMG LLP's Health Care and Public Sector Management Assurance Service Practice in the Northeast, and Stephen Langowski, Partner in KPMG LLP's Health Care and Public Sector Assurance Practice. The guest speakers each have more than 20 years experience providing audit related services (both external and internal audit services) to KPMG LLP clients in the health care and public sector industries. The speakers will focus on the changes that internal audit departments are undergoing to address the challenges of a new business environment and new legislation affecting organizations around the world.

Additional details of the seminar - including location and registration forms - will be mailed to IIA members a few weeks prior the seminar date and/or included in the next newsletter.

### **MetLife Hosts the Review Class for the November CIA Exam**

In October 2002, the NY Chapter administered a four-day CIA review class for the November 2002 exam. We want to thank NY Chapter Officer Marian Dougherty and the staff at MetLife for hosting the review class. The number of candidates who attended the review class was much higher than in the past. As the review date approached, the number of budding new CIAs wishing to attend grew. MetLife's staff worked closely with the NY Chapter's CIA committee to ensure that the facility would accommodate the growing number of attendees.

So once again MetLife, the NY Chapter is taking this opportunity to thank you on behalf of the budding new CIA's for hosting the October 2002 CIA exam review class, and the classes and exams that you have hosted in the past. Also, the NY chapter would like to thank you for your continued support of the IIA.

## SEMINAR & LUNCHEON OVERVIEW JANUARY 2003

### LUNCHEON



**Topic:** “Current State of Internal Auditing Profession”  
**Speaker:** LeRoy E. Bookal, CIA  
 General Auditor, Retired  
**Date:** January 10, 2003  
**Time:** 12:00pm – 2:00pm  
**Where:** The Club Restaurant, Madison Square Garden, 4 Pennsylvania Plaza, NY  
**Price:** \$60

### CURRENT STATE OF INTERNAL AUDITING PROFESSION

Leroy E. Bookal, CIA is the current Institute of Internal Auditors Chairman (2002/03). LeRoy graduated from Baruch College and is the retired General Auditor from Texaco. LeRoy’s presentation is on the “Current State of the Internal Auditing Profession with a Focus on Corporate Governance”.

### SEMINAR

**Topic:** “High Impact Auditing”  
**Speaker:** Courtney M. Thompson, Jr.  
**Date:** January 10, 2003  
**Time:** 8:30am – 4:30pm  
**Where:** The Club Restaurant, Madison Square Garden, 4 Pennsylvania Plaza, NY  
**Price:** \$175

### HIGH IMPACT AUDITING

Courtney Thompson is a recognized authority on training and development for internal auditors. Since entering the educational consulting field in 1981, he has written and presented courses for numerous corporations, government and professional associations.

Although best known for training auditors in effective meeting the challenge of fraud, Courtney also develops and conducts courses on improving audit effectiveness and behavior and communication skills. He is the co-developer of courses on audit and control construction costs and health benefits administration. His courses are known for providing practical approaches to real problems encountered by internal auditors.

Mr. Thompson’s experience prior to consulting includes public accounting with a Big 5 CPA firm, audit supervisor for consumer financial services for a large retailer, and director of auditing for a life insurance company.

Thompson received his BBA and MBA degrees for Southern Methodist University and is a Certified Public Accountant. He is a member of various accounting and audit professional associations.

For more details on topic, [Click Here](#)

**You're Invited to our Garden Party**

**Institute of Internal Auditors - NY Chapter**

# **Seminars**

at

**Madison Square Garden**

**September 13, 2002**

Protecting your Critical Information  
Critical Information Assurance Office  
Nancy J. Wong  
U.S. Department of Commerce

**January 10, 2003**

High Impact Auditing-  
Practices that Pay  
Courtney Thompson & Associates

**October 11, 2002**

Auditing in Today's World  
Richard F. Chambers  
V.P. IIA Learning Center

**February 14, 2003**

Auditing for Cyberterrorism  
Al Marcela, Associate Professor

**November 8, 2002**

Interviewing Techniques  
The Reid Institute  
Joe Buckley

**March 21, 2003**

Annual Audit Seminar

**December 13, 2002**

Navigating through ACL  
Kate Head, Audit Manager  
University of Southern Florida

**April 11, 2003**

ISACA Joint Meeting

**May 9, 2003**

From Auditor to Consultant:  
Making the Transition  
Barbara Davidson

**For More Information Visit our Website at [www.nyiaa.org](http://www.nyiaa.org)**

**You're Invited to our Garden Party**

**Institute of Internal Auditors - NY Chapter**

# **Luncheons**

**at  
Madison Square Garden**

**September 13, 2002**

"The Skin of the Truth Stuffed in a Lie"  
*Maurice Dubois*  
*Anchor, News Channel 4*

**October 11, 2002**

Update on IIA Activities  
*Richard F. Chambers*

**November 8, 2002**

Corporate Governance  
*Elizabeth Fender*

**December 13, 2002**

Dare to Deliver in Internal Audit  
*Carman Young, Past IIA Chairman*

**January 10, 2003**

*LeRoy E. Bookal, CIA*  
General Auditor, Retired  
Texaco, Inc.

**February 14, 2003**

Identity Theft  
*Al Marcela*

**March 21, 2003**

Annual Audit Seminar

**April 11, 2003**

ISACA Joint Meeting

**May 9, 2003**

Awards Luncheon

**For More Information Visit our Website at [www.nyiaa.org](http://www.nyiaa.org)**

## High Impact Auditing

### *Practices that Pay*

This seminar is designed for auditors at all levels who are looking for high ways to dramatically increase the effectiveness and credibility of the audit function. It is highly interactive and requires that all participants openly discuss methods and ideas that get results. It is for audit professionals with a “can do” attitude who are willing to consider alternative approaches to their daily activities that will result in greater impact and value.

This one-day course includes:

- Defining the audit function to fully meet expectations
- Managing change
- Getting maximum results from existing audit methods
- High impact audit scheduling and planning techniques
- Monitoring for early problem identification
- Utilizing the computer more effectively
- Auditing for cost recoveries and revenue enhancement
- Improving existing processes
- Developing and communicating results that generate action
- Altering your behavior to increase your effectiveness

THE INSTITUTE OF INTERNAL AUDITORS  
New York CHAPTER  
2002 - 2003

**Sarbanes-Oxley January 28, 2003 Event  
Reservation Form  
FAX Memorandum**

Today's Date: \_\_\_\_\_

To: Laura Lowenhaupt	Fax number: (212) 447-4206
From: _____	Fax number: _____

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**ALL RESERVATIONS SHOULD NOW BE FAXED!**

All reservations must be made by 5:00 p.m. Wednesday January 22, 2003. **To make reservations, complete the form below and fax to (212) 447-4206.** If you need to speak to someone regarding reservations or details on any of the programs, call Laura Lowenhaupt at (212) 576-4607.

**To: Laura Lowenhaupt**

**FAX: (212) 447-4206**

Date of Event: \_\_\_\_/\_\_\_\_/\_\_\_\_

\_\_\_\_\_ Sarbanes-Oxley Forum - \$25

Please Pay by Check or Money Order

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Phone No.: \_\_\_\_\_

\_\_\_\_\_ Member \_\_\_\_\_ Non-Member

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Laura Lowenhaupt

NEW YORK LIFE INSURANCE COMPANY

Corporate Audit Department – Room 1800

51 Madison Avenue

New York, New York 10010