

Walkin', Talkin', Lookin' & Listenin'
OR
(Things Most Of Us Don't Do Well)

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Elbert Hubbard, a philosopher
popular early in the twentieth
century, made the following
remarks:

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“The typical auditor is a man (or
woman) past middle age, spare,
wrinkled, intelligent, cold, passive,
noncommittal, with eyes like a
codfish, polite in contact, but at the
same time unresponsive; calm and
damnably composed as a concrete
post or a plaster-of-paris cast;

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A human petrification with a heart of feldspar and without the charm of the friendly germ, minus bowels, passion, or a sense of humor.

Happily, they never reproduce and all of them finally die and go to hell!

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As a rule we, as auditors, are remembered not for our successes, but ...

For Our Failures

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The Firms

Arthur Andersen:

Enron

WorldCom

Qwest

Global Crossing

Dynegy

CMS Energy

The Firms

Arthur Andersen:
Halliburton
Peregrine
Merck

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The Firms

PricewaterhouseCoopers:
Tyco
Torras Group
JP Morgan Securities
Bank of Credit & Commerce Int.
Mirror Group of Newspapers

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The Firms

KPMG:
Xerox
Gemstar-TV Guide International
Tricontinental
First Home Savings Bank

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The Firms

Deloitte & Touche:
El Paso Corp.
Adelphia
Franklin Saving Association
Columbia Savings & Loan

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The Firms

Deloitte & Touche
City Federal Savings Bank
Barlow Clowes
Parmalat

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The Firms

Ernst & Young:
AOL
Williams Cos.
Lloyd's of London
Medicis Pharmaceutical Corp.

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Where's My Den?

Once I'm In, I Won't Come Out Till Spring!

(Or at least, not until I complete my audit!)

We have a place all fixed up just for you!

- It's off the beaten path (Takes a map to find it)
- Has its own restroom
- Equipped with fax and internet connection
- Telephone
- A staff person (Fast Freddie) to contact should you need anything
(All the comforts of home!)

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Walkin' – Getting Out Amongst The People

- Here I am and this is where I'll be
- Quote from Parks Director: I've heard that the auditors have been here, but I've never seen them. (\$15,000 shortage in Parks operations)
- Business cards
 - Your place or mine?
 - If out of town, this is where I'm staying (??)
 - Night or day?
 - Just between you and me

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Talkin'

- Talk to people – You start the conversation – Don't wait for them
- Who has the most knowledge about an organization and where all the problems are?
- Be someone that is easy to talk to
 - How you talk depends on who you are talking to
- Act interested in what a person is saying (No matter how dull it is!)

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Talkin'

- You may only have one chance – Don't blow it!
- If there is a problem, someone knows
 - It'll make your job a lot easier if you can find that individual and convince them to *take a chance* on you
 - You do know that they feel that they are taking a chance

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Talkin'

- Don't just walk in and ask: Mr. Jones, \$50,000 is missing; did you take it?
- Calibrating Mr. Jones
- Establishing a rapport
- Try to never ask a direct question.
 - Tell me what you know about ...
 - Your phrasing may provide the party information which you do not want them to know
 - Don't limit the answer by how you phrase your inquiry

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Talkin'

- Observe the individual's actions both when you ask a question or they are answering the question
- Never "read" you questions
- Be familiar with both verbal and non-verbal clues
 - Body Language

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Talkin'

Remember
Words Lie
But the Body
Always Tells the Truth

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Caution

- Be careful of initial impressions
- For they are long lasting and hard to change
- Often individuals will try to influence your initial impression of them

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Lookin'

- Are the internal controls that they told you are in effect actually being observed? (Management will tell you what you want to hear!)
 - Vault
 - Signature plate(s)
 - Segregation of duties
 - Timely deposits
 - Pre-signed checks

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Lookin'

- Look for opportunities
 - Ins and outs
 - Windows
 - Let's do lunch
 - Eight little key strokes – and you're toast
- Be careful – What You See May Not Be What You Get
 - Do you really see what you see?
 - Is it real

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Listenin'

- Do you hear what you hear?
- In order to be a good listener, you have to be like an air traffic controller
- But does it make sense or is it just – “Sounds Good To Me”

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Listenin'

- Be careful – for they'll tell you what you want to hear
- Do you UNDERSTAND the answer
- Does the answer make any sense
- Don't be like the doggie in the back seat car window
 - What do you do if you don't or it doesn't
 - What you had better NOT do

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Interviewing and Interrogation

Be on the lookout for equivocation

Q: Did you take the cash?

- There's no way I could have done that
- I wasn't even here that day
- I'm not authorized to be in the cashier's cage
- I don't have access to cash
- Why would I take the cash when I make good money

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Thinkin'

It Just Does Not Make Sense

SO!!!!!!

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Let's See What You Have Learned

(Be careful for this one is a little different)

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Materiality

Supposedly, we're not concerned with
IMMATERIAL (SMALL) FRAUDS

News Flash

*There Are No Small Frauds
They're just little ones waiting
to grow*

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That little *immaterial* fraud
that you passed on this year

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Will be the 800 pound gorilla in the room when you come back next year



SWEET
DREAMS

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