

DERBY CITY DISCLOSURES



LOUISVILLE IIA CHAPTER

April, 2005

PRESIDENT'S MESSAGE

Dear Members,

I am pleased to announce that Mayor Jerry Abramson has proclaimed the month of May as Internal Auditor Awareness Month! This proclamation was requested to help promote the profession. I will bring the proclamation to the next meeting for everyone to see.

Thanks to everyone that attended last month's presentation by Tim Snoddy on Forensic Accounting. This month, our own Michele Welscher will be talking to us about Targeting Business Risk.

As a reminder, we are still in need of a Vice-President for the 2005-2006 chapter year. The Vice-President supports the President in planning and organizing the chapter year. If you are interested, please contact me and I will be happy to provide you with more information.

Mark your calendars for our final meeting, which will be held May 13 at Churchill Downs. Note that this is a FRIDAY, and not our usual Tuesday meeting. Chapter member Brian Johnson of Churchill Downs will be giving a presentation on Auditing the Gaming Industry. After his presentation we will have a buffet lunch at Skye Terrace. Although the chapter event will officially end after lunch, everyone is welcome to stay for the races. This will be a joint meeting with ISACA. Special thanks to Brian for his efforts in helping to set up this event!

We will be sending out a chapter survey soon. The incoming President will use the feedback we receive to help plan the 2005-2006 chapter year. Please complete and return the survey so that we can plan a program that will best suit your needs. Those who return the survey by Friday, April 22 will be eligible for a drawing to attend the May meeting at Churchill Downs for free!

See you at the April meeting!

Heather DiEnno
Chapter President

NEXT MEETING:

Tuesday, April 12, 2005

at the **Bristol Downtown**

Economics of Baseball

See page 2 for details

APRIL MONTHLY MEETING

Targeting Business Risk

Michele Welscher
Kentucky Higher Education Student
Loan Corporation

Tuesday, April 12, 2005
12:00 noon, 11:30 registration

1 CPE hour
(certificates available upon request)

Bristol Bar & Grille Downtown

614 West Main Street
(parking will NOT be validated)

Cost: \$20.00
Use PayPal at www.ialou.org or remit at meeting

RSVP by THURSDAY, April 7, 2005

Carrie Ramsey
Office: 627-4738 Fax: 217-2447
Carrie.ramsey@lgeenergy.com

Menu selections:

STEEPLECHASE SALAD

Fried boneless chicken breast topped with melted Jack cheese over fresh greens with hard-boiled egg, tomato wedges, and cucumber with honey mustard dressing.

MIDEAST GRILLED CHEESE

Flat bread stuffed with spinach, green onion, mushrooms, havarti cheese and baked.

SICILIAN CHICKEN

Chicken breast dusted in flour, sautéed and topped with a sauce of artichokes, mushrooms and Marsala wine, served with vegetable of the day.

About Michele . . .

Michele Welscher is a Certified Internal Auditor and a Certified Public Accountant with eight years experience in internal audit. She has a BS in Accounting from the University of Louisville.

Michele has worked with the Kentucky Higher Education Student Loan Corporation (KHESLC) for three years. Prior to joining KHESLC, she worked in internal audit at National City Bank, worked outsourced internal audit for Crowe Chizek, and worked as a consultant for Robert Half International.

Michele is a past Chapter President of the Louisville IIA chapter and currently serves on the board of governors.

PayPal is a quick and simple way to pay for monthly IIA meetings. From the chapter web site (www.ialou.org), go to the meeting and seminar schedule page. Click the "pay now" button for the meeting you wish to pay for. If you already have a "PayPal" account, simply verify the amount, enter your log-in and password. *If you don't already have a "PayPal" account*, you will need to fill in the information for new members (similar to other e-commerce web sites such as Amazon). Once you have completed the transaction, you will be sent an e-mail receipt by PayPal and be returned to the Louisville IIA web site. The local chapter also receives an e-mail that tells us you have paid. You will **still need to contact Carrie Ramsey** with your menu choice. **All information is exchanged via HTTPS protocol (secure and encrypted) and remains with PayPal.**

CHAPTER NEWS

Visit www.iialou.org for more details!!

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WELCOME NEW MEMBERS

We have three new members to our chapter. Please welcome: Sherry Menser of Wal-Mart, Angela Setzer of ResCare, and Darrin Whaley of Neel & Company, LLP.

2005 CISA EXAM AND "WEEKEND BLITZ"

ISACA will administer the 2005 CISA exam on Saturday, June 11. The 200 multiple-choice exam will be held in one four-hour session.

If you are planning to take the CISA exam please contact Lisa Buckner (lisa.buckner@lgeenergy.com or (502) 627-3139. Registration materials and additional information can be obtained from Lisa, as well.

MARK NEGRINI SEMINAR - EVANSVILLE

Did you miss our Access seminar in January? Here's your chance to attend! The Tri-State Chapter in Evansville is considering having Dr. Nigrini put on a seminar for their chapter in June. If you are interested in attending, please see the brochure beginning on page 6 and respond by April 15 to the Evansville chapter officers.

SIX STEPS TO CERTIFICATION

The IIA has created a new web page listing the six steps for candidates to be certified. It is available at www.theiia.org/certification (see Related Link column on right side of page). The file is also included in the Affiliate Resource section.

MONTHLY MEETING REMINDER

Please remember to RSVP to Carrie Ramsey for any monthly meetings you will be attending. **BUT**, if you register to attend the monthly chapter meeting and later decide you need to cancel your reservation please contact Carrie Ramsey by noon on the THURSDAY prior to the meeting. The chapter is charged for the number of lunches submitted to the Bristol regardless of the number of individuals that actually attend.

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Get ready for internal audit awareness month

Celebrate and promote the value of internal auditing in May by planning activities within organizations and the business community. Check out some ideas for building awareness and what IIA affiliates did last year to celebrate.

Take part in Sarbanes-Oxley survey to assist in SEC response

The IIA invites internal auditors to participate in a short survey on improving the Sarbanes-Oxley compliance process.

Ethics and compliance issues open GAM Conference

The IIA's General Audit Management Conference kicked off Monday, March 21, in Lake Buena Vista, Fla., with discussion of ethics and compliance efforts by general session speakers James T. Reese, president of James T. Reese and Associates, and Charles Niemeier, a member of the Public Company Accounting Oversight Board. Read highlights of general session addresses.

Become a quality assessment volunteer

The IIA is seeking professional internal auditors to help evaluate the effectiveness of other organizations' internal audit activities. Quality assessment volunteers gain valuable experience that can be applied to their own audit teams.

ADVERTISEMENT POLICY

FREE recruiting advertisements are available on the local IIA Chapter website and in the monthly newsletter! Any employer is eligible for free advertising IF at least one employee is a member of the Institute of Internal Auditors, Louisville Chapter. Executive Search Firms will be charged a nominal fee of \$50 for ½ page advertisement and one month of posting open positions on our webpage. Payment must be received prior to advertising / posting. For more information, contact the IIA Louisville Chapter President at president@iialou.org or Secretary at secretary@iialou.org.

NATIONAL CALENDAR

APRIL, 2005

4 – 8
Seminars,
Houston, TXV

5 – 7
Gaming Conference.
Las Vegas, NV

18 – 22
Seminars,
Baltimore, MD

MAY, 2005

9 - 13
Seminars,
San Francisco, FL

23 - 27
Seminars.
Orlando, FL

23 - 25
Financial Services
Conference,
Philadelphia, PA

2004 – 2005 MEETING SCHEDULE

Louisville Chapter

4/12/05

Targeting Business Risk

Michele Welscher

Kentucky Higher Education Student Loan Corporation

5/13/05

Friday

12 – 1 presentation

1 – 2 buffet lunch

races begin at 2:40

Auditing the Gaming Industry

Brian Johnson – Churchill Downs

at The Turf Club, Churchill Downs

ADVERTISEMENT

Bring your career to life with **Kindred Healthcare**, a leading long-term healthcare provider committed to delivering the highest levels of quality and service for our patients, residents, customers and employees.

In our corporate office in **Louisville, Kentucky**, you'll earn a competitive salary, while enjoying a comprehensive benefit plan including a 401(k). Our modern corporate headquarters includes an on-site fitness center, full-scale cafeteria, beautiful courtyard, next door childcare and state-of-the-art hardware and software provided to all employees.

We are recruiting the following position in our Corporate Audit Department:

Internal Auditor - This position is responsible for performing financial and internal control audits of the company's nursing centers, pharmacies, hospitals, hospital cost reports, and/or corporate office operations. The position requires up to 20% travel to our facilities that are located nationwide. A minimum of two years of internal auditing, public accounting, or Medicare/Medicaid cost reporting experience is necessary. A Bachelor's Degree in Accounting or Finance is required. A CPA and/or CIA certification is a plus.

This position is an excellent opportunity to gain valuable operational experience and to develop expertise in a department filled with career enhancement opportunities. Successful candidates for this position will be dynamic, self-motivated individuals who think creatively and are able to thrive in a challenging work environment that rewards performance.

If you or someone you know would be interested in these opportunities with Kindred, please contact us at the following address:

KINDRED HEALTHCARE, INC. –
ATTN: MS. TERRI MONTGOMERY
680 SOUTH FOURTH AVENUE
LOUISVILLE, KY 40202

Fax: (502) 596-4722 or Email to Terri.Montgomery@KindredHealthcare.com



THE TRI-STATE CHAPTER OF THE INSTITUTE OF INTERNAL AUDITORS

The Tri-State Chapter of the IIA is proud to present

Access Unleashed:

Using the powerful data analysis functions of Microsoft Access for value-added audit findings and Continuous Monitoring Techniques

Presented by

Mark Nigrini, Ph.D.

When: June 8th and 9th, 2005 (Tentative)
8:00-4:30

Where: Evansville, IN
Location to Be Determined

Cost: \$150 each day (\$300 both days) IIA/ISACA members
\$175 each day (\$350 both days) non-members
Cost includes 7 hours CPE each day, study materials (including Dr. Nigrini's book "Using Microsoft® Access for Data Analysis and Interrogation", a \$70 value!) breakfast, and lunch

Sign up for one day or both days!

DAY 1

The first day session covers the material that would be of most interest to corporate management, audit management, external auditors, and internal auditors that wish to use data analysis as a powerful audit tool. The first day session is therefore of interest to those persons that would actively do or supervise the data analysis work.

DAY 2

The second day session is a **hands-on** session in which we will review Microsoft Access and perform some of the data analysis work in a hands-on environment. The second day will also address the complications that will arise in doing the work such as data import issues, formulating queries, and documenting and reporting results. Documentation, data sets, and templates will be provided for both days. **Bring your laptop!**

You do *NOT* need Microsoft Access experience to attend!

***HURRY!* Space is limited!**

Register by April 29, 2005 or contact Sarah Ward by email at sarah_ward@oldnational.com or Tony Mattingly at tony_mattingly@oldnational.com.

Do you want:

- To know how a mathematical finding can help you uncover fraud and other irregularities?
- To learn about the architecture of Microsoft Access and to find out how this can be your data interrogation tool for large data sets?
- State-of-the-art data analysis technologies in your audit reviews?
- Value-added activities that management will rave about?
- To learn about the three-D approaches to Continuous Monitoring?
- Hands-on experience with real data and real results?

Here is your opportunity to learn more about:

- Benford's Law (It's a secret law of numbers)
- Innovative data analysis techniques for both revenues and payments
- How Microsoft Access can be used as a rigorous data analysis tool
- The state of the art on Continuous Monitoring with a tie in to Sarbanes-Oxley 404

Do you need to buy software to do all of the above?

- No! If you have Microsoft Access then your software is just a double-click away.
- One of the three-D approaches to Continuous Monitoring (Discriminant Analysis) will require the purchase of statistical software. Seminar will reveal a low-cost solution for this specific application.

Outline:

- Describe Benford's Law and how auditors can use this as a powerful analytical procedures test
- Discussion of fourteen data analysis tests (in a case study format) with tips, hints, and notes for auditors, with demonstrations of some of the tests in Microsoft Access on the first-day
- Continuous Monitoring session:
 - ⇒ Review section 404 of the Sarbanes-Oxley Act
 - ⇒ Review an application of using Discriminant Analysis in Continuous Monitoring for fraud. Discuss the software available for this task.
 - ⇒ Review three examples of Detection formulas in Continuous Monitoring for fraud.
 - ⇒ Review Benford's Law and show how the Digit and Number patterns can be used in Continuous Monitoring
- Demo of two proactive fraud detection techniques in practice (free software available from Texas SAO)
- Review of the architecture of MS Access and the elements of good database design
- Review the elements of Access designed specifically for data analysis
- Hands-on data interrogation work using real corporate data, government data, and Nigrini's templates.

Note: You don't need Access experience! Each attendee will be given a copy of Mark's book: *"Using Microsoft® Access for Data Analysis and Interrogation"*. The book includes data sets and Excel templates so that the tests in the book can be practiced on your own computer. (The retail-selling price for this book \$70!

To learn more for this book, please visit

http://www.nigrini.com/data_analysis_books/data_analysis_using_access.htm.)

Second-Day Note: The second day will include data sets, templates, and documentation showing how to perform Continuous Monitoring tests in Microsoft Access.

FIRST-DAY (JUNE 8, 2005)

Morning session (8:30am to 12:00 noon):

Introduction and Benford's Law introduction

Benford's Law and authentic data (census, purchasing cards, retailer)

Benford's Law and fraudulent data (payroll data, sales data,

Benford's Law and California election data (the election for governor in 2003)

Tax return data (including a look at the Clinton tax returns)

Case study demonstrating seven data analysis tests using data from a real California company:

- 🔔 Data Profile
- 🔔 Basic Digit Tests
- 🔔 Number Duplication test
- 🔔 Largest subsets
- 🔔 Relative Size Factor
- 🔔 Same-Same-Same, and
- 🔔 Same-Same-Different

Continuous Monitoring session:

- ⇒ **Review internal control principles and section 404 of the Sarbanes-Oxley Act**
- ⇒ **Review an application of using Discriminant Analysis in Continuous Monitoring for fraud. Discuss the software available for this task.**
- ⇒ **Review three examples of Detection formulas in Continuous Monitoring for fraud.**
- ⇒ **Review the use of Digit and Number patterns in Continuous Monitoring**
- ⇒ **Review of two proactive fraud detection techniques in practice (free software available from Texas SAO)**

Afternoon session (1:00pm to 4:30pm):

Earnings manipulation short session: Analysis of Earnings Reports and published Enron numbers

Continuation of California case study

Review of the functionality of Access and its ability for fraud detection auditing:

- 🔔 Architecture of Microsoft Access (Tables, Queries, Forms, Reports, etc.)
- 🔔 Features of Access facilitating Data Analysis
- 🔔 Types of Queries
- 🔔 Importing data into Access

✂ Demonstration of four data analysis tests in Microsoft Access (see morning session)

Review of using three innovative statistical techniques that are known and available to statisticians but that have not yet been used in auditing as analytical procedures and to detect anomalies and fraud. Hint: One of these techniques is time-series analysis.

Conclusion:

- 🔔 Benford's Law and the "Da Vinci Code"

SECOND-DAY (JUNE 9, 2005)

Topics to be covered include:

A more detailed review of the Architecture of Access with a view to designing data analysis routines that can be used by others in your audit environment. In these situations the system needs to be menu driven.

Importing data into Access.

Importing data “with problems” into Access. Examples of problems include blank fields, characters such as ‘---’ used to denote zeroes, and data that is in an Excel spreadsheet format that needs to be converted to a database format through the use of Make-Table and Append or Delete queries.

Running the basic digital analysis tests (data profile, basic digit tests, and number duplication test) in Access and exporting the results to Excel for graphs and presentation.

Advanced work on the above using a Union query.

Running selected advanced digital analysis tests in Access and presenting the results to audit management and documenting the tests run. Seminar will cover innovative techniques such as reporting the Top Values.

Using correlation and a powerful data interrogation procedure with a hands-on exercise on election data that requires such an analysis and the presentation of the results.

Speaker Bio



Mark J. Nigrini, Ph.D. is on the faculty at Saint Michael's College in Burlington, Vermont where he teaches managerial accounting and auditing courses. He was formerly on the faculty at the Cox School of Business at Southern Methodist University. His current line of research addresses continuous monitoring technologies and the detection of earnings manipulation.

In 1995 his data analysis work was publicized in *The Wall Street Journal*, *Canadian Business*, *Technology in Government*, *Contingencies*, *The Globe and Mail*, and *CA Magazine*, among others. His work has also been written about in publications such as *The Financial Times*, *The New York Times*, *Der Spiegel*, *Business Week*, *Dallas Morning News*, *Philadelphia Inquirer*, *The Journal of Accountancy*, and *USA Today*. He has presented numerous academic seminars and professional seminars for accountants in North America and abroad. He has published papers on Digital Analysis in academic journals such as *The Journal of the American Taxation Association*, *Auditing: A Journal of Practice and Theory*, *The Journal of Accounting Education*, and *The Review of Accounting and Finance (forthcoming)* and in practitioner journals such as *Internal Auditor*, *Journal of Accountancy*, *IT Audit Forum*, *The White Paper*, and *IEEE Potentials*. Mark has also written four web-based seminars for the IIA's web-based seminars at www.auditlearning.org.

Mark J. Nigrini is the author of “*Digital Analysis Using Benford's Law: Tests and Statistics for Auditors*” and “*Using Microsoft Access for Data Analysis and Interrogation*”. To learn more about Mark and his books, visit his website at