



**AGENDA**  
**Committee on Personnel**  
**Tuesday, July 7, 2020 @ 3:30 p.m.**  
**UPDATED 6/30/2020**

via Zoom audio/video: <https://us02web.zoom.us/j/84605606386>  
Meeting ID: 846 0560 6386  
Dial by your location: 646 876 9923 US  
Meeting ID: 846 0560 6386

Council Member Hussain, Chairperson  
Council Member Spadafore, Vice Chairperson  
Council Member Wood, Member  
Council Member Garza, Member

1. **Call to Order**
2. **Public Comment on Agenda Items**
3. **Minutes**
  - April 9, 2020
4. **Discussion/Action:**

A.) DISCUSSION- Council Internal Auditor Position Posting

5. **Adjourn**

With Executive Order 2020-4, Governor Whitmer declared a statewide State of Emergency due to the spread of the novel coronavirus (COVID-19). To mitigate the spread of COVID-19 and to provide essential protections to vulnerable Michiganders and this State's health care system and other critical infrastructure, it is crucial that all Michiganders take steps to limit in-person contact, particularly in the context of large groups. Therefore, the above meetings will be conducted via audio/video conference.

The meetings are being held electronically in accordance with the Open Meetings Act in an effort to protect the health and safety of the public. Members of the public wishing to participate in the meeting may do so by logging into or calling into the meetings using the website or phone number above, and meeting ID provided. Michigan Executive Order 2020-75 provides temporary authorization of remote participation in public meetings and hearings.

Persons with disabilities who need an accommodation to fully participate in these meetings should contact the City Council Office at 517-483-4177 (TTY 711) 24 hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

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## **MINUTES Committee on Personnel Thursday, April 9, 2020 @ 1:00 p.m. Via audio/video conference**

<https://zoom.us/j/741442980>

Meeting ID: 741 442 980

Or phone – 312-626-6799

### **CALL TO ORDER**

The meeting was called to order at 1:01 p.m. by Chairman Hussain

### **ROLL CALL-Via audio/video conferencing**

Council Member Adam Hussain, Chairperson  
Council Member Peter Spadafore, Vice Chairperson  
Council Member Carol Wood, Member  
Council Member Jeremy Garza, Member

### **OTHERS PRESENT- Via audio/video conferencing**

Sherrie Boak, Council Staff  
Jim Smiertka, City Attorney  
Renee Richmond  
Linda Sanchez-Gazella, HR Director  
Ashley Banks, Hiring Specialist  
Lisa Hagen, Assistant City Attorney

Council Member Hussain acknowledged the Committee for their active participation and dedication.

### **Minutes**

MOTION BY COUNCIL MEMBER SPADAFORE TO APPROVE THE MARCH 9, 2020 MINUTES AS PRESENTED. MOTION CARRIED 4-0.

### **Discussion**

#### **City Council Committee Clerk/Administrative Assistant Interview**

Council Member Hussain acknowledged Ms. Richmond for her interest in the position and performing the duties in the office so far under contract. Council Member Hussain then outlined the tasks she had performed so far as the temporary assistant, including resolutions, excel sheets, and recently a test on recording secretary. The draft minutes of that meeting were

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forwarded to the Committee prior to this meeting. Lastly he outlined the process of this unique interview process.

### Interview Questions

Council Member Hussain – Could you tell us a little bit about yourself.

Ms. Richmond noted she was a resident of Lansing, is willing to learn, ask questions and professionally dedicated and loyal.

Council Member Hussain – Why do you want to work here? In other words, what is attractive to you about this particular position and why do you believe you would be a good fit.

Ms. Richmond provided details on her experience in large working environments, and working with the different aspects of all Council Members, Committees. She concluded by stating she was looking forward to the challenge.

Council Member Spadafore – Where do you see yourself in five (5) years.

Ms. Richmond acknowledged she saw this position as a long term opportunity and was looking forward to learning more and helping Council.

Council Member Hussain - Describe your experience and level of proficiency with MS Word, Excel, mail merge, Outlook, Adobe, Facebook and Webpage management. And, can you give examples of how you have used these tools on the job.

Ms. Richmond acknowledged the work she had done so far with the Council offices.

Council Member Spadafore – Please share your experience and comfort as a recording secretary.

Ms. Richmond admitted doing minutes was new, and she had done dictation in the past, but that was different. Ms. Richmond stated she is capable of learning the formatting that is used.

Council Member Spadafore – What is the first step you take when given a large project to manage.

Ms. Richmond stated she would ask questions, determine level of urgency and create the time to prioritize.

Council Member Spadafore - Describe the system you use for keeping track of multiple projects. How do you prioritize your work and track your progress so that you can meet deadlines.

Ms. Richmond provided an example of working on the agendas, focusing on the deadlines and size of Committee packets. This determined her prioritization of projects.

Council Member Wood – Tell us about a time when you came up with an innovative solution to a challenge your office/workplace was facing. What was the challenge and what role did others play.

Ms. Richmond spoke about her experience in a recruiting position for 20 years where she had to defuse issues with benefits, payroll and worked on better practices.

Council Member Wood – This position deals directly with individuals and the public in general. Can you describe a recent situation in which you had to deal with a very upset customer. How did you approach the situation and what was the result.

Ms. Richmond provided examples of calls she has taken with residents, listening to the concerns and providing as much information as possible to the appropriate Council Member.

Council Member Wood – This position requires a great deal of confidentiality especially when you have eight bosses. How would you handle a situation where one Council Member asks you information about another Council Member.

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Ms. Richmond stated she would not provide information and make sure private information is kept private and would verify everything. She acknowledged she understood there are certain procedures and regulations.

Council Member Wood provided an example of a Council Member speaking to her and if she would relay that discussion to another Council Member if asked about it.

Ms. Richmond stated no.

Council Member Wood – Provide an example of a time when she had abruptly re-adjust her work schedule to prepare a report or complete a task on short notice. And how did you make sure you didn't fall behind on other tasks.

Ms. Richmond provided an example when in the temporary position with the Council recently she was limited on time in that office and made every effort to complete the projects in time.

Council Member Garza asked why Ms. Richmond left her former job.

Ms. Richmond stated there was a lot of traveling involved from Lansing to the office location.

Council Member Spadafore - Provide an example of a work place conflict with a co-worker or superior that she was involved in as an administrative assistant and how she handled it.

Ms. Richmond stated that while working at Aerotek, if she was involved in a confrontation, she would go directly to that person to resolve, and her experience is to address things face to face. At her previous jobs they did "role play" on how to do a task better or address an issue.

Council Member Spadafore asked if she would be afraid to address conflict, and Ms. Richmond stated she was not.

Council Member Spadafore – Would there be any issues with setting up and cleaning up from meetings, making coffee, cleaning coffee pots, and similar tasks.

Ms. Richmond stated she did not.

Council Member Wood - List three (3) attributes and (3) faults you have about yourself.

Ms. Richmond stated she believed her attributes are loyalty, dedication and hardworking. The faults she listed were she is not well at public speaking, struggles with delegating and does have a tendency to talk a lot.

Ms. Richmond was then asked if she had any questions for the Committee.

Ms. Richmond inquired as to the process of filling the position with everything that is going on and when it will be effective.

Council Member Hussain noted the intention is to hire the position by May 4<sup>th</sup>, but currently the Mayor has a moratorium freeze on hiring any non-essential employees. He noted that did not apply to Council positions, however they lead by example and in the past have tried to follow the executive branch. Council Member Hussain then stated they would still like to hire by May 4<sup>th</sup> and will hold further discussions with the Committee after the interviews are done. One option might be to extend her current contract through May and hire in June. Ms. Richmond was told by Council Member Hussain he would contact her within 48 hours with their decision and status.

Ms. Richmond asked the Committee what their favorite part was working for Council.

Council Member Spadafore stated he likes the diverse issues Council faces, no day is the same, no meeting is the same, and he enjoys working alongside his fellow Council Members.

Council Member Wood stated is excited to solve problems for the public and giving the public the opportunity to have someone to listen to them. Sometimes they just want a listening ear.

Council Member Garza appreciated working with the residents and helping those residents. He also enjoys supporting other Council Members who support each other.

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Council Member Hussain too enjoyed working with the public and problem solving. He added, as a Ward Member, he enjoys focusing his help on his Ward and the SW Lansing residents and business owners.

Council Member Hussain acknowledged Ms. Richmond her willingness to engage, and the work she has done already. He added that the Committee will discuss this position and he will reach out. Ms. Richmond then left the video meeting.

### Discussion on the position and filling the vacancy

Council Member Wood asked how many applications they received, how many were reviewed, and how many were vetted. Council Member Hussain confirmed there were 44 applications that were narrowed down to 12 by the Council Office Manager. Council Leadership agreed they were going to narrow to 5 at that point. Council Member Spadafore added to the details that after looking at the applications and resume's there was no one better qualified, and felt that going forward this one candidate would be the one to interview. It was also determined that once the City Hall was closed, to perform ZOOM interviews would be needed, and since Ms. Richmond was the one they felt met all the qualifications, they chose to do the one interview.

Council Member Wood stated that it appears that Council Leadership believed that after reviewing the applications, and the work tasks and typing tests performed by Ms. Richmond, she was the best experienced for the position. Council Member Wood concluded by stating that based on Ms. Richmond's answers to the interview questions and her previous work experience, she would be a good fit, so supported moving forward at this time.

Council Member Hussain referred to the resolution which spoke to the appointment being contingent on being vetted and passing the background check, would begin on May 4, 2020. But that could be changed since HR has already confirmed the back ground check was performed and passed, and the date could be "no later than June 1, 2020." He added that if that occurs, then the current contract could be extended. Council Member Spadafore concurred with moving it forward at the April 27, 2020 Council meeting, for a start date of May 4<sup>th</sup> or after the lifting of the hiring freeze.

Council Member Wood asked Ms. Sanchez-Gazelle and Mr. Smiertka, if they put May 4, 2020 in the resolution and the EO for staying home extends past April 30<sup>th</sup>, and they stay with hiring her on May 4, 2020 would she be paid like other "stay at home work from home" employees. Mr. Smiertka asked if she is considered an essential employee, then yes if hired on May 4<sup>th</sup> and working from home, she will be getting paid from home. Ms. Sanchez-Gazelle agreed with Mr. Smiertka, confirming she can work from home on assignments and get paid.

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE RESOLUTION APPOINTING RENEE RICHMOND AS THE COUNCIL COMMITTEE CLERK/ADMINISTRATIVE ASSISTANT.

Council Member Hussain confirmed that HR had performed the background check, and everything was all set.

MOTION CARRIED 4-0.

### DISCUSSION- RFP Council Internal Auditor Position

Council Member Hussain confirmed that Council Member Spadafore had met with the executive branch, and the Committee at the last meeting discussed what to do in the interim of filling the position. Council Member Hussain continued outlining what has occurred with an RFP for a contractor. It was posted March 23, 2020, with a deadline of April 6, 2020, then extended to

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April 13<sup>th</sup> and again to April 28<sup>th</sup>. Council Member Hussain noted that as of this meeting, there were 44 interested parties, but no hard copy proposals are due until the deadline. He then asked for the Committee's opinion on continuing the search at this time since the intent was for assistance during the budget, however with the current circumstances and extended deadline, the contract might not get filled or have time before the budget is required to be adopted. Council Member Wood admitted she was in support of the urgency of filling the position before the budget process, but with the situation currently and them not having access to different materials or the office it creates barriers. She concluded that she would support the Committee looking at job descriptions to post in the future and potentially future budget amendments based on these unique circumstances. Mr. Smiertka added that he has reviewed to see if the Council could allow electronic submissions of the RFP if they wanted to continue, but does not have a formal opinion on that. Council Member Spadafore agreed with the comments by Council Member Wood, and moving forward at this time is not possible since the company could not have access to the offices. The consensus of the Committee was to withdraw the RFP on MITN, and Council staff was asked to place that request in with purchasing.

### **ADJOURN**

The meeting was adjourned 1:47 p.m.

Submitted by, Sherrie Boak, Recording Secretary

Lansing City Council

Approved by the Committee on \_\_\_\_\_

## Chapter 4 - INTERNAL AND EXTERNAL AUDITS

### 3-401 Internal Auditor

- .1 The City Council shall appoint a qualified person as the Internal Auditor.
- .2 The Internal Auditor shall be responsible to the City Council and may be removed by a majority of the City Council members serving.

### 3-402 Powers And Duties

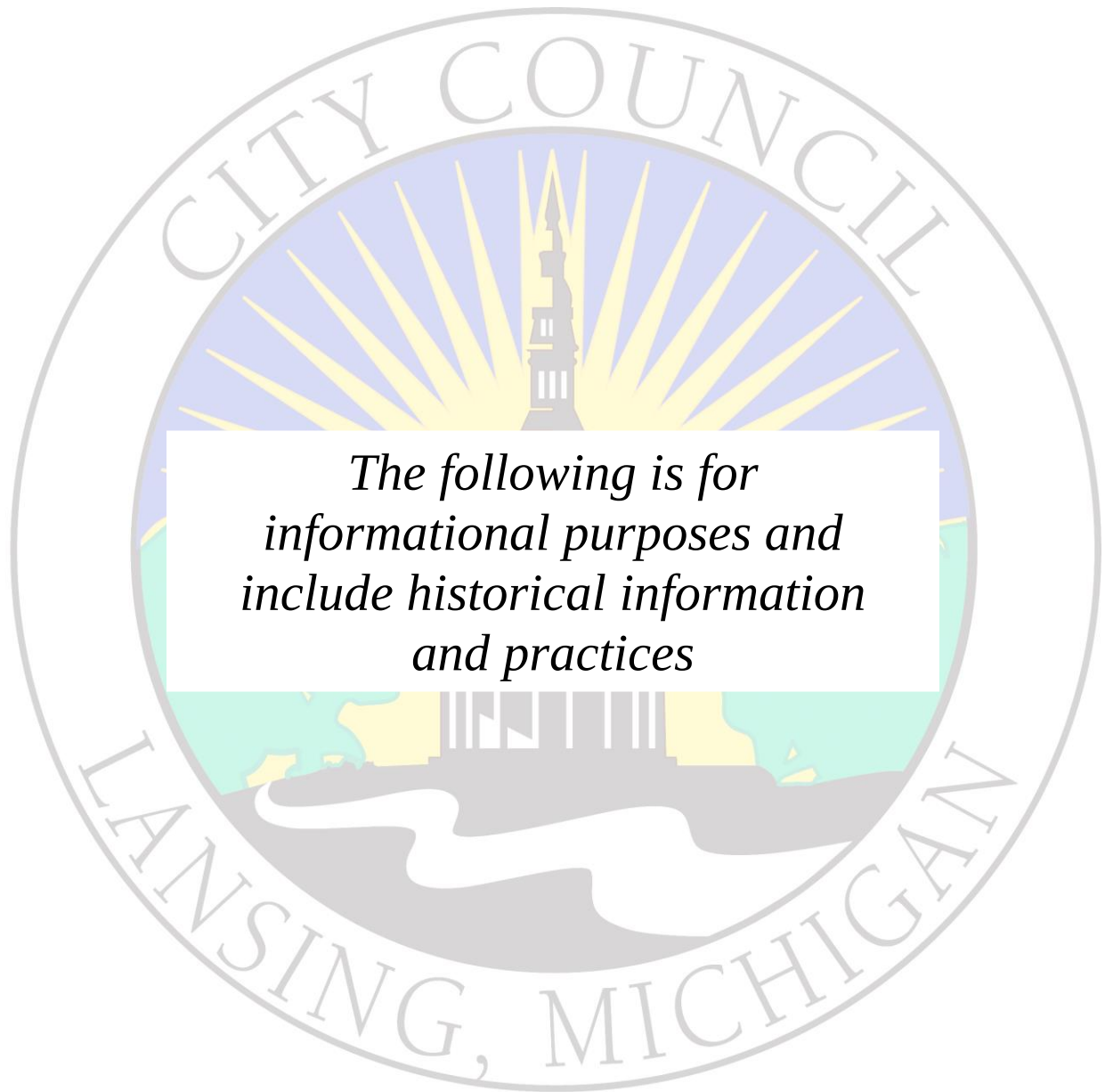
- .1 The Internal Auditor shall devote full time to the services of the City and shall assist the City Council in evaluating the planning and budgeting affairs of the City in order to develop and maintain unified City policies.
- .2 The Internal Auditor shall make audits of financial transactions of all City agencies at least once every year or as otherwise directed by the City Council. The Internal Auditor shall have access to the financial and other records of all City agencies at any time.
- .3 The Internal Auditor shall make a full report to the City Council of each individual audit and file a copy with the Mayor and City Clerk. The report shall include any or all of the following as directed by Council: (a) An examination of financial transactions, accounts, contracts and reports, including an evaluation of compliance with applicable laws and regulations; (b) a review of efficiency and economy in the use of resources with recommendations for improvement; (c) a report as to whether desired results are effectively achieved in City programs, services and activities.
- .4 As soon as possible after the close of each fiscal year, the Internal Auditor shall provide an analysis of the financial position of the City. The report shall be a public record.
- .5 The Internal Auditor shall review the administration and performance of any City agency and report findings and recommendations to the City Council and file a copy with the Mayor and the Clerk.
- .6 Whenever appropriate the Internal Auditor shall promptly make a report to the City Council on City agencies or any irregularities of practice and erroneous accounting methods with recommendations for improving the accounting procedures and systems of the agency. A copy of each report on irregularities and erroneous accounting methods shall be referred to the Mayor.
- .7 The Internal Auditor shall evaluate the Capital Improvement Plan.
- .8 The Internal Auditor shall have no authority to audit the activities of the Board of Water and Light except as requested in writing by the Board.
- .9 The Internal Auditor may be authorized by City Council to hire adequate staff to perform the internal auditing functions. The staff shall serve at the pleasure of the Internal Auditor.

3-403 Limitations Except as otherwise provided in this Charter, the Internal Auditor shall not have any connection with any City agency, nor be custodian of any cash or securities belonging to the City.

### 3-404 External Audit

.1 An independent audit shall be made of all accounts of the City government, including the Board of Water and Light, at the close of each fiscal year, and shall be completed by October 15th. Special independent audits may be made at any time that the Council may designate. All such audits shall be made by a Certified Public Accountant designated by the Council. The results of each such audit shall be made public in the manner that the Council determines and copies thereof shall be placed in the office of the Clerk for public inspection.

.2 The External Auditor shall report on the activities and accounts of the Internal Auditor.



*The following is for  
informational purposes and  
include historical information  
and practices*



OFFICE OF THE CITY ATTORNEY



MEMORANDUM

**TO:** A'LYNNE ROBINSON, PRESIDENT, CITY COUNCIL  
KATHIE DUNBAR, CHAIR, PERSONNEL COMMITTEE  
CITY COUNCIL MEMBERS

**FROM:** BRIG SMITH, CITY ATTORNEY *Brig Smith*  
JACK ROBERTS, SPECIAL ASSISTANT CITY ATTORNEY  
SARA STURING, SPECIAL ASSISTANT CITY ATTORNEY

**CC:** ARNIE YERXA, INTERNAL AUDITOR  
OCA PERSONNEL

**DATE:** SEPTEMBER 21, 2010

**SUBJECT:** INTERNAL AUDITOR POSITION

BACKGROUND

Over the course of the last month, several questions have arisen regarding various reports the Internal Auditor has prepared, the authority under which they were prepared, and the extent to which those reports have effect. In particular, an audit of St. Vincent Charities' grant funding through the Department of Human Relations and Community Services (HR/CS), as well as inquiries regarding the legitimacy of two Executive Orders providing for reorganization-- 2010-01 (CityTV) and 2010-02 (Public Service/Parks & Recreation/Transportation) have raised questions. This opinion addresses the overarching question raised at the August 26, 2010 Personnel Committee meeting: What is the nature of the Internal Auditor's position?

QUESTION PRESENTED

What is the nature of the Internal Auditor's position?

SHORT ANSWER

The Internal Auditor is a City Council employee and member of the Council staff. Internal Audit, unlike the City Clerk, is not an independently functioning office. Pursuant to the City Charter, the Internal Auditor has certain specified duties that must be performed and other duties that are as "directed by the City Council." The Internal Auditor is a member of the Council staff under the Council Staff Personnel Rules ("CSPR") and, as such, the Internal Auditor's City Council directed responsibilities are under the direct supervision of the Council President.

ANALYSIS

The City's Charter creates the position of Internal Auditor within Article 3, which relates to the City's legislative branch. For easy reference, Internal Auditor Sections of the City Charter are reproduced in Attachment A. Section 3-401 of the Charter provides for appointment and removal by City Council. Section 3-402 identifies the duties of the Internal Auditor, subjecting him to the supervision and direction of City Council in a number of instances. See Section 3-402.1 ("shall assist the City Council"); Section 3-402.2 ("as . . . directed by the City Council"); Section 3-402.3 ("as directed by Council"); and Section 3-402.9 ("may be authorized by City Council").

The Internal Auditor is also a member of the Council staff, CSPR, Article I; is appointed by Council, Charter Section 3-401 and CSPR, Article I; and serves at the Council's pleasure, Charter Section 3-401.2 and CSPR, Articles II, III, IV.

In the transcript of the 1978 Charter Commission Conference with Lansing City Officials, the following discussion took place regarding the position of Internal Auditor in the new Charter:

Mr. Sawyer [City Attorney] - . . . Internal Audit is . . . a department directly responsible to City Council. Internal Auditor serves at the pleasure of the City Council . . .

The Clerk is an independent office entirely. That should also be noted.

Mr. Hull [Council member] - If we have an Internal Auditor that we feel isn't doing the job. [sic] He serves at our pleasure and we say, 'You have just exhausted our pleasure' so-long and the majority vote says, so-long. Right?

Mrs. Sliker [Charter Commissioner] - That's right.

1978 Charter Commission Conference Transcript, 29-30 (August 24, 1978).

The transcript also indicates that a Charter Commissioner referred to the Internal Auditor as "the City Council's eyes and ears," *id.* at 32, and the City Attorney indicated that "the Internal Auditor . . . is a person under Council," *id.* at 40.

The actual duties of the Internal Auditor are set forth in the City Charter. See Exhibit A. In addition to the specific budget related duties contained in Sections 3-401.2, 3-402.4 and 3-402.7, the general statement of the Internal Auditor's financial auditing charge is contained in Section 3-402.2. This section provides:

The Internal Auditor shall make audits of financial transactions of all City agencies at least once every year or as otherwise directed by the City Council. The Internal Auditor shall have access to the financial and other records of all City agencies at any time.

Under this provision of the Charter, when, as has been the case with the City for a number of years, the Internal Auditor is unable to "make audits of financial transactions of all City agencies at least once every year," the responsibility for selection of the agencies to be audited comes to City Council. Thus, the City Council currently has the discretion to determine which agencies are financially audited by the Internal Auditor.

For the reason that the Internal Auditor is specifically a named member of the Council staff under the CSPR, the Internal Auditor's day to day activities and assignments from the Council come under the direct supervision of the Council President. The only time there is an exception to this supervision is when the President delegates the staff supervision function to the Vice President. In such instance, the Vice President becomes the Internal Auditor's supervision.

For purposes of these rules, except for the positions of the Principal Auditor and Internal Audit Staff, the appointing authority for positions covered herein shall be the City Council. The Council Vice President shall exercise day-to-day supervision over all Council staff upon written delegation from the Council President.

CSPR, Article I. Also, in accord, *see* Rule 5, City Council Rules. For purposes of the remainder of this opinion, it will be assumed that the President has not made the delegation of supervision and thus, reference to the supervisor shall be limited to the President.

Because neither the City Council Rules nor the CSPR provides for, or establishes a policy, procedure or method for how Council will assign work to the Internal Auditor, the assignment of such City Council work comes within the day to day supervisory duties of the President. As with other Council matters, this does not preclude the Council, speaking as a body, from taking action to establish the Internal Auditor's assignment procedure or from appropriately responding to audit reports or issues.

As a practical matter, the President's supervision of the Internal Auditor encompasses all the Internal Auditor's duties that are "as directed by the City Council." As a matter of proper practice and in compliance with the CSPR, the President is to act as the "gatekeeper" for the assignments directed to the Internal Auditor by the City Council. In this way, the President can monitor the discretionary work being performed by the Internal Auditor and consistent with supervision, may keep track of the Internal Auditor's outstanding assignment and workload and, in times of job conflicts, prioritize work. In furtherance of efficient supervision, the President may also require all City Council assignments of work to the Internal Auditor be made through the President. This includes both audit concerns raised by individual Council members and those that come from Council committees. It is noteworthy that Council Rule 16 makes the Ways and Means Committee the Committee to receive program audits after they are prepared by the Internal Auditor.

It should also be noted that the Internal Auditor's assignments are to come from the Council and not be made directly from the Administration. This does not mean the Administration cannot request the assistance of the Internal Auditor, but rather that any such request should be made through the President, as gatekeeper of work assignments of the Internal

Auditor. The President may pass on or decline the administration's request, as the President deems appropriate under the circumstances at the time. This conclusion is supported by the limitations placed on the Internal Auditor under the Charter.

LIMITATIONS: Except as otherwise provided in this Charter, the Internal Auditor shall not have any connection with any City agency, nor be custodian of any cash or securities belonging to the City.

Charter Section 3-403.

Finally, under the Charter and CSPR, matters of the Internal Auditor's hiring and termination are left to the final determination by the full Council. In addition to the City Charter Section 3-401.2, certain CSPR provisions address these matters. Specifically, the CSPR provides:

- "For purposes of these rules, except for the positions of Principal Auditor and Internal Audit Staff, the appointing authority for positions covered herein shall be the City Council." CSPR, Article I.
- "With respect to the Internal Auditor the City Council is the sole authority to receive a resignation, permit withdrawal of resignation or to terminate employment by a majority vote of the City Council members serving." CSPR, Article II.
- "It is an employee's responsibility to understand the intent and scope of these City work rules and related departmental guidelines and requirements. Employees violating any part of these work standards subject themselves to formal disciplinary action which may range from oral warning through discharge. Except as provided below, oral and written warnings and reprimands shall be administered by the Council President unless day to day supervisory functions have been delegated to the Vice-President. All other forms of discipline, including discharge, shall be the sole responsibility of the City Council by a majority vote of council members serving. The City Council shall act on a disciplinary matter only after a recommendation is made by the Standing Committee on Personnel to the Council Committee of the Whole, provided, however, the Internal Auditor shall be responsible for discipline and termination matters related to the Principal Auditor and Internal Audit Staff." CSPR, Article IV.

### CONCLUSION

In summary, while the Internal Auditor is responsible under the City Charter for a number of budget related tasks that he is required and thus expected to perform, the Internal Auditor also has a number of tasks that are to be performed at the direction of the City Council. This second set of tasks are subject to assignment by and the supervision of the Council

President. However, the Internal Auditor is neither required nor authorized to take on matters by direct assignment from the Administration without the prior knowledge and approval of the Council President.

A

## Chapter 4 - INTERNAL AND EXTERNAL AUDITS

### 3-401 INTERNAL AUDITOR

.1 The City Council shall appoint a qualified person as the Internal Auditor.

.2 The Internal Auditor shall be responsible to the City Council and may be removed by a majority of the City Council members serving.

### 3-402 POWERS AND DUTIES:

.1 The Internal Auditor shall devote full time to the services of the City and shall assist the City Council in evaluating the planning and budgeting affairs of the City in order to develop and maintain unified City policies.

.2 The Internal Auditor shall make audits of financial transactions of all City agencies at least once every year or as otherwise directed by the City Council. The Internal Auditor shall have access to the financial and other records of all City agencies at any time.

.3 The Internal Auditor shall make a full report to the City Council of each individual audit and file a copy with the Mayor and City Clerk. The report shall include any or all of the following as directed by Council:

(a) An examination of financial transactions, accounts, contracts and reports, including an evaluation of compliance with applicable laws and regulations;

(b) a review of efficiency and economy in the use of resources with recommendations for improvement;

(c) a report as to whether desired results are effectively achieved in City programs, services and activities.

.4 As soon as possible after the close of each fiscal year, the Internal Auditor shall provide an analysis of the financial position of the City. The report shall be a public record.

.5 The Internal Auditor shall review the administration and performance of any City agency and report findings and recommendations to the City Council and file a copy with the Mayor and the Clerk.

.6 Whenever appropriate the Internal Auditor shall promptly make a report to the City Council on City agencies or any irregularities of practice and erroneous accounting methods with recommendations for improving the accounting procedures and systems of the agency.

A copy of each report on irregularities and erroneous accounting methods shall be referred to the Mayor.

.7 The Internal Auditor shall evaluate the Capital Improvement Plan.

.8 The Internal Auditor shall have no authority to audit the activities of the Board of Water and Light except as requested in writing by the Board.

.9 The Internal Auditor may be authorized by City Council to hire adequate staff to perform the internal auditing functions. The staff shall serve at the pleasure of the Internal Auditor.

3-403 LIMITATIONS: Except as otherwise provided in this Charter, the Internal Auditor shall not have any connection

with any City agency, nor be custodian of any cash or securities belonging to the City.

3-404 EXTERNAL AUDIT:

.1 An independent audit shall be made of all accounts of the City government, including the Board of Water and Light, at the close of each fiscal year, and shall be completed by October 15th. Special independent audits may be made at any time that the Council may designate. All such audits shall be made by a Certified Public Accountant designated by the Council. The results of each such audit shall be made public in the manner that the Council determines and copies thereof shall be placed in the office of the Clerk for public inspection.

.2 The External Auditor shall report on the activities and accounts of the Internal Auditor.

**City of Lansing  
DEPARTMENT OF HUMAN RESOURCES  
NON-BARGAINING UNIT JOB POSTING**

**Department: City Council**

**Job Title: Internal Auditor 42**

**GENERAL SUMMARY OF DUTIES:** Responsible for providing independent, objective assurance and consulting services designed to add value to and improve City of Lansing operations and ensure integrity of City finances. Furthers City of Lansing goals and priorities by bringing a systematic, disciplined and thorough approach to evaluate and improve the effectiveness of risk management, control, governance and operational processes. Reports to the Lansing City Council.

**EDUCATION & EXPERIENCE REQUIREMENTS\*:** Master's degree or equivalent in Business Administration, Accounting or related field and six (6) years of professional experience in auditing, accounting or consulting or an equivalent combination of education, training and experience which may include consulting in the field. Certification as CPA, CIA, CFE and/or CISA preferred. If not already CPA, CIA, CFE and/or CISA, certification must be obtained within one year of employment as a condition of continued employment.\*\*

**REQUIRED KNOWLEDGE, SKILLS & ABILITIES:** Knowledge of governmental auditing and accounting principles. Knowledge of internal controls and financial management practices. Skill in performing a wide range of professional auditing functions including auditing of general ledgers and accounts, analyzing and interpreting financial records and communicating financial information; and skill in preparing a wide range of special and annual studies and reports. Knowledge of and skill in coordinating work for financial, operational and performance-based audits. Ability to develop and coordinate annual internal auditing processes and timelines. Ability to evaluate internal control systems and make recommendations for improvement. Skill in utilizing computers and computer software, with advanced knowledge of Microsoft Excel, Microsoft Word, Microsoft Access, PowerPoint, and financial databases. Ability to maintain effective working relationships and work in a team-based environment; organize, plan and prioritize projects; identify problems; propose and implement solutions; conduct group presentations; facilitate group meetings and lead successful change initiatives. Effective in oral and written communication.

**ESSENTIAL JOB FUNCTIONS:** (Reasonable accommodations will be provided, if necessary, for individuals with disabilities who can perform the essential job functions.)

- Oversee internal auditing activities for the City of Lansing, including the activities necessary to conduct an annual audit of the city's financial and operational systems, and special audits and fiscal investigations as needed. Research, develop, and implement changes to the City's internal audit system procedures and policies in conjunction with the Lansing City Council.
- Prepare reports, presentations and recommendations to determine optimal courses of action concerning the City's financial resources and operational, governance, and policy practices. Review records pertaining to material assets, such as equipment, buildings and staff, to determine the degree to which they are utilized. Inspect City accounting systems to determine their efficiency and protective value. Identify risks and offer recommendations to mitigate. Analyze data obtained from city department and agency records for evidence of deficiencies in controls, duplication of effort, fraud, or lack of compliance with law, government regulations, and management policies and procedures. Recognize and address appropriately significant legislative or regulatory issues impacting the City of Lansing. Provide input into performance measures to determine the overall accomplishment of city goals and priorities.
- Other Annual Reporting and Budgeting: Issue analysis of the financial position of the City as soon as possible after the close of each fiscal year. Prepare City Council budget based on guidelines established by the City Council President.

- Continue professional development. Maintain a professional level of requisite knowledge in areas of responsibility. Keep abreast of new developments and technology used in the field of internal auditing. Participate in required trainings.
- And other duties as assigned.

**PHYSICAL CAPACITY REQUIREMENTS:** Frequently required to sit, talk, hear and listen. Good vision require to read and interpret documents. Ability to effectively communicate orally and in writing with the Lansing City Council; City of Lansing directors, managers and employees; and outside agencies. Ability to enter and retrieve data from computerized, typed, and written sources. Some travel required. Some night meetings required.

**ENVIRONMENTAL CONDITIONS:** Office environment with some trips to city facilities. Required to follow safety protocols applicable while visiting city facilities including use of any needed protective equipment.

\* The City of Lansing reserves the right to utilize equivalencies where deemed appropriate with regard to education and experience requirements.

\*\* Failure to obtain the necessary certification may result in lay-off or discharge at the sole discretion of City Council.

## **IA Interview Questions – Revised 6.7.16 (16 questions total)**

### Expertise in the Field

1. Tell us about some of your experiences conducting audits within governmental agencies.
2. Please describe how your responsibilities have changed during your career in auditing, and the scope of your current responsibilities in this field.
3. Tell us about one or two audits you have coordinated or in which you played a consulting role that resulted in cost savings, streamlined and improved processes and procedures, or policy changes.
4. What are some steps you have put in place in your current or previous positions to prevent fraud?
5. Please describe one or two examples where you have used quantitative techniques to analyze samples or populations of data, what kinds of software tools you employed, and how results convinced management to take corrective action.
6. In your current or most recent auditing work, which Enterprise Resource Planning systems are you using?
7. Please describe how frequently you use ERP systems, and for what purposes?
8. Tell us about the audiences receiving your auditing reports in your current position, and discuss your experience in reporting to boards and/or city councils.
9. Tell us about your participation in professional associations geared toward the auditing profession.
10. What steps do you take to keep your job knowledge current with ongoing changes in the industry?

### Interpersonal Relations, Problem-Solving, Communication & Confidentiality

Ask candidates to bring 1-2 examples of audit reports and/or presentations they have given in recent years.

1. Discuss approaches that you have used to work harmoniously with people at all levels of an organization while also maintaining independence and objectivity.
2. Tell us about a time when you faced challenges in interpersonal communication, conflict, and/or resistance from uncooperative individuals when you were performing auditing and reporting duties, and how you handled that situation.
3. Describe a time when you suspected fraud, and what interview and other techniques you used to fully investigate and report the issue.
4. Tell us about a situation where you have handled sensitive, confidential or controversial information, and how you handled communication and resolution in that situation.
5. Tell us about your current or past training and supervisory responsibilities, and any circumstances in which you have incorporated temporary or permanent junior auditors to assist you.
6. Describe the techniques that you find most useful in presenting data and communicating with others about audit procedures, findings and recommendations.

City of Lansing  
Exempt Unity Job Descriptions

**Department/Division:** City Council

**PCN:** LEGISAUD

**Position Title & Level:** Internal Auditor 42

- OBJECTIVE:**
- a. To ensure City programs are meeting goals and objectives by conducting performance audits which make recommendations based on criteria established and evidence obtained.
  - b. To ensure the integrity of City finances by conducting financial and cash audits focusing on economy, accuracy and efficiency in the use of resources used to achieve program results.
  - c. To provide City Council with information necessary to performing its legislative charge.

**EDUCATION & EXPERIENCE REQUIREMENTS:** The City of Lansing reserves the right to utilize equivalencies where deemed appropriate with regard to education and experience requirements.

- Bachelor's Degree, college level course work in accounting
- And auditing and six (6) years of experience as a governmental auditor
- Or an equivalent combination of training and experience
- Master's Degree in Public Administration, Business or a related field preferred
- Certified Internal Auditor preferred
- Certified Public Accountant preferred
- Must possess and maintain a valid driver's license

**SPECIAL EDUCATION AND TRAINING:**

Submission of college transcripts from the educational institution is considered as part of the required documentation in this process and must submit Official College Transcripts. (Must be enclosed in a sealed envelope-mailed directly from the college/university to the City of Lansing Department of Human Resources, 8<sup>th</sup> floor, 124 W. Michigan Avenue, Lansing, MI 48933.)

As a condition of employment, the candidate hired to fill the position that does not have a CIA certification will be required to obtain the necessary certification through (Name of Company) and paid by City Council.

Certification must be obtained within six months of employment.

Failure to obtain the necessary certification will result in lay-off or discharge at the sole discretion of City Council.

### **KNOWLEDGE, SKILLS & ABILITIES REQUIREMENTS:**

Knowledge of auditing and accounting theory, principles and procedures; working knowledge of personal computer systems

Skill in performing a wide range of professional accounting functions including auditing of general ledgers and accounts, analyzing and interpreting financial records and communicating financial information; skill in preparing a wide range of special studies and reports

Ability to evaluate internal control systems and make recommendations for improvement; ability to maintain effective working relationships with City Council Members and staff, and other City department employees; ability to communicate effectively both verbally and in writing

### **PHYSICAL CAPACITY REQUIREMENTS:**

This position requires the individual through assistance or on their own to sit, listen, hear, speak, finger dexterity, feel, and visual acuity.

**ENVIRONMENTAL CONDITIONS:** Office environment, and occasionally, construction sites.

**ESSENTIAL POSITION FUNCTIONS:** (Reasonable accommodations will be provided, if necessary, for individuals with disabilities who can perform the essential job functions with or without reasonable accommodations. Should you need any disability related accommodation in the application and/or selection process, please contact the Department of Human Resources.)

The essential position functions listed below do not include all functions, which may be found in this position as duties, and responsibilities may be added, deleted, or modified at any time.

- Assists the City Council in evaluating the planning and budgeting affairs of the city in order to develop and maintain unified City policies.
- Audits financial transactions of all city agencies at least once every year or as otherwise directed by the City Council.
- Examines City department records such as accounts, contracts, and reports and interviews workers to ensure accurate recording of transactions and compliance with applicable laws and regulations.
- Reviews and evaluates the efficient and economical use of City resources in order to make recommendations for improvements.
- Inspects accounting systems to determine their efficiency and protective value.
- Reviews records pertaining to material assets, such as equipment and buildings, and staff to determine degree to which they are utilized.
- Issues an analysis of the financial position of the City as soon as possible after the close of each fiscal year.
- Analyzes data obtained from City department and agency records for evidence of deficiencies in controls, duplication of effort, extravagance, fraud, or lack of compliance with laws, government regulations, and management policies or procedures.
- Prepares reports of findings and recommendations for the City Council.

Format 3/3/14  
Revised 3/30/11



|                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                              |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
|                                                  | <b>NON-BARGAINING UNIT JOB POSTING</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>POST: Board-Wide</b>      |
| <b>PROCESS: Business Support</b>                                                                                                | <b>SUBPROCESS: Metrics &amp; Audits</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>MAX. # OF OPENINGS: 1</b> |
| <b>JOB TITLE: Director of Internal Audit</b>                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Market Rate</b>           |
| <b>GENERAL SUMMARY OF DUTIES:</b>                                                                                               | Responsible for providing independent, objective assurance and consulting services designed to add value to and improve the BWL's operations. Furthers BWL objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Reports to the Board of Commissioners.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                              |
| <b>ESSENTIAL FUNCTIONS:</b>                                                                                                     | <p>Determines whether the BWL's network of risk management, control, and governance processes are adequate and functioning in a manner to ensure:</p> <ul style="list-style-type: none"> <li>• Risks are appropriately identified and managed.</li> <li>• Interactions with the various governance groups occur as needed.</li> <li>• Significant financial, managerial, and operating information is accurate, reliable and timely.</li> <li>• Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.</li> <li>• Resources are acquired economically, used efficiently, and adequately protected.</li> <li>• Programs, plans and objectives are evaluated.</li> <li>• Quality and continuous improvement are fostered in the BWL's control process.</li> <li>• Significant legislative or regulatory issues impacting the BWL are recognized and addressed appropriately.</li> </ul> <p>Maintains a professional level of requisite knowledge in areas of responsibility. Keeps abreast of new developments and technology. Supports all company initiatives. Required to follow BWL Safety Manual and wear all required personal protective equipment. Attends all required training for safety awareness.</p> |                              |
| <b>JOB SPECIFICATIONS:</b> <ul style="list-style-type: none"> <li>• KNOWLEDGE</li> <li>• SKILLS</li> <li>• ABILITIES</li> </ul> | Master's degree or equivalent in Business Administration, Accounting or related field. Certification as CPA, CIA or CFE required. Minimum of eight years of related experience in auditing, accounting or consulting. Must have a valid Michigan driver's license with an acceptable driving record. Must possess knowledge of software applications, including Microsoft Word and Excel. Ability to: develop and work in a team-based environment; organize, plan and prioritize projects; identify problems; propose and implement solutions; conduct group presentations; facilitate group meetings and lead successful change initiatives.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                              |
| <b>PHYSICAL REQUIREMENTS:</b>                                                                                                   | Frequently required to sit, talk, hear and listen. Good vision required to read and interpret documents. Ability to effectively communicate orally and in writing with the Board of Commissioners, the General Manager, management, employees, other departments and outside agencies. Ability to enter and retrieve data from computerized, typed and written sources. Some travel required. Some night meetings required.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                              |
| <b>WORKING CONDITIONS:</b>                                                                                                      | Normal office environment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                              |
| <b>SEND ALL APPLICATIONS AND MAKE ALL INQUIRIES TO:</b>                                                                         | Wendy Bradley, Human Resources, 1232 Haco Drive, Lansing, MI 48912. <b>Internal applications</b> must be received by <b>January 20, 2006</b> in order to be considered. <b>External applications</b> must be received by <b>February 3, 2006</b> in order to be considered. BWL employment applications can be downloaded from the BWL internet website at <a href="http://www.lbwl.com">www.lbwl.com</a> or hard copies are available from the Human Resources office.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                              |
| <b>NOTE:</b>                                                                                                                    | <b>THE BOARD OF WATER AND LIGHT IS AN EQUAL OPPORTUNITY EMPLOYER</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                              |

**Job Code:**  
**Grade:**

**Title:** Internal Auditor

**Skill Family:**

**JOB SUMMARY:**

Participates as a full partner on the executive staff to meet the organization's short and long-term needs. Assists in establishing overall strategic direction of the company. Encourages and supports performance assessment to determine the overall accomplishments of goals. Directs continuous quality improvement in the company's systems, products and services. Conducts independent audit appraisals of the company's activities and performance.

**PRINCIPAL JOB DUTIES:**

Establish the direction for the development, monitoring and refinement of appropriate performance measures for total quality improvement throughout the company.

Facilitate the understanding of internal and external trends and their implications for the company's policies, processes and practices.

Make formal presentations to the commissioners to advocate for courses of action in support of the company's vision.

Lead the development, implementation, monitoring and refinement of corporate gainsharing programs.

Facilitate the external audits of the company and its pension plans.

Conduct independent appraisals of the company's activities and performance.

Develop an environment of continuous quality improvement in every aspect of the company's products and services.

Provide counsel, education and expertise to key leaders on a wide array of quality improvement, process measurement, employee involvement and auditing issues.

Supports all organizational initiatives.

THE ABOVE STATEMENTS GENERALLY DESCRIBE THE PRINCIPAL AND ESSENTIAL FUNCTIONS OF THE JOB BUT SHOULD NOT BE CONSTRUED AS A DETAILED DESCRIPTION OF ALL ESSENTIAL FUNCTIONS THAT MAY BE INHERENT IN THE JOB.

## SPECIFICATIONS

Internal Auditor

Job Title

Job Code

Job Grade

## KNOWLEDGE, SKILLS, and ABILITIES

Master's degree or equivalent in Business Administration, Accounting, Finance or related field.  
Certifications as CPA and CIA required.

Approximately 8 to 10 years of related in audit and quality management.

## Project management skills

Excellent oral/written communication skill.

Ability to:

- plan, direct and manage the work of others
- organize, plan and prioritize projects
- identify problems and propose and implement solutions
- conduct group presentations
- lead successful change initiatives

Knowledge of:

- software applications to include Word, Excel and Project
- company procedures and departmental functions
- finance, budget and planning issues
- quality improvement techniques
- data analysis and modeling
- basic concept of statistics

**Created:**

Revised: 10/8/08

**Job Code:**

Department Approval

Date \_\_\_\_\_

Human Resources Approval

Date \_\_\_\_\_

City of Lansing  
Teamster 243 SUP Unit Job Description

**Department/Division:** PND/Building Safety & Code Compliance    **PCN:** BLDINSUP

**Position Title & Level:** Chief Building Inspector 37

**SPECIAL REQUIREMENTS & TRAINING:** Failure to obtain or maintain job required qualifications will result in appropriate action consistent with the provision of the Appropriate Collective Bargaining Agreement or Personnel Rules.

Must be registered or meet eligibility requirements in accordance with Public Act #54 of 1986 for registration as a Provisional Building Inspector and Plan Reviewer and make application for provisional registration for this title within thirty (30) days of notification of selection for this position. Registration as a Building Inspector and Plan Reviewer must be retained for the entire course of employment in this position. Failure to obtain or retain registration will result in appropriate action consistent with the provisions of the Teamsters Collective Bargaining Agreement.

**EDUCATION & EXPERIENCE REQUIREMENTS:** The City of Lansing reserves the right to utilize equivalencies where deemed appropriate with regard to education and experience requirements.

- High School Diploma or GED
- And two (2) years of college
- And six (6) years of experience as a building inspector
- Or High School Diploma or GED
- And eight (8) years of code enforcement,
- With a minimum of four (4) years as an inspector;
- Or an equivalent combination of training and experience
- Must possess and maintain a valid driver's license
- International Code Council Certification as a Building Inspector preferred

**KNOWLEDGE, SKILLS & ABILITIES REQUIREMENTS:**

Knowledge of the Michigan Building Codes and all aspects of its use and enforcement; knowledge of state laws pertaining to construction of buildings; knowledge of principles of modern architecture, design and of construction methods and materials; knowledge of all phases of inspections, testing equipment and methods of construction; knowledge of Zoning Ordinance and other laws and ordinances that affect the enforcement of the building code; knowledge of cost of construction and ability to calculate permit fees.

Skill in operating a variety of office equipment; including but not limited to: personal computer, copier, facsimile machine and cash register; skill in supervising, training and evaluating work of lower level staff; skill in blueprint reading and interpretation; skill in code interpretation and enforcement; skill in maintaining accurate records; skill in mediating and resolving problems related to building code issues; skill in establishing construction values.

Ability to establish effective working relationships with co-workers and the public; ability to communicate effectively both verbally and in writing

**PHYSICAL CAPACITY REQUIREMENTS:**

This position requires the individual through assistance or on their own to walk, climb, stoop, kneel, crouch, crawl, reach, balance, handle, finger, talk, listen and visual acuity.

**ENVIRONMENTAL CONDITIONS:** Office environment with some trips to construction sites.

**ESSENTIAL POSITION FUNCTIONS:** (Reasonable accommodations will be provided, if necessary, for individuals with disabilities who can perform the essential job functions with or without reasonable accommodations. Should you need any disability related accommodation in the application and/or selection process, please contact the Department of Human Resources).

The essential position functions listed below do not include all functions, which may be found in this position as duties, and responsibilities may be added, deleted, or modified at any time.

- Supervises and evaluates work of subordinate Building Inspectors and provides them with needed work direction and training.
- Enforces the building and sign codes throughout the City.
- Issues residential building permits and provides for fee collections by determining construction valuation.
- Performs residential plan review to ensure conformance to codes.
- Supervises and evaluates building inspectors and permit clerk.
- Ensures the efficient operation of the public counter in the permits process.
- Develops and maintains informational handouts, forms and permit applications for the counter.
- Maintains records of all Building Permits and other related documents in the Building Safety Division.
- Provides interpretation and enforcement of the Michigan Residential Code.
- Prepares and resolves complaints from contractors, owners and the public.
- Conducts inspections for Special Use Permits and residential and non-residential safety inspections.
- Coordinates the activities of the Electrical, Mechanical and Plumbing sections of the Building Safety Division during joint inspections.
- Drives a motor vehicle to and from work sites as required.

Format 03/03/14

Revised 7/17/12

Revised 8/6/15

**CITY OF LANSING  
DEPARTMENT OF HUMAN RESOURCES  
TEAMSTER 243 CTP JOB DESCRIPTION**

**Department/Division:** Fire - Fire Marshal Division

**Job Title:** Premise Officer 28 (Part Time)

**PCN:** PTPRMSOF

**SPECIAL REQUIREMENTS & TRAINING:** Failure to obtain or maintain job required qualifications will result in appropriate action consistent with the provision of the Appropriate Collective Bargaining Agreement or Personnel Rules.

This position requires that the applicant placed be able to be bonded under the terms of the City's blanket bond. Therefore, applicants cannot have committed any dishonest acts, before or after placement in the position. Applicants must authorize the release of any information from appropriate agencies regarding the applicant's criminal history and be bondable in order to be referred for consideration

**EDUCATION & EXPERIENCE REQUIREMENTS:** High School diploma or GED. Experience or Course work in planning or residential construction preferred. General computer skills preferred. Must be able to use a laptop computer in a mobile environment Must earn ICC Certified Code Enforcement Officer status within 2 years of employment. ICC certification consists of passing exams for Certified International Property Maintenance Officer and as an International Zoning Enforcement Officer. Must possess and maintain a valid Michigan driver's license.

**REQUIRED KNOWLEDGE, SKILLS & ABILITIES:** Ability to acquire knowledge of the laws, regulations, codes and ordinances regulating housing, building standards, and uses of land. Ability to acquire knowledge of materials, construction methods and processes of allied trades. Ability to acquire working skill in detecting inferior, non-standard structural and material faults. Ability to acquire working skill in interpreting plans, specifications and blueprints. Ability to acquire skill in enforcing code compliance tactfully and courteously. Ability to acquire skill in maintaining records and preparing reports. Ability to communicate effectively both verbally and in writing. Ability to understand and follow oral and written instructions, Ability to make decisions/problem solving under highly stressful conditions in dealing with the public. Ability to adhere to the City of Lansing Code of Ethics Policy, establishing and maintaining effective working relationships with elected officials, supervisors, other City employees, co-workers and members of the public.

**PHYSICAL CAPACITY REQUIREMENTS:** This position requires the individual through assistance or on their own to walk, climb, stoop, kneel, crouch, crawl, reach, balance, handle, finger, talk, listen, and visual acuity.

**ENVIRONMENTAL CONDITIONS:** Work is performed throughout City of Lansing Neighborhoods, Inside and outside environment under normal or inclement weather conditions.

Revised 5/15/2015

Updated ADA Language and confirmed job duties 7/16/12

**CITY OF LANSING  
DEPARTMENT OF HUMAN RESOURCES  
TEAMSTER 243 CTP JOB DESCRIPTION**

**Department/Division: Fire - Fire Marshal Division**

**Job Title: Premise Officer 28 (Part Time)**

**PCN: PTPRMSOF**

**ESSENTIAL JOB FUNCTIONS:** (Reasonable accommodations will be provided, if necessary, for individuals with disabilities who can perform the essential job functions with or without reasonable accommodations. Should you need any disability related accommodation in the application and/or selection process, please contact the Department of Human Resources).

**The essential position functions listed below do not include all functions, which may be found in this position as duties, and responsibilities may be added, deleted, or modified at any time.**

- Investigates, inspects and takes action to abate sub-standard housing relating to exterior premises such as: trash, debris, tall grass/weeds, Disabled Abandoned Motor Vehicles, Front Yard Parking, Vision Obstruction, Open and Accessible, and Premises Identification. Must be able to accurately observe and interpret information in accordance with the City of Lansing Ordinances.
- Works with Code Enforcement Officers, other Premise Officers, Support Staff, Lead Housing Inspector and Fire Marshal/Code Enforcement Division Manager to help monitor, issue correction notices and authorize abatement of exterior violations on all premises with an emphasis on tagged properties.
- Maintains files and prepares inspection reports.
- Answer inquiries from the general public relating to Code issues and violations.
- Provides expert testimony in court.

Revised 5/15/2015

Updated ADA Language and confirmed job duties 7/16/12

**City of Lansing**  
**DEPARTMENT OF HUMAN RESOURCES**  
**TEAMSTER 214 JOB DESCRIPTIONS**

**Department: Finance**

**Job Title: Accounting Manager 41**

**Job Code: ACCTMGR**

**EDUCATION & EXPERIENCE:** Bachelor's Degree in Accounting or Financial Administration or a related field and five (5) years of professional experience, including supervisory experience; or an equivalent combination of education, training and experience.

**REQUIRED KNOWLEDGE, SKILLS & ABILITIES:** Knowledge of governmental accounting principles and Comprehensive Annual Financial Report (CAFR) preparation. Knowledge of internal controls and financial management practices. Knowledge of financial computer systems, including general ledger, accounts payable, payroll, purchasing, budgeting, and fixed assets. Knowledge of grant accounting, regulations and requirements. Skill in planning and supervising the work of others, directing and coordinating accounting, communicating financial information, preparing complex reports and budgets. Knowledge and skill in coordinating work for financial audits. Skill in utilizing computers, with advanced knowledge of Microsoft Excel, Microsoft Word, Microsoft Access, Powerpoint, and financial databases. Ability to maintain effective working relationships with co-workers; outside audit professionals; outside agencies; and the general public. Ability to communicate effectively, both verbally and in writing. Must be dependable and possess a good work record.

**ESSENTIAL JOB FUNCTIONS:** (Reasonable accommodations will be provided, if necessary, for individuals with disabilities who can perform the essential job functions.)

- Supervises accounting activities for the City of Lansing, including the operational activities necessary to maintain and close the City's books and prepare financial statements.
- Reviews and supervises the work of subordinates.
- Reviews and approves City disbursements for release in accordance with City policy.
- Certifies funds for City contracts in accordance with City policy.
- Researches, develops and implements all changes to the City's accounting system procedures and policies in conjunction with the Finance Director and Deputy Finance Director.
- Coordinates risk management with departments and insurance agents, in conjunction with the City Attorney's Office.
- Coordinates the annual financial audit.
- Oversees payroll and pension reporting functions.
- Implements financial policies and procedures.
- Consults with and directs City departments on accounting and internal control matters.
- Acts as operational contact with external auditors.
- Prepares divisional budget based on broad guidelines established by the Finance Director.
- Prepares various reports used to determine optimal courses of action concerning the City's financial resources.

Examples of job functions listed do not include all tasks which may be found in this position. Duties and responsibilities may be added, deleted or modified at any time.

**PHYSICAL CAPACITY REQUIREMENTS:** This position requires the individual through assistance or on their own to stand, walk, sit, finger dexterity and/or feeling, speak, hear, and visual acuity.

**ENVIRONMENTAL CONDITIONS:** Office environment.

Revised 7/12/11

## ACCOUNTING MANAGER (40) SELECTION PROCESS

### PROCESS

The selection process consists of two parts: a written examination and an oral interview conducted by the Director of Finance, the Deputy Director of Finance, the former Deputy Controller, and the City Treasurer. Upon completion of both portions, a composite score will be established for each applicant and a recommendation will be developed.

#### **1) Written Test - 50 points possible**

The written test will consist of 20 short answer questions worth fifty (50) total points. Applicants will be given 60 minutes to complete the test. The test will cover knowledge of areas directly related to the duties of the Accounting Manager based on the City Charter, state law, City ordinances, and generally accepted accounting principles. A copy of the test is attached. Candidates must obtain a minimum passing score of thirty-five (35) points, seventy percent (70%), on the written test in order to participate in the oral interview.

#### **2) Oral Interview - 70 points possible**

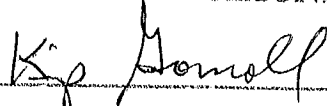
The oral interview will consist of ten (10) questions, worth five (5) points each, with up to twenty (20) additional points awarded for overall verbal communication and presentation skills. The oral interview will take approximately 45 minutes to complete. Each candidate will be scored independently by each of the four interviewers, then a final score for the oral interview will be derived by the four interviewers reaching consensus. A copy of the interview questions is attached.

#### **3) Final Scoring**

Candidates must score a minimum of forty-nine (49) points, seventy percent (70%), on the oral interview in order to be considered for the position.

Seniority points: In accordance with Personnel Procedure 35, Teamster Local 214 unit employees who obtain passing scores on both the written test and oral interview will be awarded 1.2 points for each year of Teamster Local 214 bargaining unit seniority.

The written test score, oral interview, and seniority points will constitute the final score. Final selection will be in accordance with the guidelines established in Personnel Procedure No. 35.

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|------------------------------------------------------------------------------------------------------------------------------------------|
| REVIEWED BY<br>HUMAN RELATIONS<br><br>Date 12/19/01 |
|------------------------------------------------------------------------------------------------------------------------------------------|

**Accounting Manager 40**  
**Written Test**

**Name:** \_\_\_\_\_ **Date:** \_\_\_\_\_

1. What is the basis of accounting used in Governmental Funds? (2.5 points)
  
2. What is an encumbrance? (2.5 points)
  
3. What are accrued compensated absences? (2.5 points)
  
4. How are bond proceeds reported in a governmental fund? (2.5 points)
  
5. What determines the order of assets on a balance sheet? (2.5 points)
  
6. What is the difference between the balance sheet items "Due from Other Funds" and "Advances to Other Funds"? (2.5 points)
  
7. What is a capital lease? (2.5 points)
  
8. What financial statements are required for an Internal Service Fund? (2.5 points)

9. Define working capital. (2.5 points)
10. What determines the designated portion of the fund balance in a Capital Projects Fund? (2.5 points)
11. What is an appropriation? (2.5 points)
12. How is the liability of a defined benefit pension trust fund determined? (2.5 points)
13. Investments are reported in governmental fund financial statements at what amount? (2.5 points)
14. Fixed assets are reported in enterprise fund financial statements at what amount? (2.5 points)
15. What organization is the primary source of accounting principles for governments? (2.5 points)
16. In an enterprise fund, what is the accounting treatment of interest incurred on debt issued to finance a capital project during the construction period? (2.5 points)

17. What is the difference between revenue bonds and general obligation bonds?  
(2.5 points)
18. How is the loss incurred in a refunding of debt accounted for? (2.5 points)
19. What are the sources of contributed capital? (2.5 points)
20. What is contract retainage? (2.5 points)

Written Test Total Score: \_\_\_\_\_

**Accounting Manager 40**  
**Written Test - Answers**

1. The Modified Accrual Basis of Accounting
2. A reservation of funds in a budget account equal to the amount of a contractual obligation.
3. Paid time off earned by employees but not yet used.
4. As a Financing Source
5. Liquidity
6. "Due from" amounts are expected to be received within a year. "Advances to" are expected to remain outstanding for more than a year.
7. A contract where a capital asset is paid for in installment payments.
8. Balance Sheet, Income Statement and Cash Flow Statement
9. Current assets less current liabilities.
10. The unexpended portion of the expenditure budget.
11. A budget authorization approved by the governing body.
12. By an actuarial study
13. Fair Value (market value)
14. Book value (original cost less accumulated depreciation)
15. The Governmental Accounting Standards Board (GASB)
16. It is capitalized (added to the cost of the asset)
17. Revenue bond debt service is backed by specific revenue sources. General obligation bond debt service is backed by the full faith and credit of the government.
18. It is amortized over the life of the refunding bonds.
19. The local government, state government, federal government, customers & subdividers (contributions in aid of construction).
20. Amounts withheld from progress payments to contractors for work completed to ensure completion of the contract and payment of subcontractors.

**ORAL INTERVIEW  
ACCOUNTING MANAGER 40**

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

1. This position requires an individual who can be flexible in time management and yet meet deadlines. Describe a work experience that you have had that demonstrates this ability. **(5 points)**

Acceptable responses include the following:

Dedication to high quality work, creativity; on time work under stress; cooperation; seek alternative solutions; utilize staff effectively, delegate; other acceptable answers

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_

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2. This position requires personal contact with a variety of people during working hours. How do you approach a person who is difficult to deal with? **(5 points)**

Acceptable responses include the following:

Listen; try different approach; call supervisor; offer alternative, remain calm; seek assistance of others who may have a calming effect; be consistent; other acceptable answers

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_

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5. In order to do an effective job, supervisors must develop some fundamental skills or competencies. What skills or competencies do you feel a supervisor should develop? **(5 points)**

Acceptable responses include the following:

Setting goals; team building-build and maintain a work team; recognizing problems and stopping them before they get out of hand; leadership - being a leader not a boss; making jobs more interesting; mentoring; giving workers a say about their jobs; listening skills; coach workers to improve job skills; other acceptable answers

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_  
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6. It is important that supervisors ensure that the conditions of employment agreed to by the City are carried out fairly and honestly. Equally important is that management rights not be encroached upon. Grievances in general are not allowed on management issues. What does management have the right to determine. **(5 points)**

Acceptable responses include the following:

Organizational structure; work to be performed; how work is to be performed; how funds are spent in performing the work; selection of supervisory personnel; standards on selection of employees; other acceptable answers

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_  
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7. The Accounting Manager spends a substantial amount of time in or conducting meetings. Meetings are an important and necessary part of getting things done. Unfortunately, few meetings are as effective as they could be. By realizing common problems inherent in conducting meetings, one can eliminate wasted time and make meetings useful. What are the common pitfalls of business meetings and how can they be rectified? **(5 points)**

Acceptable responses include the following:

Individuals are allowed to dominate – assume control; the meeting is too long – limit meeting to 1 hour; the leader does not control the meeting – stay on the agenda; an agenda is not developed – participants should know what will be discussed; participants are not informed of the purpose – make the task clear; other acceptable answers

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_  
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8. This position must work well with a variety of people. What key interpersonal skills do you have that would help you to work effectively with your colleagues, elected officials, department policy and program personnel, and the general public? **(5 points)**

Acceptable responses include the following:

Sensitivity to and knowledge of the political and policy process; prior experience in working with senior management; public relations, writing, speaking, and presentation skills; prior experience in working with a political body, in a political setting; sales/persuasion skills/experience; confidentiality; objectivity; other acceptable answers.

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_  
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9. The audit for FY 2001-2002 will be the first City audit to incorporate the provisions of GASB 34. What challenges do you foresee in implementing GASB 34? **(5 points)**

Acceptable responses include the following:

Knowledge of GASB 34; experience with GASB 34; experience with external auditors; experience with implementing new accounting standards; organizational skills; other acceptable answers.

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_  
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10. The Accounting Manager will share substantial responsibility for selecting and implementing a new financial management system over the next 18 months. Describe your experiences and training with project management, system implementation and data conversion. Describe your experience and/or training with automated accounting systems, PC software and mainframe applications. **(5 points)**

Acceptable responses include the following:

Experience with various FMS systems; project management experience; experience with system conversions; project management experience; other acceptable answers.

\_\_\_\_\_ 5 pts. Exceptional knowledge of the subject matter.

\_\_\_\_\_ 3.5 pts. Good knowledge of the subject matter.

\_\_\_\_\_ 1 pt. Minimal knowledge of the subject matter.

Score \_\_\_\_\_

Notes: \_\_\_\_\_  
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11. An additional maximum of twenty (20) points will be awarded for overall presentation/personal interaction skills, grammar, demonstrated ability to communicate clearly and effectively (i.e., thoughtful/considered response; organized, direct, concise response). Scoring will be based on the evaluators' consensus. **(20 points)**

Comments: \_\_\_\_\_  
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Oral Interview Total Score: \_\_\_\_\_

**City of Lansing  
Accounting Manager 40  
2001 Selection Process  
Summary Scoring Sheet**

**Applicant Name** \_\_\_\_\_ **Date** \_\_\_\_\_

**Written Exercise Total** \_\_\_\_\_  
(50 possible points, minimum 35 to pass)

**Interview Total** \_\_\_\_\_  
(70 possible points, minimum 49 to pass)

**Seniority Points** \_\_\_\_\_  
(1.2 points per year of Teamster 214 seniority)

**TOTAL** \_\_\_\_\_

|                           |                           |                           |                           |
|---------------------------|---------------------------|---------------------------|---------------------------|
| _____<br><b>Evaluator</b> | _____<br><b>Evaluator</b> | _____<br><b>Evaluator</b> | _____<br><b>Evaluator</b> |
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| _____<br><b>Date</b> | _____<br><b>Date</b> | _____<br><b>Date</b> | _____<br><b>Date</b> |
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## SAMPLE EXAMINATION

The purpose of the following sample examination is to provide an example of what is provided on exam day by ASQ, complete with the same instructions that are provided on exam day.

The test questions that appear in this sample examination are retired from the CQA pool and have appeared in past CQA examinations. Since they are now available to the public, they will NOT appear in future CQA examinations. This sample examination WILL NOT be allowed into the exam room.

Appendix A contains the answers to the sample test questions. ASQ will not provide scoring and analysis for this sample examination. Remember: These test questions will not appear on future examinations so your performance on this sample examination may not reflect how you perform on the formal examination. A self-appraisal of how well you know the content for the specific areas of the body of knowledge (BOK) can be completed by using the worksheet in Appendix B.

On page 1 of the instructions, it states “There are 150 questions on this 5-hour examination. You will receive 2 parts to the CQA exam, (1) multiple-choice questions, (2) Audit Documents for the case study questions.” Please note that this sample exam only contains 80 questions and the 2 parts are combined. Each part does include the same cover letters and page numbering formats as the formal examination.

If you have any questions regarding this sample examination, please email [cert@asq.org](mailto:cert@asq.org)

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The following section contains the first part of the CQA examination, the multiple-choice questions.



NAME \_\_\_\_\_

## CERTIFIED QUALITY AUDITOR

→ Please print your name above. Read all the instructions before beginning the examination. If you are unsure about any part of the instructions, consult your proctor. In order for ASQ to be able to properly scan the Scantron answer sheet you **must** completely fill in the circle. Each circle **must** be filled in dark enough for the scanner to properly pick up the answer you chose. If not this could result in the exam not being scored correctly, or potentially delay your results.

### General Instructions

All answers **must** be recorded on the Scantron Answer Sheet; no exam will be graded with the answers marked in the exam booklet.

There are 150 questions on this 5-hour exam. You will receive 2 parts to the CQA exam, (1) multiple-choice questions, (2) Audit Documents for the case study questions.

1. Using a soft lead pencil (#2 or softer) only, blacken the circle of the correct answer. **Do not use ink.** If you change your answer, be sure to erase the previous answer completely. Do not fold, staple, or tear the answer sheets.
2. Each question has **ONE** correct answer only.
3. This is a timed test; do not linger over difficult questions. Instead, skip the questions of which you are unsure; return to them when you reach the end of the test.
4. Although this is an open book examination and personally generated materials/notes from training or refresher courses **are** allowed, the following conditions apply:
  - Each examinee must make his/her reference materials available to the proctor for review.
  - Absolutely no collections of questions and answers or weekly refresher course quizzes are permitted. Reference sources that contain such copy are not allowed unless the questions and answers are removed or obscured. **Examples of such sources include but are not limited to refresher and preparatory primers.**
  - **Calculator Policy:** With the introduction of palmtop computers and increasing sophistication of scientific calculators, ASQ has become increasingly aware of the need to limit the types of calculators that are permitted for use during the examinations. **Any silent, hand-held, battery-operated calculator WITHOUT an alphabetic keyboard will be permitted; however, all programmable memory must be cleared from the calculator before you enter the exam room.** The examination is written so that a simple calculator will be sufficient to perform calculations.
  - No laptop or palmtop computers are allowed.
  - No Cell Phones are allowed in exam room
  - Reference materials and calculators may not be shared.
5. When you have finished, check your answer sheet to be sure it is properly identified with your name and member number. Return your examination booklet, answer sheet, examinee comment form and scratch paper to your proctor. You must sign the roster sheet to signify the return of your test booklet.
7. It is strictly forbidden to copy or remove examination materials. You will be disqualified from the examination and not certified by ASQ if you breach this trust.
8. **PLEASE BE PATIENT** - you will receive your results in approximately two weeks. Sorry, but we do not answer telephone requests for results. If you pass, your certificate will be sent directly to your address of record. If you do not pass, you will receive a Pareto analysis of your test results along with retake information.

1. Please note that your answer sheet has been personalized with your name, member number, section number, and test type.
2. Do NOT make any changes to these parts of the answer sheet. Doing so will only delay your exam results. Notify the Proctor of any changes.
3. If you don't have a personalized answer sheet, see your Proctor for further instructions.
4. There are 150 questions on this 5-hour examination.

| LAST NAME |   |   |   |   |   |   |   |   |   |   |   |   | FIRST NAME |   |   |   |   |   |   |   |   |   |   |   |   | SSN SECTION |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |     |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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| A         | B | C | D | E | F | G | H | I | J | K | L | M | N          | O | P | Q | R | S | T | U | V | W | X | Y | Z | A           | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | A | B | C | D | E | F | G   | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z |
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| A         | B | C | D | E | F | G | H | I | J | K | L | M | N          | O | P | Q | R | S | T | U | V | W | X | Y | Z | A           | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | A | B | C | D | E | F | G   | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z |
| A         | B | C | D | E | F | G | H | I | J | K | L | M | N          | O | P | Q | R | S | T | U | V | W | X | Y | Z | A           | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | A | B | C | D | E | F | G   | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z |
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| A         | B | C | D | E | F | G | H | I | J | K | L | M | N          | O | P | Q | R | S | T | U | V | W | X | Y | Z | A           | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | A | B | C | D | E | F | G</ |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |

**DO NOT CONTINUE UNTIL INSTRUCTED**

## CERTIFIED QUALITY AUDITOR Test

Directions: Each of the questions or incomplete statements below is followed by four suggested answers or completions. Select the one that is best in each case and then fill in the corresponding space on the answer sheet.

---

1. A root cause of a nonconformance is defined as a problem that
  - (A) is discovered by conducting designed experiments
  - (B) is established through the use of fishbone diagrams
  - (C) must be reviewed by the material review board
  - (D) must be corrected in order to prevent a recurrence
2. When lower-tier documents are compared to higher-tier documents before the fieldwork starts, the comparison is called a
  - (A) desk audit
  - (B) process audit
  - (C) conformance audit
  - (D) management audit
3. An audit trail is necessary in order to
  - (A) schedule and budget for audit assignments
  - (B) show how and when items were reviewed
  - (C) provide management with justification for an audit
  - (D) provide the audit manager with audit results
4. Which of the following audit strategies is a common technique to assess compliance to a specific requirement at all locations where that requirement is applicable?
  - (A) Discovery method
  - (B) Element method
  - (C) Department method
  - (D) Process method
5. Which of the following conclusions can be made by an auditor who observes that statistical process control (SPC) charts posted near operator workstations are done correctly and are regularly completed throughout the plant?
  - (A) Commitment of management to quality is strong
  - (B) Processes are being improved continually
  - (C) Shop floor staff have been fully trained
  - (D) SPC charts are available
6. When is it acceptable to grant an extension of the time frame for a corrective action?
  - (A) When the auditor cannot perform the follow-up audit as scheduled
  - (B) When the auditee determines that the proposed corrective action is not cost-effective
  - (C) When the corrective action plan requires more time than originally anticipated
  - (D) When there has been a change in operators who perform the task
7. The fraction of nonconforming products is plotted on which of the following types of control charts?
  - (A) p chart
  - (B) u chart
  - (C) np chart
  - (D) c chart
8. Auditors can use flowcharts in their work in order to
  - (A) analyze the causal factors of process dispersion
  - (B) understand the overall process or system being audited
  - (C) distinguish variations in a process over time
  - (D) determine process capability and uniformity

9. An auditee responds to a corrective action request by stating that the problem has never occurred before and is "not the norm for our operation." Which of the following is the most appropriate action for the lead auditor?
- (A) Note that the deficiency is the result of a random occurrence.
  - (B) Draft a response explicitly requesting a more concise root-cause analysis.
  - (C) Confer with the audit client to assess the appropriateness of the response.
  - (D) Schedule a follow-up audit immediately.
10. Which of the following is an audit reporting technique for prioritizing audit findings?
- (A) Weibull distribution
  - (B) Risk-benefit ratio
  - (C) Cognitive dissonance
  - (D) Ishikawa diagram
11. Which of the following is most important for an auditor to convey at an initial audit interview?
- (A) A give-and-take atmosphere that focuses on compromise
  - (B) A formal approach that is guided by specific roles for each participant
  - (C) An interest in cooperation and open dialogue
  - (D) A personal approach to information gathering
12. If the audit escort for one area is repeatedly late or unavailable, what is the best option open to the auditor?
- (A) Notify the auditee management of the consequences created by the delays.
  - (B) Narrow the scope of the audit to accommodate the delays.
  - (C) Proceed without the escort.
  - (D) Assess system effectiveness using objective evidence from other areas.
13. Which of the following statistics would best describe the central tendency of a sample of data?
- (A) Mode
  - (B) Mean
  - (C) Standard deviation
  - (D) Range
14. During the opening meeting, it is the auditee's responsibility to
- (A) prepare the meeting agenda
  - (B) set the audit schedule
  - (C) state the audit purpose and scope
  - (D) identify safety requirements
15. Auditor independence includes freedom from which of the following?
- I. Bias
  - II. Conflict of interest
  - III. External influences
  - IV. Previous exposure to the area
- (A) I and II only
  - (B) II and IV only
  - (C) I, II, and III only
  - (D) II, III and IV only
16. Which of the following requests by an auditor is likely to obtain the most objective evidence for verification?
- (A) "What kind of information do you receive?"
  - (B) "Who provides the information to you?"
  - (C) "Describe how you receive information."
  - (D) "Show me the information you have received."

17. Audits are conducted against a performance standard to ensure which of the following?
- I. Meaningful measurements
  - II. Objectively evaluated performance
  - III. Perceptive observations
- (A) I only  
(B) I and II only  
(C) II and III only  
(D) I, II, and III
18. While performing an internal audit, an auditor notices that an operator on one shift skips part of the documented procedure. In this situation, the auditor should do which of the following?
- (A) Make a note on the checklist and initial it.  
(B) Report it to the operator's supervisor or manager.  
(C) Question the operator about the observation.  
(D) Ask another operator to evaluate the situation.
19. An auditor is performing an audit of a drilling machine that produces 100 pieces a day and that is showing improved quality. Which of the following rules should be used for determining the proper sample size for a fixed level of confidence?
- (A) The moving average should be calculated.  
(B) The sample size should be decreased as the quality improves.  
(C) The AQL of the raw material should be used.  
(D) A 10% sample size should be used, regardless of the change in quality.
20. An audit report should contain which of the following?
- (A) Audit findings  
(B) Root cause analysis  
(C) Corrective action  
(D) Re-audit schedule
21. The objective evidence supporting an audit observation must be
- (A) recorded on the working papers  
(B) verified by the escort  
(C) mentioned to the auditee  
(D) written as a nonconformance
22. Generally, which of the following is the most meaningful way to trace a finished product?
- (A) Forward from starting with the acquisition of raw materials  
(B) Forward from the first production activity  
(C) Backward from the start of the assembly process  
(D) Backward from the end point
23. When a proposed corrective action plan is judged unacceptable, an auditor should do which of the following?
- (A) Revise the submitted plan on the basis of the auditor's knowledge and technical expertise.  
(B) Notify the auditee and request that a new plan be submitted by the next level of management.  
(C) Discuss the plan's deficiencies with the auditee and request a revised plan.  
(D) Suggest that the auditee benchmark the deficient area and then rewrite the plan.
24. Who makes the final determination regarding the distribution of the audit report?
- (A) The lead auditor  
(B) The audit group manager  
(C) The auditee  
(D) The client

CQA-SAMPLE EXAM

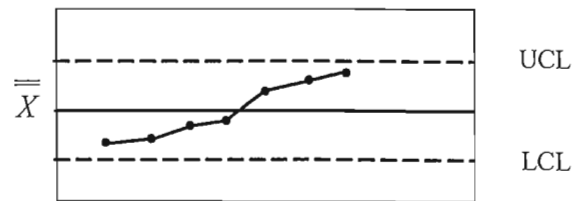
25. The confidence level in a sampling plan is defined as the
- (A) degree of uncertainty that the selected sample contains at least one example of any errors that are present
  - (B) degree of certainty that the selected sample contains at least one example of any errors that are present
  - (C) lowest performance level that can be considered acceptable for the function being audited
  - (D) maximum error rate that can be considered acceptable for the function being audited
26. Which of the following types of tools or techniques is considered qualitative?
- (A) Histograms
  - (B) Frequency distributions
  - (C) Pareto charts
  - (D) Process observations
27. An auditor finds deficiencies in the order entry, purchasing, product test, and shipping functions of a potential supplier. Which of them should have the highest priority in the audit report?
- (A) Order entry
  - (B) Product test
  - (C) Purchasing
  - (D) Shipping
28. After an external audit, the auditee may be asked to evaluate which of the following auditor skills or elements of the audit?
- (A) Interviewing, interaction, accuracy of the audit report
  - (B) Audit scheduling, auditor training records, observing an audit
  - (C) Communication, listening, checklist preparation
  - (D) Clarity of past audit reports, number of findings, lack of bias
29. To determine whether a finding is a minor, isolated incident or a serious, chronic problem, an auditor should consult with the
- (A) auditee's quality assurance inspector
  - (B) auditee's department manager
  - (C) audit team
  - (D) client
30. Which two of the following conditions must be met in order to infer statistical significance about the results of an audit sample?
- I. The population must be homogeneous.
  - II. The sample size must be greater than 10.
  - III. The sample must be random.
  - IV. The sample must be taken from multiple locations.
- (A) I and II
  - (B) I and III
  - (C) II and III
  - (D) III and IV
31. Which of the following qualifications would contribute most to an auditor being able to function effectively in various industrial or service disciplines?
- (A) Familiarity with technical standards and regulations
  - (B) A college degree in a specific technical area
  - (C) A working knowledge of typical corporate organizational structures
  - (D) Extensive background in calibration and metrology techniques
32. A root cause analysis can best be described as a process that is used to
- (A) evaluate corrective action plans
  - (B) determine the basic reason for an undesirable condition
  - (C) identify the symptoms of an undesirable condition
  - (D) differentiate between major and minor problems

33. A quality audit contributes to improvement of the quality of a company's products and services by
- (A) identifying under-performers
  - (B) identifying the need for corrective action
  - (C) suggesting ways to improve performance
  - (D) improving customer satisfaction
34. Which of the following would NOT normally be used as a major category in a cause and effect diagram?
- (A) Modifications
  - (B) Methods
  - (C) Materials
  - (D) Machines
35. An auditee who objects to any part of an audit plan should first make those objections known to the
- (A) lead auditor
  - (B) audit team members
  - (C) audit program manager
  - (D) client
36. Which of the following is the most fundamental role of the audit function?
- (A) Reporting identified problems to the supervisor of the audited area
  - (B) Monitoring performance of the organization and determining corrective action for substandard performance
  - (C) Reporting findings to upper management to ensure that proper corrective action is taken
  - (D) Verifying the effectiveness of the organization's quality system in preventing substandard performance
37. What action should an auditor take if an auditee responds to a procedural noncompliance by stating that the procedure conflicts with a written company policy?
- (A) Close out the corrective action request.
  - (B) Notify the auditee to comply with the procedure.
  - (C) Void the noncompliance.
  - (D) Request that the auditee resolve the conflict.
38. In quality auditing, a finding is defined as
- (A) an observation of common behaviors
  - (B) an item of objective evidence found during an audit
  - (C) a fundamental deficiency that can lead to nonconformance
  - (D) a conclusion of importance based on evidence
39. An internal audit schedule should be prioritized on the basis of all of the following criteria EXCEPT the
- (A) cost of the activities
  - (B) risk of the activities
  - (C) size of the auditee's department
  - (D) management's requests
40. The accuracy of quality audit documentation is especially important in which of the following situations?
- (A) One of the audit team members is aware of a possible personal bias related to the audit.
  - (B) The documentation is likely to be used as evidence in litigation.
  - (C) An audit has yielded more documentation than expected.
  - (D) The documentation supports an auditor's viewpoint.
41. An auditee is likely to be most threatened by an auditor's use of which of the following interviewing techniques?
- (A) Paraphrasing an auditee's response while writing it down
  - (B) Being silent while waiting for an auditee to respond to a question
  - (C) Underlining key facts when recording an auditee's response
  - (D) Using a tape recorder to record an auditee's response

42. Partitioning or segmenting an audit is a useful way to
- (A) understand resource flows
  - (B) simulate operating conditions
  - (C) determine the relationship among parts
  - (D) manage a large audit
43. Which of the following behaviors is LEAST important for an auditor to exhibit?
- (A) Remaining calm throughout the audit
  - (B) Displaying honesty and forthrightness
  - (C) Adhering to the original audit plan
  - (D) Working in a planned and systematic manner
44. An auditee's procedures require that all design drawings be dated and signed. During a design review, an auditor notices that several drawings are signed, but not dated. The missing dates are examples of what kind of data?
- (A) Quantitative
  - (B) Measured
  - (C) Variable
  - (D) Qualitative
45. "What are your defined responsibilities in the calibration laboratory?"
- The question above is an example of what type of questioning technique?
- (A) Open-ended
  - (B) Close-ended
  - (C) Leading
  - (D) Discovery
46. Audit team members are responsible for which two of the following?
- I. Initiating the audit
  - II. Remaining within the scope of the audit
  - III. Compiling and analyzing evidence
  - IV. Recommending specific corrective actions
- (A) I and III
  - (B) I and IV
  - (C) II and III
  - (D) II and IV
47. An audit schedule is an integral part of which of the following phases of the auditing process?
- (A) Initiation
  - (B) Preparation
  - (C) Closing
  - (D) Reporting
48. As the last step before distributing an audit plan, an auditor should have the plan
- (A) approved by the client
  - (B) approved by the auditee
  - (C) reviewed by the organization to be audited
  - (D) reviewed by auditee management
49. Who is responsible for preparing the corrective action plan?
- (A) The auditor
  - (B) The auditee
  - (C) The registrar
  - (D) The audit manager
50. An auditee has responded to all requests for corrective action in a timely manner. Which of the following is the next step for the auditor?
- (A) Close all those findings in which the response is accompanied by adequate objective evidence.
  - (B) Evaluate the adequacy of the responses.
  - (C) Schedule a follow-up audit to verify corrective action.
  - (D) Schedule a follow-up audit for critical items and schedule verification for other routine items at the next scheduled audit.

51. The best way to communicate audit results to upper management would be to
- (A) provide a list of findings of noncompliance and supporting objective evidence
  - (B) present a list of all items of nonconformance that require corrective action
  - (C) present a report of the performance against the audit standard of all areas included in the audit scope
  - (D) present an evaluation of overall quality performance and provide an executive summary in the formal report
52. Which of the following authorities initially determines whether a third-party audit should be conducted?
- (A) Client
  - (B) Lead auditor
  - (C) Auditee
  - (D) Audit team
53. Which of the following is the greatest benefit of an internal audit program to an organization?
- (A) It fulfills most contractual quality requirements.
  - (B) It provides feedback for continuous improvement.
  - (C) It prepares an organization for third-party audits.
  - (D) It frequently eliminates the need for external audits.
54. For third-party audits, which two of the following factors should be considered by the auditor when agreeing to the amount of time needed to complete corrective action?
- I. The resources available to the auditor for determining when follow-up can occur
  - II. The resources available to the auditee to enact the corrective action
  - III. The auditee's experience in project evaluation techniques
  - IV. The number of findings recorded during the audit
- (A) I and III
  - (B) I and IV
  - (C) II and III
  - (D) II and IV

55.



The process information shown in the graph above is indicative of a

- (A) cycle
  - (B) run
  - (C) trend
  - (D) shift
56. The most important item to check when auditing against a specification is the
- (A) list of documents within the specification
  - (B) copy of the previous revision of the specification
  - (C) document control procedure
  - (D) revision level of the specification
57. Which of the following indicates that a quality system is effective?
- (A) The required system is in place and continuous improvement is evident.
  - (B) An audit was conducted and no nonconformances were found.
  - (C) An audit report states that the intent of the standard is being met.
  - (D) No corrective action requests have been issued for a specified period of time.

58. Which of the following is the best method for determining the retention policy of the audit documents?
- (A) Agreement between the client, the auditing organization, and the auditee
  - (B) The status of corrective action for the findings written in the audit report
  - (C) Distribution of the final audit report
  - (D) Significance of the audit findings written in the final audit report
59. During a supplier audit, all of the following documentation can be reviewed EXCEPT
- (A) reports of internal audits performed by the supplier
  - (B) information concerning the company's parts inventory
  - (C) quality records for a product made for another customer
  - (D) operating or working instructions
60. Which of the following best describes a frequency distribution?
- (A) A graph for presenting data along a scale of reference and the number of times each item occurs
  - (B) A time-ordered chart of subgroup averages and control limits
  - (C) A plot of the probability of accepting a hypothesis when it is actually false
  - (D) A graph indicating the difference between an actual value and its predicted value
61. During an audit interview, the auditee is not providing needed information about the process for which the auditee has sole responsibility. In an effort to minimize any miscommunication, the auditor should
- (A) continue to repeat the questions until the auditee answers
  - (B) explain to the interviewee the consequences of being uncooperative
  - (C) terminate the interview and skip that section of the plan
  - (D) request that the escort clarify the questions to the auditee
62. During the closing meeting, what is the advantage of having the lead auditor be the only presenter of the audit findings?
- (A) The auditee will have one person with whom to interact and address comments to.
  - (B) The lead auditor may be the only team member who has verified each finding personally.
  - (C) The lead auditor has the most experience in dealing with the auditee's management.
  - (D) The lead auditor makes the auditee feel more responsible for corrective action of the findings presented.
63. Within most organizations, the responsibility for planning and carrying out a programmed series of quality system audits rests with the
- (A) quality systems engineering function
  - (B) audit program management function
  - (C) financial audits department
  - (D) planning and scheduling department
64. Which of the following is NOT an acceptable method of verifying a corrective action?
- (A) Reviewing measurement records after the correction has been made
  - (B) Contacting the individuals responsible for implementing the correction
  - (C) Conducting another audit on the process or system
  - (D) Collecting or observing the new results of the process
65. The authority for auditors to perform external second-party audits is provided by
- (A) a company's quality assurance manual
  - (B) the quality standard being audited against
  - (C) the established audit procedures
  - (D) the purchase contract

66. Which of the following types of data is likely to be most reliable?
- (A) Data from an outside source
  - (B) Data from the audited area
  - (C) Attributes data
  - (D) Corroborated data
67. Management can best ensure support for the audit function from other departments by
- (A) continually evaluating the audit results
  - (B) reviewing audit follow-up activities and ensuring that corrective action requests are closed in a timely manner
  - (C) hiring personnel who have knowledge of quality procedures and by providing continuing education
  - (D) emphasizing the importance and usefulness of audits to the organization
68. Managing the quality audit process includes ensuring that which of the following audit functions occur?
- I. Preparing and issuing the annual audit schedule
  - II. Issuing audit reports in a timely manner
  - III. Identifying appropriate corrective actions
  - IV. Assessing the effectiveness of the quality audit process
- (A) I and II only
  - (B) I and III only
  - (C) II and IV only
  - (D) I, II, and IV only
69. The main function of an audit checklist is to
- (A) identify the specific products to be examined
  - (B) serve as a guide for members of the audit team
  - (C) save time by auditing only the items listed
  - (D) expedite the preparation of the final audit report
70. During an audit, the best way to determine whether an audited process is consistent with the requirements of the relevant written procedure is by
- (A) doing a statistical analysis of historical data
  - (B) physically observing the actual practice
  - (C) questioning the personnel who perform the procedure
  - (D) evaluating anecdotal evidence
71. The auditor has the most independence from the auditee in which of the following types of audits?
- (A) First-party
  - (B) Supplier
  - (C) Third-party
  - (D) Management
72. During the closing meeting, the lead auditor should do which of the following?
- (A) Accept the presentation of objective evidence.
  - (B) Review the auditor's qualifications.
  - (C) Perform a causal analysis with the auditee.
  - (D) Present a summary of audit results.
73. During an audit, the client learns that the auditor has recently completed a quality system audit of a major competitor. The client then questions the auditor about the competitor's audit results. The best action for the auditor to take is to
- (A) discuss the results of the audit with the client, only if the competitor agrees
  - (B) go offline with the client, explain that the question is unethical, and that if the client persists, additional action by the auditor will be taken
  - (C) explain to the client that it would be inappropriate to discuss the results of that audit
  - (D) obtain permission from the competitor to use the results of the audit as examples for future clients, provided that the examples are not specific to business affairs or technical processes

74. Quality system audits are directed at evaluating the
- (A) specific procedures that have special significance for a company's quality mission
  - (B) quality aspects of various segments of a company's overall approach to quality management
  - (C) quality aspects of specific processes to measure conformance to quality standards
  - (D) organizational units that each have specific assigned missions
75. Which of the following represents a sound time-management technique?
- (A) Scheduling interviews simultaneously at two different facilities
  - (B) Constantly revising the audit schedule to accommodate follow-up questions
  - (C) Anticipating needs and making them known to the auditee in advance
  - (D) Determining the detailed audit schedule at the audit opening meeting
- 

### Case Studies Section

The following portion of the test includes several Case Studies. Each Case Study includes introductory information about a specific company or audit situation, followed immediately by a set of questions related to the situation described and various audit-related documents, identified by company name.

**All of the audit-related documents for these Case Studies are presented in a separate booklet labeled:**

### **CONFIDENTIAL Audit Documents**

These documents were drawn from actual companies and are designed to be examples of genuine audit materials. Their format and contents have not been altered, and they are intended to represent working documents from everyday situations.

Although the documents for the Case Studies are presented separately, the test will be scored as a whole, on **a total of 150 questions**. You may go back and check your work on any part of the examination until time is called at the end of the testing period.

**GO ON TO THE NEXT PAGE**

Questions 1 – 5 Quality Electronics and Elements Company (See pages 3-5 in the Audit Documents booklet.)

Two auditors are conducting an internal audit of the Quality Electronics and Elements Co. (QEE) system procedures. During the first day of the audit, the following observations were made.

- An outbound carton with obvious damage was examined by the auditor on the shipping dock.
- A shipment of six (6) boxes to Allied Supply was returned because the customer-required certifications did not accompany the product.
- Unsigned product verification documents were found on stored products.
- Of three (3) cartons found in the accepted materials station, only two of the cartons had labels indicating their contents. When the auditor pointed this out, a customer service representative immediately affixed the proper label to the one unlabeled carton.
- The auditor also found that “Accepted Material Traveler Cards” were not attached to any of the cartons in the accepted materials station.

76. Which department is responsible for determining whether an outbound product has been damaged in handling or storage?
- (A) Inventory Control  
(B) Quality Assurance  
(C) Shipping  
(D) Engineering
77. Who is responsible for evaluating the adequacy of QEE’s handling and storage practices?
- (A) The shipping manager  
(B) Individual shipping and receiving clerks  
(C) The quality assurance manager  
(D) The customer service department
78. The auditor’s finding on products without “Accepted Material Traveler Cards” should be written against which of the following departments?
- (A) Production Control  
(B) Quality Assurance  
(C) Shipping  
(D) Engineering
79. During the second day of the audit, another unlabeled product container was delivered to the accepted materials station. When the auditor noted the lack of label, the auditee immediately filled out a label and affixed it to the container. In this situation, the auditor should do which of the following?
- (A) Write an observation that the auditee identified the container properly.  
(B) Write a finding because an improperly identified container could be shipped.  
(C) Write a finding against the Receiving department.  
(D) Write a finding to encourage a root cause analysis.
80. If the audit also revealed that customer-required certifications were not included with a shipment, a finding should be written against which department?
- (A) Quality Assurance  
(B) Purchasing  
(C) Production Control  
(D) Shipping

End of the Quality Electronics and Elements Company Questions

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED,  
YOU MAY GO BACK AND CHECK YOUR WORK ON ANY PART OF THE TEST.**

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**The next section contains the second part of the CQA examination, the Audit Documents.**

CONFIDENTIAL

Audit Documents

For the SAMPLE EXAM

CQA Case Study

CQA Sample Exam

AUDIT DOCUMENTS

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intentionally.

# Quality Electronics and Elements Co.

## Packaging & Delivery

### Purpose

To establish procedures and responsibilities for material handling and shipping

### Policy

All fabricated parts and finished products shall be handled in a manner that provides protection from damage and ensures that customer requirements are satisfied. A final product verification shall be conducted prior to shipping product to the customer.

### Responsibilities

The quality assurance manager is responsible for the maintenance of this procedure.

The quality assurance manager shall monitor the handling of products and material to assure that practices are commensurate with the sensitivity of the products being handled, and that storage areas are adequate to prevent damage or deterioration of product.

The shipping and receiving clerks are responsible for ensuring that all materials are properly marked, packaged, transported, and stored and that applicable documents are sent with the product.

#### 1. Purchase orders and documentation

1. Shipping shall use the route sheet (shop copy) for handling, packaging, and shipping instructions, as appropriate.
2. The job packet shall be returned to Engineering when complete.

#### 2. Shipping product to outside vendors for processing

1. Prior to shipping any product, parts, materials, or assemblies to subcontractors for processing, the shipping clerk or a representative of the department is responsible for providing all required information.

#### 3. Identification, Packaging, and Installation

1. Refer to the documented work instructions for handling and identifying product, as appropriate.
2. Work instructions are intended to provide sufficient protection from handling-related damage and to ensure accurate product identification.
3. The Quality Assurance and Engineering departments are responsible for determining the procedures for controlling completed material, including shipping instructions.
4. Completed products awaiting packaging, preservation, and shipping shall be cleaned and stored so as to prevent damage from conditions occurring during handling and storage.
5. Shipping shall process all related documentation including packing slips, address labels, and inspection reports.
6. Shipping shall arrange for shipments per the instructions on the purchase order unless otherwise specified by the Quality Assurance department.
7. For finished products that are to be stored in house, Shipping shall attach the "Completed Work-in-Process" tag to the outside of the packaging.

## **WORK INSTRUCTION**

### **Material Handling and Shipping**

#### **Purpose**

To establish work instructions for material handling and shipping

#### **Responsibilities**

The Shipping Manager is responsible for the maintenance of this work instruction.

Shipping and receiving clerks are responsible for ensuring that all materials are properly marked, packaged, transported, and stored and that applicable documents are sent with the product.

#### **1. Purchase orders and documentation**

1. Shipping shall use the route sheet (shop copy) for handling, packaging, and shipping instructions.
2. The files shall be returned to Engineering when complete.

#### **2. Shipping product to outside vendors for processing**

1. Prior to shipping any product, parts, materials or assemblies to subcontractors for processing the shipping clerk or a representative of the department responsible for the item shall insure the required information is clearly defined.
  1. The type, class, style or grade of processing is required.
  2. The appropriate drawing is included.
  3. The specifications and relevant technical data are included.
  4. The inspection requirements are defined and included.
  5. The data have been reviewed and approved for adequacy.
2. Refer to the Receiving Inspection procedure for instructions on the proper receipt of processed materials.

#### **3. Identification, Packaging, and Installation**

1. The following instructions are intended to provide sufficient protection from handling-related damage and to ensure accurate product identification. Use these material handling and product identification instructions prior to shipping completed products.
  1. Parts and assemblies shall be placed in an appropriate container or area, with protective wrapping.
  2. The product or container shall be clearly identified.
  3. Shipping shall process orders only when all required certifications, test reports, and quality requirements are complete per QEE and customer requirements.
2. Upon quality acceptance, the quality manager or department managers shall initiate a shipping request by submitting to the Shipping Department instructions containing all pertinent shipping requirements.

3. Upon submitting these items to Shipping, the requesting manager shall enter the request in the "Shipping Log." The purpose of this log is to document the job number, location, time, and date of all requests and shipments in an effort to ensure accurate and prompt deliveries.
4. The quality manager or project manager is responsible for determining the procedures for controlling completed material, including shipping instructions.
5. Prior to packaging, Shipping shall reconcile all parts and quantities with the packing slip and job purchase order. In addition, Shipping shall verify that parts have not been previously damaged during storage or handling.
6. Completed products awaiting packaging, preservation, and shipping shall be cleaned and stored to prevent damage from conditions occurring during handling and storage.
7. If any discrepancies or damage are found, Shipping shall place the materials in the "Rejected Material Holding Area" and immediately notify the appropriate project manager.
8. Upon satisfactory verification, Shipping shall package all materials in a manner that ensures product protection from handling and environmental damage.
9. Shipping shall process all related documentation including packing slips, address labels, and inspection reports.
10. Shipping shall arrange for shipments per the instructions on the purchase order unless otherwise specified by the project manager or quality manager.
11. If applicable, the project manager or quality manager is responsible for arranging the delivery of any special tools needed for handling or installing equipment.
12. For finished products that are to be stored in-house, Shipping shall attach the "Accepted Material Traveler Card" to the outside of the packaging.
  1. The card shall state the job number, quantity of each part, and part numbers of each item.
13. Shipping shall comply with size and weight requirements as set by individual carriers and as specified by the customer.
14. Shipping shall send with the product all applicable manuals and documentation for mechanical and electrical components.

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**APPENDIX A: Answer Sheet**

For each sample test question, the correct answer is provided below along with the area of the body of knowledge (BOK) that the item is classified to. This sample examination is not intended to represent all areas of the BOK but to provide a sampling from each major topic area. All ASQ examinations are based on the BOK for that particular exam. To view the BOK for CQA, please go to <http://www.asq.org/certification/quality-auditor/bok.html>

| Question | BOK    | Correct Answer |
|----------|--------|----------------|
| 1        | I.A.   | D              |
| 2        | I.C.   | A              |
| 3        | II.B.3 | B              |
| 4        | II.A.6 | B              |
| 5        | II.B.4 | D              |
| 6        | II.D.2 | C              |
| 7        | V.A.   | A              |
| 8        | V.A.   | B              |
| 9        | II.D.2 | B              |
| 10       | II.C.2 | B              |
| 11       | III.E. | C              |
| 12       | III.C. | A              |
| 13       | V.C.   | B              |
| 14       | II.A.4 | D              |
| 15       | I.F.3  | C              |
| 16       | III.D. | D              |
| 17       | I.D.   | B              |
| 18       | II.B.5 | C              |
| 19       | V.D.   | B              |
| 20       | II.C.1 | A              |
| 21       | II.B.3 | A              |
| 22       | II.A.6 | D              |
| 23       | II.D.2 | C              |
| 24       | II.C.1 | D              |
| 25       | V.D.   | B              |
| 26       | V.F.   | D              |
| 27       | II.B.6 | B              |
| 28       | IV.A.  | A              |
| 29       | II.B.6 | C              |
| 30       | V.D.   | B              |
| 31       | III.A. | A              |
| 32       | V.B.   | B              |
| 33       | IV.B.6 | B              |
| 34       | V.A.   | A              |
| 35       | II.B.7 | A              |
| 36       | IV.B.6 | D              |
| 37       | II.D.4 | D              |
| 38       | I.A.   | D              |
| 39       | IV.A.  | C              |
| 40       | I.F.2  | B              |

| Question | BOK    | Correct Answer |
|----------|--------|----------------|
| 41       | III.E. | D              |
| 42       | II.A.6 | D              |
| 43       | III.A. | C              |
| 44       | V.F.   | D              |
| 45       | III.E. | A              |
| 46       | I.E.   | C              |
| 47       | III.B. | B              |
| 48       | II.C.1 | A              |
| 49       | I.E.   | B              |
| 50       | II.D.2 | B              |
| 51       | II.C.2 | D              |
| 52       | I.E.   | A              |
| 53       | IV.B.6 | B              |
| 54       | II.D.2 | D              |
| 55       | V.A.   | C              |
| 56       | II.B.2 | D              |
| 57       | I.B.   | A              |
| 58       | II.C.3 | A              |
| 59       | II.A.3 | C              |
| 60       | V.C.   | A              |
| 61       | III.E. | D              |
| 62       | III.G. | A              |
| 63       | IV.A.  | B              |
| 64       | II.D.3 | B              |
| 65       | II.A.1 | D              |
| 66       | II.B.4 | D              |
| 67       | IV.B.4 | D              |
| 68       | II.B.7 | D              |
| 69       | II.A.5 | B              |
| 70       | II.B.2 | B              |
| 71       | I.C.   | C              |
| 72       | II.B.8 | D              |
| 73       | I.F.3  | C              |
| 74       | I.C.   | B              |
| 75       | III.B. | C              |
| 76       | II.B.2 | C              |
| 77       | II.B.2 | C              |
| 78       | II.B.2 | C              |
| 79       | II.B.5 | D              |
| 80       | II.B.6 | D              |

**APPENDIX B: Analyzing Body of Knowledge (BOK) Content**

The following worksheet can be used to help you analyze the results of your answers on this sample examination. It can be used to determine which areas of the body of knowledge (BOK) you may want to study.

After learning which sample test questions you had correct, total the number you had correct and enter that number into the 2<sup>nd</sup> column of the worksheet. The 3<sup>rd</sup> column provides the total number of test questions that are in this sample examination for that major area of the BOK. The last column provides the total number of test questions that appear in a formal ASQ examination for that area of the BOK.

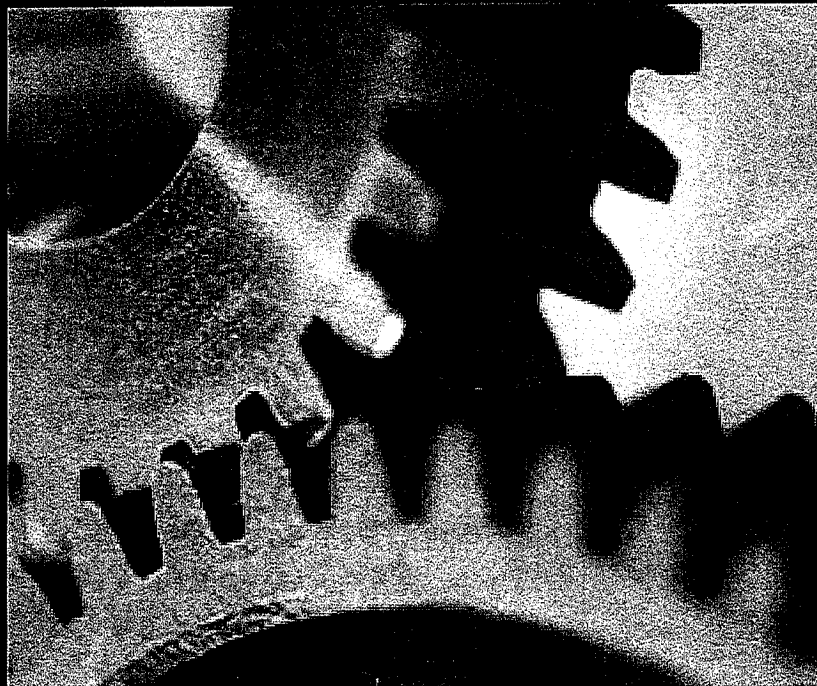
| <b>BOK Topic Area</b>                       | <b>Total You<br/>Had Correct<br/>on Sample<br/>Exam</b> | <b>Total in the<br/>Sample<br/>Exam</b> | <b>Total in<br/>Formal ASQ<br/>Exam</b> |
|---------------------------------------------|---------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| I. Auditing Fundamentals                    |                                                         | 13                                      | 30                                      |
| II. Audit Process                           |                                                         | 37                                      | 60                                      |
| III. Auditor Competencies                   |                                                         | 11                                      | 23                                      |
| IV. Audit Program and Business Applications |                                                         | 7                                       | 15                                      |
| V. Quality Tools and Techniques             |                                                         | 12                                      | 22                                      |
| <b>GRAND TOTAL</b>                          |                                                         | <b>80</b>                               | <b>150</b>                              |

# 20 Questions

Directors Should Ask about  
Internal Audit

Second Edition

John Fraser, CA, CIA, CISA  
Hugh Lindsay, FCA, CIP



**CA**  The Canadian Institute  
of Chartered Accountants

## How to use this publication

Each “20 Questions” briefing is designed to be a concise, easy-to-read introduction to an issue of importance to directors. The question format reflects the oversight role of directors which includes asking management — and themselves — tough questions.

In some cases, boards and audit committees may not want to ask the questions directly and prefer to ask the Chief Audit Executive or management to include the topics or answers to the questions in the annual audit plan or other presentations to the Committee. The questions are not intended to be a precise checklist, but rather a way to provide insight and stimulate discussion on important topics.

The comments that accompany the questions provide directors with a basis for critically assessing the answers they get and digging deeper as necessary. The comments summarize current thinking on the issues and the practices of leading organizations. The “Recommended Practices” may not be the best answer for every organization. Thus, although the questions apply to most medium to large organizations, the answers will vary according to the size, complexity and sophistication of each individual organization.

### Authors

John Fraser, CA, CIA, CISA

Hugh Lindsay, FCA, CIP

### Project direction by

Gigi Dawe, Principal, Risk Management and Governance, CICA

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Directors Should Ask about

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# Preface

The Risk Management and Governance Board has distributed more than 5000 copies of the first edition of this book, both in Canada and internationally in collaboration with the Institute of Internal Auditors. Board members have used the questions as a process to better understand and assess the internal audit function at the organizations they oversee.

Directors of organizations that have internal audit functions are expected to satisfy themselves that the internal audit function is effective. This briefing provides suggested questions for boards to ask the chief audit executive or others in an internal audit function. For each question there is a brief explanatory background and some recommended practices. We hope that directors and CEOs will find it useful in assessing their approach to the management of risk and internal control.

Since publication of this book there has been an increasing interest in the topic of internal audit and an evolving regulatory environment causing enhanced focus on internal audit in the boardroom. It is under these circumstances that the Risk Management and Governance Board decided to review the material of the first edition of this book to ensure it is relevant and up to date. We are pleased to find the concepts and processes continue to be applicable. We believe the questions asked and fundamental principles in this book align with recent regulatory initiatives and will continue to be helpful to readers.

The Board acknowledges and thanks the members of the Directors Advisory Group for their invaluable advice, the authors Hugh Lindsay and John Fraser, and the CICA staff who provided support to the project.

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## **Tom Peddie, FCA**

Chair, Risk Management and Governance Board

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Dan Swanson, former Assistant Vice President, Professional Practice of the Institute of Internal Auditors, who coordinated the review process.

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Institute of Internal Auditors Liaison Committee

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# Why directors should ask questions about internal audit

National Policy 58-201, “Corporate Governance Guidelines” states that, as part of their stewardship role, boards of directors are responsible for:

- The identification of the principal risks of the corporation’s business and ensuring the implementation of appropriate systems to manage these risks, and
- The integrity of the corporation’s internal control and management information systems.

The internal audit function plays a key role in assessing and reporting on an organization’s risk management, internal controls and management information systems. Directors of companies that have an internal audit function should have a general understanding of its role and contribution. In addition, the audit committee should confirm that the internal audit function is properly constituted, has the necessary resources, and operates professionally. Boards of medium to large organizations that do not have an internal audit function should assess the need at least annually.

The questions in this briefing are designed to help directors understand the contribution of internal audit and to provide guidance to audit committee members on what to ask their chief audit executives. With each question there is a brief discussion that provides background on the reasons for asking the question and, where appropriate, some recommended practices.

The questions are organized into six groups:

- Internal Audit Role and Mandate
- Internal Audit Relationships
- Internal Audit Resources
- Internal Audit Process
- Closing Questions
- Audit Committee Assessment

Asking questions is only the first step. Directors must satisfy themselves that the answers are appropriate and that the internal audit function is effective. The comments and recommended practices in this document provide a basis for assessing the answers. Experienced directors test the answers against their own personal observations, experience, general knowledge and good business sense. They also respect their “gut feelings”—their experienced-based intuition that warns them that something is wrong or requires further explanation. Intuition alone isn’t enough to challenge answers, but it’s valuable if it gets people’s attention and prompts them to ask more probing questions or to seek independent advice.

## Terminology

In this document the term “**internal audit function**” includes the internal audit department and/or any other departments, activities or outsourced services that fulfill an internal audit role. In some cases “internal audit function” is abbreviated as “internal audit”.

The **chief audit executive** is the individual responsible for leading or coordinating all or most of the internal audit function, usually on a full-time basis. Alternative titles generally include the words “audit”, “internal audit”, “inspection” or “risk”; e.g., Vice President Audit and Risk; Vice President, Inspection; Director of Internal Audit; Manager Internal Audit Services, etc.

## **Internal Audit Role and Mandate**

The audit committee is responsible for ensuring that management has implemented an effective system of internal control to manage the risks facing the organization. In larger and more complex organizations an internal audit function can provide cost-effective and independent assurance that internal control is effective, provided that it has an appropriate role and mandate.

These questions, together with related discussions with the CEO and professional advisors, will put the audit committee in a position to understand what internal audit functions they need and what they have in place.

### **1. Should we have an internal audit function?**

Many medium and large organizations have an internal audit function. This is a requirement for companies listed on some stock exchanges and for banks and other financial institutions with major fiduciary responsibilities. Other companies have an internal audit function because it is considered to be a valuable element of management control which provides assurance to the audit committee and management and adds to the organization's credibility with investors and creditors.

Management is responsible for establishing and maintaining a system of internal financial controls and in some cases, may be required by regulators to provide written certification of the adequacy of the controls. Legal and regulatory requirements are changing fast and companies must make sure they are aware of the latest rules.

In smaller organizations, managers are usually close enough to daily operations that they can effectively supervise and monitor the activities of their staff. When the volume and/or complexity of transactions become too great, management may need to add people whose primary role is to check the work of others and thereby strengthen internal control. Financial institutions and other organizations that deal in cash and other liquid assets usually need some form of inspection or audit function.

Organizations that do not have an internal audit function should give strong consideration to establishing one if their size and type of business, source of capital and risk factors warrant it. The potential benefits of the internal audit function should be assessed and compared against the estimated costs.

The decision to establish an internal audit function should involve the CEO, CFO and audit committee. The following is a list of criteria they may consider:

- The audit committee wants to get independent and objective assurance on the adequacy of internal controls from someone other than the CEO or CFO.
- The CEO wants to get independent and objective assurance on the adequacy of internal controls from someone other than the CFO or line managers.
- The CFO wants to get independent and objective assurance on the adequacy of internal controls from someone other than the line managers.
- The organization gets too large or geographically dispersed for frequent and economical first-hand monitoring of controls by the audit committee, CEO or CFO.

The roles of internal audit and the external auditors differ substantially and provide very different assurance to the audit committee and management, namely:

- Internal auditors review and test controls at a significantly lower level of materiality than do external auditors and often review a much broader range of risks than those for external financial reporting.
- External audits are designed to report on historical data, whereas internal audits are generally focused on the efficiency and effectiveness of current and future operations.

## **Recommended practices:**

In organizations that have no internal audit function the audit committee periodically requests from management a review of the need for an internal audit function and, on the basis of this review, determines whether such a function should be instituted.

The audit committee may consider contracting outside assistance to review the need for an internal audit function if the committee is concerned that management may not have the objectivity or qualifications to conduct the review.

## **2. What should our internal audit function do?**

This is a more difficult question than it seems. Unlike external auditors, internal auditors do not always have a clearly defined role that is established by law or regulation. Each organization must identify its own audit needs and use them to define the role of its internal audit function. The Institute of Internal Auditors (IIA) has developed

a definition of internal auditing (see page 7) that organizations may find useful in establishing the role of their internal audit function. In addition, there are numerous books on internal auditing.

Internal auditing is a valuable resource for management and the audit committee because of its objectivity, auditing skills and in-depth knowledge of the organization.

Internal audit functions, in many cases, are set up by corporate management to assess the internal control system that management is responsible for establishing. Internal audit does not perform the controls since this is a line management responsibility, but their role does provide another level of assurance to management and the audit committee that controls are effective. Historically, the emphasis was on compliance with company policy and the deterrence, prevention and detection of fraud and errors. These are still important roles for internal audit functions.

Over time, many internal audit functions have addressed broader aspects of control and provide services in areas other than the assessment of internal financial controls. These may include:

- Reviewing controls over major projects and new computer systems to help anticipate problems. This can allow corrective action to be timely and controls to be “built in” rather than retro-fitted after being detected by a subsequent audit or system failure.
- Conducting audits of the efficiency and effectiveness of operations.
- Assessing the risks related to reputation, customer service, the environment, privacy, etc.
- Providing consulting and advisory services on enterprise risk management, control and related matters.
- Participating in the investigation of fraud.

Occasionally, management may ask internal audit to assist with special projects. These may be appropriate and acceptable if done for staff development or some critical reason, but should be discouraged if the auditors are merely used as a “free” resource or if such projects distract from the internal audit function.

INTERNAL AUDITING is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The internal audit activity should evaluate the adequacy and effectiveness of controls encompassing the organization’s governance, operations, and information systems. This should include:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws, regulations, and contracts.

*Institute of Internal Auditors—International Standards  
for the Professional Practice of Internal Auditing*

### **Recommended practices:**

The chief audit executive, in consultation with senior management and the audit committee, establishes the scope of activities of the internal audit function. The process takes into account the cost justification of each element of audit activity.

The role of internal audit is formally defined in a written internal audit charter (See Question 3) and the audit activities are set out in the annual audit plan (Question 9).

The audit committee approves the internal audit charter periodically and the audit plan annually.

### **3. What should be the mandate of the internal audit function?**

Internal auditors need a mandate that provides the authority they need within a structure that supports their independence and objectivity. This can best be achieved through a written charter for the internal audit function that is aligned with the mandate and needs of the audit committee. The mandate should be compatible with the best current practices and approved by the board or audit committee. Any restrictions by management should be disclosed to, and approved by, the audit committee.

Internal audit should not have any operational accountability or perform functions that would be subject to subsequent internal audit review.

### **Recommended practices:**

The mandate of the internal audit function is set out in a written charter that is compatible with the charter of the audit committee and consistent with the Standards of the Institute of Internal Auditors.

The **internal audit charter** is reviewed and updated regularly and includes:

- Role and responsibilities of the internal audit function;
- Functional reporting relationship to the audit committee;
- Administrative reporting relationship;
- Access to corporate employees, facilities and records (including those of contractors);
- Any restrictions of the scope or authority of internal audit;
- Requirement that managers cooperate with internal audit and respond to reports;
- Code of ethics;
- Internal audit standards;
- Relationship with external auditors;
- Distribution of audit reports and summaries;
- Follow up of recommendations;
- Specific mention of areas such as fraud, technology, safety, environment, etc. as may be required for clarification;
- The right of the chief audit executive to attend audit committee meetings.

## Internal Audit Relationships

The chief audit executive's relationships with the audit committee and senior management are critical to the success of the internal audit function. The audit committee can use the following questions to confirm that the relationships give internal audit the support and access it needs and that the committee receives the range of services and support it needs to meet its own mandate.

## 4. What is the relationship between internal audit and the audit committee?

The internal audit function is a major source of information and assurance to the audit committee on internal financial controls and other risk management activities. For this reason, most internal audit functions have a functional reporting relationship to the audit committee which is defined in the charters of internal audit (Question 3) and the audit committee. A key element of this relationship is a direct channel of communication between the chief audit executive and the audit committee. This typically includes provisions for the chief audit executive to have access to the chair of the audit committee and attend audit committee meetings to present the audit plan for approval and to report audit findings.

The CFO and chief audit executive are usually present at all audit committee meetings. Much of the work performed by the audit committee relates to the roles of these individuals and one or the other may take a role in supporting the committee's planning activities. There is generally no requirement for the CEO to be present at audit committee meetings but in many cases he or she may attend for information purposes.

Chief audit executives do not generally attend board meetings. At least annually the chair of the audit committee should include a reference to internal audit's effectiveness, capabilities, the results of its work and any concerns when reporting to the board.

### **Relationship with and expectation of the internal audit function**

There are many operational aspects of the audit committee's relationship with the internal audit function that are important for the effective oversight of the internal control framework and culture. Where a corporation has an internal audit function, the audit committee should approve its mandate, be satisfied that it has adequate resources to perform its responsibilities, and ensure that the director of internal audit has direct and open communication with the committee. Where internal audit does not exist, the audit committee has an important oversight role that goes beyond the normal operational issues.

*Beyond Compliance: Building a Governance Culture,*  
Final Report, Joint Committee on Corporate Governance,  
November 2001

### **Recommended practices:**

The audit committee charter includes provisions for:

- The audit committee to review and endorse the appointment or replacement of the chief audit executive;
- The internal audit charter to be compatible with that of the audit committee;
- The internal audit charter to be approved by the audit committee periodically (e.g., at least every three years);

- Internal audit to provide the audit committee members and senior management with independent, objective views on risk and internal controls within the organization;
- The chief audit executive to attend audit committee meetings.
- The audit committee to approve the internal audit plan annually;
- The chair of the audit committee to meet privately with the chief audit executive prior to audit committee meetings to:
  - build the necessary trust between the two individuals,
  - allow the chief audit executive to provide context informally about the function and its relationships with management that may not be possible in a formal report, and
  - allow the audit committee chair to gain insights into issues that merit discussion at audit committee meetings but which may not otherwise get a high priority;
- The chief audit executive to report the results of major activities and key findings and issues to the audit committee;
- The chief audit executive to be expected to raise matters that have a material effect on controls, integrity of management and quality of financial reporting;
- The chief audit executive to meet with the audit committee periodically without management present;
- The chief audit executive to have unrestricted access to the chair of the audit committee at any time.

The external auditors are present when internal audit reports formally to the audit committee — except for in-camera sessions.

## 5. To whom does internal audit report administratively?

The chief audit executive reports functionally to the audit committee on the planning, execution and results of audit activities. However, like any other corporate employee, the chief audit executive must report to someone administratively for purposes of pay, performance, space, equipment and related matters. This person should be sufficiently highly placed to reinforce the organizational status of internal audit and to support its unrestricted access to corporate resources, but must not impair the independence of the internal audit function. In practice, the individual to whom the chief audit executive reports administratively should be selected on the basis of his or her ability to respect and give effective support to the independence of internal audit, rather than for the position he or she holds.

The role of internal audit is both internal and independent. Constructively evaluating the work of fellow members of the management team and providing advice to them can create tension — although this can be healthy when handled professionally by all parties. Relationships with management should be balanced — not too friendly but not hostile. Helping achieve this balance is part of the role of the audit committee and the CEO.

A major issue for the audit committee is the career risk to the chief audit executive of challenging or fully reporting serious and embarrassing deficiencies in the areas of accountability of the person who sets his or her salary, bonus and other benefits.

*"The internal auditor occupies a unique position — he or she is "employed" by management, but is also expected to review the conduct of management. This can create significant tension since the internal auditor's "independence" from management is necessary for the auditor to objectively assess management's actions, but the auditor's "dependence" on management for employment is clear. Recognizing this tension, the committee believes that it is essential to have formal mechanisms in place to facilitate confidential exchanges between the internal auditor and the audit committee. These mechanisms may take the form of regular meetings independent of management, or regular confidential memos or reports circulated only to the audit committee. If such meetings or correspondence are regularly scheduled regardless of the identification of irregularities or problems, independent dialogue between the audit committee and the internal auditor should lose its "taboo" nature and no longer imply treason against management.*

*The audit committee must establish and support a culture that promotes open disclosure on the part of the internal auditor and a recognition that if the internal auditor identifies a problem and cannot obtain the support of management, that he or she has a duty to the audit committee, the full board, and shareholders to disclose the relevant information to the audit committee. Management should more than acquiesce in this duty to disclose; management should encourage and support such disclosure by word and deed."*

*New York Stock Exchange—Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees—Guiding Principles for Audit Committee Best Practices, 1999*

Reporting options, each of which has advantages and disadvantages, include:

| Reporting to             | Advantages                                                                                                                                     | Disadvantages                                                                                                                                                                        |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CEO                      | Establishes audit status.                                                                                                                      | CEO may have too many direct reports.                                                                                                                                                |
| CFO                      | Reinforces financial control.<br>CFO often understands the role of internal audit and can provide advice.                                      | Potential conflict of interest: <ul style="list-style-type: none"> <li>• if audit findings reflect badly on CFO</li> <li>• if resources are diverted to lower priorities.</li> </ul> |
| Other senior executive   | Good for audit independence if the executive has no or few direct operational responsibilities subject to significant internal audit scrutiny. | Executive may lack knowledge of operations and internal controls, may not have a motivation for internal audit to be effective, or may lack the ability to influence.                |
| Chair of audit committee | Good for audit independence.                                                                                                                   | Internal audit is no longer seen as supporting and partnering with management.<br>Chief audit executive may lose status and acceptance as a member of the management team.           |

## Recommended practices:

The internal audit function reports administratively to the CEO or other senior executive and has a functional reporting relationship to the audit committee to ensure objectivity in the planning and execution of internal audit work.

The CEO and senior management team includes the chief audit executive in senior meetings such as strategic planning sessions and operational committees where appropriate. This shows support by helping the chief audit executive understand what is going on at a senior level and exposes him or her to other executives in a more collegial environment.

The audit committee reviews this administrative relationship annually or whenever there is a significant reorganization within the senior management team. In some parts of the discussion, the views of the chief audit executive should be invited.

The individual to whom the chief audit executive reports, the chair of the audit committee and the CEO jointly approve the performance review, salary, bonus and other benefits of the chief audit executive.

## Internal Audit Resources

Internal audit functions need an adequate complement of staff with the appropriate experience and qualifications for the risks and businesses they audit. Staff require continued training in their disciplines and must stay abreast of technological advances and changes in the organization's business. The internal audit function should also make full advantage of the work and resources of the external auditors by coordinating activities.

These questions are designed to be directed at the chief audit executive at an audit committee meeting as part of the process of understanding and assessing the quality of the internal audit function.

## 6. How is the internal audit function staffed?

Internal auditing activities can be conducted by:

- In-house resources—The organization may assign responsibility for audit activities to a corporate internal audit department or include some audit activities in the responsibilities of line functions (for risks such as safety, environment, etc.). The internal audit department may include staff from other departments as part of audit teams.
- A fully outsourced internal audit function reporting to a designated executive—The organization engages an external firm to perform the entire internal audit function. Some companies may be prohibited by statute or regulation from outsourcing internal audit work to their external auditors. Professional accounting standards may also restrict this activity.

- A combination of the above—The organization may outsource specific activities or projects to specialist firms or include one or more outside experts with internal audit staff on a project team.

To meet the needs of boards, management and regulatory requirements, a designated executive (who may be the chief audit executive) should be responsible for ensuring that all important internal audit activities are coordinated.

### Recommended practices:

The staffing of the internal audit function is based on the number of skilled individuals required to cover the activities identified in the approved audit plan.

The chief audit executive, in consultation with senior management and the audit committee determines the most cost-effective mix of in-house and outsourced internal audit staffing.

The size of the internal audit function is benchmarked against similar organizations.

The audit committee reviews and assesses the appropriateness and expertise of the resources as part of the annual audit plan.

Where material, the audit committee reviews and approves the appointment of outsourced audit firms and subsequently monitors the effectiveness of this arrangement.

## 7. How does internal audit get and maintain the expertise it needs to conduct its assignments?

Internal auditing calls for a diverse set of knowledge, skills and experience. It is critical that the internal audit staff have the skills, industry knowledge and experience (supplemented where necessary by external resources) to provide the control assurance and related advice that the audit committee requires.

Chief audit executives should not plan or accept assignments unless they are able to staff them competently, as this can provide false assurance or weaken the function's reputation. Consideration should be given to using the expertise of other corporate staff, engaging outside experts or outsourcing where the necessary skills do not reside within internal audit.

**Qualifications** for internal auditors include:

- Professional accounting designations (CA, CGA, CMA, and CPA).
- Internal audit qualifications (Certified Internal Auditor (CIA) and Certified Information Systems Auditor (CISA)).
- Specialist qualifications, e.g., CA•CIA.
- Qualifications in specialized areas of audit such as Certified Environmental Auditors (CEA).
- Other disciplines: engineers, economists, environmentalists, etc.

## Recommended practices:

The qualifications of internal auditors are established and included in job descriptions and postings.

Internal audit recruits only people with appropriate qualifications and/or experience in auditing, accounting, information technology, organizational analysis, industry knowledge, etc.

Internal audit promotes professional development and formal certification of audit staff.

Internal audit uses internal and outside experts when its staff lacks specialized expertise.

The internal audit budget includes adequate funds for professional development and the planned use of external experts.

Internal audit periodically reports to the audit committee on its staff capabilities, including academic and professional qualifications and years of audit, industry and organizational experience.

## 8. Are the activities of internal audit appropriately coordinated with those of the external auditors?

External auditors rely on the work of internal auditors to the extent that it confirms the quality of an organization's system of internal control. Before accepting the work of internal audit the external auditors review

the scope, audit approach, standards and results of the internal audit function in accordance with their own professional standards.

The internal and external auditors should work cooperatively to achieve the best possible value in audit coverage. Any such cooperation must respect the legal obligations of the external auditors. These obligations are evolving rapidly and require close monitoring.

The committee should ask both internal and external auditors if they are satisfied with the extent of coordination and compare the answers.

### **Recommended practices:**

As far as possible, the presentations of audit plans are developed and coordinated to help the audit committee members understand their combined scope.

The audit committee reviews the plans of the external and internal auditors and questions any situations where areas are apparently not covered or duplicated.

Internal audit staff are used on the external audit assignment only where it is beneficial to the organization and does not take them away from more valuable work. It should not merely be a way to reduce the external audit fees.

The committee determines whether the relationship of internal auditors and external auditors exhibits a mutual professional respect and appreciation for the other's role and contribution, and also recognizes that the audit committee's needs are paramount to each group.

## **Internal Audit Process**

An effective internal audit function is run in a professional manner. Chief audit executives should demonstrate to their audit committees how they set priorities, plan, supervise and review the various internal audit projects and activities.

These questions are designed to be directed at the chief audit executive at an audit committee meeting. They deal with matters of organization and process and may be discussed in the presence of senior management.

### **9. How is the internal audit plan developed?**

An annual internal audit plan is the key to matching the work of internal audit to the needs of and expectations of the audit committee, external auditors and senior management. It allows the audit committee to confirm that board priorities are addressed and provides a basis for evaluating internal audit performance.

### **Recommended practices:**

The chief audit executive prepares an annual audit plan based on a comprehensive review and analysis of the organization's business activities and associated risks. Where an enterprise risk management process is already in place, this will provide a critical basis for developing an audit plan aligned with corporate priorities.

The chief audit executive seeks management input and agreement on the scope and priority of the proposed audit projects.

The audit plan includes all projected internal audits and other activities, including reviews of the development of major new computer systems and critical business projects, and the provision of consulting and advisory services, where appropriate.

The audit plan includes the budget and staff resources required to accomplish the plan.

The audit plan allows flexibility to respond to unforeseen issues and events during the year.

The external auditors are consulted and their input and audit scope considered in developing the plan. They also receive a copy of the final audit plan.

The audit committee reviews the audit plan and assesses its adequacy based on their knowledge of the industry and the organization. Before they approve the final audit plan they satisfy themselves that it covers the areas of risks for which they require independent assurance from internal audit.

The chief audit executive informs the audit committee of any significant changes to the audit plan during the year.

## **10. What does the internal audit plan not cover?**

Omissions from the audit plan may expose the organization's CEO and board to unnecessary risk. Ideally, the committee, senior management and the chief audit executive should agree on those areas of risk that will not be audited and the reasons. Audit committee members should be alert to the possibility of under-funding of the internal audit function.

### **Recommended practices:**

The internal audit plan includes a list of those areas of risk that ranked just below those selected for inclusion in the audit plan. This enables the audit committee to assess what risks management and the committee will accept by excluding them from the plan.

## **11. How are internal audit findings reported?**

Boards, audit committees and senior management rely on internal audit reports to confirm the quality of the system of control. Where the volume of audit reporting is high, the chief audit executive may prepare summaries at an appropriate level of detail.

### **Recommended practices:**

Audit reports, as historical records of audit work and findings, are in writing and include the scope and objectives of the audit, the findings and recommendations for improving control.

Reports are action-oriented and include comments and proposals for corrective action from the management of the audited business unit.

Reports are balanced — reporting the good risk and control practices as well as the weaknesses observed.

Reports identify the best practices observed throughout the organization.

Reports rate recommendations as high, medium and low in order to assist management in assigning priorities for action to the issues raised.

The chief audit executive provides summaries of audit reports to senior management and the audit committee. The level of detail depends on the size of the organization but is sufficient to allow the audit committee to understand the types and frequency of control issues that internal audit raises and how management is responding to them.

Periodically, the audit committee asks to see a detailed internal audit report to understand the methodology and quality of reporting.

## **12. How are corporate managers required to respond to internal audit findings and recommendations?**

Internal audit reports are only of value when managers address the problems and deficiencies identified by the audits or make informed decisions to accept the risks. Audit committees and senior management play an important role by monitoring and enforcing commitments to take corrective action.

The CEO and senior management team establish the “Tone at the Top” that is critical to the success, value and credibility of the internal audit

function. This means providing support in accordance with the internal audit charter, by:

- maintaining the independence of internal audit;
- ensuring line management’s cooperation in the performance of audits;
- requiring prompt responses and action from management on audit reports;
- recognizing and promoting internal audit as a value added activity;
- refraining from using internal audit resources for non-audit purposes that cut into audit time or create a conflict of interest; and
- keeping internal audit informed of key plans and changes to the risk and control profile of the organization’s policies and procedures.

Line managers do not always view the role of internal audit positively and it can require great skill and diplomacy to obtain their cooperation on audits. Open support and monitoring of internal audit activities by the CEO and the audit committee can help ensure that all managers cooperate with the internal auditors.

### **Recommended practices:**

Line management is required to review all audit findings and provide action plans and dates for implementation before or soon after the audit report is issued. Where management recommends that no action be taken, the decision to accept the related risk is approved at the appropriate level.

Management accepts responsibility for monitoring corrective action on weaknesses reported by internal audit.

The chief audit executive establishes and maintains a formal follow-up process for monitoring and ensuring that management actions have been effectively implemented.

Senior management, the CFO and the CEO periodically review high-risk outstanding audit recommendations as part of a management process.

The CEO (or whoever performs this role with the chief audit executive) meets periodically with the chief audit executive to review audit reports and outstanding recommendations, and to obtain input on risk and controls.

The audit committee receives periodic reports on high-risk audit recommendations that have not been resolved.

### **13. What services does internal audit provide in connection with fraud?**

The prevention, deterrence and detection of fraud are the responsibility of management. The usual role of internal auditors is to develop audit programs and procedures to evaluate the internal controls that management has established to manage the risk of fraud. In practice, auditing sometimes deters employees from committing fraud and occasionally detects a fraud, but these are not usually the major objectives of auditors.

The term “fraud” covers a number of activities; principally:

- Property fraud — the theft or misuse of assets and, sometimes, the related information;
- Financial reporting fraud — the manipulation of information to mislead or deceive stakeholders.

Internal audit may participate in the investigation of fraud and provide forensic accounting services — provided that it is cost-effective to do so. The skills to investigate frauds may be within the internal audit function, or in a separate security department.

### **Recommended practices:**

Internal audit includes fraud as a risk to be evaluated and included in the audit plan.

The organization has a system for investigating activities that appear to be fraudulent. The process involves individuals with legal and human resources expertise to ensure that individual rights to privacy are respected and that the investigation will support prosecution by the police and law courts.

### **14. How do you assess the effectiveness of your internal audit function?**

Good internal audit functions have processes for assessing their own effectiveness. They use the results, together with feedback from the external auditors and other stakeholders, to monitor trends over time and achieve continuous improvement in their practices and performance.

### **Recommended practices:**

The chief audit executive develops performance measures for the internal audit function and agrees them with the audit committee. Examples of measurement techniques include: customer satisfaction surveys, post audit debriefing and internal quality assurance reviews.

Internal audit evaluates its own performance against the agreed measures.

There is an external quality assurance review of internal audit at least once every five years. The quality assurance review is performed by qualified individuals in accordance with Institute of Internal Auditors standards.

Internal audit uses benchmarking to compare its operations and effectiveness with those of other organizations.

Evaluation results are reported to the audit committee.

## **Closing Questions**

The questions in this section are designed to help the audit committee reach a conclusion on the effectiveness of internal audit. In most cases the audit committee may use them to sum up discussions of audit relationships, resources and process with the chief audit executive in the presence of the CEO and external auditors. The timing and venue for asking the questions are appropriate topics for the chair of the audit committee to discuss with the chief audit executive. Where there may be problems the audit committee may consider asking them in an in-camera meeting with the chief audit executive.

## **15. Does internal audit have sufficient resources?**

This is a sensitive but important question. The answer from the chief audit executive and resulting discussion can provide the audit committee with valuable insight not only into the reliability of the audit work but also into potential problems with management. Chief audit executives who answer “no” must be prepared to provide the audit committee with a comprehensive analysis of the situation including the steps they have taken to resolve the problems with management.

Assessing the sufficiency of resources should generally include comparisons with similar organizations and the business risks and the degree of change within the organization. Internal audit resources may be insufficient because:

- Management does not respect the role and contribution of internal audit;
- Management includes internal audit in a general under-funding to meet short-term forecasts;
- Management diverts internal audit resources to manage short-term goals, operational crises and special projects.

Internal audit functions not only need an adequate budget, they must be able to attract and retain skilled people. The issue of attracting qualified staff can sometimes be a more challenging problem than budgetary constraints. The audit committee should be aware of reasons for excessive turnover that could indicate poor management or a lack of respect for the function in the organization. Depending on the function’s staffing strategy, there may also be insufficient turnover when internal audit staff are not progressing in their careers and become stale or too close to management.

The audit committee should also ask the CEO about audit resources to get his or her perspective and recommendations. The committee should seek to understand management's explanations for any resource shortage and the risks the organization and committee accept as a result.

## **16. Does the internal audit function get appropriate support from the CEO and senior management team?**

A critical part of the audit committee's role is to assess the relationship of the chief audit executive and the management team, whose support can greatly influence the effectiveness of the internal audit function and its value to the audit committee. There should be a good working relationship but also a mutual respect for the role of internal audit that includes:

- Support of audit findings — by addressing and requiring timely responses on audit reports including those that are justifiably critical of management controls;
- Inclusion of the chief audit executive, where appropriate, in the communications and forums of the senior management team to keep the chief audit executive informed of strategic and business plans.

This is another very sensitive question because chief audit executives who answer "no" may risk being seen as disloyal to their CEO and colleagues. Under normal circumstances the audit committee would expect to hear that the chief audit executive has no concerns or is in the process of resolving them.

If the audit committee has any concerns about the chief audit executive's response, the committee should respect the sensitivities involved, consider all the evidence and assess whether further action is required.

The audit committee should also ask the CEO about the level of support for internal audit within the organization to get his or her perspective and recommendations.

## **17. Are you satisfied that this organization has adequate internal controls over its major risks?**

The audit committee is responsible for ensuring that management has designed and implemented an effective system of internal control. In preparing to report its conclusions to the board, the committee should seek information and opinions from a range of sources including the CEO, chief risk officer and chief legal officer as well as the external auditors and chief audit executive.

This question requires the chief audit executive to take a broad view of control and audit activities. The chair of the audit committee should discuss the committee's expectations with the chief audit executive in advance. The scope of the chief audit executive's response may involve integrating and summarizing the results of audit work and related activities such as risk and control self-assessments, internal control surveys, consulting projects and involvement in major projects and new systems.

## **18. Are there any other matters that you wish to bring to the audit committee's attention?**

If there are any issues that affect controls, the integrity of management or the quality of financial reporting that are not addressed in the internal audit reports, the audit committee expects the chief audit executive to raise them with its chair or committee in accordance with the internal audit charter. The chief audit executive should be prepared to explain why these matters were not formally addressed in audit reports.

It is critical that the audit committee reach out and build a level of trust with the chief audit executive to permit honest and appropriate communication of sensitive issues and opinions related to risk and control. Generally, the chief audit executive would be wise not to raise issues that have not been already discussed with the CEO unless there are exceptional circumstances. Concerns raised at in-camera sessions should never be disclosed outside the in-camera session by the audit committee unless agreed to by the chief audit executive, or otherwise formally reported in internal audit reports. Chief audit executives must have trust and confidence that disclosures will follow agreed protocols and not damage their relationship with management.

## **19. Are there other ways in which internal audit and the audit committee could support each other?**

This question provides an opportunity for the chief audit executive and audit committee to discuss such matters as improving audit reporting to the committee and using internal audit to provide training on risk and control aspects of the business either for new members to the audit committee or the committee as a whole.

The corporate governance committee may ask the chief audit executive a similar question as part of its periodic evaluation of the audit committee.

## **Audit committee Assessment**

The audit committee is responsible for confirming that internal audit has the competence, independence, resources and corporate support to do its job properly, and is demonstratively effective in getting results. An effective internal audit function will usually have a senior reporting relationship. Its reports and opinions have high credibility and management frequently seeks its advice and consultation on risk and control issues within the organization.

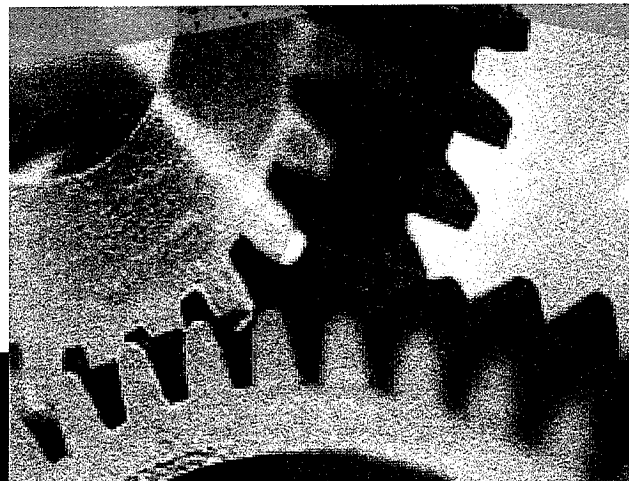
The audit committee should consider asking the external auditors for feedback on the competence and support for the internal audit function within the organization. This may be most appropriate in an in-camera session.

## **20. Are we (the audit committee) satisfied with our internal audit function?**

The following are some additional questions that audit committee members could ask themselves or use in a discussion following their meetings with the CEO, chief audit executive and external auditors:

- How well does the chief audit executive respond to probing by the audit committee?
- How well respected is the chief audit executive by senior management and how healthy is the tension between them?

- How well respected is the chief audit executive by the external auditors and how healthy is the tension between them?
- How often do we get surprises where something that the internal audit has audited subsequently reveals control problems that were not identified by their reports?
- Does the chief audit executive provide adequate assurance in areas requested by the audit committee?
- Does internal audit bring forward significant issues to the audit committee that might not otherwise be disclosed to the committee? Ideally, these should have been raised first by management and their identification attributed to the internal audit function.
- Is the chief audit executive respected within the auditing profession? (Examples would be as a frequent speaker, writing articles, industry organizations, etc.).



## Where to find more information

### Canadian Institute of Chartered Accountants publications

#### The 20 Questions Series<sup>1</sup>

*20 Questions Directors should ask about Building a Board*  
*20 Questions Directors should ask about Codes of Conduct*  
*20 Questions Directors should ask about Crown Corporation Governance*  
*20 Questions Directors should ask about Director Compensation*  
*20 Questions Directors should ask about Executive Compensation*  
*20 Questions Directors should ask about Governance Assessments*  
*20 Questions Directors should ask about IT*  
*20 Questions Directors should ask about Internal Audit*  
*20 Questions Directors should ask about Management's Discussion and Analysis*  
*20 Questions Directors should ask about Privacy*  
*20 Questions Directors should ask about Risk*  
*20 Questions Directors should ask about Strategy*  
*20 Questions Directors should ask about their Role in Pension Governance*  
*20 Questions Directors should ask about Not for Profit Governance*

#### The CFO Series

*Financial Aspects of Governance: What Boards Should Expect from CFOs*  
*How CFOs are Adapting to Today's Realities*  
*Risk: What Boards Should Expect from CFOs*  
*Strategic Planning: What Boards Should Expect from CFOs*

#### The Control Environment Series<sup>2</sup>

*Internal Control: The Next Wave of Certification — Helping Smaller Companies with Certification and Disclosure about Design of Internal Control over Financial Reporting*

*Internal Control 2006: The Next Wave of Certification — Guidance for Directors*

*Internal Control 2006: The Next Wave of Certification — Guidance for Managers*

*Understanding Disclosure Controls and Procedures: Helping CEOs and CFOs Respond to the Need for Better Disclosure*

#### Related CICA publications

*CICA Handbook — Assurance Recommendations*

*CICA Handbook — Agreed-upon Procedures Regarding Internal Control over Financial Reporting*

*CPR Alert*, Issue 1, January 2004; Issue 2, January 2006; Issue 3, April, 2006<sup>3</sup>

*Crisis Management for Directors*, 2001

*Guidance for Directors: Governance Processes for Control*, 1995

*Guidance for Directors: Dealing with Risk in the Boardroom*, 2000

*Integrity in the Spotlight: Audit Committees in a High Risk World*, 2005

*Learning about Risk: Choices, Connections and Competencies*, 1998

*Management's Discussion and Analysis — Guidance on Preparation and Disclosure*, Revised 2004

*Managing Risk in the New Economy*, 2000

*Risk Alert January 2007, Auditor Involvement with Management's Internal Control Certifications (AASB)*

[www.cica.ca](http://www.cica.ca)

#### Securities Laws and Regulations—Canada

[www.osc.gov.on.ca/Regulation/Rulemaking/rrn\\_index.jsp](http://www.osc.gov.on.ca/Regulation/Rulemaking/rrn_index.jsp)

#### Securities Laws and Regulations—United States

[http://www.sarbanes-oxley.com/section.php?level=1&pub\\_id=Sarbanes-Oxley](http://www.sarbanes-oxley.com/section.php?level=1&pub_id=Sarbanes-Oxley)

United States Securities and Exchange Commission (SEC) [www.sec.gov](http://www.sec.gov)

<sup>1</sup> To order copies of the 20 Questions series or CFO series contact 416-977-0748 (Toronto) or 1-800-268-3793 (rest of Canada) or visit [www.knotia.ca/store](http://www.knotia.ca/store)

<sup>2</sup> Available for free download from [www.rmgb.ca/index.cfm/ci\\_id/3083/la\\_id/1.htm](http://www.rmgb.ca/index.cfm/ci_id/3083/la_id/1.htm)