

**ACC 383K.2
TOPICS IN AUDITING
MANAGEMENT AUDITING AND CONTROL
FALL 2018**

SECTIONS

02715	MONDAYS	11AM-2PM	<u>GDC 2.210</u>
02720	MONDAYS	3:30PM-6:30PM	<u>GSB 3.138</u>

Instructor: Steve Goodson
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The University of Texas at Austin

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Hours: M 2:00 PM – 3:00 PM, and by appointment

Course TAs: Kristen Valentine
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REQUIRED TEXTS

- (1) K. Reding, P. Sobel, U. Anderson, M. Head, S. Ramamoorti, M. Salamasick, and C. Riddle, *Internal Auditing: Assurance and Advisory Services*, 4th Edition, The Institute of Internal Auditors, 2017. Chapters 1 and 2 are provided in Canvas for your convenience and to allow you time to purchase the required textbook.

With Student IIA membership (\$40) the textbook is only \$149.00. Non-member price is \$199.00. Student Membership is only \$40. So, you save \$10.00 right off the bat! It's like they pay you \$10 to join! And, you can get extra credit for joining. If you find the textbook at a lower price, let me know so I can share it with others.

- (2) Other documents made available via Canvas.

COURSE OBJECTIVES

A hands-on introduction to the exciting world of Internal Audit!

This course is designed for students who plan careers in the accounting and finance or internal audit functions of corporations or government entities or in the consulting/risk management/internal audit services of public accounting and internal audit sourcing firms. The purpose of the course is to introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements. Its objectives are to provide students with:

- A basic understanding of the use of internal auditing by top management and governing boards for controlling organizations.
- An understanding of techniques for risk assessment and management.
- Knowledge of the standards for conducting internal audits.
- An understanding of the organization and administration of internal audit functions.
- An understanding of the internal audit process.
- An ability to scope and establish criteria for an effective internal audit.
- The knowledge and ability to apply the basic tools used in evidence collection, including generalized audit software packages.
- The ability to effectively report the results of an internal audit.

Topics covered include:

- Organizational governance and the role of internal audit
- Providing value-added internal audit services
- Types of assurance and consulting internal audit services
- Risk assessments and allocation of audit resources
- The internal audit process
- Use of CAATS (computer-assisted audit techniques)
- Use of automated working papers
- Internal control procedures and control system design
- Information technology risks and controls
- Internal auditor/auditee relations
- Effective engagement reporting and communications
- Quality assurance of the internal audit function
- Investigative auditing

These and other topics will be covered through lectures and readings, homework assignments, presentations by practitioners, and a team project. At the completion of the course students should be ready to assume positions in internal audit functions.

EXAMINATIONS AND GRADING

Assignments	Points
Exams (2)	200
Team Project	200
Quizzes	140
Class Participation & Miscellaneous	140
Homework	120
Total Points	800

The University of Texas at Austin has instituted plus/minus grading for graduate students. Department of Accounting policy requires that a grading scale including pluses and minuses be used for all graduate accounting classes. University policy continues to prohibit use of plus/minus grading for undergraduate students. Department of Accounting policy requires that grades for undergraduate students enrolled in graduate accounting classes will be determined by dropping the plus or minus (if any) from their letter grade.

EXAMS. The two exams may consist of multiple-choice questions, short answer, and essay problems. Exams are provided online in Canvas. While students may use their notes and the text book, no collaboration among students is allowed. You must complete the exam alone. **Prepare for the exams as if they are not open book** as you will only have 60 minutes to complete the exams. This will not be enough time to look up more than just a few of the questions in your notes or in the textbook.

TEAM PROJECT. Students will complete a major field project this semester by working in groups of three to four, depending on the project scope. The projects will involve actual audit work in a government agency, company or non-profit organization and will be evaluated as follows:

Rubric	Points
Audit Engagement Letter	5
Written Description of Audit Client	15
Audit Client Interview	15
Class presentation – student evaluations	25
Class presentation – instructor evaluation	30
Team evaluation	40
Evaluation from project sponsors	<u>70</u>
Total Points	200

HOMEWORK CASE ASSIGNMENTS. There will be six homework case assignments during the semester. Each will be posted to Canvas.

QUIZZES There will be 14 quizzes worth 10 points each. Quizzes will be in Canvas and will be directly related to the reading materials. Quizzes are due by 10 pm the night before the identified class and will be available in Canvas on the Wednesday prior to due date.

LATE ASSIGNMENTS

Assignments not completed within the prescribed deadlines, unless previously approved by the instructor, will receive the following deduction in points:

Up to 24 hours late: 10%
1-5 days late: 25%
6 days or more: 50%

CLASS PARTICIPATION 140 points will be awarded for participation in class and completing miscellaneous assignments, such as completing the entrance and exit surveys. Please assure you sign in at each class and participate in the discussion to receive full credit.

LAPTOP POLICY Laptops and other electronic devices may be used in the classroom **only to support students in learning the materials being presented**. For example, following along with the lecture slides or taking notes. All other uses are not allowed.

ACADEMIC CERTIFICATE

Students can earn an Academic Certificate in Internal Audit by completing three courses:

1. ACC 383K.2 Management Auditing & Control
2. ACC 383K.4 Fraud Examination
3. ACC380K.12 Computer Audit and System Security OR
MIS 373.22 IT Audit & Security

INSTITUTE OF INTERNAL AUDITORS (IIA) Austin Chapter – EXTRA CREDIT!

Students are encouraged to participate in IIA Activities. This semester, the Austin IIA Chapter offers students complementary registration to the following events:

Student registration is FREE – thanks to the generosity of the IIA Austin Chapter. But if you register – you must attend! If you register and can't attend, find a replacement!

Details for IIA events including registration instructions will be posted on the chapter website:
<https://chapters.theiia.org/austin/Pages/default.aspx>

Students that attend IIA events are awarded extra credit of 5 points per event attended, up to 15 points. **If you register and don't attend, you will be docked 5 points.**

IIA Membership: Five (5) extra points are available for joining the Institute of Internal Auditors. Student membership is \$40.00, and you get a \$50 discount off the IIA's textbook price. (Lower textbook price may be available via Amazon or the Coop Bookstore. Join IIA by following this link <https://na.theiia.org/membership/Pages/Student-Membership.aspx> and submit evidence of membership via canvas **on or before the fourth class meeting** for the extra credit. Memberships purchased after the fourth class meeting will not be rewarded extra points.

ACADEMIC HONESTY

Accounting Department Policy:

The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibility of both students and faculty with respect to scholastic dishonesty are described in detail in the department's Policy Statement on Scholastic Dishonesty in the MPA Program and the Professional Program in Accounting. By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

The student responsibilities embodied in the department's Policy Statement on Scholastic Dishonesty are consistent with the GSB Honor Code and the University's General Information catalog. However, you should obtain and read the department's Policy Statement to ensure that you understand my responsibilities. Copies are available in CBA 2.302.

Students with Disabilities

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY. If you are in need of an accommodation and have an accommodation letter, to assure accommodations can be put in place, please visit with me and provide me with the letter during the first two weeks of the semester.

Class Web Sites and Student Privacy

In Spring 2001, web-based, password-protected class sites became available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1.

For information on restricting directory information see:

<http://www.utexas.edu/student/registrar/catalogs/qi05-06/app/appc09.html>

Religious Holy Days

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Campus Safety

Please note the following recommendations regarding emergency evacuation from the Office Campus Safety and Security, (512) 471-5767, utexas.edu/safety/

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you use when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire prevention Services Office.
- Behavior concerns Advice Line (BCAL): (512) 232-5050

Further information regarding emergency evacuation routes and emergency procedures can be found at: utexas.edu/emergency.

Behavioral Concerns Advice Line (BCAL)

BCAL is a service for students, faculty, and staff of the university to discuss their concerns about another individual's behavior. Trained staff members will assist the caller in exploring available options and strategies. They will also provide appropriate guidance and resource referrals to address the particular situation. Dialing (512) 232-5050 will connect you to trained staff members 24/7/365. Calls to BCAL can be anonymous, and there is also an on-line reporting form (not anonymous).

Graduate school can be stressful. Lots of help is available at the Counselling and Mental Health Center (CMHC). Visit their website at cmhc.utexas.edu or give them a call at (512) 471-3515.

Do not hesitate to ask for help – it's the right thing to do!

Class/Date	Topic/Readings	Assignments / Deadlines
Class 1: September 10, 2018	TOPIC: What is Management (Internal) Auditing? The Internal Auditing Profession. READING: 1. Canvas Reading: Course Syllabus 2. Text – Chapters 1 & 2 The Internal Auditing Profession; IIA International Professional Practices Framework (IPPF) 1. Canvas Reading: International Standards for the Professional Practice of Internal Auditing 2. Code of Ethics	Entrance Survey Due in Canvas by September 17 at 11:59pm Homework Activity 1 assigned in Canvas - Due September 30th at 10pm - Do not wait until the last minute. VIEWING ASSIGNMENT: The Framework for Internal Audit Effectiveness: Introducing the New IPPF; see video on IIA website at https://na.theiia.org/standards-guidance/Pages/New-IPPF.aspx
Class 2: September 17, 2018	Project Requirements Outlined Project Team Sponsor Presentations In Class project assignments Project Planning Time	Quiz Chapter 1 Quiz Chapter 2 To be completed in canvas by 10pm the night before class. TEAM PROJECT: Team Sponsor Assignments Finalized in class
Class 3: September 24, 2018	Guest Speaker: Katherine Findley, VP Internal Audit, Southwest Airlines TOPIC: Governance READING: Chapter 3 TOPIC: Risk Management READING: Chapter 4 Project Planning Time	Quiz Chapter 3 Quiz Chapter 4 To be completed in canvas by 10pm the night before class. COSO presentations assigned – to be presented in class on October 8 th .

Class/Date	Topic/Readings	Assignments / Deadlines
Class 4: October 1, 2018	<p>Guest Speaker: Mike Peppers, Chief Audit Executive, University of Texas System</p> <p>TOPIC: Business Processes and Risks READING: Text - Chapter 5</p> <p>TOPIC: Risk Management and Internal Control READING: Text - Chapter 6</p> <p>Project Updates & Planning Time</p>	<p>Quiz Chapter 5 Quiz Chapter 6 To be completed in canvas by 10pm the night <u>before</u> class</p> <p>Homework Activity 2 assigned in Canvas - Due by October 19th at 10 PM</p>
Class 5: October 8, 2018	<p>TOPIC: Performing the Assurance Engagement READING: Text, Chapter 12-13</p> <p>Class Presentations on COSO</p> <p>Project Updates & Planning Time</p>	<p>Quiz Chapter 12 Quiz Chapter 13 To be completed in canvas by 10pm the night <u>before</u> class.</p> <p>TEAM PROJECT: Engagement Letter Due October 8th by 10:00 PM in Canvas</p>
	Exam 1 in Canvas	<p>Exam 1 – Available in Canvas Wednesday, October 10th at 8am</p> <p>The exam will close in Canvas Saturday, October 13th at 11:59pm.</p> <p>Once you begin, you will have 60 minutes to complete the exam.</p> <p>Exam 1 Covers Chapters 1 – 6, 12, 13 and materials covered in classes 1-5</p>
Class 6: October 15, 2018	<p>TOPIC: Audit Evidence and Procedures READING: Text, Chapter 10</p> <p>TeamMate Overview</p> <p>Project Updates & Planning Time</p>	<p>Quiz Chapter 10 To be completed in canvas by 10pm the night <u>before</u> class.</p> <p>TEAM PROJECT: Audit Client Description Due October 22nd by 10:00 PM in Canvas</p> <p>Homework Activity 3-6: Opens in Canvas</p>
Class 7: October 22, 2018	<p>TOPIC: Managing the Internal Audit Function PANEL DISCUSSION</p> <p>READING:</p> <ol style="list-style-type: none"> 1. Text, Chapter 9 2. Standard 2000 <p>Internal Audit Professional / Student Mingle</p>	<p>Quiz Chapter 9 To be completed in canvas by 10pm the night <u>before</u> class.</p> <p>Homework Activity 3 due October 25th at 10pm</p>

Class/Date	Topic/Readings	Assignments / Deadlines
Class 8: October 29, 2018	TOPIC: Reporting and Follow-up READING: Text, Chapter 14 Project Updates & Planning Time	Quiz Chapter 14 To be completed in canvas by 10pm the night <u>before</u> class. Homework Activity 4 due November 1 st at 10pm
Class 9: November 5, 2018	Guest Speaker: Mark Salamasick, University of Texas System TOPIC: Performing the Consulting Engagement READING: Text, Chapter 15 Project Updates & Planning Time	Quiz Chapter 15 To be completed in canvas by 10pm the night <u>before</u> class.
Class 10: November 12, 2018	Internal Audit in the Public Sector Guest Speaker: Cesar Saldivar, Texas State Auditor's Office READING: None Project Updates & Planning Time	Homework Activity 5-6 due November 15 th at 10pm TEAM PROJECT: Auditee Interview due November 12 th by 10:00 PM in Canvas

Class/Date	Topic/Readings	Assignments / Deadlines
Class 11: November 19, 2018	<p>Guest Speaker: Michael Madison, Adrian Rodriguez, DELL</p> <p>TOPIC: Fraud, Deterrence & Examination Investigative Auditing Internal Audits of Anti-Corruption and Ethics-Related Programs</p> <p>READING: Text, Chapter 8</p> <p>READING - Canvas:</p> <ol style="list-style-type: none"> 1. PA 2440-2: Communicating Sensitive Information Within and Outside the Chain of Command 2. PG – Evaluating Ethics-Related Programs and Activities, June 2012 (pp. 1-12) 3. PG – Auditing Anti-Bribery and Anti-Corruption Programs, June 2014 (pp. 1-16) 4. DOJ FCPA Resource Guide <p>Project Updates & Planning Time</p>	<p>Quiz Chapter 8</p> <p>To be completed in canvas by 10pm the night before class.</p>
Class 12: November 26, 2018	<p>Guest Speakers: USAA Audit Services, Glenn Prochnow and Jeff Rowland</p> <p>TOPIC: Information Technology Risks and Controls</p> <p>READING: Text, Chapter 7</p> <p>Project Updates & Planning Time</p>	<p>Quiz Chapter 7</p> <p>To be completed in canvas by 10pm the night before class</p>
	<p>Exam 2 On Canvas</p>	<p>Exam 2 is available in Canvas Wednesday, November 28th from 8am until Saturday, December 1st at 11:59pm</p> <p>Once you begin, you will have 60 minutes to complete the exam.</p> <p>Exam 2 Covers Chapters 7 – 10, 14 & 15 and materials covered in classes 7-12</p>
Class 13: December 3, 2018	<p>TEAM PROJECT: Project Presentations</p>	

Class/Date	Topic/Readings	Assignments / Deadlines
Class 14: December 10, 2018	TEAM PROJECT: Project Presentations	Remaining Project Deliverables due in Canvas by December 10 th at 11:59pm

NOTE: ALL CLASS READINGS CAN BE FOUND EITHER IN THE TEXTBOOK OR IN CANVAS UNDER READING ASSIGNMENTS.