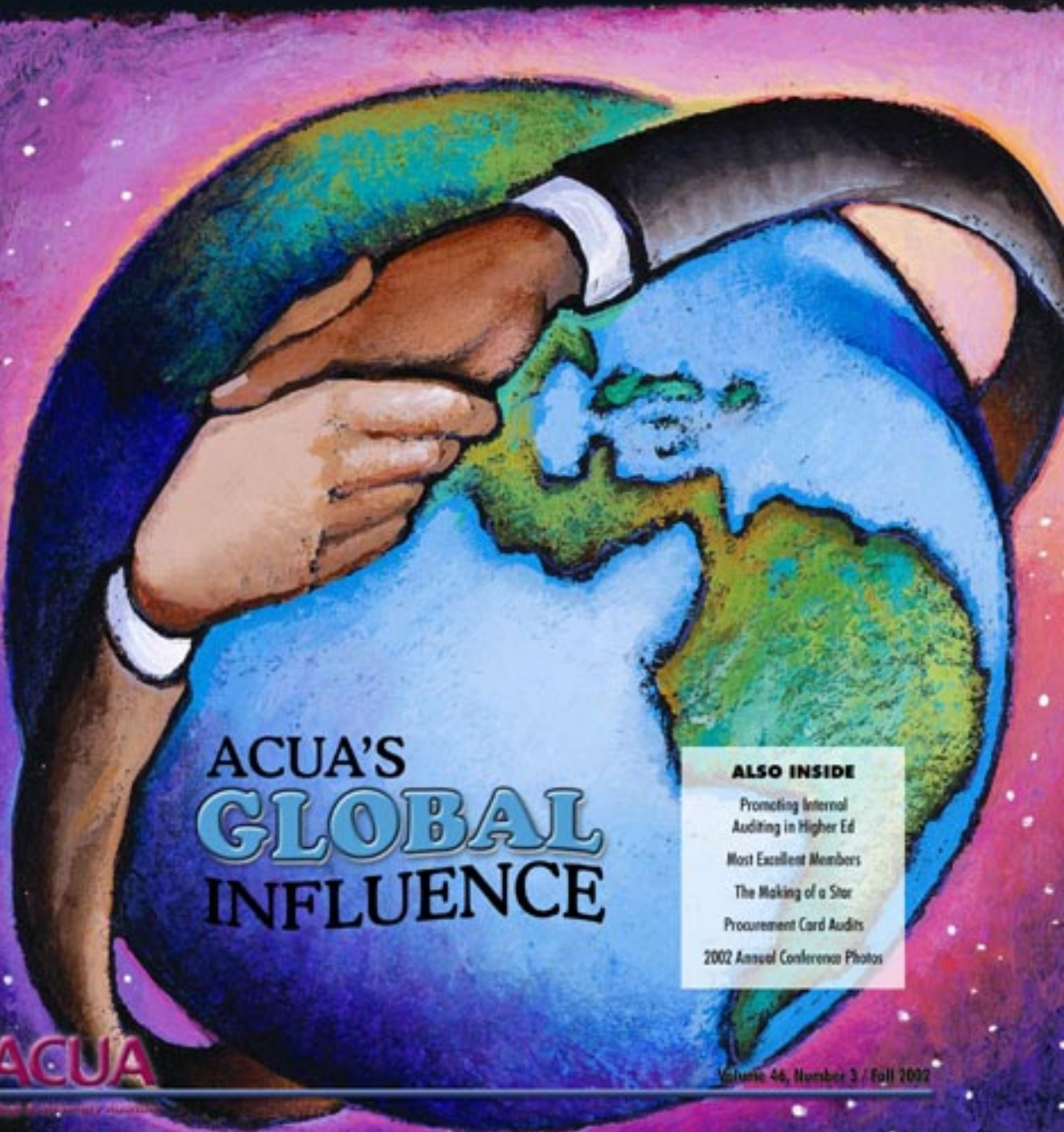


*College & University*  
**AUDITOR**



ACUA'S  
**GLOBAL  
INFLUENCE**

**ALSO INSIDE**

Promoting Internal  
Auditing in Higher Ed

Most Excellent Members

The Making of a Star

Procurement Card Audits

2002 Annual Conference Photos

**ACUA**

Volume 46, Number 3 / Fall 2002

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ACUA members are invited to submit letters, original articles, and notices to the editor. The copy deadline for the next issue is **January 21, 2003**. Please send your copy electronically to the editor in Word 95 (or higher) or text file format, or mail your paper or 1.44 high-density floppy disk.

The editor reserves the right to reject, abridge, or modify any advertising, editorial, or other material. The editor is responsible for editing and proof-reading all material.

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# College & University **AUDITOR**

Vol. 46, No. 3

FALL 2002

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*College & University Auditor* is the official publication of the Association of College & University Auditors. It is published three times a year in West Hartford, CT as a benefit of membership. Articles in *College & University Auditor* represent the opinion of the authors and do not necessarily represent the opinion of governance, members, or the staff of the Association of College & University Auditors. Acceptance of advertising does not imply endorsement by ACUA. ©2002 Association of College & University Auditors.

# Excellence in Higher Education

By J. Betsy Bowers, Editor

What a rejuvenating time I had in Salt Lake City at ACUA's Annual Conference. The many hours of planning and preparation paid off through stimulating educational programs and, of course, the networking opportunities outside the classroom. (Yes, I hear a few of you chuckling.)



As each year transitions to new leadership, you—the member—are challenged to assist in ACUA's efforts. Our president, Rob Clark, has a campaign to get YOU involved. Please heed closely his call to action in his column.

In this issue, we are highlighting ACUA's international influence, which I hope you will find fascinating, as well as educational. ACUA's own Betty McPhilimy (Northwestern University) being selected to the Institute of Internal Auditors Executive Committee is *very* noteworthy. She shares with us her experience traveling on behalf of the IIA to China in September. Additionally, the internal audit operations for the United Kingdom and Lebanon are awesome.

Excellence in higher education internal auditing is another focus of this issue. Not only do we have the report by the Member Excellence Committee, we also

have articles written by the recipients of the award. In addition, we have an innovative marketing strategy employed by the University of Texas Tech system that you will find eye-opening in the "The Making of a Star" article.

The skills and techniques of the internal auditor are always being honed. We never stop learning. Accordingly, this issue includes tools and tips for internal auditors: procurement card auditing and promoting of internal audit.

We work in an industry that thrives on ideas; they are important and the center focus for colleges and universities. Ideas for articles and topics enter like the sun peeking through the trees as a new day dawns. Occasionally, ideas strike us almost breathless. They prompt us to be still, to ponder wonderment, to imagine possibilities and to make personal decisions about life or career directions and paths. Accordingly, it was wonderful to include Letters to the Editor in this issue. I encourage YOU to write and let the Publications Committee know what we can do to improve the *CandU Auditor* journal, as well as any ideas/leads you may have for articles. Your participation will help ACUA and your colleagues grow personally and professionally. Who knows what "ah-ha" moments you could provide to a fellow ACUA member.

The skills and techniques of the internal auditor are always being honed. We never stop learning.

Hopefully, the Fall term began with a bang at your schools. Some may be under new leadership, some may be facing budgetary or enrollment challenges and others may be maintaining the status quo. Whatever your situation, I hope you are being instrumental in making a difference on your campus and being of service to the institution.

## ACUA Events Save the Dates!

- 2003 Midyear Seminar  
April 6-9  
Austin, TX
- 2003 Annual Conference  
September 14-18  
Nashville, TN
- 2004 Midyear Seminar  
March 14-17  
Albuquerque, NM
- 2004 Annual Conference  
September 19-23  
Arlington, VA

## Our Profession Is at a Crossroads

By Rob Clark, President

“Salt Lake City – from the Crossroads to the Summit” was the theme of our 2002 annual conference. Those of us who attended found just how appropriate that was. Salt Lake City is known by many as the “Crossroads to the West.” As far as “summit,” one only needed to step outside the hotel, look



up and have the breath taken away at the beautiful vistas afforded by the summits of the Rocky Mountains.

The theme, I believe, was appropriate for many more reasons. As I offered in my remarks after receiving the president’s gavel from Mike Peppers, I believe our profession is indeed at a crossroads. Is there one of us not faced with mounting financial constraints at our universities? Who among us is not being tested to stay abreast of the ever-increasing landscape of risks facing our organizations? Aren’t we all striving to continually add value at our institutions in a manner that is best serving our auditing committees and senior management?

There could be little argument that this is a different world in which we find our-

selves auditing than ten, even five, years ago. “Same As Last Year” might be acceptable as a tick-mark on our work papers, but it is likely to be less enthusiastically accepted by our auditing committees and senior management as our philosophy on an overall audit approach. Having a clear vi-

sion of how we should position ourselves in the future is going to be key to our continued success.

I’m pleased to say that the ACUA board is keenly aware of this principle. The board has spent time reexamining the strategic plan and revalidating the initiatives. We have studied what has worked well over the past year, what has not, and what needs to be done to revitalize important projects. Through all of our discussions, the consensus was that the strategic direction of ACUA was still on target. We are convinced that the plan, if met, will enable the association to make marked progress toward increasing valuable services to ACUA members.

We also emerged from our recent discussions with the recognition that the plans

will be successfully carried out only if we apply sufficient resources. In some cases the resources needed are funds to support the initiatives. In most cases, however, the necessary resources are purely the increased volunteer efforts of our members.

We are committed to managing the existing revenues so that our current dues and conference fees will remain the same this year. What we are hoping to do, however, is increase the other assets — our members’ collective expertise.

During the latter part of the business meeting, ACUA members had the opportunity to visit with those overseeing many of our strategic initiatives. Those heading up strategic plan components and our committee chairs were stationed around the room so that members could speak directly with them. They were there to answer questions and provide more information about what the initiatives entailed. Members had an opportunity to indicate an interest in finding out how they might be able to get more involved in supporting these areas.

I was encouraged to see so many signing up, not necessarily making a commitment to a pre-determined level of involvement, but rather, simply making the statement, “Yes, this is *my* association, *my* profession, and I am willing to step forward to at least find out how I might be able to further support ACUA.”

*Continued on page 4*

## Our Profession Is at a Crossroads

Continued from page 3

The areas represented were the five strategic initiatives plus other operational areas.

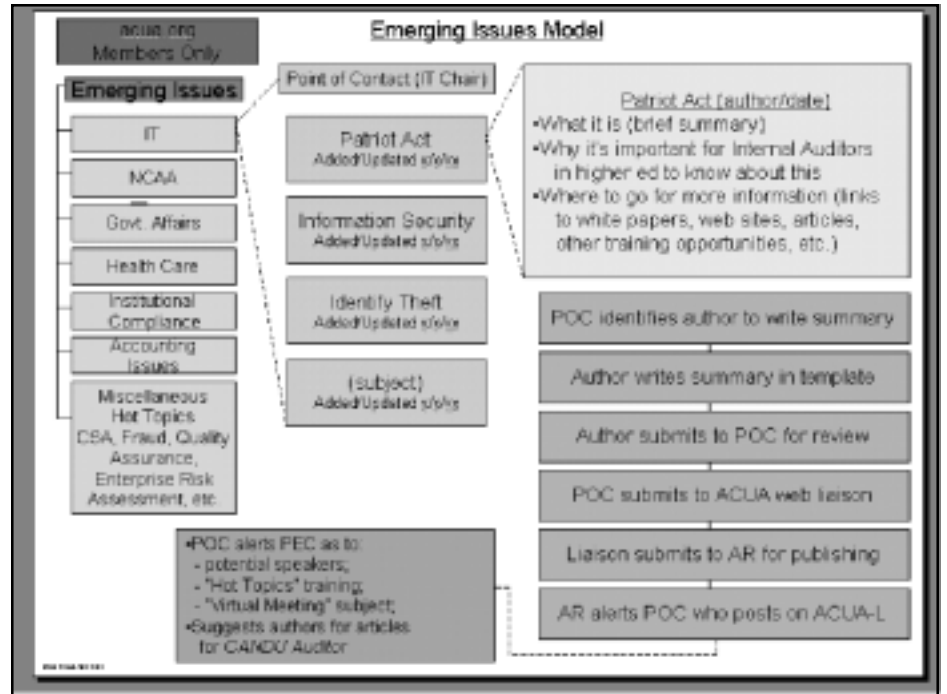
### Strategic Plan Areas:

- Education
- Information Exchange
- Promotion of the Internal Audit function in higher education
- Emerging Issues
- Association Outreach

### Other Operational Areas:

- Best Practices Committee
- Information Technology Committee
- Publications Committee (the *College and University Auditor*)
- Professional Education Committee (Midyear and Annual conferences)
- Government Affairs Committee
- Accounting Principles Committee
- Audit Committee (for ACUA)
- Web site: [www.acua.org](http://www.acua.org)
- Membership Committee

For those who did not have the opportunity to attend or to yet indicate your interest in getting more involved in any of these areas, I would ask that you contact me or any other member of the board.



We will put you in touch with the appropriate person who can help to answer your questions, provide more information, and determine what might be applicable areas based on your time limitations. We realize that everyone's discretionary time is already stretched thin. Could you, however, find two-three hours a month or a quarter to advance your association and profession? In most cases, that is all that is needed.

One area, for example, on the ACUA Web site, is Emerging Issues. The plan is to expand the Members Only section of the site to provide pertinent, timely information and resources on emerging issues affecting us as auditors. Currently, when you are faced with a question about some emerging issue, where do you turn for concise, sound, and applicable coverage? You might put the question out on ACUA-L or conduct an Internet search on the subject. How much more efficient would it be to have a repository of information on the ACUA Web site where this information would be housed, accessible 24/7?

We will be establishing points of contact within ACUA who will serve as liaisons to pull together some of the expertise that already resides in our ACUA ranks. They will be coordinating the information into a common format to facilitate ease of navigation. More information will be forthcoming on this but the image at right captures the essence of how I am proposing that this be structured.

For this plan and all of our other plans to come to fruition, it will take the involvement of many people, but without a dramatic level of involvement from any single person. Sharing this effort among many is the model that I believe will work best.

It is a tremendous privilege to be able to serve as ACUA's president this year. All of us stepping into positions of leadership want to determine how we are going to make our mark. We want to know that when we pass the torch on to our successors, we will be able to look with pride at all that has been accomplished

Continued on page 14

# LETTERS

*to the Editor*

## ACUA Auditor is Rated First Class By Readers

*Dear Editor:*

I read your latest issue. It was well organized, well presented, and very informative. However, I saw no letters to the editor. Most of us like to see a little feedback and open exchange in a professional journal. It gives the magazine a little of the "Man or Woman on the Street" appeal. Have you tried encouraging these letters? I would not be subtle.

*Sterling Roth*

*The University of Alabama-Huntsville*

*Dear Editor,*

I just finished reading the Summer 2002 edition of *CandU Auditor* and have to say this is one of the best issues to date. Every article in it was timely and relevant to issues I am currently dealing with at my campus. The article on demystifying the USA-Patriot Act has really helped me focus on those issues that will impact this campus without having to become an expert on the entire act. "Ensuring Singular Success" helped me to realize that I am on the right track as a small (i.e., 1.5 person) shop. We have begun work on updating our ethics program and Richard Traver provided some wonderful information on this issue. It is obvious that a lot of hard work goes into making this magazine and just think it is all done by volunteers!! Great Job!!

*Penny Howard*

*Longwood University*

*Dear Editor,*

What a great job you and your team did on the last issue of the *CandU Auditor*. I was impressed with the diversity of the articles and challenges presented. This journal continues to reflect the growth of our profession. It addresses new areas, such as the article on the USA-Patriot Act by Tracy Mitrano, and revisits more traditional areas, such as Dick Traver's article on ethics. I can appreciate all the work it takes to coordinate and publish the journal. Please know that we appreciate the effort because it is **first class**.

*Rita Richardson*

*University of Memphis*

## Adventures in Juarez

*By Cheri Jones,*

*University of Louisville*

When I was a novice internal auditor, I had the opportunity to audit my company's subsidiary in Juarez, Mexico. Having never been to Mexico, I was truly excited. A team of six would spend a week performing a financial audit at two locations. Lucky for me, our manager would be working for me as an assistant at one of the locations. He had been to the location before and assured me that we would not need a passport, customs would be a breeze, and he had directions to the subsidiary.

The first day of fieldwork arrived. I was handed the keys to the rental car. My manager would be the navigator and another co-worker would practice his back seat driving skills. The manager was right about customs. Going over the Rio Grande Bridge was no problem; the only challenge was avoiding the beggars and vendors. Once over the bridge, however, the hustle and bustle of the city and the modern streets quickly gave way to sand and cactus. After driving through the desert for a while, we decided we missed our turn. I learned a new skill: making a u-turn. Four u-turns later, I finally asked to see the directions. "Oh, I do not have any written directions or maps," my manager confessed. "I am looking for the sign that was here during my last visit." When was that? "Only five years ago!"

You guessed it; in a cost cutting measure the company had removed the signs the previous year. However, we learned a lot about Juarez and it's suburbs that day. After several hours of driving, we finally stumbled into the facility, three hours late just in time to prevent the call to the local police. Unfortunately, we were in time to meet the courier from the local border office. The Mexican border office had been notified that we were going to work in the country for a few days. NAFTA had just been enacted. Although a passport was not required to visit the country, you did need a permit to work there. To obtain a work permit, you needed a passport or birth certificate. At least the boss was right about customs.

# Putting Technology to Use the ACUA Way

By Lorna Bolduc, Executive Director

Technology is an important part of ACUA's ability to deliver member services. ACUA's use of technology has greatly improved communication to members, increased accessibility to information for both our members and our leadership and reduced the communication cost and the time delay in getting information disseminated.

## Electronic Communication

We have several means of communicating via e-mail. The board has a listserv that is in constant use, keeping communication open about everything from ACUA-L, messages with requests for information to the status of board-driven strategic objectives. It is difficult to imagine the ACUA board operating without a list, although there was day when such technology was not available and communication did not flow as freely among all those involved. Other lists used by the ACUA leadership include a listserv for past presidents, one for board members and committee chairs and another for the Professional Education Committee (PEC).

ACUA-L probably does not need an introduction, but I am going to mention it. Although we think it is well advertised, we did discover a member who did not know about this list. ACUA-L has to be one of our best member benefits. It offers a place where members can discuss auditing issues, ask questions, get answers and

build professional relationships with their colleagues. Reserved for institutional representatives and those people the institutional representatives approve to be added, this list is more than 1,000 strong. If you are not on the list and would like to subscribe, the rules are simple: the institutional representative needs to make contact with Cindy Caron at ACUA Headquarters and provide the e-mail addresses of those who should be added to the list. Cindy's contact information is ccaron@acua.org or call (860) 586-7561.

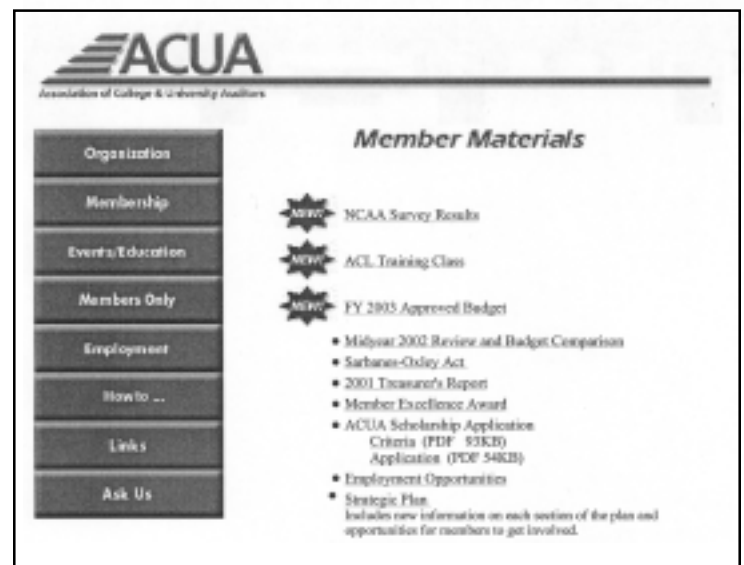
Another communication method we use is e-blasts. By using software designed for this purpose, we send personalized e-mail messages to everyone who has an e-mail address included in our membership database. These personalized e-mails allow us to communicate with you directly about news that is important to you. For example, as soon as the registration form for one of our events is posted to our Web site, we send an

e-mail broadcast alerting our members to the registration form's availability. We have used this e-blast software to communicate about the strategic plan, the financial reports, our events and the ACL training program.

## It's on the Web

The use of the Web has certainly improved our capability to disseminate information to the membership. Access to such things as our membership database was nearly impossible before the Web. ACUA had a traditional directory of members that, like most printed membership lists, are out-of-date the day they go to the printer. The printing, production and mailing of such material is a great expense to the organization. Now the

*Continued on page 7*





## Putting Technology to Use the ACUA Way

*Continued from page 6*

database is updated regularly at minimal cost and is available to our members when needed.

While the database is not the only thing that is of value on the Web site, it is certainly one of the most important member benefits. Access to the directory is through the password protected Members-Only section. The directory offers several options for searching including by last name, institution, state or country. In an effort to identify the institutional representatives for our members, we added an asterisk to their name.

Another important item in the membership directory is the URL for our members' department Web site. Many members are interested in checking the Web sites of other college and university internal audit departments. We encourage you to forward yours to Cindy if your Web site is not listed in the directory. Improved compliance with this request will increase the benefit of the directory exponentially for many of our members.

Also available from the Members-Only section is the library. This section offers information on a wide selection of topics. It is a great resource and another important member benefit.

The index for the Members-Only section is quite long. Peruse it. Let me know if there is anything ACUA could add to improve our service to you.

Other items on the Web site that you may have missed include a link to the IIA CPE online training. If you have not checked into this, you should. Our board members were delighted to offer you this program because it is a great educational resource for auditors. Distance learning is cost effective – no travel and it is available when you have the time or need.

We have partnered with ACL to significantly reduce the cost of training for their software and to add as a benefit, training that has a higher education focus. We plan to offer two classes a year and will send an e-blast to let you know when the registration form is available.

You can find general information about ACUA on the site including our strategic plan, our membership categories, event dates and locations and nomination forms for our scholarship and awards programs. Which reminds me, if you or a member of your staff is working toward an undergraduate or graduate degree, do not miss the opportunity to apply for a scholarship. The form is on the Web site and the scholarships are awarded at our annual conference.

Need to contact a board member or committee chair? Want to volunteer a little time toward bettering your profession? Need to mail something to headquarters? It's all on the ACUA Web site.

### **The Bottom Line**

Costs for postage and printed materials have decreased over the years as ACUA

relies more and more on electronic communication for information dissemination. We rely on e-mail and lists to deliver information to you. We also rely on you to go to the ACUA Web site to get the information you need. The bottom line is not only reduced printing and mailing costs but also increased accessibility for our members to the information they require.

### **What Do You Need?**

Please review the Web site and let me know what ACUA might be able to provide that would benefit you professionally. We would like to add information that would enhance benefits to the people we are here to serve, our members. My e-mail address is [Lbolduc@acua.org](mailto:Lbolduc@acua.org) or call (860) 586-7561. I look forward to hearing from you.

ACL on cd in bag

New ad coming will run 11/02, 3/03, 7/03

# Promotion of the Internal Audit Function in Higher Education

By Sterling Roth, director of Internal Audit, University of Alabama-Huntsville and Marsha Payne, director of Internal Audit, University of California-Irvine

At the 2002 Annual Conference in Salt Lake City, the ACUA Board of Directors reaffirmed its commitment to its five strategic goals. One goal is the Promotion of Internal Audit in Higher Education. Last year, a group interested in this initiative dealt with questions about what strategies could be employed to further this goal and attempted to identify an action plan. This year, more individuals signed up to be involved in this goal's implementation. The group has not yet had a chance to discuss specifics, but conversations during the ACUA conference generated many ideas about how ACUA could assist its membership in promoting internal audit in their own institutions, as well as how ACUA could help promote internal audit to a broader audience.

Here are a few ideas the group is considering:

#### *External Promotion of Internal Audit:*

- Create a purpose statement for internal audit in higher education.
- Use experiences of one-person shops to make the case that *every* campus needs an independent, objective resource to enhance operations.
- Compile positive, pragmatic examples of what internal audit in higher education has done and is doing.
- Publish a white paper on the value of internal audit and the risks of outsourcing in light of recent accounting scandals.

- Start a membership drive focused on institutions that do not currently have internal audit functions. Initiate a membership drive focused on community colleges.

#### *Internal Promotion of Internal Audit:*

- Provide a generic marketing brochure that small audit shops could personalize, avoiding having to start a brochure from scratch.

*Continued on page 14*

Internet Security AD  
coming will run 11/02

new ad coming for 3/03, 7/03

# The Changing Audit Framework for English Universities

By Paul Greaves, Chief Auditor of the Higher Education Funding Council for England

*The Government body responsible for funding higher education in England is reducing the amount of audit work it does in universities. At the same time, the internal auditors in those universities are adopting a more risk-based approach.*



Universities and colleges of higher education in England are experiencing major changes to the audit and accountability framework in which they operate. There are 130 of these institutions, and while they can trace their independence back to parliamentary authority, they are all dependent on and accountable for taxpayer's money. The catalyst for the changes is the spread of corporate risk management across the private and public sectors.

Changes in accountability are taking place alongside fundamental changes in other ways. For example, the government is now committed to increasing the involvement of young people in higher education from the current level of 30% to 50% by the year 2010. This expansion is in addition to many other changes over the past decade and emphasizes the need for the institutions to increase their effectiveness if they are to deliver society's and the government's ambitious targets.

English higher education institutions cover a broad spectrum from major inter-

national players such as Oxford and Cambridge universities through specialist bodies like the Royal Colleges of Art and Music and the London School of Economics and Political Science to relatively new, diverse universities, such as the Manchester Metropolitan University and the University of the West of England. Institutions vary in size from 150 students up to almost 30,000.

## **The Higher Education Funding Council for England (HEFCE, [www.hefce.ac.uk](http://www.hefce.ac.uk))**

The HEFCE is a semi-governmental entity that operates as a buffer between the ministry (the Department for Education & Skills) and the institutions. It devises and operates formulae and other arrangements to distribute cash from the UK Treasury to the institutions. The HEFCE has an annual budget of over US \$7,000m, which constitutes less than half of the total income for English universities.

The HEFCE sets the framework of accountability for universities and colleges. To be eligible to receive public funding, the institutions have to comply with conditions of grants set out in a financial memorandum (available on the HEFCE Web site at publication number 2000/25) and these conditions include compliance with audit arrangements which include:

- Each institution has to publish audited financial statements. The bulk of institutions are audited by major accountancy firms.
- Institutions are also required to have an internal audit service that meets professional standards.
- Institutions must have an audit committee, largely composed of members of its governing body, the duties of which are set out along with other requirements in the HEFCE Audit Code of Practice (HEFCE 2002/26).

There are separate arrangements for auditing or quality assuring academic activities. Teaching is assessed by a separate body, the Quality Assurance Agency. Research is assessed through a HEFCE-led research assessment exercise.

## **The HEFCE Audit Service**

The HEFCE Audit Service is a small team of auditors which promotes the effectiveness of, and assesses internal control in the institutions. It does this by monitoring a continuously evolving risk assessment of the institutions. The risk assessment is informed by:

- Information about financial health supplied by HEFCE colleagues who monitor the operational, financial and strategic progress of the institution.

*Continued on page 10*

- Information and assurances from the institutions including the published financial statements and the annual reports of the external and internal auditors and the audit committees.
- A data audit undertaken by the HEFCE auditors designed to validate the various data submitted in support of funding claims and payments.
- A cycle of audit visits by HEFCE auditors.

### Risk Management

The concept of risk management as an organizational framework for improving internal control and a vehicle for enhanced financial reporting has spread throughout all UK corporate sectors in recent years. The HEFCE has been working with institutions to promote risk management through publishing good practice guides that are available on the Web (HEFCE 2001/28, for example). The HEFCE has also agreed with the institutions that published financial statements should include, from 2003, the same sort of statements of corporate governance, internal control and risk management that are required of listed companies.

The audit professional bodies in England have changed their standards relating to internal audit so that practice is expected to reflect risk management. Internal auditors are expected to assess and advise on risk management and to base their planning on corporate risk management so long as they have confidence in it. This major development in internal audit practice has been reflected in the unique role of the HEFCE's own auditors. In the past, these auditors have had a cyclical approach to their work: following the same audit program, for the same length of time, at the same frequency in each institution. In the context of risk management and other factors, the auditors reflected on their practice, through an analytical and consultative methodology, and decided to make their own work risk based. The consequence is a consid-

Internal auditors are expected now to move away from the idea of an audit strategy that seeks comprehensive coverage of all systems over a cycle. Their plans should increasingly reflect corporate risk management and they should place emphasis on major risks to the business.

erably reduced burden of governmental audit for most institutions.

The institutions are in turn expected to develop effective risk management and to maintain high standards of corporate governance. They are expected to report to the taxpayer, through the HEFCE, that they have effective self-assessment regimes that ensure the quality of internal control. The various reports involved inform risk assessment by the HEFCE and that in turn determines how closely each institution needs to be monitored.

### Internal Audit in Institutions

Each institution has to have an internal audit service that meets professional standards. The requirements for the operation and reporting of those internal auditors are set out in the Audit Code. This Code has been updated over the past year to reflect the impact of risk management. It is now accepted, for example, that auditors can play a consultancy and advisory role to management in support of improved corporate governance, internal control and risk management. In reality, a number of auditors have been instrumental in catalyzing the adoption and implementation of corporate risk management in their institutions.

Internal auditors are expected now to move away from the idea of an audit strategy that seeks comprehensive coverage of all systems over a cycle. Their plans should increasingly reflect corporate risk management and they should place emphasis on major risks to the business. Of course, the auditors can only allow themselves to be influenced by management's perception of risk if they are confident in the corporate risk strategy. Therefore, their work needs to explicitly embrace an ongoing assessment of corporate risk management. Where they are not confident about management's risk approach, they should report that fact to the audit committee and base their planning on what they consider to be more important factors.

This is a major challenge for institutional auditors. They have to become sufficiently expert in risk management to catalyze a risk strategy and then to judge whether corporate risk management is sound. The skills are present in the audit community but the immediate challenge is to bring these skills into play.

### Conclusion

The arrival of corporate risk management for English universities and colleges has provided an opportunity for central government monitoring to be, on the whole, scaled back. In turn, institutions are expected to develop effective risk management. Institutions' internal auditors have to change radically to embrace this new culture.

### About the Author

*Paul Greaves is Chief Auditor of the Higher Education Funding Council for England. He is responsible for providing assurances on the use of public money in England's 130 universities and higher education colleges. Paul has degrees in economics and Irish history, and an MBA from the University of the West of England. He is a Fellow of the Institute of Internal Auditors – UK. You may e-mail him at: P.Greaves@hefce.ac.uk.*

# Internal Audit at the American University of Beirut

*By Internal Audit Office members, American University of Beirut*

## Historical Background

The rapid development of Lebanon as a banking and financial services center between 1955 and 1975 was fueled by Arabian oil revenues and encouraged by the reputation of Beirut as the most cosmopolitan and westernized city in the Middle East. With its wonderful physical climate, relaxed and relatively unregulated business climate, the country was a magnet for entrepreneurs of all types. The bubble burst in 1975 with the outbreak of the Lebanese Civil War. Lebanon's reputation changed from being a businessman's paradise to a country in chaos, and Beirut became synonymous with terrorism and sudden death. By the end of the war in 1990, the country was in ruins and the economy was largely destroyed.

Today, Lebanon and the city of Beirut are rising anew — not for the first time as ancient remnants of Phoenician, Roman, Crusader and Ottoman buildings in the city center attest. The banking sector has strengthened through mergers and government regulations that include a requirement that banks establish an internal audit function. The educational sector has expanded rapidly. There are currently 43 universities in Lebanon, of which 35 offer instruction in English. Only two universities have an internal audit function: the American University of Beirut (AUB) and the Lebanese

American University. AUB was founded in 1866 by Dr. Daniel Bliss, a U.S. missionary, and has 6,500 students in programs modeled on the American liberal arts system. AUB is chartered in New York State and its registered office is in New York City — the difference is that the campus is in Beirut, Lebanon.

## Internal Audit at AUB

The Internal Audit Office was established at AUB in the early 1970s. Initially, audit functions were limited to the 400-bed Medical Center and it was not until 1985 that the scope of work was extended to cover the campus operations. However, the work tended to be limited to cash counts, financial tests, inventory counts and attendance at tender openings. In 1996, the trustees directed that the Internal Audit function be expanded and strengthened. The office currently consists of a director, two audit managers and three audit assistants.

In 1996 AUB was an institution caught in a 20-year time warp. Although the university had managed to keep functioning throughout the Lebanese Civil War, many had suffered and the majority of the university's foreign administrators and faculty had fled the country. The president's office functioned from New York City and many administrative functions were moved to Cyprus when the fighting in Beirut threatened to overrun the campus. Wartime necessities had al-

lowed a number of "informal" practices to develop in place of the meticulously documented policies and procedures that dated from 1965. Internal controls were no longer a priority and their purpose was often long forgotten.

In 1997 the Audit Committee of the Board approved new Terms of Reference [ToR] for the Internal Audit Office. These ToR clearly established the mandate and the objectives of the office and emphasized the change in the role of internal audit from policeman to consultant.

Association with ACUA was among the very first steps undertaken as a way to tap into the knowledge and experience of our peers. ACUA proved an excellent source of audit programs and professional development materials that were used to

*Continued on page 12*



*Lebanon University*

Tasks continued to be done out of habit, often without having any control purpose or value.

improve the skills and professional knowledge of the audit staff.

Assessing and improving the existing system of internal controls was a priority. This task was complicated by the only policies and procedures in existence were from the 1960s. Consequently, testing for compliance was often pointless. The procedures had been written for systems that were primarily manual and two generations of computerization had subsequently been implemented. Amazingly, it was found that despite this computerization the forms and workflow had remained virtually unchanged for 30 years—with many forms still having five copies that required the use of carbon paper! Tasks continued to be done out of habit, often without having any control purpose or value.

To address this, Internal Audit concentrated on operational audit work aimed at analyzing and improving workflow and controls. The positive approach of consultancy-based audits and “taking off the police hat” has changed the way that Internal Audit is perceived within the institution. This has increasingly resulted in departments requesting that Internal Audit review changes in their work processes to ensure that appropriate and effective internal controls exist.

In 1998, the office introduced the first on-line policy and procedures manual at AUB. Since then many new manuals have been added and, eventually, all the university’s manuals will be available on line. The Internal Audit Office Manual was published in 2000 based on the template obtained from the IIA.

In 2002, we introduced the concept of Control Self Assessment (CSA), becoming the first organization in Lebanon to do so. CSA has met with a favorable

response by management because it provides an opportunity to mutually share views and ideas in an open environment and also, among Internal Audit staff because it is a very effective way to augment traditional audit techniques.

Auditing and the Institute of Internal Auditors in Lebanon

The Lebanese Association of CPAs provides professional certification in Lebanon. However, many Lebanese professionals have also obtained certification overseas, the most common designation being the American CPA. All the major audit firms are established in Lebanon. Although the official language of Lebanon is Arabic, the operational language of the profession is English, while French is also commonplace. The majority of Lebanese professionals are proficient in all three languages.

The IIA, Lebanon Chapter, was incorporated in 2000 and has contributed to promoting the Internal Audit function in the country. The chapter started administering the CIA and CCSA certifications in 2002. When established, there were no CIAs among the founding members. Since then, the chapter has grown to almost 50 members including eight CIAs and one CSSA and includes all the audit staff at AUB. At the 2002 annual conference of the IIA in Washington, DC, the Lebanon Chapter was awarded the prize as the fastest growing chapter.

For more information about Internal Audit at AUB visit: http://departments.aub.edu.lb/~webaudit/. You may contact the Internal Audit manager, Sami Gheriafi, at: gheriafi@aub.edu.lb

Advertisement for PricewaterhouseCoopers Internal Audit Solutions. Text: INTERNAL AUDIT SOLUTIONS FOR A CHANGING WORLD. Includes a silhouette of a hiker and the PwC logo. Contact information for Michael Barone is provided at the bottom.

# ACUA's Own Serves on Executive Committee of IIA

By Betty McPhilimy, director Internal Audit, Northwestern University

ACUA members are making an impact by serving with various professional groups and networking with colleagues throughout the world. For example, Betty McPhilimy, internal audit director at Northwestern University, is currently serving on the Executive Committee of the IIA as vice chair of Professional Services. Betty was elected at the IIA's International Conference held in Washington, DC, for the year that runs through June 2003.

As vice chair McPhilimy has responsibility for the efforts of the regional directors, district representatives, international relations, government relations and membership committees. The IIA serves approximately 70,000 members in 120 countries around the world. In her Executive Committee role, she recently attended the IIA's Global Forum held in Beijing, China, at which IIA representatives from around the world met to discuss the future direction of the profession and the institute. During that conference, McPhilimy was one of eight IIA representatives who had the privilege of meeting with the Premier of China Zhu Rongji (see photo). Global Forum 2002, which brought together 110 participants representing 49 IIA affiliates around the world, focused on issues such as corporate governance, business risks and internal controls, and best internal audit practices. Below is a reprint of the news release related to this trip.



Betty McPhilimy greets China's Premier Zhu Rongji

## Chinese Premier Meets With IIA Group

A leadership delegation from The Institute of Internal Auditors (IIA) met with China's Premier Zhu Rongji on September 9, 2002, to discuss business practice and governance issues of importance the world over. The meeting took place during The IIA's Global Forum 2002 in Beijing.

"As the head of a government that operates many large enterprises while supporting the growth of privately owned businesses, the premier has a unique understanding of and appreciation for the value internal auditing brings to organizations," says IIA President William G. Bishop III, CIA. At the meeting with the premier, IIA Chairman LeRoy Bookal, CIA, shared an overview of the internal audit profession as it stands today. He also delineated the IIA's efforts to promote the internal audit profession

on a global basis, highlighting its emphasis on ethics, standards, certification research, education and guidance. The premier congratulated Bishop and the delegation for the IIA's leadership and positive contribution to the development of the internal audit profession. The premier spoke of the gap that exists between internal audit practices in China and those of more developed countries, and indicated that Chinese businesses should learn from and emulate the practices the IIA advocates in order to effectively manage organization risks and thereby protect stakeholders.

In keeping with the Global Forum's theme, "Strengthening Our Global Profession," Premier Zhu Rongji queried delegates on their roles and responsibilities, including such issues as reporting relationships of internal audit, regulatory oversight for financial accounting practices, and SEC requirements for external audit firms. He explained that China is working hard to improve corporate governance and to enhance accounting and auditing skills.

Premier Zhu voiced a genuine interest in and commitment to internal audit education and training programs and expressed a sense of urgency to grow the number of professional internal auditors in China. He also indicated the need to elevate the level and number of public accounting firms in China to international

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**As a result, he is in the process of having three new Chinese accounting/audit schools established.**

standards. As a result, he is in the process of having three new Chinese accounting/audit schools established. He invited the IIA to conduct future forums in China and encouraged greater IIA coordination with its Chinese affiliate and interaction with the China National Audit Office.

In addition to the IIA's chairman and president, the delegation that met with Premier Zhu included Past IIA Chairman Dave Richards, CIA; Senior Vice Chairman Robert McDonald, CIA; Vice Chairman-Professional Services Betty McPhilimy, CIA; and Board of Regents Chairman Hans Spoel, CIA, who spoke of the importance of professional certification and of the growing number of Chinese—currently more than 2,200—who have earned the Certified Internal Auditor (CIA) designation.

Also participating in the meeting with the premier were IIA Director-at-large Stanley Chang, CIA, and North Pacific Regional Director Naohiro Mouri. Representing IIA China were President Zheng Li, Secretary General Ma Huaiping, and Cao Zhiyong. Auditor General Li Jinhua and Deputy Auditor General Liu Jiayi represented the China National Audit Office.

Global Forum 2002, which brought together 110 participants representing 49 IIA affiliates around the world, focused on issues such as corporate governance, business risks and internal controls, and best internal audit practices. A highlight of the forum was a keynote address by Mervyn King, chairman of South Africa's King Committee on Corporate Governance and one of the world's most respected authorities on the topic. King lauded internal auditing as a "vital ingredient" of an effective governance process.

- Create a library of marketing brochures for those who want to make their own and want ideas.
- Capture other approaches used to promote the internal audit function.
- Employ peer reviews to transfer elements of successful internal audit operations to institutions with less experienced staff.

Some ideas may overlap with ideas related to other initiatives, so it is important that we continue an open dialogue about our plans to avoid duplication of efforts and benefit from the wealth of ideas from our colleagues.

If you are not already on the team and have an interest in this initiative, please contact one of the following:

Marsha Payne  
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"Promotion" has many meanings and connotations. Let's help each other aspire to the best of them. All comments, opinions and materials are welcome.

**Our Profession Is at a Crossroads**

during our tenure. I want to make sure that our plans are aggressive yet realistic.

Some of the highlights of our plans this year include:

- Significant enhancements to the ACUA Web site – providing a common source of valuable and timely information for our members;
- Expanding our membership to ensure that the association is reaching virtually every institution of higher education with an audit presence; and
- Furthering the strategic plan so that we are able to demonstrate notable progress.

To accomplish these goals, it will take more than the efforts of the talented and dedicated board members and committee chairs. It will take the collective contributions and efforts of each of the ACUA members.

At Georgia Tech, I am blessed to be surrounded by a talented staff – individuals on whom I count to ensure the ac-

complishment of our annual audit plan. The same principle holds true for ACUA. The board and committee chairs have been and will continue to be dedicated to serving the membership by providing strategic direction. To make positive strides this year toward achieving our strategic goals and adding more valuable services to you as members will take the involvement of each of us as constituents.

As Jay Morley, president of NACUBO, said in his keynote address, "Has there ever been a better time to be an internal auditor?" I would add, has there ever been a better place to be an internal auditor than in an institution of higher education? And finally, has there ever been a professional association more appropriately positioned to provide valuable services to its members than ACUA?

This is your association. It is your profession. We are positioned to do great things. Would you join me in helping to make a mark on ACUA this year?

Editor's note: Contact Rob at rob.clark@business.gatech.edu or call him at (404) 894-4606.



# A Comprehensive Approach to Procurement Card Audits

By Doug Burton, Account Executive for Healthcare, Education and Manufacturing, ACL

On May 1, 2002, Johnnie Frazier, inspector general of the U.S. Department of Commerce, appeared before a subcommittee of the



House of Representatives and outlined what he described as “the good, the bad and the ugly” facts that had been learned in an extensive review of the Department of Commerce (DOC) purchase card system. He explained that over the course of the 15 years that the purchase card system had been in place, many well-publicized examples of “irresponsible and illegal use” of purchase cards had given the program a negative image. Further, the program had grown in size to the point where it presented a formidable risk.

“In fiscal year 2001, the Commerce Department averaged over 6,000 purchase cardholders at any particular time, and during this twelve-month period, these cardholders completed over 330,000 transactions valued at about \$132 million. In short, the Commerce purchase card program represents substantial purchasing power, and as a result—at least from the Office of Inspector General (OIG) perspective—provides substantial opportunity for misuse and fraud.”

Mr. Frazier went on to cite specific examples:

- *A contract specialist fraudulently used her government purchase card to buy approximately \$50,000 worth of clothing, jewelry, electronic equipment, furniture, airline tickets, sporting event tickets, concert tickets, household supplies, and hotel accommodations.*
- *A secretary used her card to purchase groceries, school supplies, books, electronics and bath supplies. She also used the card to pay for a luxury hotel on New Year’s Eve. The secretary had been intercepting her statement each month and avoiding scrutiny. Only after she went on extended leave due to an accident were the inappropriate transactions discovered.*
- *In another case, a clerk used a co-worker’s card to purchase over \$1,000 in personal items including clothing, exercise equipment and toys.*

It goes without saying that stories such as these are by no means restricted to government service. Any organization or institution that uses purchase or procurement cards is at risk. The efficiency and convenience of purchase card systems brings with it new opportunities for fraud and abuse.

Fortunately, in the same way that technology has given rise to this new challenge, technology can be used to address it. Purchase card systems are, by their very nature, textbook opportunities for

The efficiency and convenience of purchase card systems brings with it new opportunities for fraud and abuse.

the effective application of interactive data analysis. With the appropriate software, high volumes of purchase transactions may now be reviewed and audited in great detail, resulting in the detection of abuses that may have otherwise gone unnoticed.

It is assumed that any audit of a purchase card system will be conducted with a thorough understanding of existing controls, the rules and policies governing acceptable use of the system, and the measures being taken to communicate these policies to the cardholders. Therefore, this discussion primarily focuses on the analysis portion of the audit and how software tools can be used to maximum benefit.

## Obtaining the Data

Once the planning of a purchase card audit has been completed, the first step in the analysis phase is to obtain the necessary data. If you are used to leveraging data analysis in your audits, you are probably familiar with the challenges that frequently occur when trying to access and

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define the appropriate data. If this has been a stumbling block in past audits, take heart. Your bank should be able to provide complete purchase data in a format that can be read by ACL or your analysis tool of choice. The data may be provided to you on a CD or in some cases you may actually be able to download it in manageable blocks through a Web reporting tool.

When you go to pull a data sample for analysis, one word of advice—*Don't*. In other words, don't think in terms of extracting a sample that will give you a meaningful representation of the total population. Modern analysis tools are more than able to handle as much data as you care to throw at them. Further, there is very little additional work involved in using all of the relevant data rather than just some of it. The advantage is that the more data you work with, the greater the certainty of your results. Why think in terms of probability when you can know for sure.

While we're on the subject of data, you may also want to pull related data from your accounting and HR systems as well. Every institution is different on this score, but you may find that payment or purchase order information from accounting can be correlated to the purchase card transactions to lend additional insight into possible risks and abuses.

### Getting Down to Business

There are many different ways to approach the analysis of purchase card data. To begin with, you may wish to “interrogate” the data in order to build your understanding of the size and scope of the population and to catch any red flags that become immediately apparent. This can take the form of sorting and summarizing the purchases in order to identify indicators such as:

- Largest overall dollar purchases
- Largest purchase value by user
- Largest purchase value by department
- Largest number of transactions by user/department

Tests such as these will bring the project into focus and give you your first indications of where the risk areas lie and where you might want to focus your attention. Depending on the tool, you should be able to “drill down” on any suspect areas and focus your efforts momentarily on that subset of data.

During the planning phase, it is advisable to closely review the list of purchase categories that your bank has defined. All purchases are assigned a category or merchant code such as: travel agents, restaurants, bookstores, etc. A quick look at this list will immediately highlight potential red flag categories such as nightclubs or other entertainment venues. Once you have assembled a list of potentially problematic categories you can use your software to filter for any transactions made for those items. If you find the list of problem categories too long to filter for individually, it is useful to classify the total population by purchase category in order to get an overview of actual purchases. This will produce a long list that you should be able to quickly peruse for items of interest.

Another approach to looking at questionable purchases is to identify a short list of the categories that concern you most and classify only those purchases by department or user. If you identify a particular department that shows a high frequency or dollar amount in a risky category, you may have something to investigate.

With this type of analysis, it is important to give yourself enough time to *play* with the data. Here's why: experienced analysts will tell you that the work they do is part science and part art. There are an endless number of ways that you can explore the data and it is important to give yourself the freedom to explore and think creatively. Most auditors have an extreme shortage of time and their first instinct is to check off the items on the audit plan and move on. Giving yourself a set period of time to creatively explore the data

**Giving yourself a set period of time to creatively explore the data and follow your intuition can yield very positive results.**

and follow your intuition can yield very positive results. In addition, you will naturally learn to think critically rather than following a prescribed plan.

After having explored the data for a while, shift your focus to a more precise form of investigation by using the application to filter for known problem transactions. These should reflect previous abuses that have been documented from within your own organization. Additionally, you may have noted typically problematic transaction profiles that you have picked up from other sources such as books, presentations and advice from colleagues. These primarily represent transactions that fail to follow defined policies or in some way circumvent established controls. Examples may include:

- Concentration of purchases immediately below a control limit;
- High number of purchases by the same cardholder from a single vendor;
- Consecutive purchases to the same vendor on the same day (purchase splitting);
- Purchases made on weekends or holidays; or
- Purchases made by cardholders who are no longer actively employed by the organization.

### Value Added Analysis

These days, there is much debate on whether auditors should act as consultants to their organizations; however, there is great opportunity for adding value in all audits. While you are rummaging through all of these purchase card trans-

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actions, you may want to watch for patterns that may indicate opportunities to change purchasing policies to benefit the university. For example, if large volumes of a particular item or category of items are noted, it may be worth pointing out to management that contract pricing could potentially be negotiated. In this same vein, you may wish to point out items that are routinely purchased by card that would more appropriately be purchased through a more formal process. These might include higher risk items such as chemicals or high dollar items such as lab equipment. Another angle on this test involves reviewing purchases to determine whether items that are already being purchased by bulk contract are being mistakenly obtained in small volumes at a higher price by unknowing card holders.

Recommendations such as these may or may not be welcomed by your purchasing department but it is worth noting that the cost savings they will bring can in some cases be calculated down to the dollar. It never hurts the reputation of the audit department to put a little cash back on the bottom line.

### Pointing to Process

Many auditors feel that the analysis portion of an audit is exclusive and does not have any connection to what some term “process audits.” To the contrary, this project (as with many others) demonstrates how the effective use of data analysis will often point to process issues that must be further investigated using more traditional methods. For example, if purchase splitting is a common problem that is exposed by analysis, control limits may need to be reevaluated. If there is a high incidence of inappropriate purchases in a certain department, it may indicate lax supervision, poor tone from the top, or a need for training. As another example, purchases made by terminated employees may indicate a need to overhaul termination procedures and improve inter-department communication.

When data analysis is properly applied, the auditor is able to target specific members of management and staff who have been shown to not understand the policies or are disregarding them.

This is an excellent example of where even a traditional audit can benefit from data analysis. In the traditional scenario, the auditor would at some point randomly approach management and staff in the university and ask them if they understand and comply with the policies and procedures governing process in question. The answer of course is normally an emphatic “Yes!”

When data analysis is properly applied, the auditor is able to target specific members of management and staff who have been shown to not understand the policies or are disregarding them. One approach deals with samples, questions and probabilities; the other deals with firm numbers, statements of fact and recommendations for change.

### Other Benefits

Any discussion of purchasing in a higher education environment can easily lead to the issue of research grant compliance. This is another discussion entirely. However, it is worth noting that depending on your policies governing the use of purchase cards by faculty, your analysis of this data could yield some important insight into your compliance risks.

By isolating purchases to specific faculty members and joining this data with grant information, you may be able to do a partial grant compliance review. For example, look for capital purchases made

on the card that were outside the effective dates or near the end of a grant. Review purchase categories that are inconsistent with the limitations of the grant. There is a significant amount of specific information that is required to do a thorough compliance check on each grant. General ledger records, detailed purchasing records, effort reporting and other data are required to do a thorough review in this area. However, by taking advantage of the data you have available, you might just find something of serious interest to the university without expending a significant amount of extra time and effort.

### Conclusion

It bears repeating that effective data analysis is both an art and a science. Far from being just a pastime of “techies,” it is a valuable tool that can unlock your ability to think critically and creatively. By eliminating many of the traditional limitations of the auditor, data analysis allows you to flex your analytical muscles and demonstrate to the organization the unique value of the auditor and the audit function.

### About the Author

*Doug Burton is the Account Executive for Healthcare, Education and Manufacturing at ACL Services Ltd. He works extensively with senior management in many of North America's largest and most prestigious organizations, including Fortune 500 companies. With over 15 years' experience in business process automation, Doug works closely with financial executives and audit professionals to apply ACL Business Assurance solutions to identify and address areas of business risk associated with incomplete, inaccurate and inconsistent data.*

*Doug has also been a featured speaker at numerous seminars and conferences, including those sponsored by The IIA, ISACA, AHIA and ACUA. You may reach him at: [Doug\\_Burton@acl.com](mailto:Doug_Burton@acl.com).*

## Fish Tales

Purchasing card reviews are fun, as you just never know **what** you're going to find!

During a P-card review a few years ago I ran across a purchase from a pet store; further research determined that 30 fish were purchased. As the P-card is held by a member of the advancement team in our Law School, I was more than a little intrigued. I called the woman (with whom I have always had a great relationship) and asked her: "What's up with the fish?"

It seemed like such an innocent question.

Her first reaction, as expected, was, "I knew you were going to call me about that!" and then the whole truth came out. They had hosted a fund-raising dinner and she had the great idea of making centerpieces of clear vases filled with water and colored glass pebbles, with a couple long flower stalks, with each one having a colorful fish swimming around in it. What a great idea! So the day of the event she set up all the centerpieces, bought and installed the fish, and went home to dress for the party. Now the story turns tragic: while she was home getting ready, she got a phone call from the caterers: The fish were dying. One after another, floating to the tops of the vases; still colorful, but now dead.

She rushed back to school and commenced fishing the carcasses out of the vases. (No, I did not ask how they were disposed of, even though that could have EPA implications!) Done barely in time for the party to start, she said she worried all evening that she might have missed one, and waited for someone to shriek, "There's a dead fish in my vase!"

But the funniest part was something I didn't learn until months later when I made her retell the story to a group of people I knew would enjoy it. As it turns out, the fish in question weren't goldfish, as I had assumed; they were "fighting fish." You know, suspiciously like sharks.

Did I mention this was a Law School function?

### Coming in the Spring 2003 Issue

#### Depositions & Testimony

*William C. Weaver, Ph.D., Forensic Economist, University of Central Florida*

#### Facilitating Organizational Change – From Review Through Project Follow-Up

*Donald Holdegraver, CPA, CFE*

#### Risk Assessment and Selling Internal Audit

*Virginia Key, Internal Audit Director  
Montana State University*

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# The Making of a Star

By Frances Grogan, CPA, managing director and Kim Turner, CPA, associate director, Texas Tech University

## A Star Is Born

Texas Tech brought its new brochure and fraud poster to the “Marketing the Internal Audit Function” session of ACUA in Salt Lake City for the announced “show and tell.” We knew we had a winner (had there been a contest), but we were not prepared for the attention that the poster received. The story behind the poster and its creation is almost as interesting as the poster itself. Some things just seem to create themselves when there is a need for them. Our poster and brochure did just that.

The Texas Tech Office of Internal Audit and Consulting has investigated two major frauds during the past fiscal year. Hundreds of thousands of dollars had found their way into the pockets of embezzlers rather than into university bank accounts. As a result, cash controls and fraud prevention have come to the forefront of the administrators’ minds as well as auditors. Maybe that is the reason we sat up and took notice during a presentation our News and Publications design group made in a recent Board of Regents meeting. They were showing some of their award winning designs and how they were being used across campus to impart necessary information. Some of their posters were receiving such unexpected attention they could not keep them on the bulletin boards. Students were ripping them off to hang in dorm rooms and apartments.



Frances Grogan



Kim Turner

We started thinking that as a part of a large university, essentially a conglomerate of small businesses, we had a giant resource at our disposal we would have to pay mega bucks for in the private sector. Our immediate thought was News and Publications could help us produce attractive audit reports or maybe help us make our existing brochure a little slicker. In a meeting with the University CFO and the VP for Operations discussing the latest fraud and ways we could address fraud prevention or early detection, an idea started building in our heads. Most fraud is discovered via tips, so why not encourage the general campus community at the source of the problems to call in those tips? Posters in all cash handling offices could alert the entire community of their responsibility of reporting suspicious behavior under the university’s fraud policy. However, who would read a boring poster talking about fraud policies and reporting thieves? The proverbial light bulb clicked. We knew that this was a project for our News and Publications design group. We mentioned that possibility in the meeting. The CFO told us (knowing her pockets are deeper than

ours) if we could get it put together, the operations division would underwrite a poster.

It helps to make friends across the campus. When we approached the vice chancellor of News and Publications about the possibility, she agreed to put her design group on it, even offering to provide their services free of charge. The only cost (to the CFO) would be for printing. The vice chancellor also agreed to turn our departmentally published brochure into a professional publication for only the cost of printing. We felt certain there would be a limit to the generosity of the CFO, so we decided to dig into our budget for the brochure cost.

**Editor’s Note:** To see the poster, go to Texas Tech’s Web site: <http://www.ttuhs.edu/pages/audit/index.html>. The poster can be viewed under the fraud policy link there.

Our audit staff member, Doug Krause, volunteered to work with the design team. After meeting with the design group head and discussing what we wanted and why, the project was assigned to a junior staff designer. When we met for a second time to see the first proof, we were totally blown away by the attention-grabbing creativity. The designer said when her group had brainstormed, they decided fear of repercussions would be the biggest factor keeping people from reporting suspicious behavior, particularly if their supervisor was

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involved. Therefore, they emphasized the Texas Whistleblower Act, which assures would-be informants that they would be protected from loss of job or any other retaliation by Texas Tech by following through on their responsibility to report fraud. The design team decided to make the brochure and the poster companion documents in order to keep our image consistent. What had started as a fraud prevention project was turning into a top-notch marketing tool as well.

By taking advantage of university resources and reaping the benefits of years of relationship-building, we kept the project affordable. The cost of enough **posters** to hang in all critical offices across all campuses (and wallpaper a couple of those offices, as we have threatened to do) was around \$1,000; the cost of enough **brochures** to spread around liberally for at least two years was around \$750.

### Like Noah Preparing for the Flood

While the posters and brochures were in production, we had to think about how our office would handle the potential phone calls, letters and drop-in visits we would receive as a result of our new campaign. As a first step, we developed a brief information (intake) form for our auditors to use when talking with a concerned student, employee or outside party. All department members were trained to take these visits or calls. The form is designed as a simple tool to help auditors remember to ask for pertinent information.

Our procedures include:

- Recording on the information (intake) form as many details as possible.
  - Ascertaining whether the suspicions have been reported to others (supervisor, another department, university police or local law enforcement).
  - Evaluating the courses of action if prior reports have been made to others.
  - Assuring confidentiality of complainant to fullest extent possible.
- Advising callers who are employees of the protections under the Texas Whistleblower Act.
  - Asking the caller if they choose to disclose their identity or wish to remain anonymous. If desiring to remain anonymous, providing assurance they can call our department again to check on the status of their complaint.

We realized certain complaints would be outside the scope of what our office can handle. Accordingly, the intake form also included phone numbers for other potential resources for the callers. Examples included harassment claims, situations where employees require professional counseling, workers compensation claims and the like. If the auditor determined the complaint should be referred to another office, those phone numbers were at our fingertips. Various university departments such as human resources, police department, general counsel, equal employment opportunity office, ombudsman and student counseling center were included. The phone number listing included other state agencies such as Texas Department of Health and Human Services, Texas Workers Compensation Commission and the Texas Attorney General's Office.

We formed a committee of auditors to prioritize the complaints received and to determine how each will be handled. Departmental management and the more experienced auditors comprise the team. The committee uses a ranking system, taking into account the nature of each complaint, engagements on the annual audit plan and staffing availability. Obviously, some complaints must be investigated immediately, such as allegations of cash theft. Other less pressing items might be incorporated into an engagement included in our annual audit plan.

### Fame!

The campus response to our posters has been extremely positive. There has been no shortage of willingness to hang our

posters or offers of space to put them. One associate vice president framed the poster for his office. A graduate business student studying fraud in a class obtained a poster as an example of a way for an organization to communicate fraud-related information to its employees.

Our new brochures are given to all our entrance conferences. The lighthearted nature of the photograph has proven to be quite an icebreaker. The brochure included more information about our office than would be practical to present orally and highlights the various types of services we can provide.

At Texas Tech's new employee welcome seminars, we have a permanent spot on the agenda and provide every new employee with a brochure. The brochure helps us make a great first impression and has proven to be a great way to introduce internal audit to people who don't know about the profession.

### A New Career?

After the ACUA session on marketing, we thought about effective marketing and how we can add advertising and public relations to our long list of job skills. We realize we are not just auditors or accountants who sit around with our green eyeshades and dorky glasses. Our new campaign helped us dispel that stereotype with our clients. With every contact made, meeting attended, report written and telephone call answered, we market who we are and what we do. During the birth of our star campaign, we discovered people were eager to hear what we had to say, when the time is right, and equally eager to help us say it. Our challenge is identifying the needs and the resources that are housed right next door to us.

### About the Authors

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# Most Excellent Member Award Report

By Kathy Burgmeier, University of Montana, Member Excellence Award Committee chairperson

This year's Member **Excellence** Award Committee, made up of past recipients of the award, received an **Excellent** pool of candidates. The committee had a daunting task indeed. But they persevered, because the award presentation had to go on. Tuesday morning in Salt Lake City, Utah, an **Excellent** presentation was made to Virginia Key and Rick Whitfield – co-winners of this year's award.

The Member **Excellence** Award was established in 1997 and goes to individuals who excel in the following:

- Advancing the recognition of ACUA and the need and value of internal auditing in the governance and administration of institutions of higher education;
- Encouraging cooperative relations and information exchange among internal auditors in higher education;



Virginia Key receives her Membership Excellence Award

- Promoting the maintenance of high professional standards for internal auditors in higher education; and/or
- Contributing time and talent to ACUA, including but not limited to, committee work, volunteering at conferences, or through information exchange.

Virginia Key, the director of Internal Audit at Montana State University, was noted as providing encouragement and information exchange to the ACUA membership and exemplifying what ACUA is all about. She has chaired the Technology and Information Committee, implemented Topic Tables during lunches at the annual conference and developed and implemented a very visible Risk Assessment model at her institution, furthering accountability and improved management information. Most **Excellent**.

Virginia graduated from the University of Southern Mississippi, moved to Texas and was a member of Service Corp International's Internal Audit department for four years. Virginia returned to the University of Southern Mississippi in the Internal Audit department for four years. Then in 1996 she moved to the great state of Montana and was hired by Montana State University in 1997; she was appointed director in 1999.

Rick Whitfield, the vice president for Audit and Compliance at the University of Pennsylvania, said, "ACUA is what



Rick Whitfield receives his Membership Excellence Award

you make it. You have only to look to yourself to make it even better." We think Rick has done just that—made ACUA better for all of us. (See accompanying article "Reflections on Member **Excellence**.") Rick devoted significant time and effort to ACUA. He has been chair of various committees, secretary/treasurer, president, an instructor at both midyear and annual conferences and represented ACUA on several NACUBO councils/committees. Rick has also dedicated his career to professionalism in the practice of internal auditing. Wow—that's **Excellent**.

Rick started the ACUA ride in 1978 as the director of Internal Audit at Austin Peay State University, starting the one-person Internal Audit function. Rick also received his undergraduate degree from Austin Peay. Two years later Rick joined

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# Reflections on Member Excellence Award

By Rick Whitfield, vice president for Audit and Compliance, University of Pennsylvania

I would sum up my contributions to ACUA as providing volunteer leadership and management during times of continuous change, and leading diverse Board members with diverse perspectives toward a shared vision and goals to advance ACUA's mission. In addition, I was able to reach into the ACUA membership and convince even the most unwilling but most capable individuals of the importance to commit to volunteering their time to give back to a professional association that serves as the cornerstone for our profession, the practice of Internal Auditing in Higher Education.



One of the accomplishments I am most proud of is my dedicated and relentless professionalism in the practice of internal audit that resulted in 1997 in being appointed as, reportedly, the first university officer in the role of vice president for audit and compliance in the higher education industry by the University of Pennsylvania's Board of Trustees, the president and the executive vice president.

## Discovering ACUA

I began my internal auditing career in higher education in 1978 at Austin Peay State University (my undergraduate alma mater). While APSU provided me an escape route from public accounting, more importantly APSU provided me a leader-

ship opportunity to develop an internal audit function from the ground floor up.

It was a one-person internal audit function, the first in the University's history. The function was mandated by the Tennessee State Board of Regents for all four-year institutions. It reported to the campus president and the Board of Regents. The budget for the function was \$17,900: \$17,500 for my salary and \$400 for travel expenses to the Regents' Offices each month at the state capitol (supplies, etc. were borrowed from the vice president for Administration).

In 1979 I joined ACUA. I did not have travel funds to attend the 1979 ACUA annual conference in Madison, Wisconsin, so the president of ACUA, Price Womack (director of Audit at

Vanderbilt), called to welcome me to ACUA, expressed regrets that I would not be attending the annual conference and informed me that my membership certificate would be mailed to me after the conference. The call was a great boost as my lobbying efforts for funds to attend the conference were unsuccessful at both the campus and regents level.

In 1980, Price Womack recruited me to join his internal audit staff at Vanderbilt University. After being a state employee for 18 months and realizing the limitations on funding as well as the increasing unrealistic expectations of a one-person internal audit function, it was time to re-evaluate my career journey.

## Getting Involved in Volunteer Leadership

Given Price Womack's leadership roles in ACUA, I was immediately provided an opportunity to become more involved. Vanderbilt and Nashville had been selected as the site of the 1984 annual conference. While 1984 seemed years away, little did I know how quickly it would arrive, nor what awaited me (Price Womack retired in December 1983, one year earlier than planned and nine months before we hosted the 1984 ACUA annual conference. With a new president on campus for 18 months, Price decided he had trained enough presidents; it was time for me to develop this skill set).

I was able to reach into the ACUA membership and convince capable individuals to volunteer their time to give back to a professional association that serves as the cornerstone for our profession, the practice of Internal Auditing in Higher Education.

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## Reflections on Member Excellence Award

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Why are Price Womack and Vanderbilt of such importance to me? Price was my first contact with ACUA. He was and continues to be my mentor to this day (23 years since we first spoke by phone and 19 years since he retired). He provided me opportunities and introduced me to ACUA leaders that opened doors I only quietly visioned in 1980 at 28 years of age. Price remains interested in the practice of internal auditing and active in ACUA...read further.

Unbeknownst to many of our ACUA members today, ACUA's retired past officers, spouses and friends meet annually in the fall. In September 2001 and again this year they met in Nashville. Boston's Tony Woodworth (retired IA director, Harvard) hosted the gathering in Nashville last year to bring this small but distinguished group of ACUA colleagues and their spouses to a location where Price could participate, since his wife's health had precluded them from traveling for several years. The minutes of that weekend gathering reflect a great time was had by all. The vote was unanimous to return again in 2002. I was honored to receive an invitation from this distinguished group to both events, even though I am not retired (far from it). Tony Woodworth and others in their thoughtfulness recalled my role in ACUA in 1984 and mentoring by Price Womack, their colleague and lifelong friend. The reach of the ACUA family is never ending.

I attended ACUA's first Midyear seminar in St. Louis in the spring of 1980 and the annual conference in Charleston, S.C. in the fall. I have missed only a few annual conferences since attending my first (1981- Jackson Hole, Wyoming; 1990-Baltimore; and 2001-Orlando). Many internal auditors I met in 1980 and in the years since became and continue to be my dear friends, as well as close ACUA professional peers.

In 1984 after taking copious notes during the 1983 annual conference in St. Louis, Vanderbilt and the internal audit

I have no regrets. I always received more in return than what I contributed. ACUA is what you make it.

team hosted the ACUA annual conference. It was my first time to have direct contact with the ACUA Board and the inner-workings of ACUA. The conference went off without any visible glitches. As host, all 300+ attendees learned my name and I learned most of theirs. I was a marked man from that point forward at any ACUA event.

After the conference I was approached to serve ACUA as chair of the Advance Planning Committee. My responsibilities were to identify future conference locations, negotiate contracts with hotels and recruit the local ACUA member institutions internal audit director to host the conference, which meant their "voluntary" handling of all details (A-Z) and I do mean *all* details related to the conference. I served ACUA in this volunteer leadership role for six years. From 1990-92, I took a break from ACUA and other volunteer leadership roles to earn my MBA at Vanderbilt's Owen Graduate School of Management.

In 1994, I returned to volunteer leadership in ACUA by teaching at the Mid-year conference in Phoenix, *Internal Auditing in the 21st Century*. In 1996, I was elected secretary-treasurer, a two-year appointment. In 1998, I advanced to serve ACUA as vice president and in 1999 president. In 2000, I served ACUA as past president/chair of the Committee on Nominations. From 2000-2002 I represented ACUA on NACUBO's Accounting Principles Council and also served as ACUA's representative on NACUBO's Higher Education Awards Program (HEAP) Committee, succeeding Chuck Jefferis, ACUA's first representative on that committee.

In my 16+ years of volunteer leadership, I have received relentless support from fellow Board members and the ACUA membership at large, confronted many challenges and opportunities *but never alone* and mulled over the future of volunteer organizations, such as ACUA, into the late hours of the day and early hours of the morning.

Of what may appear to some as a countless contribution of volunteer service hours to ACUA, let me say I have no regrets. I always received more in return than what I contributed. ACUA is what you make it. **You have only to look to yourself to make it even better.**

### About the Author

Rick Whitfield is Vice President for Audit and Compliance at the University of Pennsylvania. You may reach him at: [rmw@pobox.upenn.edu](mailto:rmw@pobox.upenn.edu).

## Most Excellent Member Award

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the staff at Vanderbilt where he had a 16-year career. He also earned his MBA while at Vanderbilt. Ricky then left Tennessee and became Rick Whitfield, vice president for Audit and Compliance at the University of Pennsylvania—reportedly the first university officer in the role of vice president for audit. Rick is currently working on his doctorate.

The award was presented by outgoing ACUA president Mike Peppers and the Most **Excellent** Committee members Kathy Burgmeier of the University of Montana, Kate Head of University of South Florida, Chuck Jefferis of University of Vermont, Steve Jung of Stanford University and Camille Rigney of Brown University. Camille and Steve will be chairing the committee in the upcoming year. The Most **Excellent** Committee made some recommendations to the board for changes to the award process, so be watching the airwaves for more information about this new and **Excellent** adventure.

## Congratulations

**Melissa Beyer**, CPA, chief internal auditor at Long Island University wed **Anthony Cedrone**, CPA, senior auditor at Hofstra University.

**Lenore Beaulieu**, MBA, CIA, senior internal auditor for the Arizona Board of Regents added CISA to her business card.

**Gillian Enos**, CPFA, was named associate director for Hospitals Auditing at Stanford University.

**Michelle Fortnam**, CPA, was named associate director of Internal Audit and Institutional Compliance at Stanford University.

**Fran Grogan**, MBA, CPA, HOM, has been appointed managing director at Texas Tech University System.

**Lynn A. Langley**, senior auditor at Dartmouth College achieved the CIA and CCSA designations.

**Laura Moynihan**, internal auditor at the State University of New

York at Stony Brook achieved the CIA designation.

**Kim Turner**, MBA, CPA, former assistant director at Texas Tech University System accepted the newly created associate director position focusing on directing the audit process and quality assurance activities. Kim was also recently elected to ACUA's Board.

## Comings and Goings

**Shirley Bean** was hired as internal auditor at State Colleges in Colorado.

**Susan Randolph**, CPA, was hired as internal auditor at the University of West Florida.

## New Members

**Kevin McCarthy**  
Manager of Sales & Marketing  
Project Control Companies, Inc.  
Westford, MA 01886  
kmccarthy@project-control.com

## The Value of ACUA Membership

**Dues are \$300 a year? I don't know if it's worth it. Whaddaya get for that?**

- FREE access to Higher Ed Audit Library containing HUNDREDS of Programs, ICQs, Checklists, Templates, Charters, Staff and Customer Training and Marketing Materials
- CUTTING EDGE professional development sessions and OUTLANDISH networking events held at INTERNATIONALLY RENOWNED conferences in THRILLING locales, provided at significant discounts for members.
- ENTERTAINING & ENLIGHTENING pearls of wisdom culminated from the THOUSANDS of years of Higher Ed IA experience shared by the brightest and best (and verbose) Higher Ed IA professionals on the ACUA-L
- FREE participation in the IIA's GAIN benchmarking survey, and access to overall and TARGETED Higher Ed results
- ROBUST and Higher Ed dedicated ACL training and PRETESTED query routines backed by a STRONG ACUA/ACL professional alliance
- RELEVANT and TIMELY discussion and guidance on Higher Ed IA issues wrapped in the glossy AWARD-CALIBER *CandU Auditor* journal
- Stay tuned—more TOOLS, BENEFITS, and ALLIANCES are in the works!

**All that for only \$300 a year? Wow!**

**No wonder almost 500 institutions around the planet think that's a GREAT VALUE for their money!**

## 2003 Midyear Seminar April 4-9, 2003, Austin Texas

### Plan Ahead. Don't Miss Out!

#### Workshop topics include:

- Managing the Audit Function
- NCAA Compliance
- Fraud
- Quality Assessment Review (QAR)
- Fundamentals of Auditing
- Information System Auditing

*An e-blast will be sent in December with a link to the ACUA web site where more information will be available.*

# 2002 Annual Conference Salt Lake City, UT



The new board took office on Wednesday, September 25 at the Annual Business meeting (see additional photographs next page). Seated from left, Patrick Reed, Secretary/Treasurer; Seth Kornetsky, Vice President; Robert Clark, Jr., President; J. Michael Peppers, Immediate Past President; and Lorna Bolduc, Executive Director. Board Members-at-Large are standing (from left), Nur Erenguc, Tina Abdella, J. Richard Dawson, Kim Turner, and Mary Barnett.



The conference opened on Sunday evening with a reception. Chefs carved the roast beef and stir-fried (above) the chicken and vegetables. Seating was available on the patio for both the reception and Monday's lunch (photo below).



The past presidents gathered together for lunch. Discussion included ways they can continue to contribute to ACUA's strategic initiatives.



Jay Morley (left), President, NACUBO, was Monday's keynote speaker.



Crossing the street Salt Lake style includes carrying an orange flag, the purpose of which is make sure the drivers see you and stop.



Exhibits were open beginning Sunday night. The exhibit hall was an active place this year and offered attendees the opportunity to meet with 13 companies.



The dinner dance on Wednesday night was a great success. The patriotic theme was obvious as many attendees wore red, white, and blue. The food was great, the entertainment lively, and the ACUA spirit was inspiring. When it comes to group spirit, ACUA has it all!



The "Telephone Doctor," Nancy Friedman gave a lively keynote talk on Wednesday.



Rob Clark in the role of ACUA DJ, always provides a little fan fare for the new president. This year, Chuck Jefferis, one of ACUA's past presidents, instigated the fun. Rob Clark (above) ACUA's new president and his wife, Lisa, play along.





## 46th Annual Conference Business Meeting



ACUA's 2002 President (above), J. Michael Peppers, conducted the business meeting. His presidential speech recapped the successes of 2002 and the progress made on ACUA's strategic initiatives.



Secretary/Treasurer, Patrick Reed (left), presented his report. Financial and budget information was distributed to all conference attendees and the same information was available on the ACUA web site several weeks before the conference. The 2003 budget was unanimously approved by the membership.



Attendees at the Annual Business Meeting (above) were encouraged to get involved and make a difference. ACUA's 2003 Vice President (left), Seth Kornetsky, stepped into the position with four years of experience as the Professional Education Committee (PEC) Chair. As vice president, he will continue to oversee PEC activities.



Each year at the Annual Business meeting, there is a change in board. The past president for 2002 (left), Marcia Payne rotates off the board. Mike Peppers presents incoming President, Robert Clark, Jr., with his gavel. Rob (right), thanks Mike for his dedicated service.



This year's give away was a Kodak digital camera and accessories. The happy winner, Jean Stewart of the University of Colorado, walks away with a smile.