

The Office of State Budget and Management has partnered with the Office of the State Controller to present Navigating the Ever-Changing Winds Conference. The conference is being held virtually on March 30 and 31 from 8:00 AM until 12:00 PM each day. This is an opportunity to earn four (4) hours of CPE credit each day of the conference for a total of eight (8) CPE credit hours.

The price of the conference is \$40.00. Please review our [refund policy](#) before you begin the registration process.

Registration information is available on the [OSC](#) website.

We look forward to having you join us for this exciting conference.

Thank you,

Jack Gagnon
Internal Auditor
NC Office of State Budget and Management
(984) 236-0636 Office



2021 Navigating the Ever-Changing Winds Virtual Conference

Continuing Professional Education
North Carolina Office of the State Controller
North Carolina Office of State Budget Management

Dates: March 30, 2021
March 31, 2021
8:00 a.m. to 12:00 p.m. each day

Location: Web-based Virtual Conference

Overview: Controls really are everybody's business. So, why not learn about how to implement and use controls the smart way, the value-added way, the intelligent way. As the first line of defense, business process owners need identify risks, assess risks, implement controls that mitigate risk and ensure those controls are effective. As control evaluators in the second line of defense and auditors in the third line of defense, controls assessments evaluate the design and effectiveness of controls. In this interactive seminar, we examine the foundations of internal controls, including control classifications and the relationship between entity level, process level, activity level, and transaction level controls. You will gain the knowledge and skills to examine existing control structures to determine if controls are designed and operating effectively.

- Audience:**
- Process owners interested in managing risks
 - Business management and process owners seeking to implement and understand Intelligent Internal Controls to help meet their business objectives
 - Control reviewers interested in identifying and assessing process level controls
 - Auditors providing assurance that controls are working as designed
 - Consultants who are helping process owners implement key controls

Instructors: Raven Catlin

CPE Credit Offered: Up to four (4) hours each day

Fields of Study: Auditing

Materials: Available in advance on the [OSC website](#)

Instructional Delivery Method: Group internet based

Prerequisites: None

Advance Preparation: None

Level: Basic

[REFUND POLICY](#)

DEVELOPERS: [Raven Global Training](#)

SPONSOR: [NC Office of the State Controller](#) and [NC Office of State Budget Management](#)



AGENDA

Navigating the Ever-Changing Winds Conference

March 30-31, 2021

March 30, 2021 - Day 1: What You Need to Know About Controls

- 7:30 – 8:00 Session Opens/Log on Troubleshooting
- 8:00 – 8:05 Opening Remarks
- 8:05 – 9:05 Introductions, Learning Objectives, COSO Internal Controls Refresher
- 9:05 – 9:15 Break
- 9:15 – 10:15 Risk Assessment Basics and Refresher, Identifying Controls
- 10:15 – 10:25 Break
- 10:25 – 11:25 Assessing the Design of Internal Controls, Assessing the Effectiveness of Internal Controls
- 11:25 – 11:30 Break
- 11:30 – 12:00 Wrap Up & Learning Objective Review, Closing Remarks

March 31, 2021- Day 2: Communicating and Selling Recommendations to Management

- 7:30 – 8:00 Session Opens/Log on Troubleshooting
- 8:00 – 8:05 Opening Remarks
- 8:05 – 9:05 Introduction and Learning Objectives, 5 Elements of an Audit Observation Refresher
- 9:05 – 9:15 Break
- 9:15 – 10:15 Determining Your Message, Generating Alternatives to Resolve Deficiencies, Selecting Corrective Actions
- 10:15 – 10:25 Break
- 10:25 – 11:25 Communicating Recommendations and Action Plans, Selling Observations
- 11:25 – 11:30 Break
- 11:30 – 12:00 Wrap Up & Learning Objective Review, Closing Remarks



Raven Catlin, CIA, CPA, CFSA, CRMA

CEO / Lead Trainer / Keynote Speaker

Raven is a globally recognized speaker and instructor in risk management and internal audit. She possesses over 19 years of diverse internal audit experience, and 15 years of instructing and facilitating a variety of courses. With this diverse experience she “helps professionals add dimensions to help them grow for a successful future.”

She performed reviews and audits of not-for-profit and philanthropic organizations, mutual funds, general banking operations, trust operations, real-estate lending, construction activities, benefits, compensation, payroll, procurement activities, accounting operations, marketing activities, governance activities, information technology, treasury & cash management, derivatives, secondary marketing, and debt issuance.

Her industry expertise and audit experience include mortgage operations, mortgage-backed securities, and capital markets. She served as an integral member of the financial restatement team for Freddie Mac. Additionally, she created project plans and coordinated the efforts of over 150 individuals responsible for correcting security pricing as part of the Fannie Mae financial restatement. Most recently, Raven performed a business process analysis and redesign (using Six Sigma and Lean) at the World Bank/IFC and a Fraud Risk Assessment for a Regional Bank and Trust Company.

She developed and redesigned the auditing infrastructure for internal audit functions, including developing internal audit policies and procedures, implementing audit software, designing reporting and time management templates, designing audit committee packages, and implementing databases to report and track progress of audit concerns. Raven embraces the definition of internal auditing as a value-added service and operations owners have welcomed the “fresh approach” to internal auditing.

Raven is the proud mother of a six-year-old angel, CC, and an adorable Maltese, Pepper Sugar Spice. In her spare time, she enjoys cooking, island hopping & world traveling, tapping into her inner child at amusement parks (especially Disney World), and spending quality time with her family!

1. LEARNING OBJECTIVES & INTRODUCTIONS

Notes on Opening Remarks

At the conclusion of the seminar, you will be able to

- Identify controls
- Classify controls
- Assess control adequacy and effectiveness

Seminar Agenda

1. Introductions & Learning Objectives
2. COSO Internal Control Refresher
3. Risk Assessment Basics and Refresher
4. Identifying and Documenting Controls
5. Assessing the Adequacy of Control Design
6. Assessing the Effectiveness of Internal Controls
7. Wrap Up

Risk is...



2. COSO INTERNAL CONTROL REFRESHER

COSO Control Objectives SCARES Management
SCARES

S (Strategic)

C (Compliance)

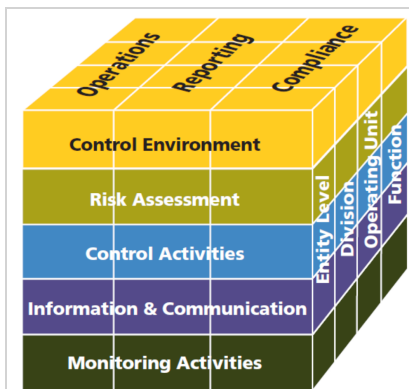
A (Achievement of performance measures)

R (Reliable reporting)

E (Efficient and Effective Operations)

S (Safeguarding of Assets)

Integrated COSO Cube:



COSO Principles

Control Environment	<ol style="list-style-type: none">1. Demonstrates commitment to integrity and ethical values2. Exercises oversight responsibility3. Establishes structure, authority and responsibility4. Demonstrates commitment to competence5. Enforces accountability
Risk Assessment	<ol style="list-style-type: none">6. Specifies suitable objectives7. Identifies and analyzes risk8. Assesses fraud risk9. Identifies and analyzes significant change
Control Activities	<ol style="list-style-type: none">13. Selects and develops control activities14. Selects and develops general controls over technology15. Deploys through policies and procedures
Information & Communication	<ol style="list-style-type: none">13. Uses relevant information14. Communicates internally15. Communicates externally
Monitoring Activities	<ol style="list-style-type: none">16. Conducts ongoing and/or separate evaluations17. Evaluates and communicates deficiencies

Control Environment

Risk Assessment

Control Activities



Information & Communication

Monitoring

3. RISK ASSESSMENT BASICS AND REFRESHER

The 3 Pillars of Managing Risks and Auditing Controls are:

1. Business Objectives

2. Risks

3. Controls

Inherent Risk



Residual Risk

Risk Thinking Requires

C

T

Risk Assessment May Be

Entity Name																				
Risk and Controls Matrix (RCM)																				
Engagement Name												Prepared by								
Engagement #												Prepared date								
Scope/Period covered												Reviewed by								
Business Process/Owner												Review Date								
Business Objective	Business Objective																			
RISK ASSESSMENT																				
#	Risk Description	Risk Impact / Consequence	Inherent Likelihood (H/M/L)	Inherent Impact (H/M/L)	Risk Velocity	Risk Persistence	Risk Frequency / Timing	In Scope (Y/N)	Internal Controls / Control Activities	COSO (G/ER/A/C/A/C/M)	Key / Standard Control (K/S)	Preventive or Detective (P/D)	Automated or Manual (A/M)	Mandatory / Discretionary	Adequate Design of Controls (Y/N)	Test Step	Effective Control (Y/N)	Identified Issues/Exceptions	Residual Likelihood (H/M/L)	Residual Impact (H/M/L)

Assessment Factors are determined by each entity. Each entity decides how it will assess risk. We use:



Likelihood is the Probability of Occurrence. Our model considers the following in the assessment of likelihood:

Impact is the consequence or effect experienced if the risk were to occur. In short, how bad would it hurt?

Singular vs Dual Assessment:

Likelihood

- 1% – 100% scale
- Complexity
- Volume
- Manual processing
- Judgment
- Regulatory scrutiny

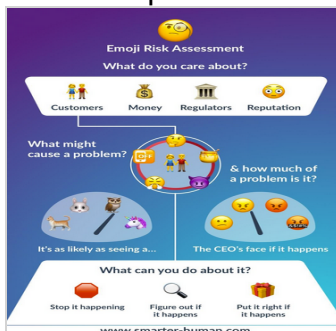
Impact

- Financial
- Regulatory
- Reputation
- Customer
- Operational
- Strategic

1	Extremely unlikely – 1x every 50 years
2	Unlikely – 1x every 10 years
3	Likely – 1x every 5 years
4	Probable - annually
5	Expected - monthly



At Raven Global Training, we recommend a dual approach for each risk assessed. We assess Likelihood first on a 1-100% scale then use a multifactor consequence model to assess impact on a 1-10 scale.



You can present risk using a heat map.



My 3 Nuggets For COSO and Risk Assessment

- 1 _____
- 2 _____
- 3 _____

4. IDENTIFYING AND DOCUMENTING CONTROLS

RGT's Risk Management Process



Controls are:

Process Step vs. Control: Internal Auditors test control design and effectiveness. We need to focus on testing actual controls and not process steps / tasks / activities simply because we can or they are easy to test. I can use the following to determine if something is a control:



Control Classifications also aid in evaluating control design adequacy:

- Entity level v. Process / Activity / Transaction level

- Key v. Standard / compensating or mitigating

- Manual v. Automated

- Hard v. Soft

- Preventive v. Detective / Corrective

- Discretionary v. Nondiscretionary (mandatory)

- Redundant

- Complementary

- Control owner / roles

Key controls are :

My 3 Nuggets For Identifying and Documenting Controls

1 _____

2 _____

3 _____



5. ASSESS THE ADEQUACY OF CONTROL DESIGN

We can assess the adequacy of control design at different control levels:

Entity Level: Starts with strategic objectives

Process Level: Starts with operational and tactical objectives

Risk Level: Starts at the risk level with consideration for risk appetite

Individual Level: Starts with the control itself and should tie the control with the objectives and risks



Well written control statements include the following

Who?

Why?

What?

How?

When?

How often?

Where?

Weaker	Stronger

My 3 Nuggets For Assessing Design of Controls

- 1 _____
- 2 _____
- 3 _____



9. ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS

I can test one when...

We use sampling when we cannot test the entire population of transactions. OR when...

We should determine the expected error rate / exceptions before we begin testing. What is the number or percentage of allowable exceptions?

Sampling Methods

Non-Statistical

v.

Statistical

Risk and control expectations drive sampling method

My 3 Nuggets For Assessing Effectiveness of Controls

1 _____

2 _____

3 _____



1. LEARNING OBJECTIVES & INTRODUCTIONS

At the conclusion of the seminar, you will be able to

- Communicate audit observations effectively
- Sell audit observation to management

Seminar Agenda

1. Introductions & learning objectives
2. 5 Elements of audit observations refresher
3. Determining your message
4. Generating alternatives to resolve deficiencies
5. Selecting corrective actions
6. Communicating recommendations and action plans
7. Selling observations
8. Wrap-up & learning review

Understanding Your Current Communications/Audit Reports

<u>3 Things I Like About the Current Process</u>	<u>3 Improvements/Opportunities I See</u>
<u>1</u>	<u>1</u>
<u>2</u>	<u>2</u>
<u>3</u>	<u>3</u>

2. 5 ELEMENTS OF AUDIT OBSERVATIONS

I must know all the facts of the observation

I must ensure the observation is accurate and factual



I can use these 5 elements to better understand the observation

Condition:

Criteria:

Cause:

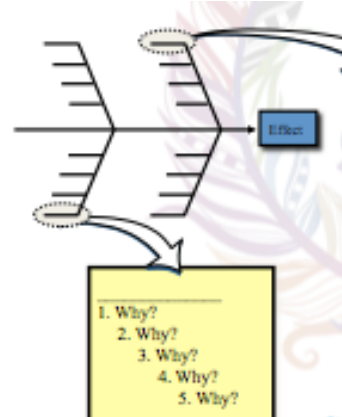
Concern:

Corrective Action (what is your role for management action plans?):



5 Whys

- Why is it the case – 5 times!
- Keep going until your answer is:
 - I don't know
 - I don't care
- Don't allow an early plausible answer keep you from continuing to ask "why?"
- Reconcile your logic
- Try to use multiple why paths (don't just stop at one)



3. DETERMINING THE MESSAGE

What Is My Message?

Begin each writing by determining your primary message

Write down your message (topics sentence)

Everything you write must support your message (supporting sentences)

Planning Your Written Communication: Content and Detail

- Emphasize the important and de-emphasize the unimportant
- Decide on using facts and figures, examples, descriptions, narration & references
- Consider use of visuals to help clarify, simplify, emphasize, summarize, reinforce, impress, or unify thoughts

Audience Analysis: Ask these questions for each report

Who reads the report?

What does each reader want to know?

What is each reader's level of understanding of the business process and audit process?

How might the readers use the report?

When and how will they access the report?

Does the reader have bias?

My readers need **a)** high-level info on risk and root cause **b)** detailed info **c)** extremely detailed info down to who did what and how often. Make sure you are thinking about your audience needs and not your internal audit desires!



My 3 Nuggets for 5 Elements and Message

1

2

3

4. GENERATING ALTERNATIVES

Our end goal is to correct problems. Here are some tips.

- Get owner to identify the problem
- Have owner determine the best course of action
- Assess action plans for adequacy
- Help set deadlines (short-term and long-term)

Corrective Actions must resolve the condition and the cause.

Use Critical Thinking...

Consider

Is it a pervasive issue

Is it a repeat issue?



5. SELECTING CORRECTIVE ACTIONS

Who is in the best position to select corrective actions?

Why?

6. COMMUNICATING RECOMMENDATIONS AND ACTION PLANS

Clarity

In addition to defining or eliminating jargon and watching your word choices and endings, clarity is built through

Repetition of key terms

Parallel structure

Transitions



Readability & Visual Appeal

- Use simple words
- Reduce the length of sentences
- Reduce the number of sentences per paragraph
- Use more white space
- Use bullets
- Consider boxes and shading instead of underlining and *italics*
- Kill jargon or technical language
 - Recognize you are using jargon
 - Explain it
 - Define it
 - Delete it

Tone

Tone must be balanced, objective, and non-judgmental.

Be alert to connotation versus denotation.

- *Positive benefits*

- Money-saving
- Performance
- Time-saving
- Results
- Preferred
- Benefit
- Easy
- Proven
- Recommended
- Powerful

- *Negative consequences*

- Inefficient
- Failure
- Neglect
- Careless
- Deny
- Unacceptable
- Wasteful
- Useless
- Wrong
- Impossible



Word selection

Terminate	Stop, end
Optimum	Best
Institute	Begin
Initiate	Start
Initial	First
Purchase	Buy
Facilitate	Ease, simplify
Demonstrate	Show
Subsequent	Next
Expedite	Hasten, speed
Prior to	Before
Accordingly, consequently	So
Furthermore	Then, also
Nevertheless	But, however
Adhere	Stick, follow
Likewise	And, also
Conducted, effected	Made
Utilize	Use
Informed, indicated	Told
Implemented	Carried out
Reflect	Show
Numerous, innumerable	Many
Comprehensive	
Excessive	
Clearly	
Adequately	
Protocol	Standard
Policies	Guidance
Procedures	Manuals

Concise writing [Prune!]

Say only what needs to be said in the fewest words possible!

Convey the idea(s) fully in the fewest words possible

Promote nouns into verbs

Active voice is usually more concise

Count your words and try to save 15% with each draft

- Remove passage that do not support your message
- Remove weak quotes, anecdotes, and scenes
- Eliminate prepositional phrases that repeat the obvious
- Eliminate redundant or unnecessary words



Watch out for redundant phrases. Here are some examples of redundant phrases I am guilty of using:

Watch out for cluttering phrases. Here are some examples of cluttering phrases I use:

My 3 Nuggets for Communicating

1

2

3

7. SELLING OBSERVATIONS

Essential Elements to Sell Observations

Credibility

Trust

Empathy



Two Factors that affect my ability to sell a message:

1. Tone: Say it so people can hear it!

Connotation

Word Choices

2. Making it meaningful



Notes

My Top 10 Take-Aways

1

2

3

4

5

6

7

8

9

10

