

THE IIA RESEARCH FOUNDATION REPORT

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FROM THE PRESIDENT'S STUDY



Larry E. Rittenberg, CIA

What does The IIA Research Foundation do to earn your support? Let me give you a quick rundown on what we've been up to in 2002 and 2003.

We enhanced our commitment to research.

We focused much of our efforts this past year on academic research to firmly establish internal auditing as an integral part of university research and study. We also moved from simply financing significant research to conducting significant research. In these efforts, we took the lead in providing resources (including an assessment guide and an implementation guide) to walk internal audit professionals through the complexities of complying with the Sarbanes-Oxley Act of 2002. We also published landmark research with the release of titles such as *Research Opportunities in Internal Auditing*; *Internal Audit's Role in Corporate Governance*; *Sarbanes-Oxley Compliance*; *Enterprise Risk Management: Pulling It All Together*; *Mergers, Acquisitions and Divestitures: Control and Audit Best Practices*; *A Balanced Scorecard Framework for Internal Auditing Departments*; and *Adding Value: Seven Roads to Success*.

We increased our focus on students. In 2002, we increased our emphasis on attracting college- and university-level students to the internal audit profession. How? By providing the resources necessary to support Endorsed Internal Auditing Programs (EIAPs) – those that include internal auditing in their business and public administration curriculum. To qualify as an IIA-endorsed EIAP, a program must offer at least two courses in internal audit disciplines. We

recently approved the Lebanese American University in Beirut as our 44th EIAP and the University of Texas at Dallas as our 45th EIAP.

We sought new partnerships. In 2002, our board of trustees voted to fund a project that will focus on governance issues in Australia and New Zealand. This marked the first time we funded a project jointly with an IIA affiliate (IIA-Australia) and a university (RMIT University). This effective partnering allowed us to leverage our scarce resources while benefiting from the end result – a quality research report with global appeal.

We recognized excellence. To invite thought-provoking insights on current internal audit issues, we sponsored the annual Esther R. Sawyer Scholarship competition aimed at graduate students. During The IIA's June 2003 International Conference in Las Vegas, we honored one winner for his outstanding essay titled "The Challenges and Effects of the Sarbanes-Oxley Act on the Internal Audit Profession." For details on this year's scholarship winner, see the article on page 2. We also sponsored the annual Donald J. Ricketts Chapter Research Awards to spur creative research projects at the chapter level. During The IIA's International Conference, we honored two chapters for their outstanding efforts. For details on this year's winners, see the article on page 3.

We planned for the future. Over the past year, we pursued a major funding initiative to raise and commit approximately US \$1.25 million to internal audit research over the next five years. We created a structure that allows us to share research results with IIA affiliates on a global basis. We set forth an ambitious research agenda as well as a roadmap for the profession in one of our new publications, *Research Opportunities in Internal Auditing*. We funded short-term,

cutting-edge research that affects the practice of the profession. And, to better align our resources, we *proposed* to consolidate several areas within The IIA: educational products, academic relations programs, and The Research Foundation. The board of trustees and the executive committee approved the overall concept, but we're awaiting the official approval in December.

We welcomed change. Change can be bitter-sweet, especially when you experience a "change of command." We send a fond farewell to Basil Pflumm, CIA, who recently retired as The Foundation's executive director after many years of outstanding service and contribution. On that note, we extend a warm welcome to Richard Chambers, CIA, CCSA, CGAP, The Research Foundation's new executive director as of July 1, 2003. He will be responsible for the overall administration of The Foundation's resources, staff, programs, and projects. He is also vice president of The IIA's Learning Center, where he directs certifications, conferences, seminars, educational products, e-learning programs and the Global Audit Information Network (GAIN). This dual role gives him unique insights into research and its practical applications in internal auditing.

As you can see, The Research Foundation continuously works hard to garner your support and provide value. This newsletter aims to communicate these on-going efforts – efforts that advance the internal audit profession. Now, we invite you to make a personal and professional commitment by contributing to The Research Foundation. To learn how you can make a difference, please see the donor articles on page 3.

Larry E. Rittenberg, CIA, Ph.D., is Research Foundation president and IIA vice chairman of the board – research. He has been an IIA member since 1975 and is currently a professor of accounting for the University of Wisconsin in Madison.

The Funding Behind the Project

How do research projects get off the ground? Most of them start with a good chunk of funding, and the *Internal Audit's Role in Corporate Governance* is no exception. (Read more about this new publication on page four.)

After The IIA's very successful 2002 International Conference, William Taylor, conference chairman and former general auditor at the Inter American Development Bank, wanted to give something back to the membership and the profession as a result of the conference. So, he did what any good philanthropist does – he spearheaded a fundraising campaign and started the ball rolling by making a US \$5,000 personal contribution.

Then he initiated a US \$35,000 contribution from the three affiliates that sponsored the conference. Using the same ratio (60-20-20) that they invested in the conference, the affiliates used the conference profits to make proportionate donations. The Research Foundation gratefully acknowledges the following affiliates for their generous contributions: Washington, D.C. (US \$21,000),

Northern Virginia (US \$7,000) and Baltimore (US \$7,000).

"This is a first in The IIA history of affiliates supporting this type of project, and I think our chapter members should be extremely proud of this commitment," says Taylor.

"We support The Foundation 110 percent, and encourage the hosts of upcoming international conferences to follow suit."

But why this project, and why now?

"Two things attracted me to this project," explains Taylor. "First, I felt that we should return something from the money we made from the successful conference. With this contribution, we provided the additional funds The Research Foundation needed to ensure it could make the results available online for free to our colleagues around the world."

"And second," Taylor continues, "Sarbanes-Oxley put new requirements on auditors – things we've been proposing for years – that just now got enacted

New Publication Focuses on Sarbanes-Oxley

Internal Audit's Role in Corporate Governance: Sarbanes-Oxley Compliance

by James Roth, Ph.D., CIA, CCSA, and Donald Espersen, CIA, CBA

Order No. B473

US \$25 IIA members/

US \$30 Nonmembers

NOTE: The Implementation Guides included in this book are available for free online at www.theiia.org.

and brought everything to the forefront. This is a timely, first-class research project, and it sets us apart from other professional associations."

Putting on his fundraiser hat again, Taylor says, "My goal now, since I joined The Research Foundation, is to set a new trend by getting more chapters and more members to contribute to research. After all, if you don't have research, you can't move forward."



Former IIA Chairman LeRoy Bookal (r), presents award to Jared Soileau, CIA (l)

And the winner is . . .

It may not be the Oscars, but the 2003 Esther R. Sawyer Scholarship competition sure elicited a throng of award hopefuls this year. So, who took top honors in 2003? The IIA Research Foundation presented this year's award to Jared S. Soileau, CIA, during The IIA's 2003 International Conference in Las Vegas.

Soileau earned a bachelor's degree in accounting with a specialization in

Esther R. Sawyer Scholarship Award Winner

internal auditing from Louisiana State University. He received his MBA from LSU in May 2003. For his award-winning essay, "The Challenges and Effects of the Sarbanes-Oxley Act on the Internal Audit Profession," Soileau received a plaque, \$5,000, registration to The IIA's International Conference, and travel expenses. And, thanks to Soileau, LSU received a cash award to use toward its IIA Endorsed Internal Audit Program (EIAP).

Established in 2000, the Esther R. Sawyer Scholarship Award recognizes Esther R. Sawyer's contribution to, and support for, the internal audit profession. The Sawyer family's generous contribution to The IIA Research Foundation funds the award, which The IIA presents annually to a qualified individual who writes an outstanding manuscript on a specific topic related to modern internal auditing. To qualify, candidates must be entering or enrolled in a graduate program at an IIA

EIAP or must have previously attended an IIA-endorsed undergraduate program.

In his paper, Soileau concludes that the profession is "in an excellent position to return confidence to investors and other corporate stakeholders." He also outlines challenges and suggests the steps needed for internal auditing to become one of the cornerstones of a strong system of corporate governance. You can read Soileau's paper by visiting The IIA's Web site at www.theiia.org.

Interested in the 2004 competition?

Here's next year's topic: Coordinating internal and external audit activities will be even more valuable to both the client company and its external auditor in the post Sarbanes-Oxley environment. How is this coordination best achieved? What specific steps should internal auditors take to facilitate this coordination?

To read about the award criteria, visit www.theiia.org.

Donor Spotlight:

Southern California Edison Employees Take Advantage of Payroll Deductions

If you want to support your profession in an easy, convenient way, take notes from Steven Yuen and Ray Rafla of Southern California Edison.

They both participate in Edison's employee contributions program, which enables individual employees to designate a nonprofit organization to receive part or all of an employee's annual contribution. Yuen and Rafla chose to support The IIA Research Foundation and signed up for automatic payroll deductions.

"Payroll deduction is convenient for me because I do not need to write any checks. It's done automatically," says Yuen, a Research Foundation donor for the past three years. "It's an easy way to demonstrate my continued commitment to furthering my profession. I feel that I have an obligation to give something back to the profession. If I can't donate my time or service, then I should donate my money to help grow the organization."

Rafla echoes the same sentiments. "I've found that contributing to The IIA Research Foundation through payroll deduction is a simple and easy way to help support the internal auditing profession in these changing and challenging times," explains Rafla, a new Trustee Circle donor to The Research Foundation in 2003. "Over my long career in internal auditing, I've found The IIA to be an excellent professional partner. I've received great benefits from my membership and participation."

Yuen cites Edison's strong culture of giving back to the community, which could explain why he jumped on the community-affairs bandwagon three years ago. And he gives high marks to The IIA: "I receive a letter every quarter from The Research Foundation thanking me for my donation and highlighting its recent studies and works. That's good!"

Many companies offer employee-contribution programs similar to Edison's. To find out what's available at your company, contact your personnel office or corporate contributions officer. (While you're at it, find out if your company offers a matching gifts program, too.) To learn more about donating to The IIA Research Foundation, call +1-407-937-1356 or visit The IIA's Web site at www.theiia.org.

Master Key Program: The What's-in-it-for-me Factor

If you're looking for a great way to contribute to your profession – and reap some rewards along the way – you'll want to join The Research Foundation's Master Key Program.

When you make a donation at any level, you get the satisfaction of helping to fund top-quality research studies and educational programs for internal auditors worldwide. Plus, your donation is tax deductible. But, deep down, you might still be thinking, "What's in it for me?"

For donations of US \$1,000 or more, your organization will receive a one-year subscription to all the print and online publications produced by The Research Foundation over the course of that year. Since The Foundation publishes myriads of products throughout the year, you'll receive hundreds of dollars worth of hot-off-the-press research studies, books, survey results, reports, and more.

Recent publications, reports, and online resources include:

- *Internal Audit's Role in Corporate Governance: Sarbanes-Oxley Compliance*
- *Privacy: Assessing the Risk*
- *Continuous Auditing: Potential for Internal Auditors*
- *Systems Assurance and Control (SAC) – CD*
- *Assessment Guide for U.S. Legislative, Regulatory, and Listing Exchanges Requirements Affecting Internal Auditing*
- *Proactively Detecting Occupational Fraud Using Computer Audit Reports*
- *Research Opportunities in Internal Auditing*

A donation of any amount will further the internal audit profession, an admirable deed in itself. But a US \$1,000 donation brings the donor benefits a little closer to home. For details about the Master Key Program, call +1-407-937-1356.

Individual Donor Levels:

Trustee's Circle	US \$300 and up
Patron	US \$200–\$299
Sponsor	US \$100–\$199
Donor	US \$25–\$99

Corporate Donor Levels:

Chairman's Circle	US \$5,000 and up
Trustee's Circle	US \$3,000–\$4,999
Supporter	US \$1,000–\$2,999
Donor	Up to US \$1,000



Former IIA Chairman LeRoy Bookal (r), presents award to Sue Hayden from the Chicago Chapter (l)

Donald E. Ricketts Research Awards Presented in Las Vegas

Which chapter pulled out ahead in this year's Donald J. Ricketts Chapter Research Award competition?

Hats off to the Chicago Chapter, the first-place winner, for its research project, "Internal Audit Independence and Corporate Governance." The Chattanooga Chapter (a 2002 award winner) received second place honors for its research on "Usefulness of Industry Risk Factors to Internal Auditors." The IIA recognized the 2003 Donald E. Ricketts Research Award winners during its June International Conference in Las Vegas.

The Research Award pays tribute to the memory of Donald E. Ricketts, a long-time member of The IIA and The Research Foundation Board of Research Advisors.

Each year, the Foundation sponsors this chapter research competition. Judging criteria includes quality of work, interest and practical value, topic originality, and basis for further research.

Interested in submitting a project for next year's competition? Submit your entry to The IIA by March 31, 2004.

Research Projects in Progress

Based on the Foundation's firm commitment to research, it aims to publish a variety of reports that support both the practitioner and the internal audit profession. Take a look at what's in the publishing pipeline for 2003-2004:

- *Financial Best Practices in Security: Managing a Fleet of Personal Computers* (Estimated publication date: fourth quarter 2003)
- *Auditor Roles in Government Performance Measurement* (Estimated publication date: first quarter 2004)
- *Changing Internal Audit Practices in the New Paradigm* (Estimated publication date: second quarter 2004)
- *Electronic Commerce Systems: Control and Risk Analysis* (Estimated publication date: second quarter 2004)
- *Factors Affecting the Efficiency and Effectiveness of Corporate Governance and Audit Committee Systems in Selected Countries* (Estimated publication date: second quarter 2004)
- *Internal Audit's Role in the Corporate Governance Process: Restoring the Public Trust in Accounting* (Estimated publication date: second quarter 2004)
- *Management Aggressiveness and the Structure of the Internal Audit Function* (Estimated publication date: second quarter 2004)

Sarbanes-Oxley Act: Threat or Opportunity?

According to a new research report titled *Internal Audit's Role in Corporate Governance: Sarbanes-Oxley Compliance*, the new federal requirements present a unique and powerful opportunity for internal auditors. While the Act does create a short-term compliance burden, supporters argue that it will help restore investor confidence in the reliability of financial reports. In the long term, this may improve risk management and, ultimately, enhance shareholder value.

"Internal auditors are playing leading roles in helping their companies meet the challenging provisions and tight deadlines of the Act," says James Roth, co-author of the report.

Generously funded by donations (see related article on page 2), the report primarily focuses on what internal auditors are doing to help their companies comply with Sarbanes-Oxley. From successfully meeting the challenges of COSO to using a two-tiered self-assessment approach, internal auditors are leading the way through the complex Sarbanes-Oxley maze. The study also addresses issues such as balancing the conflicting needs of audit committees and management, and finding the resources to do more with governance.

To whet your appetite, here's a sample of what you can expect to find in this report:

- Control evaluation tools that provide excellent models of entity-wide and activity-level techniques
- Emerging principles and practices in Section 302 and 404 implementation guides
- Sample Disclosure Committee charter
- Implementation guide for whistleblower programs
- Audit Committee charter issues matrix
- Updated Audit Committee charter

ABOUT OUR FOUNDATION

The Research Foundation is the recognized leader in sponsoring and disseminating research to assist and guide internal audit professionals, business and government communities, and the general public in the areas of audit practices, risk management, controls, and governance.

Founded by The Institute of Internal Auditors in 1976, The Foundation has set the standard for professional achievement in the field of internal auditing.

Contributions to The Foundation are tax-exempt under Section 501(c)(3) of the U.S. Internal Revenue Code. Operating exclusively for research and educational purposes, The Foundation pays no taxes on earnings or contributions received. In turn, when U.S. individuals or organizations contribute to The Foundation, their contributions are deductible under Section 170 of the U.S. Internal Revenue Code. To learn more about The IIA Research Foundation, visit www.theiia.org.



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The RF Report is designed to keep you informed about The IIA Research Foundation. We welcome your comments and ideas.

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