

The Twelve Months of Audit Giving the Gift of Risk and Control

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Objectives



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Our goal for this presentation is to share the recent trends in twelve areas of risk that span a broad array of industries.

Construction

Bid-Rigging Case



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Central NJ School
Districts

Construction



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Audit Topics

- > Pre-Construction
 - Design of competitive bidding
 - Contractor selection
 - Vendor negotiation
 - Feasibility and design
- > On-going Construction
 - Project controls
 - Inventory management
 - Payroll management
 - Change order risks
 - Financial statement preparation and reporting risks
- > Post-Construction
 - Project scoping risks
 - Close-out risks

Construction



Remember T.H.E.S.E.

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- > **T**ype of contract
- > **H**igh profile or high risk projects
- > **E**xperience of owner's representative
- > **S**ize (e.g., dollar value and physical size)
- > **E**xperience with the general contractor

- > Baker Tilly Construction Audit On-Demand Webinars
 - Pre-construction
 - Construction
 - Post-construction
 - Fraud
- > Construction Audit & Cost Control Institute, Inc.
- > Construction Audit Guide: Overview, Monitoring, and Auditing
- > RS Means

HP CEO & Board Governance

Boards and Governance



Audit Topics

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- > Administration
- > Composition
- > Ethical Values
- > Financial Irregularities
- > Independence
- > Self Assessment
Process
- > Strategic Planning

Boards and Governance



Resources

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- > AICPA Audit Committee Toolkit
- > Association of Governing Boards
- > Audit Committee Guide – Arthur H. Bill
- > Board Source
- > National Council of Nonprofits

Business Continuity Planning

Georgetown Waterfront



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Georgetown Waterfront

Business Continuity Planning



Audit Topics

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- > Program Support and Leaders Commitment
- > Business Impact Analysis (BIA) and Risk Assessment
- > Recovery Plan(s)
 - > Business Operations
 - > IT Systems & Operations
- > Plan Communication to Organization
- > Testing of the Plan
- > Plan Updates and Changes

Business Continuity Planning



Resources

Candor. Insight. Results.

- > Business Continuity Institute
- > CDW Business Continuity Guide
- > ISACA Business Continuity-Disaster Recovery Planning
- > IIA - Global Technology Audit Guide (GTAG) 10: Business Continuity Management
- > National Institute for Business Continuity Management

Amazon Cloud Outage

Cloud Computing



Audit Topics

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- > Data Security / Data Control
- > On-premise IT Control
- > Integration with Existing Systems
- > Performance Issues
- > IT Governance
- > Regulatory Compliance Concerns
- > Ability to Bring Systems Back In-house
- > Lack of Customization Opportunities
- > Measuring ROI
- > Functionality Limitations

Cloud Computing



Resources

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- > Cloud Security Alliance - <https://cloudsecurityalliance.org/>
- > ISO 2700x Standard
- > EU Safe Harbor
- > SAS 70 / SSAE 16
- > Shared Assessments - <http://www.sharedassessments.org/>
- > SysTrust
- > TRUSTe - <http://www.truste.com/>

Foreign Corrupt Practices Act



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Lindsey Grease Payments

Foreign Corrupt Practices Act



Audit Topics & Resources

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- > Third party due diligence (e.g., consultants, joint ventures)
- > Facilitation payments
- > Policies and procedures
 - Gift, travel, and entertainment policies
 - Training and education policies
 - Code of ethics policies
- > Monitoring changes to local country laws on anti-bribery

Resources

- > Department of Justice
- > FCPA Blog
- > FCPA Enforcement
- > FCPA Professor
- > Securities and Exchange Commission

Sponsored Funding



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Academy for Educational Development False Claims Act Allegations

Sponsored Funding



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Audit Topics

There are many types of costs that are incurred in the course of sponsored research that are complex in nature and may cause confusion. The following are few areas that are often subject to sponsor scrutiny:

- > Cost Sharing
- > Cost Transfers
- > Participant Payments
- > Service Centers
- > Sub Awards
- > Travel

Sponsored Funding



Resources

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- > Association of College and University Auditors (ACUA)
- > Baker Tilly (www.bakertilly.com/Higher-Education)
- > Council on Governmental Relations
- > National Council of University Research Administrators
- > OMB Circulars
- > Society of Research Administrators

Enterprise Risk Management



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UBS

Enterprise Risk Management



Audit Topics

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- > Accountability at all levels
- > Risk management throughout the organization
- > ERM linked with strategic decision making
- > Communicate ERM throughout the organization
- > Manage employee performance by ERM objectives

Enterprise Risk Management



Resources

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- > American Institute of Certified Public Accountants (AICPA)
- > The Committee of Sponsoring Organizations of the Treadway Commission (COSO) – ERM Framework and Guidelines
- > Information Systems Audit and Control Association (ISACA)
- > Institute of Internal Auditors (IIA)
- > ISO 31000

Facebook Settlement

> Generally Accepted Privacy Principles (GAPP)

- Management
- Notice
- Choice and Consent
- Collection
- Use, Retention, and Disposal
- Access
- Disclosure to Third Parties
- Security for Privacy
- Quality
- Monitoring and Enforcement

- > Department of Commerce - Safe Harbor
- > Federal Trade Commission
- > International Association of Privacy Professionals
- > General Counsels

Anonymous

> ISO 27002

- Risk Assessment and Treatment
- Security Policy
- Organization of Information Security
- Asset Management
- Human Resources Security
- Physical and Environmental Security
- Communications and Operations Management
- Access Control
- Information Systems Acquisition, Development, and Maintenance
- Information Security Incident Management
- Business Continuity Management
- Compliance

- > SANS Institute
- > ISO 27002
- > Information Systems Audit and Control Association (ISACA)

Conflict of Interest



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Blagojevich

Conflict of Interest



Audit Topics

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- > Individual/Institutional
- > Disclosures/Reporting
- > Information Capture System
- > Automated Verification
- > Conflict Determination
- > Management Plans

Conflict of Interest



Resources

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- > Council On Governmental Relations (COGR)
 - [Financial Conflicts of Interest Self-Assessment](#)
- > National Institute of Health and other Agency Guidelines
- > Sarbanes-Oxley (SOX)
 - [Title II – Auditor independence and auditor conflicts of interest](#)
- > U.S. Department of Justice
 - [Guidance on financial and personal conflicts of interest](#)

Verizon Communications

Government Contracting



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Audit Topics

- > Allocability and Allowability of Costs
- > Billing for Items Not Delivered
- > Completeness and Accuracy of Cost or Pricing Data
- > Delivering Items Which Do Not Meet Contract Specifications
- > Labor Category Mapping
- > Labor Charging
- > Price Reduction Clause
- > Subcontractor Costs

Government Contracting



Resources

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- > CCH Government Contracts Resources 2011 Catalog
- > Defense Contract Audit Agency
- > Electronic Code of Federal Regulations
- > Federal Acquisition Regulation

Bipartisan Law Makes Dog Neckerchiefs Mandatory

> Audit Topics

- Periodically dedicate time to researching and understanding changing factors that impact compliance (e.g., legislation, regulation, and industry standards)

> References

- Compliance Week
- Industry Associations (e.g., Health Care Compliance Association [HCCA])
- Society of Corporate Compliance and Ethics (SCCE)

The Next Twelve Months...or so...of Audit



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- > Advanced Cyber Threats
- > College Athletics Programs
- > Crisis Management
- > Dodd Frank
- > Ethics
- > Enterprise Risk Management Program Audits
- > Executive Compensation
- > Identity Management
- > Mobile Device Security
- > Social Media
- > Sustainability and Corporate Social Responsibility
- > Vendor Management
- > _____

Contact Information



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Thank you for participating in today's discussion.

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