



NEW YORK REPORTS

GOLD AWARD CHAPTER

November 2003



Dear Colleagues:

Welcome to the November issue of our monthly newsletter. Football season in the New York area has been disappointing but fortunately we have the holidays to look forward to. Thanksgiving is right around the corner and then the holiday season kicks in and things get even more hectic. Hope you're able to keep things in perspective and enjoy the holiday.

The following is some commentary for our recent November events and the details on some upcoming events:

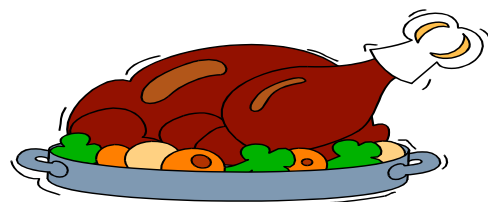
- On November 14, Richard Chambers, Vice President of the IIA Learning Center, conducted the workshop on the important topic of assessing risk and audit planning. He also was the luncheon speaker and spoke about the topic of "Redefining the role of internal audit: Progress and Prognosis". Positive feedback was received on the presentation as well as the content.
- Also on the 14th, the Business and Industry group conducted a roundtable session for the retail sector of our membership. Intent is to provide a forum to discuss issues of common concern. If any of you are interested in participating in future events for this sector contact Joe Maseda at 973-882-0004 or Bob Lomas at 631-851-5422.
- We had a record number of folks taking the CIA exam on November 19 and 20. I guess this is an indication the internal audit discipline is alive and vibrant. Special thanks go out to our friends at D&T who provided the exam facilities and to the CIA Committee for all their hard work in coordinating an event like this.
- On December 3 and 4, Nick DiMola and I will make a presentation to the IIA International Conference Committee to host the 2008 International conference. I will keep you apprised of the results of this effort.

- December 12th - Kate Head, from the University of Southern Florida, will conduct our workshop on "Risk Driven Auditing: Increasing the value and efficiency of your audit process". Penni Fromm, from PEF Associates, will speak about "Components of Risk" as our luncheon speaker. Please join us for either or both of these informative sessions.

A few additional thoughts on Thanksgiving. I guess sometimes we can all get caught up in our careers, goals and aspirations and we can sometimes lose track of the bigger picture. Hopefully you're able to adjust your behavior before its too late. Because, as Kahlil Gibran said "All you have shall someday be given; therefore give now, that the season of giving is yours and not your inheritors."

On behalf of the IIA – New York chapter, I wish all of you a healthy and happy Thanksgiving. Enjoy and be safe. Until next month.

Tom Woods, President
IIA New York Chapter



December 2003						
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Dec 12 Workshop – Risk-Driven Auditing: Increasing the Value of Efficiency of Your Audit Process.

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EDITOR'S NOTE

Once again, we are very close to Thanksgiving. Many of us may be thinking of our turkey dinner, either the one we are soon to enjoy or the effects of the one we have had (depending on when we are reading this newsletter). Although Thanksgiving dinners tend to be the main focus of this event, Thanksgiving is also a time to reflect and remember the people who have made a difference in our lives. For the New York Chapter, I believe it's time for us to say, a big Thank You, to all the committee chairs and members including those on the Academic Relations Committee, the CIA Committee and all other volunteers, who have helped the chapter plan events. A great deal of effort goes into planning activities such as luncheons, workshops, job fairs and annual events and getting the knowledgeable presenters and speakers that we have been fortunate to have had over the years.

Also, as many of you may know, the NY Chapter once again administered the IIA certification examinations on November 19, and 20th. Shortly before the exam, the IIA notified the Chapter that a record number of participants had registered to take their examination in New York City. As a result, the CIA committee had to quickly locate another facility. Finding a second facility on such short notice and administering the exam at two different sites was no easy task. As such, on behalf of both the NY Chapter and the future new CIAs, CCSA, CGAP and CCFA, we would like to say a special Thank You to Jack Sivilli and the members of the CIA committee for all they did to successfully administer the November 2003 IIA certification exams.

The IIA's E-learning program, (<http://www.iiainlinecpe.org/>) offers a wide variety of high quality courses at very reasonable rates. Please visit our website (<http://www.nyiaa.org/>) and our national website (<http://www.theiia.org/>) to learn more about the services that are available to you through the IIA and remember to make us part of your professional development.

*Carol F. McFarlane, CPA, CIA, CISA
Newsletter Co-Chair*

Are you interested in marketing your product/service?

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The NY Chapter IIA offers advertising services via its website or newsletter. For more information regarding the advertising policy, please contact Joseph Rodman at (212) 956-5770 Ext.1107 or Richard Dapcic at (212) 656-2131

Asset Management: Adding value through IT inventory reviews

Managing a computer inventory is an important function of asset management within any organization. From the financial perspective, computer inventory and controls are reviewed to ensure that assets are fairly stated and depreciation is recorded appropriately. Reviews of computer inventories can also provide additional benefits, such as ensuring that IT equipment purchases are made according to corporate IT technical standards and security controls within the information infrastructure comply with corporate and State or Federal regulations. The importance of maintaining an inventory of computers and related products cannot be emphasized enough, especially in times when corporations are trying to control capital expenditures while simultaneously struggling to keep information resources secure. Unfortunately, even an accurate inventory system with strong security and operational controls can become unreliable from neglect, business mergers or oversight from personnel. This can lead to misappropriation of technology funds, theft of computers and consequently loss of productivity and information.

In a survey of 503 corporate security officers, conducted by the Computer Security Institute, 62 percent of the respondents reported the theft of at least one laptop in 2002. This does not include other IT products such as PDA's (personal digital assistants), and IT consumables such as storage media (CDs, diskettes, tapes), printer toner cartridges and memory modules. The report does not mention what, if any, security controls may have been circumvented at the time the thefts occurred. However, according to law enforcement agencies, "the thief's best weapons today are the friendly employees that open doors to strangers and leave doors open for convenience", (*Chicago Tribune, Sept. 26th, 2003*). Although a computer inventory does not in itself deter thefts from occurring, it can serve as a detective control to identify missing or inappropriately allocated goods and as a tool to aid with insurance claims and the recovery process after a theft or natural disaster.

Most would agree that although there are numerous products on the market to help inventory and track the allocation of hardware; little can be gained from their use unless corporate policies and guidelines are established and communicated to all personnel. Even with appropriate controls in place, depending on the business or group culture within the IT department, an inventory may fall short of being accurate.

Although many IT managers may be maintaining a computer inventory, some inventories may only be partial or lack controls to track the assets throughout their life cycle. Auditors should be aware of the pitfalls which may be encountered in managing an inventory. The next few paragraphs will describe a few.

Recording the equipment

There may be times when IT personnel will delay recording equipment into inventory. Some of the reasons for the delays could be:

- The installation of new equipment may require downtime which needs to be scheduled carefully;
- They may be waiting for additional components to arrive before rolling out the equipment;
- The wrong equipment may have been shipped by the manufacturer.

All of these may be valid reasons to any IT employee, but they still pose some risks: Equipment that is unallocated for an extended period of time is prone to theft or vandalism if kept in an insecure area (i.e. mailrooms or offices).

- While partial shipments are kept waiting in storage for additional components to arrive, equipment may be swapped for older models as favors or for personal gain (the "nobody would notice!" syndrome). This can result in problems with warranties and inaccurate recording of depreciation
- Occasionally, if wrong goods are received, vendors may re-ship the correct equipment immediately after being notified of the error, even before the first shipment is returned to them. However, if the unwanted equipment is not returned within a specified period, the vendor may invoice, and probably get paid, for the unreturned items. If you ever perform a computer inventory review and find old unused equipment still shrink-wrapped, you should question if that may be equipment that should have been returned, and may have been inadvertently paid for.

Servicing and replacement:

- Most IT service personnel struggle daily to maintain information resources available and accessible for their business. When you add to this objective, the task of sometimes supporting more users and applications with fewer resources, it often becomes impossible to allocate and even justify time to perform diagnostics and troubleshoot users' computer problems. As a result, the IT department may swap faulty equipment for working units, and on occasions, open brand new computers that were destined for other employees or projects, for use as replacements ("they can wait for the next shipment!").

During the rush of swapping hardware, then arranging to return the faulty equipment to the manufacturer, IT personnel may postpone, and eventually forget, to update the inventory to reflect the status and location of both the faulty unit and the newly allocated equipment.

Here, the department begins to lose control over tracking the location of hardware. Unnecessary expenses can also be incurred due to failures in tracking repairs and returns. Depending on the terms of some warranties, the manufacturer may ship a replacement or loaner. The customer is then required to return the faulty or damaged equipment or risk being charged the full price of the replacement, hence creating unnecessary expense.

The auditor should request a list of computers that are being serviced and ensure that this is adequately reflected in the inventory. To validate that the equipment is in fact being serviced and not in the wrong hands or missing, you can request copies of "service tickets" or receipts that are usually provided by technicians or manufacturers after repairs are performed. Match the descriptions of the equipment in the tickets, including serial numbers, with those of the inventory list.

Disposal of equipment

Discussing controls for disposing computer equipment is beyond the scope of this article. However, auditors should observe the following when performing a review of IT inventory:

Make sure that equipment destined for disposal is identified accordingly in the inventory. A reputable computer disposal company will provide receipts when they pick up the equipment. The receipts should be archived and attached to the list of the decommissioned computers. This will serve as proof of proper disposal (which may be required by local environmental laws) and of the complete depreciation of the equipment. Care should be taken not to discard equipment that has been leased without adhering to the terms of the lease agreement. Otherwise, the business may incur charges for the unreturned equipment.

Conclusion:

Technology will continue to play a critical role in supporting the strategic objectives of organizations as they continue to strive to

maintain competitive edge, while controlling costs. Now more than ever, financial reporting requirements from state and federal regulators require an auditor to better understand the IT administrative environment in order to provide accurate reports on internal controls. As a result, there is less tolerance today for the language barrier that previously existed between technology and business professionals.

Operational and financial controls are part of any business process, and technology is no exception. Therefore, the need to familiarize ourselves with computer inventory controls, or a lack of, is only a first step to understanding other operations within an IT department that may require scrutinizing before issuing our reports to executive management.

Please feel free to contact me if you have any questions or would like to share some of your experiences.

Rafael Moya is a Certified Information Systems Auditor and is a Senior Information Systems Auditor for American International Group. You can email him at Rafael.moya@aig.com.

Assessing Risk, & Audit Planning

An overview of the November 14, 2003 Workshop

Richard Chambers (former Inspector General of the Tennessee Valley Authority and current Vice President of the Learning Center at IIA Headquarters), provided an overview of the COSO ERM framework, annual audit planning, and risk assessment.

Enterprise Risk Management (ERM) is a process that includes:

- A. Identification of potential events that may impact objectives
- B. Risk assessment and response
- C. Consideration of risks in formulation of strategy
- D. Application across the entity
- E. Managing risks to be within the entity's risk appetite
- F. A portfolio view of risks at the entity-level is taken
- G. Monitoring the performance of ERM

ERM is important since it supports value creation by allowing management to 1) deal effectively with potential future events that create uncertainty and 2) respond in a manner that reduces the likelihood of downside outcomes and increases the upside.

ERM is framework that has eight interrelated components, which the entity objectives can be viewed in four categories: strategic, operations, reporting and compliance.

Interrelated Components:

- A. Internal environment-establishes a philosophy regarding risk
- B. Objective Setting-forms a risk appetite at the entity level
- C. Event Identification-involves identifying those incidents, that could affect strategy

- D. Risk Assessment-allows an entity to understand the extent to which potential events might impact objectives
- E. Risk Response-identifies and evaluates possible responses to risks
- F. Control Activities-policies and procedures that help ensure that the risk responses are carried out.
- G. Information and Communication-information is needed at all levels of an entity in identifying, assessing, and responding to risk.
- H. Monitoring-monitors the ongoing effectiveness of the other enterprise risk management components through ongoing monitoring activities and separate evaluations

The purpose of audit planning is to provide a guide for the organization, justification/support for audit resources and means of engaging management and the board in establishing priorities and identifying areas of risk and control. The traditional methods of annual audit planning include the audit cycle, audit universe, management requests, regulations and auditor's experience and expertise.

Risk-based audit planning is the uncertainty of an event occurring that could have an impact on the achievement of objectives. In annual audit planning, a standard risk assessment framework is used to target high-risk areas, to allocate scarce resources, plan/execute audits, and to establish the objectives and scope.

The risk assessment process involves the following factors:

- A. Define the audit universe-distinct units or functions of the enterprise
- B. Identify and weigh risk factors-exercise judgment based on nature of enterprise and prior experience
- C. Establish a mechanism and score risk factors for auditable units-address impact and probability
- D. Sort the auditable units by total risk score-using a risk assessment model and updating the model on a yearly basis
- E. Develop the annual audit plan based on the ranked audit universe

Richard Chambers discussed case studies of the audit planning and risk model for the United States Postal Service and Tennessee Valley Authority.

Finally, he discussed 2210.A1 audit standard that relates to planning the engagement and the steps involved in a risk-based audit engagement.

Risk-Based Audit Engagement Steps:

- A. Understand Processes and Objectives
- B. Identify Risks
- C. Measure Potential Impact(s)
- D. Evaluate Controls and Estimate Probability
- E. Evaluate and Prioritize Risks
- F. Develop Audit Objectives and Program

Submitted by Stacey Citizen

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Richard Chambers, Luncheon Speaker



Luncheon Attendees



Richard Chambers and Tom Woods

JOB POSTINGS

Citigroup, Human Resources Audit and Risk Review

Job title: Program Director – Fixed Income. Lead and manage the planning and execution of audits and business monitoring of complex Fixed Income businesses in accordance with quality standards. Lead audit teams, provide thought leadership and value added approach. Coach, train and motivate staff to foster a high-performance, excellence and cross-functional team environment. Possess strong verbal and written communication and interpersonal skills. Understanding of audit, accounting and risk assessment process. Typically has 10+ years of specialized business experience. Advanced degree or CPA preferred.

Job title: Program Director – North America Technology Infrastructure. Responsible for managing a staff of 7-9 Audit Professionals and completing a segment of the North American Technology Infrastructure Audit plan. Technical knowledge should include expertise pertaining to controls within large-scale networks, distributed and mainframe operating systems configurations, information security and processing controls. Should have in-depth technical knowledge of operating system software products such as UNIX, NT and OS/390 software. Expertise in network and internet technologies and controls pertaining to Firewalls, TCP/IP, VTAM is also desirable. Management responsibilities would include aspects of project management, leadership, senior technology management communication, judgment, analytical review and preparation of performance reviews on staff and appraisals.

Location: 111 Wall Street, New York, NY

Citigroup Global Investments, Investor Services. Responsibilities include managing all aspects of reviews for the Citigroup Global Investments in accordance with Audit and Risk Review standards and any government and regulatory statutes; overseeing the administration of the program including developing and providing guidance to staff, managing the program budget, participating in the development of the global audit plan for the division; and coordinating with the Directors and the Managing Director to develop approaches for addressing broader corporate emerging issues. An in-depth understanding of the interrelationship of business and support units and how they impact the overall control environment is essential as is the ability to lead and develop staff. Experience in the financial services industry particularly in investment products, private equity and/or venture capital is preferred

Location: 111 Wall Street, New York, NY

Job title: Global Liaison/Product Specialist – Investor Services. Responsibilities include coordinating audit activities for global asset management businesses, which include ensuring consistency in risk assessment, audit coverage, issue reporting and ratings. Participating in annual planning. Identifying, classifying and disseminating global issues identified in audits, special reviews, and business monitoring. Developing and maintaining relationships with key global business managers and external auditors and developing and maintaining standard audit programs. Strong knowledge of the investment management businesses and working knowledge of audit/risk assessment skills.

Location: 111 Wall Street, New York, NY

Job title: Audit Manager and Senior Auditor – Investor Services. Comprehensive knowledge of audit and risk assessment techniques and principles; Private Bank business and product knowledge a plus; strong interpersonal and project management skills; excellent communicator with all levels of management; strong analytical skills.

Location: 111 Wall Street, New York, NY

Fax number: 212.657-2704

E-mail: lwsourcing@citigroup.com

Metropolitan Transportation Authority (MTA) Audit Services Immediate Opening for Several Audit Positions:

The Metropolitan Transportation Authority (MTA) has four openings for entry-level and senior auditors. These positions are responsible for conducting and/or supervising financial, operational, and/or technology audits throughout the major public transportation properties in the metropolitan New York area.

Candidates must possess an undergraduate degree in accounting, auditing, finance, computer science or other related business or operational field; excellent oral and written skills; strong interpersonal skills; knowledge of audit standards and practices; and good working knowledge of PC applications.

The MTA provides an excellent employee benefit package; salary is commensurate with experience, education and level of responsibility.

Please send or fax your resume with cover letter and salary requirements to:

Ms. Karen Malloy, Audit Manager
MTA Audit Services

2 Broadway, 16th Floor, New York, New York 10004-2207

Fax: (646) 252-1318

Or e-mail your resume and salary requirements to:
kmalloy@mtahq.org



IIA/NY Chapter 2003 - 2004
Seminars
at
Madison Square Garden

September 12, 2003

Bruce McCuaig

*Sarbanes-Oxley s302 and 404 – A One Day
Workshop* [for more information click here](#)

October 10, 2003

RICHARD M. STOHL

Courtenay Thompson & Associates
Health Care Costs

November 14, 2003

Richard Chambers

IIA HQ
Assessing Risk & Audit Planning

December 12, 2003

Kate Head

Audit Manager, University of Southern
Florida
*Risk-Driven Auditing: Increasing the Value
and Efficiency of Your Audit Process*

January 16, 2004

Jody Camardese

Alliance Education Group
Business Advising Skills For Auditors

February 13, 2004

Randy Marchany

Virginia Tech Computing Center
Linking the Risk Analysis to the Audit Checklist

March 12, 2004

Annual Audit Seminar

April 16, 2004

Darlene Orlov

Orlov Resources for Business, Inc.
*Keys to Your Personal Success: The 10 Best Ways
To Enhance Your Internal Client Relationships
And To Prepare For Promotion*

May 14, 2004

John McKeever

Contemporary Business Concepts
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Institute of Internal Auditors - NY Chapter

Luncheons

at

Madison Square Garden

September 12, 2003

Steve Goepfert

Best Practices at Continental Airlines

October 10, 2003

Howard Johnson

Lowe's

Leading an Audit Staff – 2003 & Beyond

November 14, 2003

Richard Chambers

IIA Headquarters

Risk, Control, and Governance in the Post-Enron Era

December 12, 2003

Penni Fromm

PEF Associates

Components of Risk

January 16, 2004

Michael R. Young

Attorney – Willke, Farr & Gallagher

Corporate Governance – A Retrospective Look

February 13, 2004

L. Tracy Wych

Senior VP – Chase Bank

Automated Auditing Tools – A Success Story

March 12, 2004

Annual Audit Seminar

April 16, 2004

Robert McDonald

IIA Chairman

The State of the IIA

May 14, 2004

Awards Presentation

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USF University of South Florida

Office of Inspector General



KATE M. HEAD, CPA, CFE, CIG

Kate Head is the Audit and Investigations Manager for the University of South Florida Office of Inspector General in Tampa, Fl. Prior to being employed by USF she worked for Texas A&M University and Ernst and Young in audit and litigation support. In total, Kate has seventeen years of experience in audits and investigations.

Kate is a Certified Public Accountant, a Certified Fraud Examiner, and a Certified Inspector General. She is currently Past President of her local IIA chapter and is a Fraud Track Coordinator for the Association of College and University Auditors. She runs an ACL users group and regularly teaches course on CAAT tools including ACL. Kate also has spoken for the IIA, ACUA, CACS, ISACA, and the State of Florida on risk assessment, information technology, fraud prevention, detection, and investigation.

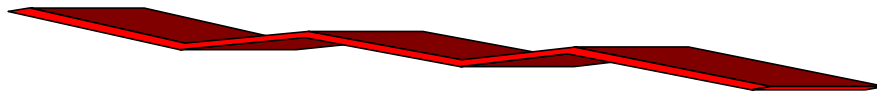
Kate assists the University as a member of their new system implementation teams, including Banner and PeopleSoft, and is a member of the Committee on Administrative Computing, Information Security Workgroup, and HIPPA Workgroup.

Kate has entered into a partnership with ACL and the USF School of Accountancy to develop copyrighted case studies for use in academic coursework at the undergraduate and graduate level which has resulted in the donation of more than \$60,000 in software and educational support. These cases are being utilized at several other universities as well.

Applying the COSO Enterprise Risk Management Framework: An audit to entity-wide approach.

New legislation has begun to change the face of enterprise governance as boards becoming increasingly interested in risk assessment and internal control. Risk Assessment has been recognized by COSO, and accepted by auditors and financial managers, as one of the key elements of the control structure. RA provides the architectural drawings or plans for the remainder of the control processes. To be the most effective RA must permeate all operations and activities and become an Integral part of the entities processes.

ERM has become a core component of the corporate governance models as it provides the framework for communicating risk tolerance, risk mitigation strategies, and residual risk to executives and the board. The objective of this program is to assist auditors in understanding the COSO ERM framework being recommended by COSO and how to apply this framework to their organizations. This course will include a discuss on how to apply COSO ERM from the process level (audit planning and performance) through to the entity wide assessment of the controls structure. A discuss of the application of this process to the Sarbanes-Oxley Section 404 requirement for certification of controls will be included.





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