

College & University **AUDITOR**

Keeping a Watchful EYE

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From the *EDITOR*

Minimizing Risk and Maximizing Value

By Betsy Bowers, Editor



Life is either a daring adventure or nothing. Security is mostly a superstition. It does not exist in nature.

– **Helen Keller**

Leading any organization today has become more complex, requiring substantially more than stating a vision or articulating a strategy. As auditors, we must balance between the inside and outside arenas associated with the university, while motivating responsibility within our own universities. At any given time, we must juggle a variety of tasks to help managers and employees become more effective in their jobs. Frank Bossle’s update on the Accounting Principles Committee gives us a glimpse of some arenas our institutions face.

Another key trait for a successful internal auditor is communication. Communicating well with our constituents is imperative. Mike Peppers’ article on making your message count will provide some excellent tips for getting your message across and having it remembered.

In addition to encouraging management responsibility, auditors must be ever watchful for unusual events occurring on our campuses. However, even the most mundane of situations can be potentially explosive, as you will read in Dan Korem’s article on the Random Actor. Universities are unique entities, making us vulnerable to unusual risks.

In addition to encouraging management responsibility, auditors must be ever watchful for unusual events occurring on our campuses.

This issue is dedicated to the auditor’s need to keep a watchful eye on his or her surroundings and to be receptive to those difficult issues that may come our way. In Rob Clark’s article regarding hotlines, an innovative solution has been achieved with their use of EthicsPoint. Roy Zhenghi Xu’s article on software piracy will educate you on risks facing universities that share software as well as download items.

Like many others in the ACUA family, I want to express my appreciation to Lorna Bolduc for her service as ACUA’s executive director. We wish her much success in her new endeavors and know her new clients will enjoy her efficiency and professionalism. Also, a warm ACUA welcome is extended to Karen Hinen, our new executive director. We look forward to tapping her talents and skills for ACUA’s continued growth and development.

I hope you enjoy this issue about keeping a watchful eye on our campuses. Now more than ever, new risks are appearing and we must be ready to assist our management in addressing them. Decisions are more closely scrutinized and our input is critical to keeping our campuses out of harm’s way. I believe Helen Keller’s perspective relates well to our situation. Like her, let us make life a daring adventure while ensuring risks are minimized at our campuses.

Take care!

– Betsy

Reflection and Gratitude

By Seth Kornetsky, President



It is really difficult to believe that my term as your ACUA president is half over. Looking back over the past few months I have to state unequivocally that the Board, ACUA's committee chairs and members, volunteers and our association management team have made tremendous progress in helping me to fulfill the promise I made to you at our annual conference last September: To increase the value of an ACUA membership. Rather than write the usual generalities about what a great organization ACUA is (it is) and how we could use your help as volunteers (which we always can), I have, instead, decided to use this opportunity to reflect on our accomplishments to date and describe a few continuing projects. By highlighting them, I hope to alert you to the wealth of information and membership services that are now or will soon be made available to you and to publicly recognize the many individuals who have volunteered their time. I find it particularly gratifying that several volunteers who have recently assisted are not currently board members or committee chairs but are simply members of ACUA who are interested in and dedicated in seeing their professional association succeed.

- Janet Covington, audit director at Rice University, was instrumental in helping to develop ACUA's position paper on "The Importance of Retaining the Internal Auditing Activity In-house." This document provided the foundation for the recent ACUA info-ad placed in NACUBO's *Business Officer* magazine. Make sure your senior officers and audit committee members get a copy!
- Members of our PEC and Web Services Committee and our association management team worked diligently, overcoming several technical obstacles, to provide streaming video delivery of two annual conference

workshops from the ACUA Web site. The workshops address human subject research compliance and making professional presentations. Special thanks to Angela Wishon, research compliance officer at the University of Texas Medical Branch (UTMB), and to Mike Peppers, an ACUA past-president and audit director at UTMB, for allowing us to tape and post their workshops. Take advantage of this "armchair" educational opportunity—access is free to current ACUA members.

- Virginia Key, audit director at Montana State University, accomplished what we were beginning to fear would never come to pass. Virginia single-handedly put together a request for proposal, coordinated its distribution, and helped the Board evaluate and select a vendor to update the ACUA NCAA Audit Manual. The updated manual should be available soon, and we expect that the selected vendor will also provide instruction at future midyear seminar programs and conferences.
- Kate Head, audit and investigation manager at the University of South Florida, and several other ACUA volunteers are busy developing several popular scripts that will be made available to ACUA members who use the data analysis and extraction tool ACL. The objective is to eliminate having to reinvent the wheel to use ACL to analyze certain business transactions that are typically audited and common to each of our institutions.
- Penny Howard, audit director at Longwood University, and Dalymar Berrios, audit manager at the University of Florida are making ACUA's subscription to the Zoomerang survey software available to those making active use of ACUA-L. Use this great resource in lieu of posting questions directly to the listserv. The software is also being used for periodic membership satisfaction surveys and to assist with future planning. I encourage you to contact

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Reflection and Gratitude

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Penny to take advantage of this wonderful survey tool that ACUA has licensed.

- Kevin Robinson, ACUA board-member-at-large and audit director at Auburn University, and Kim Turner, ACUA board-member-at-large and associate director of internal audit at Texas Tech University System, assisted by Lorna Bolduc, ACUA's past executive director, created a new brochure that is being used to support a new membership drive and to encourage existing members to renew. The ACUA membership and Best Practices committees and Kevin Robinson were responsible for the recent membership survey which will be used to identify trends in membership demographics and desired services.
- Mary Lee Brown, audit director at the University of Pennsylvania and Frank Bossle, audit director of Johns Hopkins University continue to update the membership on issues concerning governmental affairs and accounting issues.
- Nur Erencuc, inspector general at the University of Florida along with other members of the Professional Education Committee are working year round to provide quality annual conference and mid year education programming.
- Betsy Bowers, associate vice president at the University of West Florida and Sterling Roth, director of university auditing and advisory services at Georgia State University do a yeoman's job producing ACUA's quality publications and electronic newsletters.

To properly operate a professional association, one must be able to identify volunteers willing to work on the "housekeeping" chores. We are very fortunate to have several individuals who are good at cleaning house!

- Pat Reed, ACUA vice president and audit director of the University of California System, has pushed the Board to propose changes to several ACUA Bylaws in accordance with several updated operating practices and membership recruitment initiatives. By now (or very soon) ACUA's institutional representatives will have received these suggested changes and will have been asked to vote.
- David Coury, chief audit officer at Florida State University, has volunteered to take the outdated ACUA procedures manual, update it and create an electronic version.
- Dick Dawson, director of auditing and consulting services at the University of Texas, San Antonio, took the lead in establishing a more comprehensive ACUA listserv policy that will promote more consistent formatting of Q&As posted by our members along with guidelines for proper netiquette.
- Rob Clark, immediate past-president and audit director at Georgia Tech, continues to work with our association

management team to drum up the sponsorship dollars ACUA needs to fund our existing and planned programs, events and services.

Mary Barnett, board member and ACUA's membership volunteer coordinator, is the individual to contact (mbarnett@richmond.edu) should you wish to get involved in assisting with these and other projects. Let us know what you would be interested in doing!

I also want to take this opportunity to thank Lorna Bolduc, who recently stepped down as ACUA's executive director. Lorna has done a tremendous job for us during the past three years, keeping us on track and providing ideas and perspectives on how to move our organization forward and in new directions. We also welcome ACUA's new executive director, Karen Hinen, and look forward to her support.

I have written quite a bit about adding value to your membership, and hopefully, we are. But I must tell you that of equal importance to the ACUA Board is our initiative to energize our efforts in promoting the importance of a visible and contributing internal auditing activity at our member institutions. We hope that the info-ad placed in the January issue of *NACUBO's Business Officer*, the position paper posted to our Web page and the informational brochures recently mailed to renewing members and individuals at colleges and universities who are not currently ACUA members will be helpful. I welcome your thoughts on our progress to date and suggestions on what we might be able to achieve going forward as a voice for your profession.

ACUA Members Receive Discount on Quality Assessment CD

ACUA has negotiated with the IIA (Institute of Internal Auditors) to offer their Quality Assessment Review CD to our members at a discounted rate. The recently released CD, now in its fourth edition, provides guidance that fits into the Professional Practices Framework as a development and practice aid. The IIA offers this CD to its members for \$110 and to non members for \$125. The CD is now available from ACUA at \$75.00 and is available at this price only to ACUA members. Supplies are limited and orders will be filled on a first come, first served basis.

Place your order today!

----- Go to www.acua.org -----
logon to the *members only* section
and select "product order form."

Meet ACUA's New Director

By Karen Hinen, CAE, Executive Director



As the new executive director of ACUA, I look forward to working with your leadership to achieve exciting things in 2004. Lorna Bolduc stepped down from her position with ACUA on February 13 and is pursuing other opportunities. Lorna has agreed to work on a consultant basis for certain ACUA projects and I will be working with her closely on these. I would like to thank Lorna for the great job she has done and for her support during this transition period.

I am a Certified Association Executive (CAE) and have twenty years of association management experience. I began my association management career in 1983 as Education Director with the American Institute of Banking (later merged with the Georgia Bankers Association in Atlanta, Georgia). In 1994, I moved back to South Carolina and became president & CEO of the Walterboro-Colleton Chamber of Commerce. Later, my career took me to Lexington, SC as president and CEO of the Greater Lexington Chamber of Commerce. In 2002, I moved to Connecticut with my husband and continued my association management work as executive director of the Home Builders Association of Hartford County.

Prior to non-profit work, I spent ten years as a bank officer in Marketing and Corporate Cash Management with regional banks in Atlanta and Charlotte where I optimized treasury management systems for major corporations throughout the country and headed the Corporate Cash Management Feasibility Study area.

I will soon achieve my ten-year mark as a Certified Association Executive and am also a graduate of the Institute for Organizational Management for non-profit associations. Throughout my career in association management, I have been active in professional associations including the Georgia Society of Association Executives, the Carolinas Association of

Chamber of Commerce Executives and the National Association of Home Builders Executive Officers Council. I have been a member of the American Society of Association Executives since 1991.

I was born in Bangor, Maine, and moved to South Carolina when I was seven. I received my bachelor's degree in history (and a minor in secondary education) from Winthrop College in Rock Hill, SC. I reside in Avon, CT with my husband, Dennis; my son, Evan, is a graduate of Georgia State University and lives in Atlanta.

I believe ardently in the concept that a strong financial standing is a major component of the success of any association. I will be working very closely with your leadership to ensure a strong program of work that meets our members' needs and matches the financial goals of ACUA. My many years of association management experience are balanced with my ability to be detail oriented. I also believe that any organization must have a vision of the future before it can set goals for today. I look forward to blending these skills and beliefs with ACUA's strategic direction for a successful year in 2004 and many years beyond.

I will be working very closely with your leadership to ensure a strong program of work that meets our members' needs and matches the financial goals of ACUA.

ACUA Events *Save the Dates!*

2004 Annual Conference
September 19- 23, 2004
Arlington, VA

2005 Midyear Seminar
April 10-13, 2005
Miami, FL

2005 Annual Conference
September 18-22, 2005
Portland, OR

RAGE of the Random Actor and Campus Auditors

By Dan Korem, Korem Associates

On October 2, 2002, John Lee Muhammad aka John Lee Williams opened fire on people in the DC, Maryland, and Virginia areas while they were doing ordinary things, like mowing a lawn and loading home improvement goods into a mini-van. The people he killed were in mundane locations, such as a gas station and a bus stop. To the amazement of most, his partner in crime was a seventeen-year-old teenager, Lee Malvo. On October 11, a few days later, Petri Gerdt, a twenty-year-old Finnish chemistry student, obsessed with the Internet, observed the snipers killing people in strip malls, so he decided to go to a *big* Helsinki suburban mall with twenty pounds of bombs strapped to his body and blow himself up. He killed seven and injured 80. Gerdt became the first suicide bomber without a cause. He just did it. Other similar irrational cases took place in North America and Europe by the end of October. It was one bloody month.

Although profoundly irrational acts, each of these incidents had one thing in common. Each perpetrator possessed the extreme *random actor* traits . . . a behavioral profile I identified in the early 1990s and first presented in the text, *The Art of Profiling—Reading People Right the First Time* (1997).

In late August 2002, I personally called senior officials at approximately 30 specific college and university campuses and warned of similar incidents. I also contacted three state systems. There were other campuses and systems similarly at risk, but due to limited resources, I called these specific locales. I called them because of an alarming number of near-catastrophic incidents on US campuses, including:

January 2001, De Anza College, in suburban Cupertino, near San Jose, CA, 20,000 enrollment, where a student was caught with several dozen bombs one day before he and others were to unleash a campus massacre, similar to the 1999 Columbine High School incident.

April 2002, University of Wisconsin-Stout, where a twenty-one year old student placed bombs in rural mailboxes across five states trying to recreate the shape of a smiley face.

Within weeks after my calls, in late October, the first mass 2002–2003 school campus shooting occurred at one of the campuses identified—the University of Arizona’s school of nursing in the sedate town of Tucson. The shooter, Robert Stewart Flores, Jr. was an extreme *random actor* like the other killers.

Then, in February 2003, the first student on a US campus was arrested for contemplating being a suicide bomber. The campus? The University of Texas at Arlington, located in a Dallas suburb. It was also one of the 30 campuses that I contacted. The thirty-year-old engineering graduate student said he was acting alone and had not been contacted by anyone to launch the attack.

Finally, literally while I was speaking on this issue at the ACUA annual conference in September 2003, one attendee took a frantic phone call. A *random actor* shooting had just occurred on her campus.

Random Actors and the Campus Auditor

So what does this have to do with the campus auditor? First, internationally the average age of a homicide-suicide bomber is 17–24. The average age of a Japanese Kamikaze pilot in WWII was 17–24. It’s hard to get older folks in their forties to commit these irrational kinds of acts. So, if you were going to recruit a bomber, where would you go? That’s right, college, university, and high school campuses. One of Osama bin Laden’s confidants described one of the terrorists coming through their camps this way: *He was like a maniac, more or less like the students in the U.S.A. who shoot other students.* Then there is this to consider: Extreme *random actors* who randomly kill innocents often commit *other* non-violent crimes first. For example, some *random actors* attack systems

If you were going to recruit a bomber, where would you go? That’s right, college, university, and high school campuses.

Continued on page 9

before they kill people—akin to gang members who paint graffiti or throw bricks through a window, incrementally lowering their inhibition to harm and kill. Related to computer attacks, young adults and teens are often recruited because their age matches the time when mathematical prowess is at its natural peak—teens to early twenties. Consider this recent North American case:

Joseph Konopka, aka Dr. Chaos, a 25-year-old Wis-consin resident, terrorized several Wisconsin counties in 2001 and 2002. Konopka launched attacks on energy, telecommunications, and air navigation systems, causing \$800,000 in damage and 28 power outages affecting more than 30,000 residents. Fleeing law enforcement, he was arrested with a large cache of cyanide in Chicago, in March 2002, where he was living in the subway tunnels next to the downtown area. His terrorist plan: unleash sodium cyanide and potassium cyanide gas on the Windy City. Arrested during a stakeout of a series of burglaries she committed, he had 15 year old in tow—one of several he recruited.

Increasingly, auditors are finding themselves on the front end of *random actor* activity. They see attacks on systems, uncover fraud and theft, and may encounter a host of other more benign criminal acts that occur before a *random actor* unleashes terroristic attacks on people. *Random actor* terrorist, Timothy McVeigh, the 1995 Oklahoma City bomber, for example, was a loan shark in the US Army. It is expected that auditors will increasingly be the quiet, unsung heroes who catch some of these individuals before they escalate to the next level.

But auditors must beware. The auditor façade has one of the behavioral traits that the *random actor* most despises: those who prefer to operate conventionally. This means that auditors walk around with a giant *random actor* bull's-eye painted on their backs.

Not to worry, though . . . when auditors put some simple behavioral recognition skills in their tool bag and are tested for recognition accuracy, they typically test higher than any other professional in the world. (The audit unit at one of the major airlines, for example, demonstrated 90% accuracy.)

In the early 1990s, the *Korem Profiling System* was developed to enable one to predict in a few minutes of interaction how a person is likely to communicate, perform tasks, and make decisions. Auditors have applied this skill to improve the quality of interviews, presentations of findings, hiring, and so on. Because the system also enables one to identify the *random actor*, we discovered a pattern. The auditor is sometimes the first person to identify, engage, and investigate a *random actor* who is potentially threatening or causing harm to an organization.

Therefore, I hope what follows in this brief introduction will give you a little insight into the *random actor* so that you can do your job and walk away safely if you engage a *random actor*.

Random Actor Traits

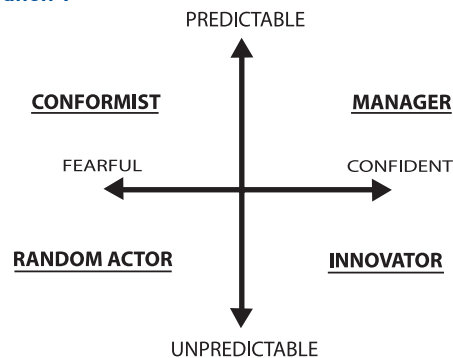
Individuals with the extreme *random actor* traits possess two performance traits. First, they make *decisions* out of paranoia (noted as the high *fearful* trait in the *Korem Profiling System*). Their paranoia might manifest itself in a diagnosable condition, like schizophrenia, or a person might have paranoia with a “small p” and are simply afraid. It is from this trait that their neuroticism and irrational acts arise. They will do whatever is necessary to protect assets against real or imagined threats to their personal identity and what they want. The second *random actor* trait is the preference to operate unconventionally, or out-of-the-box, to the extreme. This trait is identified as the *unpredictable* trait, as per the *Korem Profiling System*. It doesn't mean this person is hard to predict, rather that they prefer to operate outside of convention. This trait by itself isn't harmful. Bill Gates, for example, possesses this trait and positively applied it to build a software empire. A *random actor*, however, possesses the dark side of this trait—and can be anarchistic and reckless.

Auditors walk around with a giant *random actor* bull's-eye painted on their backs.

Who the Random Actor Really Hates and Why

If the *random actor* operates out of paranoia when making decisions and prefers to be extremely unconventional (out-of-the-box), one can predict that the person he is most likely to vent his rage against is someone who possesses the *opposite* traits: a person who possesses the *predictable* trait (conventional) and makes decisions out of *confidence*. Illustration 1 illustrates that the *random actor*, if he hates, will hate his opposite—the *manager* quadrant. When reviewing targets of the *random actor's* rage, one will find that those targets represent the traits of the *manager* quadrant. Auditors sit square in the middle of the *manager* quadrant. Auditors provide a *predictable* control for an organization so an organization can remain healthy and achieve its objectives. *Random actors*, like

Illustration 1



Konopka, relish chaos, keeping everyone unbalanced, and thus achieving a warped sense of power and control to conceal their paranoia.

Why did the sniper take aim on the suburbs? Not much of a mystery if he's a *random actor*. Remember how reporters kept referring to the *mundane* and *ordinary* tasks and locales? These things represent the *predictable* trait—which an extreme random actor bent on killing hates. *One squeeze of the trigger*. There they were—suburbanites strutting around confidently that they could do what they wanted to do when they wanted to do it with money in their pocket. A smug, indifferent attitude that really set off the sniper's *random actor* rage. *Another squeeze of the trigger*. In small towns, it's the predictability that often inflames the *random actor*. In North America and Europe, *all* of the *random actor* high school slayings were in small towns and suburbs . . . and this includes most college and university *random actor* campus incidents. In an organization, most *random actor* shootings are perpetrated by employees who work in *predictable* areas of the organization, such as mail room, accounting, and the assembly line. While there is some variation from this, exceptions are in the significant minority. To summarize, those locales and individuals that represent the *manager* quadrant are most likely to be targets. Thus, if your campus is in a small town or suburb, for example, your risk is typically higher than a downtown campus in a metropolitan city, even though suburbs and small towns are statistically safer communities. (The key word is *typically*, as there are some exceptions, like the Case Reserve University *random actor* shooting in downtown Cleveland last year.)

Where Does That Leave an Auditor?

First, auditors must know how to accurately spot the extreme *random actor* traits. This means not confusing someone who makes decisions out of paranoia with someone who just has a little bit of fear, such as an engineer who is cautious or guarded when making a decision. This may require a bit of guidance and taking more than one read because people can *talk* confidently or act confidently in their specific area of expertise, but this is different from making day-to-day decisions out of paranoia. It's also important to be able to recognize the dark side of the high *unpredictable* trait. One can't just read the exterior, like how a person dresses. Tim McVeigh, for example, *dressed* conventionally, although he preferred to *perform* daily tasks extremely unconventionally.

When an auditor comes across fraud or something that has a whiff of criminal behavior, it is advisable to take a careful

The person he is most likely to vent his rage against is someone who possesses the PREDICTABLE trait (conventional) and makes decisions out of CONFIDENCE.

It can be useful to know which auditor tilts more toward the UNPREDICTABLE trait, and let that auditor take the lead when engaging an extreme *random actor*.

second look at the individual(s) involved or suspected. This means checking his or her background to see how he or she operated in the past—especially under stress. Regarding extreme *random actor* behavior, there is almost always a behavioral paper trail. For example, investigate how a person handled a sudden shift of assignments, worked with colleagues, or dealt with the tension associated with the last merger. It's well documented, for example, that Richard Reid, the foiled British shoe bomber on an American flight, looked for attention and approval by being unconventional and found trouble running with gangs to cover his paranoia. His bravado was often so unconvincing that his peers mocked him.

When engaging a *random actor*, it's advisable to operate a little more within the *innovator* quadrant, loosening one's appearance a bit, using open-ended language, etc. This doesn't mean lowering one's professional standards, rather just modifying the *style* of how one operates. In an audit unit, it can be useful to know which auditor tilts more toward the *unpredictable* trait, and let that auditor take the lead when engaging an extreme *random actor*—provided knowledge, skill, and ability are compatible with the situation.

Are All Random Actors Violent?

Lastly, most *random actors* are not violent. To shoot, bullets must be loaded in the chamber. For the *random actor*, these are stressors in their personal or professional life: spouse leaves, failed exams, economic hardship, etc. Once the chamber is loaded, all that is missing is a triggering event, such as a catastrophic event, like the 9/11 terrorist attack, a raging argument, or a severe personal disappointment.

As for the fear that the application of behavioral recognition skills to preemptively thwart a *random actor* incident will lead to needless stereotyping or cases of misidentification—it simply has not occurred. In fact, without behavioral recognition skills, one is *more* likely to stereotype. For example, over the last several years, our firm has trained more than 20,000 professionals on how to profile with the following results:

1. The catastrophic impulse to commit crimes in specific cases was thwarted.
2. Individuals with the extreme *random actor* traits received intervention and were guided out of harm's way.
3. No lawsuits or letters of complaint directed against the intervention strategies surfaced because "the medicine tastes good."

Because campuses are charged with overseeing the health and welfare of students, it is reassuring to know that most students, when identified with the *random actor* traits, can be successfully guided out of this destructive profile within as short a time as a few weeks. And the reason there are no complaints is that the remedy that is applied “tastes good.” In the case of the tragic 2002 University of Arizona shooting that left three professors dead, the student exhibited all the indicators of *random actor* behavior, and the incident was probably avoidable as it has been on many other campuses. Thankfully, with just a little guidance, most campuses already have personnel in place who can successfully help these students, but it requires awareness by department heads, student assistance services, and other professionals who regularly interact with students.

As for the notion that the application of behavioral recognition skills to preemptively thwart a *random actor* incident will lead to needless stereotyping or cases of misidentification—it simply has not occurred.

For the future, in light of the constant drum beat of terrorist threats, for the auditor, the potential for being surprised by a *random actor* incident is sobering. This means being equipped with behavioral trait recognition skills, an understanding of how to engage and investigate someone with the extreme *random actor* traits, as well as campuses thoughtfully modifying how they do business so they are less likely to become the target for the rage of the *random actor*.

About the Author

Dan Korem is the president of U.S. based Korem & Associates, which provides behavioral profiling training (www.KoremAssociates.com or 972-234-2924). He is the author of *The Art of Profiling—Reading People Right the First Time* (1997). This article is adapted from his soon-to-be-published book, *Rage of the Random Actor*.

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Hotlines: Enhancing a University Reporting System to Improve Information Gathering and Mitigate Risk

By Robert N. Clark, Georgia Institute of Technology



In conversations with auditing colleagues throughout institutions of higher education, the subject of reporting hotlines is met with varying opinions. On one hand, hotlines are seen as a key medium for uncovering issues of fraud, waste and abuse within the university and demonstrating to employ-

ees and the public that our institutions take accountability seriously. On the other hand, auditors may see the potential for misuse and wild goose chases that do not result in valuable observations which may rapidly deplete our available audit hours. In addition, some levels of management might fear that it will set up an atmosphere of distrust in an otherwise community environment.

Furthermore, it can be very difficult to screen out the real, actionable reports from unwarranted harassment by employees using the hotline to take revenge on their supervisors – “I’ll sic the auditing department on her!” In times when administrative budgets – including those of internal auditing departments – are stretched, many auditors are understandably afraid of getting bogged down with efforts that are not going to add value. For reasons like these, some institutions seem to spend as much time justifying, with near-religious conviction, why not to implement a hotline as they do preparing to deal with the issues that reporting might bring up. A colleague recently argued, “If we had a hotline in our environment, we’d find ourselves doing nothing but running around chasing our tails, putting out brush fires and would never get our audit plan accomplished.”

Certainly our annual audit plans are established from a variety of key areas of input: formalized risk assessment models, input from senior management and the board, acknowledgement of critical emerging issues, etc. However, we must also seriously consider means by which to efficiently

and effectively obtain input on potential areas of exposure from the thousands of faculty, staff and students throughout our campuses. A hotline provides that opportunity.

Institutional governance is no longer an ad hoc process nor is it an option. With the ever increasing landscape of legislation (e.g., Sarbanes-Oxley Act, Gramm-Leach-Bliley Act, NY State Bill 4836 for non-profits, etc.), all organizations are being held to a higher degree of accountability. Even though some of these regulations were not designed to be specifically applicable in higher education, there can be little argument that higher education must implement key areas of these requirements in order to demonstrate the institution is worthy of the public trust – not to mention public financial support. As we look to other organizations that have fallen due to malfeasance and mismanagement – most notably Enron and WorldCom – we recognize that colleges and universities are not immune from similar dangers.

The Business of Higher Education

When we look at the business of our institutions, we see not only the education of our students. We see a multifaceted industry involving sponsored research; administration of financial assets in the hundreds of millions of dollars; utilization of hazardous materials; provision of health care; implementation of multiple platforms of information technology; management of athletics, entertainment, and student activities; and all of this and more with highly diverse human resources. The opportunities for exposure are endless and the complexity is beyond what many public corporations have to face. Higher education is truly one of the most heavily regulated industries. Tools that assist the responsible management of these diverse businesses in an integrated fashion are critical.

Responsible management must balance mitigating risks with maximizing the use of limited resources. It only stands to reason that things are going to occasionally slip through the

In times when administrative budgets – including those of internal auditing departments – are stretched, many auditors are understandably afraid of getting bogged down with efforts that are not going to add value.

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cracks – either intentionally or not. While we hope that management oversight will be strong enough to pick up on these aberrations, we as auditors know through our experience that this is not always going to be the case. We also hope that our eagle-eyed audit staffs will be sharp enough to ferret out non-compliance and major exposures. We clearly cannot assume, however, that either of these two approaches will catch all instances of misappropriation. We need to rely on the multitude of eyes and ears throughout our campuses to help make sure that noncompliance is pointed out so that it can be addressed and corrected before the situation gets out of hand.

Georgia Tech Hotline Identifies Real Issues

As an example of the need for a reporting system, the Georgia Tech Research Institute (GTRI) competes with other research entities and corporate and non-profit organizations, for contracts with sponsors – including the Department of Defense. Its accounting principles (FAR 31.2) and practices need to be very competitive, not just for winning grants but also for demonstrating responsible use of funds. A hotline has been mandatory in that process.

The Georgia Tech campus (other than GTRI) has maintained a separate reporting hotline for several years, although it has not been widely publicized. Over the past few years, the Department of Internal Auditing has aggressively promoted awareness of its hotline by incorporating it in on-campus training, briefings to various audiences (e.g., Deans meetings, School Chairs meetings, business partners council meetings, etc.) and by distributing pens during our audits with the hotline number prominently displayed. We have also put in place an anonymous form on our Web site (www.audit.gatech.edu) that individuals can complete to bring forward issues or concerns about fraud, waste or abuse. We have now combined the two hotlines into one, and are promoting awareness of this reporting mechanism across campus.

Results have been mixed. On the positive side, real issues of risk have been identified. For example, reports through our hotline have helped us pursue fraudulent invoicing by third-party contractors, improper time-reporting, misuses of IT resources, and more. On the negative side (or should I say the side in which there is opportunity for improvement), some of the anonymous submissions to our Web site have not provided sufficient information for us to make a determination as to the veracity of the concern (e.g., “I think you should do

an audit of the School of XYZ. I think there may be misuse of resources.”) Because we have no way of following up with the individual bringing forth the issue to find out how to better focus our attention, we are left to make difficult decisions to either go digging, looking for the proverbial needle in a haystack or choose not to pursue the issue in hope that the anonymous reporter might later come back with more detailed information.

That process of deciding whether or not to pursue a review is something that Internal Auditing does not do by itself. Each submission – whether by phone or by our Web site – is reviewed not only by the audit director, but also by the chief legal advisor and other members of management that might be appropriate (e.g., associate VP of Human Resources, associate VP of Finance, chief information officer, associate VP of research, dean of students, or other members of management that might be necessary, including the Office of the President) to determine the best method to proceed. As the audit director, I review the submission with this ad hoc group to determine if there are perceived grounds for initiating an audit or if there are other administrative actions that might be more appropriate (e.g., Office of Human Resources conducting its own personnel review, Campus Police initiating an investigation, etc.).

Anonymity gives the reporter a more comfortable environment to communicate more complete data on alleged violations. The system we are developing guarantees anonymity for our reporters by employing third-party operators and a secure Web-based system.

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Enhancing the Reporting Process

To enhance these results, and to minimize the wild goose chases, we have undertaken an effort to enhance the quality and organization of our reporting process. As Georgia Tech continues to take a proactive approach in fully using a reporting system to mitigate risks, we are working with EthicsPoint to develop this new-generation reporting system that will transform our current hotline into a powerful tool to support our institute initiatives. Together with EthicsPoint, a leading provider of complaint reporting solutions for corporations, we are defining a more robust, flexible system specific to the unique needs of institutions of higher education that can overcome the key shortcomings of our first attempt, including:

Anonymity of the reporter – Since our present hotline is answered by our office staff (either in person or by a recording), our system cannot guarantee the anonymity of the reporter. Critics of our current system state that individuals are reluctant to call fearing their voice would be recognized and are hesitant to fill out the form on the Web site because they believe their electronic fingerprints will be traced back to them. Anonymity gives the reporter a more comfortable environment to communicate more complete data on alleged violations.

The system we are developing guarantees anonymity for our reporters by employing third-party operators and a secure Web-based system. Ensuring the confidentiality and anonymity of reporters is a key attribute for the success of any reporting system (on next page), as well as for complying with accepted practices.

Follow-up on reports – One key shortcoming of our present system is that each report is a one-time event if the reporter wishes to remain unidentified. There are no means for engaging in any kind of anonymous dialog with a reporter. This one-way communications vehicle often delivers vague and incomplete information, thus making an efficient and effective investigation difficult or impossible. This increases the chance that critical issues may not be recognized and makes it more challenging to weed out spurious harassment.

The solution we are developing with EthicsPoint provides two means for our auditors to interact with reporters in a manner that preserves their confidentiality and anonymity:

- **Follow-up questions:** when a person completes a report by either going to the Web site or calling the toll-free number, he or she receives a report key and password for following up. The reporter can then return to the reporting system to review, add or modify the report information for greater clarity or detail. Moreover, the auditor reviewing the report can post questions for the reporter to answer when he

or she next returns. This promotes a reasoned dialog with convenience and safety for the reporter.

- **Real-time chat:** The reviewing auditor can also post a request for a reporter to engage in a real-time chat. Both parties can then log into the system at a selected time for a text chat, with neither party aware of the identity of the other. This real-time give-and-take helps the auditor to act promptly on issues perceived as having an immediate impact on the institution.

This interaction with the reporter not only results in better data, but also shows that the administration is taking the report seriously. In addition to minimizing risk, we are hoping this prompt attention to reports will discourage harassment, sending a message of responsive management, and contributing toward positive employee morale.

Non-confrontational approach – Because this reporting solution relies on an ongoing, confidential dialog rather than a single report, the process can result in less confrontation and still yield better data. Employees with legitimate issues can feel more comfortable interacting with a system that can adapt to their comfort level and awareness of details about an incident.

The system includes extensive report management and resolution tools that will help Georgia Tech auditors and administrators to extend the range of issues addressed, recognize trends or hot spots, and communicate an institute-wide awareness of our reporting policies.

Enhancing the Georgia Tech Reporting System

Anonymity of the reporter through third-party operators and a secure Web-based system

Review of reports by ad hoc group facilitated by Internal Auditing

Follow-up on reports through follow-up questions and real-time anonymous chat

Non-confrontational approach through anonymous, confidential dialog

Encouraging Responsible Use of a Reporting System

By Lynn Brewer, chairman,
International Society of Ethics Examiners

In my years as an Enron executive, I learned first-hand about corporate corruption and the role that individuals play in abetting or preventing it. Whistleblowers are not usually, despite what many believe, disgruntled employees. Rather, they are employees who have met their threshold of pain when it comes to either overlooking the corruption or worse yet, ultimately contributing to the corruption either consciously or unconsciously. The typical whistleblower seeks to bring information to the attention of those who are in a position to stop the misbehavior. Yet they are held back by two main concerns:

- Retribution and retaliation or
- Inaction by the organization.

As a result, any system that undertakes to truly open up communication from individuals to upper management is only as good as the employee's confidence in anonymity and follow-through. This brings to light the required aspects to make certain that employees use the system:

Anonymity Many employees distrust hotlines, especially those run by the company itself. Will they recognize my voice? Is the call being recorded? Talking to another employee of the same company on the phone feels too risky. A reporting system can alleviate these issues through the use of third-party operators or a Web-based system that uses accepted security processes and technology.

Accessibility While many believe an 800 number is sufficient for reporting, it clearly falls short of providing the confidence necessary to engage employees and encourage reporting. Only a quarter of Enron's incident reports were made by telephone. The preferred method of reporting was the more direct method of e-mail or letter, which accounted for 61 percent of the incident reports to Enron's internal system. This underscores the requirement for Internet-based reporting in addition to telephone reporting.

Treatment The fourth key aspect of a reporting system is for the treatment of the problems. This is perhaps where it becomes clear that a robust integrated system is absolutely necessary to demonstrate the efforts made to first understand the problem and then treat it appropriately.

Continuing to Minimize Risk in the Future

Georgia Tech is striving to develop an innovative reporting system that will transform our current hotline into a powerful tool to support our university initiatives. For example, the system includes extensive report management and resolution tools that will help Georgia Tech auditors and administrators to extend the range of issues addressed, recognize trends or hot spots, and communicate an institute-wide awareness of our reporting policies.

A comprehensive reporting system will give Georgia Tech a foundation for responding to ever-increasing demands on accountability for the governing of institutional resources. We see a reporting system not as a complaint line, but as a critical tool for helping us employ all our resources for the benefit of our faculty, researchers, students, employees, alumni and donors.

About the Author

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Software Piracy



By Roy Zhiheng Xu, Georgia State University

From individual PCs to the Internet, software is running everywhere to support operations in the Information Age. Because software is so valuable and computer techniques make it easy to duplicate programs, software piracy is widespread. How widespread? Consider that the Business Software Alliance (BSA) estimated in 2002 that 39 percent of the world's software was pirated.¹



Per the United States (U.S.) Code, Titles 17 and 18, illegal reproduction or distribution of software is subject to civil damages up to \$150,000 per title infringed, and criminal penalties, including fines up to \$250,000 per title infringed or imprisonment up to five years or both. Piracy of software is not only a crime, it can also negatively affect the economy, particularly in the U.S., where about 80 percent of the world's software is produced.

U.S. Software State Piracy Study

In 2002, International Planning and Research (IPR) completed a state-by-state review of the software piracy rates in the United States and the implied economic impacts for the year 2001.²

Table 1: Business Software Piracy Rates and Dollar Losses, 2000-2001

State	Piracy Rate		Retail Dollar Losses (Where Consumed)	
	2000	2001	2000	2001
Georgia	24.4%	32.4%	\$83,966,732	\$70,699,809
Total U.S.	24.0%	25.1%	\$2,632,438,051	\$1,807,708,669

From this table, we can see the piracy rate in Georgia increased eight percentage points from 2000 to 2001 and exceeded the total U.S. in both years.

It is no wonder that SPA Anti-Piracy, a division of the Software and Information Industry Association (SIIA), and the BSA are more actively engaged in anti-piracy activities than ever before. In recent years, SPA and BSA have been

known to target universities. Even public institutions are not exempt from potential civil and criminal penalties.

Lawsuits and Settlements

The first software piracy lawsuit against universities was in 1991. In settling the first software piracy lawsuit brought against a public institution, the University of Oregon paid \$130,000 to the SPA in 1991.³ According to a February 7, 1993, article in the Webzine *The Computer Underground Digest*, in addition to the financial penalty, the two sides reached an agreement that the university organize and host a national conference in Portland, Oregon, on copyright law and software use. According to the

November 1991 *Ledger*, published by the Association of College and University Auditors (ACUA), the federal suit was filed against the University of Oregon in February 1990 on behalf of several software vendors including Lotus Development, Microsoft and WordPerfect corporations. The suit declared that University of Oregon Continuation Center employees made unauthorized copies of the software companies' programs

and training manuals. After this lawsuit, the university employees were required to sign a legal agreement with the school not to steal or use unauthorized software.

Novell was awarded more than \$800,000 in software piracy lawsuit in 1997. On October 29, 1998, Novell Corporation announced that it had been awarded more than \$800,000 in its case against Galactech, Inc., located in Atlanta, Georgia. Novell brought the lawsuit in November 1997.⁴ The lawsuit, filed in the U.S. District Court for the Northern District of Georgia, claimed Galactech distributed and sold counterfeit copies of Novell's NetWare server operating system product. Novell became aware of the problem when one of its partners purchased a copy of the counterfeit product and notified Novell's anti-piracy group. Novell's anti-piracy group inspected the counterfeit product and then initiated an audit of Galactech's sales and purchase records. The

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Software Piracy

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audit found Galactech had distributed and/or sold \$800,000 worth of counterfeit product.

Temple University paid \$100,000 to settle software claims in 2000. BSA reported that Temple University paid \$100,000 to settle claims related to unlicensed software programs on its computers. Temple also agreed to destroy all unlicensed software, purchase replacement software, and strengthen software management policies.⁵

The Consequences of Software Piracy

As with most forms of literary expression, software is protected by copyright law. Title 17 prohibits the reproduction or distribution of copyrighted materials without the authorization of the copyright holder. The licensed user is, however, allowed to make a single backup copy for disaster recovery or archival purposes.

In late 1992, Congress approved an amendment to Title 18, U.S. Code, instituting criminal penalties for copyright infringement of software. Civil actions for copyright violations, which include software piracy, are specified in Title 17. “Many software companies are now pursuing this avenue by tracking down people who illegally use their products and taking the infringers to court.”⁶ Civil penalties may include fines up to \$150,000 in statutory damages per infringement.

Illegal duplication or distribution of software is a federal crime. If universities are found to be pirating software, they will, in addition to possibly paying hundreds of thousands of dollars in fines, have to bear the cost of legalizing all their software and holding anti-piracy training for their employees. Universities may also lose opportunities to buy software at educational discounts, thereby reducing the software resources they can provide students and faculty.

In addition, there are personal and organizational hazards associated with using a pirated product which include:

- Damage to reputation and image when the infringement is made known,
- Lost time in participating in audits and replacing software,
- Dollar and job losses for individuals,
- No assurance of quality or reliability of the software,
- Lack of completed product documentation,
- No technical support, or
- Computer viruses.⁷

Many software companies are now tracking down people who illegally use their products and taking the infringers to court.

Universities' Approaches

Following are a few examples of approaches used by some universities (at the time of this writing) to prevent software piracy.

The University of Oregon posts its Acceptable Use Policy on its Web site. The policy covers acceptable use of school resources, such as computers, software, online documents, etc. Recognition of Copyright is stated clearly in this policy “The University of Oregon respects copyright laws and insists that its faculty, students and staff do likewise. Copying proprietary software is theft and will not be tolerated on campus. Illegally copied software subjects the university to risk of litigation and denies software authors the compensation they deserve. Moreover, use of such software could result in your suspension or dismissal from the university, and either criminal prosecution or a civil suit for copyright infringement, or both.”

Temple University has a detailed Software Policy on its Web site. However, the last update of this policy was on February 10, 1998, about two years before the BSA lawsuit against them.

The University of Pittsburgh provides a free software audit tool, KeyAudit, so campus computer users can check their software licensing on their own. The University also issues an annual software buyers guide that includes a section on preventing software piracy. The guide refers to a computer access and use policy on several copyright matters, that includes a paragraph related to copyright-protected software

Georgia State University has a Computer Ethics Policy available for all campuses which prohibits “copying or installation of software on Georgia State computers if such copying or installation would violate any copyright or licensing agreement.” The policy instructs individuals with questions regarding software licensing issues to contact the department head responsible for the computer equipment.

In summary, the best ways to prevent software piracy on campus are to make all employees and students aware of copyright laws and of the harsh criminal and civil penalties for their violation, and to provide appropriate guidance and advice. Detailed software policies and related technical support should be available to all. Ignorance of the law is no excuse, and respect for the law benefits us all.

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Make Your Presentation Count...

Speaking Skills for Internal Auditing Professionals

By J. Michael Peppers, University of Texas Medical Branch

Editor's Note: The author's session on this topic was a highly-rated presentation at the 2003 ACUA Annual Conference. As a pilot for ACUA's distance learning initiatives, it was digitally taped and is available for viewing on-line in the "Members Only" section of the ACUA Website at www.acua.org.

When most people are confronted with the notion of making a presentation, their anxiety can soar to heights previously unknown. In polls, some even rank the fear of public speaking higher than the fear of death! If that is true and assuming you have a choice, why even consider putting yourself through the challenge of making presentations?

Why Do It?

Even if you are knowledgeable on the topic (and you should be if you agree to speak on it), the additional preparation for your presentation will add even more to your expertise. Also, the experience of speaking to an audience allows you to share what you think is important with other people.

Many will go a lifetime without a chance like that. Another great benefit is, through presenting, you have the opportunity to demonstrate your added value. The impression you make in a great presentation may reap immediate rewards or they may be banked in the memory of someone's mind who will recall them at appropriate times in months or years to come.

If you are convinced that speaking and making presentations could be in your own best interest or that of the department, organization or cause you represent, you want to make sure you do it well. Good speakers need to know a few basics: overcoming fear, motivating the audience, structuring the presentation, creating a learning atmosphere, and enhancing learning through audio-visual aids. If you have never taken the plunge into the exciting world of public speaking, this article will share some ideas to help you master these basics. If you are already a member of the sweaty palms club (mean-

ing you have made a presentation or two in the past), some of these issues may ring especially true to you and the suggestions may help fine-tune your next great presentation. We will close with some fun helpful hints that all of us can use.

The Fear Factor

Many elements of the fear of speaking can be traced to a fear of the unknown. What am I getting into? Will the audience accept me? What will the room be like?

Planning for the event is the first chance to rid yourself of some fear. At the very outset, never agree to speak on a topic

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that is outside your comfort range. Certainly, some preparation and research may be necessary, but if there are significant knowledge or experience deficiencies, you will not come across as an authority during your presentation. Proper planning also includes attention to the administrative details. An assistant or secretary may be capable of helping with some of the specific arrangements, but it will make you feel more relaxed if you have personally discussed them with the appropriate individuals.

Preparing for your presentation should be done well in advance. It will eliminate the fear that comes with not having any idea about what you are going to address. Do not put it off! You need to allow time for ideas, words and illustrations to sink in before the time they have to roll off your tongue. Also, advance preparation removes the anxiety associated with things that will invariably come up at the last minute. You may think you have three more days to capture your thoughts, but you have no idea that the project you are working on is about to explode and require significant overtime.

Rehearsing your text and its delivery will make you more familiar with what to expect when you actually say it. It is often amazing how something that looks fine in writing does not sound right when it is verbalized. As you rehearse, you can also prepare to overcome one of the most

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feared physical reactions: the shaky voice. When you are nervous, a quivering sound will erode your confidence as you stand in front of the group. Since this is usually just a factor when you first start out, practice these techniques and remind yourself to do them as you are being introduced. First, tighten your stomach muscles to ensure you will get a solid force of air through your vocal chords. Second, speak in a slightly lower pitch than normal. Using deeper sounds will be more solid and strong; however, do not go for the bull frog effect. Last, very slightly increase your volume to allow you to push through the shakiness. Accomplished speaker Cavett Robert said that having butterflies in your stomach is normal but that the trick was to get them flying in formation!

The Motivating Force

When you speak, you will likely hope that your words will cause the listeners to take some action. That action may be as simple as just learning. But most individuals cannot be *forced* into action. They need to be motivated. As a speaker, you need to determine what you believe will make your audience *want* to take action. Include elements in your presentations that are geared along those lines.

To illustrate this point, you may refer to the opening of this article. At the very beginning, you were presented with motivating factors that have been successful in keeping you reading this far!

Where to Start?

Just as when you write a report or an article, it is often hard to get started developing a presentation. Here are five important elements of a good presentation that will help you organize and structure your comments:

Thanks and Acknowledgements – do them first, being pleasant and appreciative but brief. You need to recognize key people who enlisted you or assisted along the way, but you do not want to close with these acknowledgements. Doing so would draw attention away from you and your message in those important final moments.

Ice-breaker – the nature of this element will depend greatly on the audience and subject matter at hand. It is important, though, that your audience be put at ease. The use of humor is often effective to loosen-up your attendees. Humor does not, however, translate into the telling of a joke. As a general rule, jokes should be avoided. Very few speakers have the ability to successfully deliver jokes. It requires timing, appropriate demeanor and much more. The most compelling reason to stay away from them is the risk that your joke will offend persons in your audience. Even the most seemingly benign joke can be hurtful to someone. If that

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happens, you will have lost at least some credibility with that person. It is just not worth the risk.

Statement of Purpose or Goals – these will be broad, overview statements that let your audience know where you are headed. Do not give away too much, but intrigue them with what is coming. Giving them some sense of what you will cover also takes away some of *their* fear of the unknown. If the audience knows you are going to cover these certain three points, they will be better able to stay tuned-in to the message than if they are left to wonder whether you will have three points or thirteen.

Body of the Presentation – this is where you break the “meat” of your presentation into “digestible” pieces. Deliver your content with professionalism and authority. Use the techniques discussed later to add interest and diversion to this most important section of the presentation.

A “Reel Them In” Summation – the time for humor, frivolity, and any cumbersome details is over. Do not say “In conclusion...” or “In closing...” Those are the cues for attendees to close their materials or reach for their bags or purses. You want to soar to a conclusion that thematically reinforces your major points in a positive, encouraging way. They will be ready to say “Yes” or “No,” write the check, approve the budget, or make the change!

The Learning Atmosphere

The environment in which the presentation is being made underlies everything that has been said thus far. When you can influence the location, be sure that the room size and configuration is appropriate for your audience. When possible, personally visit the room in advance of your presentation. (This will eliminate still another “unknown” and reduce your fear factor!) If the arrangement is not right or is not the most conducive, do not just accept that. See what can be done and enlist your assistant to help make it right. Building custodians or hotel maintenance people are there for just such reasons.

Check the lighting in the room. It should be as soft as possible, but not so low as to encourage sleep. This is especially important right after lunch. Ensure that no lights shine down on the projection screen. If you have a longer meeting, consider light shifts during the day. What looks fine in the morning may need adjustment in the late afternoon.

Assess your ability to move around during the presentation. Even if your range of motion is limited to a small space, that is preferable to being locked-in behind a podium. You want to avoid the talking head appearance and provide some interest to your audience as you move. Their need to follow you with their eyes will be one more thing to keep them in touch with what you are saying.

An important part of the experience is the audience being able to adequately hear what is being said. Too many speakers are self-conscious about using a microphone. If your group has more than 25 people, you should use one. Even if used on a very low setting, it will provide a constant audible signal to your listeners. As you move about the room, turn your head to refer to a slide, or respond to an individual on one side of the audience, a sound system will keep your words clearly evident to everyone. Practice the sound settings in advance of attendees arriving.

Audio-Visual Aids

The effectiveness of a presentation can be significantly enhanced when attendees have other things to look at and experience than just the speaker and his or her voice. The use of tools such as PowerPoint® has become almost expected for most professional meetings. But even if your setting will not permit the actual projection and display of such a visual aid, you can still consider using the software to quickly and professionally develop the materials that can be printed into handouts and transparencies for use with an overhead projector. The careful use of graphics in the visual medium can help keep the listener's interest. The projection and handouts should complement – not compete with – the speaker's message and style. Also, keep the writing large enough to be legible. In PowerPoint, slide headings should have a font size of about 44 and text items in bullets should be sized 32 to 36.

Hints, Tips, and Other Good Stuff

From the categories of lessons learned over the years and things I have seen and *never* want to do myself, the following miscellaneous list was born:

- Do not visibly take your watch off and put it on the podium – you do need to keep track of time, but you do not want your attendees to be aware of it.
- Avoid numbering the points on your slides – use bullets, blocks, or dashes but not distracting symbols.
- Have a tissue in your pocket – you just never know!
- Allow plenty of time to get to the meeting very early – yes, this is an inconvenience to you, but it is part of the commitment to the engagement.
- Memorize your opening statement – having this comfort level at the outset will reduce the nervousness during those first few critical moments.

If you are true to the topic on which you are speaking and the responsibility you have as you step before the group, you will do a tremendous job and you will make your presentation count!

- Eat a light meal before your presentation – if you are attending the meal before you speak, eat one-half or less of each item.
- Identify a key person to assist you – they can check you over for strings and other funny things before you go on and they can be ready to deal with crises that may arise during the presentation.
- Dress appropriately for the occasion – learn what the majority of attendees will be wearing and then take it up one notch.
 - Men: tie your tie so the bottom point is right at or just below your belt buckle – no longer, no shorter.
 - Men: wear a full-size, round-neck t-shirt. Ladies: wear a camisole – both undergarments will help with the old adage to “never let them see you sweat” and both will give a clean, smooth look when any bright lights hit shirts and blouses.
 - If you have a conference or event nametag, remove it before you speak – the tag and ribbons will be distracting.
 - If you have a question and answer period, repeat the questions and do not abruptly close after the last question – come back and make a positive, reinforcing comment from your conclusion so yours will be the last words they hear.

With your inherent motivations to share knowledge and add value to your organizations and associations, speaking should be something that you propose to do on a regular basis. If you are true to the topic on which you are speaking and the responsibility you have as you step before the group, you will do a tremendous job and you will *make your presentation count!*

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The **NACUBO** Accounting Principles Council

By Frank Bossle, Johns Hopkins University

Purpose

The president of the National Association of Colleges and University Business Officers (NACUBO) appoints the Accounting Principles Council (APC). The council is established to support the association's accounting guidance and advocacy efforts. This is accomplished through the involvement of volunteer representatives from member institutions who are knowledgeable in a variety of matters including external financial reporting, governmental accounting and reporting, not-for-profit accounting and reporting, managerial accounting and reporting, and financial analysis. The role of the council is to serve as an advisory body to the president.

I was asked to be the ACUA representative to the council in late 2002 and attended my first official meeting in January 2003 in snowy Norwalk, Connecticut. Why were we in Norwalk in January? The next day we had meetings with the boards of the FASB and GASB to discuss topics of interest to higher education. This was a very rich forum for the council members to discuss what we were doing to inquire about the status of GASB or FASB projects and to share with the board the implementation issues from prior accounting standards. This was an excellent crash course for me to learn about all initiatives and accounting issues for higher education.

This article is a summary of the council's projects pursued during the last year and how you can find out more about the results. The NACUBO Web site (http://www.nacubo.org/accounting_finance) also provides details on accounting and finance topics.

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GASB/FASB Differences

Mary Fischer, an accounting professor from the University of Texas-Tyler, created a startling analysis of the differences between GASB for public entities and FASB for private entities.

Using a common set of financial criteria, Mary and her team presented a comparison of the financial results under the different accounting standards. The results were very surprising and will be

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presented at NACUBO's Higher Education Accounting Forum in April 2004.

Operating Measures for Private Institutions

When private colleges and universities implemented FASB 117, there was flexibility allowed in deciding whether or not to report "operating income" and what could be reported. Dr. Fischer also led a team to research the differences. One primary difference related to the presentation of investment results. Some institutions included only the investment payout as operating income. Conversely, at the other end of the spectrum, others include all investment returns, both realized and unrealized. More may be read about the study in the August 2002 and January 2004 issues of the *NACUBO Business Officer* magazine.

Strategic Business Reporting

A variety of performance measures exist that might be used to compare colleges and universities. Jennifer Taylor, assistant vice president for Business and Finance at New Mexico State University and who will be the chair of the APC in 2004, has been leading a team to research financial comparison models. Approximately 250 surveys have been returned, and work will continue during 2004 to compile the data and share results.

The NACUBO Accounting Principles Council

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The APC also maintains liaisons with the FASB, GASB and AICPA. Team members stay current with new and proposed accounting standards, and coordinate responses from colleges and universities. For example, GASB recently issued Statement No. 39 on asset impairment. Various members of the liaison team have provided comments and guidance on the implementation.

Managerial Analysis and Decision Support

Roger Patterson, APC 2004 vice chair and associate vice chancellor—Finance at the University of North Carolina-Chapel Hill, is leading a team to develop and promulgate professional development programs on managerial accounting issues. In late 2003, a workshop was held to share this information and a publication, *Managerial Analysis and Decision Support*, was released as an electronic book in July 2003. Case studies from the publication are available through NACUBO at http://www.nacubo.org/register_for_programs.

Sarbanes-Oxley Act

I had the pleasure to lead a team to provide guidance on the implementation of the Sarbanes-Oxley Act to colleges and universities. An Advisory Report was issued in November 2003 with the results of that research. This document is available online at http://www.nacubo.org/public_policy/advisory_reports/2003/2003-03.pdf.

Additionally, the APC supports a number of educational forums for NACUBO, including the Higher Education Accounting Forum, which will be held in Chicago in April 2004, and the Intermediate Accounting and Reporting workshop. You can find details on all the training at http://www.nacubo.org/register_for_programs/.

I have learned a lot in my first year with the Accounting Principles Council and look forward to learning more in 2004.

About the Author

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Software Piracy

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Notes

1. Business Software Alliance (BSA)
Web site <http://www.bsa.org/usa/>
2. *Ibid.*
3. David Ryan (02/24/1999). *Piracy takes on a whole new meaning*. Retrieved from www.dailymerald.com/archive/v100/2/990224/piracy.html
4. Novell Anti-Piracy Press Releases (1998, October 29). *Novell Awarded Over \$800,000 in Software Piracy Lawsuit*. Retrieved from <http://www.novell.com/programs/piracy/galactech.html>
5. Business Software Alliance Press Release (2000, March 2). *Temple University Pays \$100,000 to Settle Software Claims*. Retrieved from: <http://www.bsa.org/usa/press/newsreleases/2000-03-02.194.phtml>
6. Max Whisler, "Whose Software Is It Anyway?", *Windows on Computing*, No. 20, Autumn 1997, <http://www.washington.edu/computing/windows/issue20/index.html>
7. *Ibid.*

About the Author

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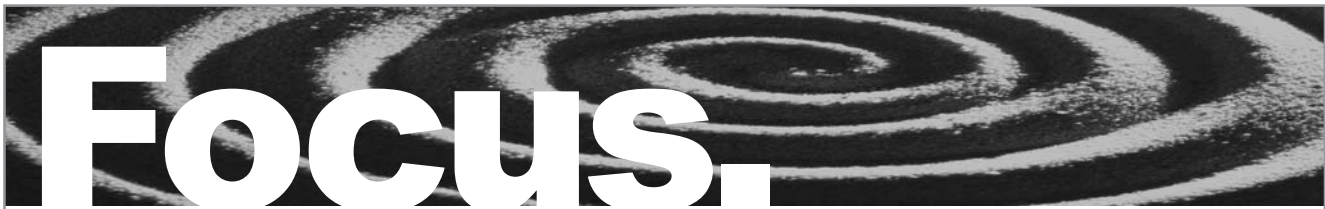
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