



4-9-2014

The Effectiveness Internal Auditing has to Help Improving Companies

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WESTERN MICHIGAN UNIVERSITY

The Effectiveness Internal Auditing Has To Help Improve Companies

Lee Honors College: Honors College Thesis

Kelsey Miller

Spring Semester 2014

[Internal auditing is an independent consulting activity done within a company to insure and improve a company's operation. The thesis is going to look at, if internal auditing has good effectiveness and efficiency in helping improve companies. Can internal auditing help a company stay on the right track? In the past, there has been significant fraud, lies, and scandals in large companies, like Enron and Worldcom. These upsets have cost investors billions of dollars when the share prices of affected companies collapsed. Internal auditing should be able to know what is going on in the company and create ways to prevent such a deficit from happening.]

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What Is Internal Auditing?

When thinking of internal auditing many people just think of audit reports of financial statements but it is actually more than a configuration of numbers. Internal auditing has a long history and became more prominent in the early 2000's due to many prominent scandals in the business world. As a result of these scandals, Congress, the Securities and Exchange Commission and the Institution of Internal Auditing have been more active in passing standards and directions for companies to follow to prevent fraud and other possible misstatements. By establishing policy and procedures, internal auditing is designed to make the control system of a business more effective and efficient.

Defining Internal Auditing

The Internal Institute of Auditing defines internal auditing as, an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The Institute also adds that 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. Internal auditing can be defined in many different ways because there are so many components and responsibilities that go into it. It can also be very complex to attempt to define every aspect of internal auditing.

History of Internal Auditing

Industrial Revolution

The methods of auditing became widely used during the Industrial Revolution. Auditing was needed during this time, as the railroads were being built, to help provide some organized controls around costs, production, and operating ratios. This was also one of the events in history that led to the actual profession of accounting. Auditing did not become a requirement in the United States until after the stock market crash of 1929. Many large and small investors and also banks lost a great sum of money during the crash causing the reliability and confidence in the market to significantly decrease. Before the crash, investors relied more upon unaudited financial reports for corporations to enter and participate in the stock market. Today, financial reports are relied on but financial statements are more reliable now since there are outside sources checking the accuracy of the statements. Without a third party to evaluate statements, corporations could easily create their financial statements to appear better than how the corporation was actually doing. Financial disclosures and preventing fraud in the sale of stock was previously never seriously looked into by any bodies or agencies. During this time, there was talk of proposals that the government would require disclosures and preventions, but neither materialized until after the crash.

Securities and Exchange Commission (SEC)

To help bring back the confidence in the stock market, Congress passed the Securities and Exchange Act of 1933 and 1934 which ended up creating the Securities and Exchange Commission, also referred to as the SEC. There are two main requirements that sum up the purposes of the Securities and Exchange Act. The first requirement is that

companies, who are publicly offering securities in exchange for investment dollars, must be honest and disclose to the public about the success and purpose of their business. They also have to be honest about the securities they are offering and the risk involved to the investors. This leads to the second requirement that the people who sell or trade the securities have to put the investors' interests first. Also, the Securities and Exchange acts of 1933 and 1934 require that financial statements must be evaluated by an independent public accountant, as a part of registering statements to issue new securities and also for reports. The SEC has many responsibilities including the oversight of the Public Company Accounting Oversight Board (PCAOB), which oversees auditors, and the oversight of The Financial Accounting Standards Board (FASB) which has been designated as the authority creating accounting standards also known as the general accepted accounting principles (GAAP). The SEC is also required to ensure that publicly traded companies submit periodic financial statements. Any major change proposed by The Financial Accounting Standards Board seriously considers the opinion of the SEC before making any changes.

The Institute of Internal Auditing (IIA)

In 1941, the Institute of Internal Auditing (IIA) was established by Victor Brink, John Thurston, and Robert Milne. Brink was the author of the first book on internal auditing. The IIA was created as a global organization of internal auditors to establish a recognizable leader of authority and a primary educator for internal auditors. At this time companies were looking for systems of control for conducting many operations in a variety of locations and also for employing numerous amounts of employees. The IIA is not just for internal auditors but encompasses other professions including, risk

management, internal control, information technology, and security. It is said that many people denote the origin of internal auditing to the establishment of the IIA.

The Committee of Sponsoring Organizations (COSO)

The IIA, the American Institute of Certified Public Accountants (AICPA), and three other organizations are all sponsored by the Committee of Sponsoring Organizations (COSO). COSO was established in 1985 to sponsor the National Commission on Fraudulent Financial Reporting. COSO is also referred to as the “Treadway Commission” because the first chairman of the National Commission was James Treadway Jr. COSO studies the everyday factors that can lead to fraudulent reporting. The goal of COSO is to provide leadership in enterprise risk management, internal control and fraud deterrence. In 1992, COSO also developed Internal Control – Integrated Framework that is widely used in the United States. It created five components; control environment, risk assessment, control activities, information and communication, and monitoring. Management implements these components of internal control to assure its objectives of effectiveness and efficiency of operations, reliability of reports, and compliance with laws and regulations are being met. Effectively implementing these components and objectives created by COSO will help prevent and detect any material misstatements in financial statements.

The Scandals That Started It All

Even with all the organizations that have been established to educate and provide rules and guidance, there are still many acts of fraud occurring and false financial statements are still being filed. As an auditor, uncovering fraud is one of the most

difficult misstatements to find in an audit. This is because the company clearly does not want parties to discover it, so they bury it in their financial data to make it difficult to find. Notable real world examples of fraud are the collapse of Enron and WorldCom in 2001 and 2002. These two high profile example of frauds did not just occur at these two companies; there were many other financial scandals during these two years, which turned into a major turning point in United States' history and also in the role of internal auditing.

Enron

Enron's scandal was one of the biggest auditing scandals in American history. Arthur Andersen was the auditing firm for Enron. The auditors were criticized for having a few, short meetings a year that would cover a large amount of material. When auditing such a complex company as Enron, it would be impossible to cover all their material and data in just a few brief meetings. Enron was following GAAP, but they were taking advantage of the loopholes they found in GAAP. It is said that Arthur Andersen was pressured to "look the other way" when it came to to Enron's accounting practices. Even with all the scandals to make Enron look profitable, their share prices started to fall at the end of the year in 2000. In October 2001, the SEC began an investigation into Enron's accounting methods and two months later Enron filed for bankruptcy. In January 2002, Enron discontinued their business with Arthur Andersen, claiming that were given false accounting advice and financial documents. When this claim was made, Arthur Andersen started destroying emails and documents that were related to Enron. Arthur Andersen was caught and charged with obstruction of justice. Subsequently, Arthur Andersen was convicted of a felony. His CPA license was no longer of value forcing the firm out of

business. As a result, over 113,000 employees of Arthur Anderson lost their job. Even when this was eventually overturned by the Supreme Court of the United States, it was too late for their image that was destroyed and their clients left. As a result they would not be able to compete in the business world.

WorldCom

From 1999 through 2002, WorldCom was reporting a substantial growth in earnings per share while covering up for the reality of their financial decline. The telecommunication industry began to fall in 1998 and in turn so did WorldCom's stock. This caused a tremendous amount of pressure from banks, resulting in WorldCom creating false reports and practicing illegal accounting methods. The way they went about the fraud was by having the accounting department understate their expenses with other companies in the same market and capitalizing the costs on the balance sheet. In reality, these costs should have been expensed. The other way WorldCom initiated their false claims was by inflating the revenues with false accounting entries from unallocated revenue accounts. This practice caused an overstatement of their assets making WorldCom seem very profitable. This scandal was discovered by WorldCom's internal audit department and amounted to \$3.8 billion in fraud. Shortly after this discovery, WorldCom filed for bankruptcy and was one of the largest bankruptcy filings ever at a total of \$103.9 billion. The CEO of WorldCom was found guilty by the federal regulators of fraud, conspiracy and filing of false documents. He was sentenced to 25 years in prison.

Sarbanes-Oxley Act

Why SOX Was Implemented

As stated, there were many other financial scandals that happened during these years. The thought is that there were many pressures being faced for both corporations and auditing firms, and also a lack of oversight into business practices. There was no documental or enforced internal auditing during these times. Audit firms didn't have the ability to continuously monitor a company's internal control and they assumed that their clients had good intentions, and in many cases trusted them too much. After the numerous financial scandals became public, especially the big ones like Enron and WorldCom, the stock market dropped. These unfortunate events made companies look untrustworthy, along with the auditing firms, which in turn pressured the government to create the Sarbanes-Oxley Act (SOX). It was written by Senator Paul Sarbanes of Maryland and put through by the House of Representative, Michael Oxley of Ohio. This is how the act received its name. President George Bush signed the act in 2002 right after the WorldCom scandal became public.

By passing the Sarbanes-Oxley Act, it not only changed various procedures for publicly traded companies but also for the accounting profession. It is seen as one of the largest changes to the authority of the public corporations' audits. SOX authorized strict reconstruction to better the financial disclosures from corporations and prevent fraud. Overall, SOX improves the quality of the audits by examining the reporting process. Audits are becoming more effective which is the goal of SOX. There is also the need for the improvement of the integrity and reliability of not only executives and management but also entry-level employees. Without being able to trust companies and what they

were reporting, investors stop investing as a result of their shaken faith in companies and the contributed to the stock market crash. SOX established strict rules for companies to follow for them to be more transparent and trustworthy.

Components of SOX

Sarbanes-Oxley Act impacts all levels of the corporation, starting with the billing clerk all the way up to the CEO. Financial responsibilities and attention to details have increased significantly since SOX was implemented. Before SOX, employees could band together, called a collusion, to purposely alter financials for the company's and individuals' benefits. Now the CFO and top executives must sign off on all financial statements prepared by the corporation. This is added in through section 302 of SOX. If there are any intentional misstatements, because of section 302 of SOX, the CFO and top executives are held liable with possible termination of their jobs and also criminal penalties. With the added liability and responsibility of presenting accurate financial statements to employees and stockholders, executives have seen a significant increase in salary.

The transparency of financials can be interpreted in many different ways. When one thinks about the transparency of the company's financials statements, it is usually perceived as being able to see the "bottom-line" numbers on balance sheets and income statements. However, let's not forget about all the contributors that it takes to put these together. Transparency of financials helps auditors find unethical employees at all levels of this process. For example, corporate billers could be under billing clients that they have a vested interest in. Claims processors can write-off personal expenses that come

through the company's expenses. When entry level workers alter the financials without management's knowledge, this has a snow ball effect when high level financial amounts are reported to executives. Transparency throughout the entire process of creating financial reports enables internal auditors to pinpoint possible misstatements and at what level the misstatements may have been created.

Section 404

Section 404 of SOX also has had a major impact on publicly-held corporations. This section requires the corporation's auditors to provide clear evidence, and report on managements' assessment of its internal controls. It has been shown that this section has improved financial reporting and the availability of financial statements to all who are affected. Before section 404, internal controls in publicly traded companies were not treated with the attention that was needed. Internal controls are enforced to tell all levels of the company and what is expected of them. Work place actions and following business procedures set forth by the internal controls from the top level executives make all employees liable for their actions. Section 404 of the Sarbanes-Oxley Act not only holds employees more accountable for their actions but also requires integrity and reliability throughout the corporation.

Auditing Standard No. 5

Another way to improve the integrity in corporations resulted in the development of Auditing Standard No.5 in 2007. It was added in efforts to replace Auditing Standard No. 2 and make Section 404 of SOX more effective and efficient. It also makes section 404 audits of management more risk-based and more effective to the variation of corporation sizes and their own intricacies. This benefits small companies and helps with

reducing unnecessary expenses. This act also helps protect investors so they can put their money to good use. Auditing Standard No. 5 was created by The Public Accounting Oversight Board (PCAOB) and approved by the SEC. PCAOB along with creating the standard adopted the definition of “significant deficiency”. This definition is an effort to address the uncertainties many auditors had. Since implementing this standard, auditors can focus on the risk and materiality of the client. Also, a corporation’s internal audit procedures do not have to be constructed to fit the auditing standards but instead to better the quality of the financial statements.

The Criticism & Disadvantages of SOX

Like any great idea that is supposed to help improve the way we do things there is always a negative. The same happened when the idea of SOX was coming out. There were many critics including congressman, Ron Paul. Like many other people in politics, they thought SOX was unnecessary and would cost the government more to intrude into corporate businesses. Many critics also believed that it would put American corporations at a greater disadvantage compared to foreign companies resulting in driving businesses out of the country. Along these lines, there are many businesses today that have moved their businesses out of the country, also known as outsourcing. It is not all due to implementing SOX, but there are many other reasons for outsourcing such as looking for flexibility of staffing and letting the corporation focus on its core values. Outsourcing is particularly popular today due to the economy in that it saves costs and can also improve customer service. Companies are trying to cut cost, which in consequence add more work on the employees’ work load. With outsourcing it reduces cost and does not add much of a load to employees’ everyday task. In the end, when doing the financials even if saving

cost from outsourcing, the financials still have to follow the strict regulations of SOX. The corporations need investors to fund the research and implement the outsourcing.

Many publicly traded companies as well as auditors also did not want SOX to be implemented. For the publicly traded companies, they did not want more regulations and the increased audit fees as a result of the additional work. For auditors, this meant an increase in responsibilities and looking over more areas of the corporation when doing an audit. SOX creates more work for auditors which increases the time. An increase in work and responsibility and a limited time to do it, is not a great thing in many employees' eyes.

PCAOB Created from SOX

Even with all the improvements to prevent fraud and protect the investors, there is more that came about in the creation of SOX. Traditionally, the auditing profession was self-regulated but now a nonprofit corporation known as, the Public Company Accounting Oversight Board (PCAOB), oversees the audit profession. It is a five-member board that oversees ethics and disciplinary issues for the profession of accounting. Congress gave the SEC the power to oversee PCAOB. This includes the power to consider appeals of PCAOB, inspection reports and correctional actions, nominate or withdraw members, and to approve budgets and rules. Annual inspections are required by PCAOB for accounting firms that have more than 100 issuers. The other firms are inspected at least once every three years. The inspections are performed to evaluate that accounting firms are in compliance with PCAOB, the SEC, and the firm's own policy and procedures. Now the government compared to the past, has oversight of auditor's and more regulations for them to follow.

Daily Tasks of Internal Auditors

The tasks of internal auditors are different from day to day. Internal auditors are evaluating all different departments of the company and even other companies such as their vendors. They also have multiple audits to do and are in different phases of all of them. While doing these audits they have many standards and rules to follow, as we explained previously but also they have many responsibilities in their roles.

Who Are Internal Auditors?

Internal auditors are not just accountants as they work with more than just financial statements and numbers. Especially after SOX was passed, internal auditors now have to look into other departments of the company including management, operations, and information technology. They look into every aspect of the company to make sure that each department is following the policy and procedures that are put forth for them. For example, if the operations department in a company came upon an agreement with a client that they were going to use this high quality manufacturing piece that's worth \$1.00. The job the client wants to run needs 10,000 manufacturing pieces. The operations department, before starting the job, decides to use a low quality piece that is worth \$0.25 and fails to inform the client because they don't think they will notice and they want to pocket the extra \$7,500. In this case, the internal auditors' role is to catch situations like these before they are caught by an outside auditor and the company risks higher consequences. Companies would rather have important situations and little errors worked out within the company, then by external auditors or regulators where it can become publicly known.

The Auditing Procedure

When doing an audit there are three stages planning, testing, and completion. During the planning stage, there first has to be an understanding between the auditor and the department or client being audited about why it is being done or needed. Engagement letters are usually signed to have the agreement documented so nothing can come back on the auditor. This is because the agreement informs the client that the auditor cannot guarantee that all fraud will be discovered. After the agreement between the two parties, the auditor should get an understanding of the department or client's nature of business and the external environment. Basically they are trying to get a brief understanding of the business that makes the auditor feel like they worked at this business for years. While getting an understanding the auditor can start assessing risks, higher risks to areas they think they need to look more into and lower risk to areas that seem that they won't have any error or fraud. Internal auditors look into all the areas, but view some areas more thoroughly because of the higher risk involved. This does not mean that the risk to some area might not change throughout the auditing process. Assessing risk is for the client business risk, which they do while getting an understanding of the business and then there is also assessing risk of material misstatement. Assessing risk of material misstatement is while looking at the financial statement and the susceptibility that there are material misstatements. When verifying everything is correct and accurate, auditors compare information to industry averages, the companies prior years, the company's expected and actual information, the auditor's expected and actual information, and also non-financial data. These are used as standards or averages that the company's business ratios should be closely around. By comparing the business's current data to the rest of

these help point out areas of high risk. The same thing is done by assigning different levels and types of risks to certain areas or to certain accounts. Also during the planning stage, the auditor evaluates the management of the department or client's business. They make sure the standards and rules set by management are first effective, reasonable, and also legal. If they are up to standards, auditors make sure they are being followed correctly. The planning stage is prepping the auditor for the testing stage of an audit.

In the testing stage is where auditors pull up their sleeves and get their hands dirty. This is when they go through the financial statements and anywhere there is high risk for material misstatement they dig deep into to find any errors or fraud. They can do this by reperforming or recalculating certain accounts, and also by inspecting invoices or documents. There are so many ways auditors can go about getting the information they need to verify the accuracy of the financial statements. It all depends on how willing and cooperative management is going to be with the auditor. The auditor gathers all the information they need and thereafter prove the financial statements with all the evidence they can find. They have to come to their own evaluation on how reliable the data might be. The reliability all depends on the source they gathered the information from. It is more reliable to get information from third parties and for auditors to test procedures out themselves. It is rarely ever considered reliable to receive information from management and just trust everything received by management. There will always be errors in some data because humans are not perfect and are prone to errors. If there is an error, auditors have to determine if it is intentional or not and how big of an error it is. If it is intentional, it is generally considered fraud. It is the auditor's job to provide reasonable assurance that

the financial statements are free of all the material misstatements and fraud, even though it is very unlikely to find every single little error.

The last stage of the audit is the completion stage. This is where the auditors take one last final look at all the data, come to their financial conclusions and provide feedback to the department or client. This part is done or checked by senior auditors or auditors with more experience. When coming to the conclusion the auditor has to provide opinions and document their findings. If they find anything wrong they share it with management for management to fix the error. If management does not fix it, it will get reported to higher up management or governmental regulators, like the SEC. Also the auditors share with management a list of recommended controls. These controls can improve the effectiveness and efficiency in their procedures. This is not just financial and can be within the work place. They make sure everything that is recommended is up to code with all the new laws and regulations.

The Auditor's Responsibility

A key to a company's success when performing audits depends on the auditor's responsibility. It is easier said than done to actually perform an audit as there are so many complexities auditors face. It is only human to want to trust everyone and also to find everything that is wrong to fix it.

The first thing an auditor has to realize is that every mistake and error will not be found. The reason is because most evidence is from a result of a sample testing. When testing data, it is unrealistic to look through every document or every inventory, so samples are taken to test. The sizes of samples vary from the risk assigned and to how

reliable the data is. The results from the test are evaluated by the auditor and they pass their judgment if it was a reliable test or not. Auditors are human and can make errors in their judgment on the results of the test. Another reason all errors or fraud won't be found is if some of the accounting procedures involve complex estimates. Uncertainty is always involved with estimates because it is not actual data. Fraudulent financial statements and fraud in general are one of the most difficult misstatements to find. They are purposely hidden well in data, by management or employees. Since it is almost impossible to find all errors and fraud, auditors must have reasonable assurances when doing audits.

Reasonable assurance is having a high level of assurance or certainty that the audits are free of material misstatements. This is not absolute assurance but close to it. When going through the engagement letter with a client the auditor informs them that with the best of their ability they will have reasonable assurance in the audit.

Another responsibility an auditor has is to have a professional skepticism attitude. By having a professional skepticism attitude or mindset means to trust but verify everything. Having a questioning mind helps keep from making a biased opinion. Even with internal auditing, having a questioning mind within the company is a great aspect to have. A bias, questioning mindset, reduces the likelihood of audit failures because it can help discover material misstatements. When performing an audit being unbiased is mandatory. There is no favoring allowed anywhere. Being unbiased, helps prevent the human desire want to trust everyone.

The Internal Auditing of Kohl's

Internship Experience

This summer I had the great opportunity to have an internship at Kohl's corporate offices in Wisconsin. I interned in the facilities finance department. As an intern, I got the opportunity to shadow areas in the finance department and also met with the CFO, Welsey McDonald, the vice presidents in finance, and managers of the departments. One of my favorite meetings was with Steve Zamansky, Vice President of Internal Auditing. In my meeting with him over the summer I got to talk to him about his past education and careers and how he got to where he is today. Also, I was informed more about what he does now and what is expected of his employees in internal auditing. This meeting really had me more interested in internal auditing, which is why I am doing my thesis in this area. I recently interviewed Steve Zamansky again to answer some more questions specific to my thesis. He was more than cooperative to help.

Interview with Steve Zamansky

First of all, Steve Zamansky gave me an overview of the daily departmental procedures. He said that everyday there is always something different being done. I agree that auditors are not doing the same work everyday. Most people believe accountants do the stereotypical work with numbers everyday and sit at their desks doing journal entries all day. That is not the case at Kohl's or for most internal auditors. Zamansky said that they are a very project oriented group. They can be working on multiple projects at one time. I remember when talking to him this summer and I asked what he looks for in his employees. He said a big quality was someone who can multitask because the projects just keep coming. There is always something that needs to be done.

Zamansky broke down auditing into three different phases; planning, field work, and wrap-up. This is similar to how I described the three stages previously. In Kohl's planning phase, the internal auditors prepare and research the vendors they are going to be auditing. Preparing to meet with vendors and gather information is relevant to their testing. Also, planning includes things like preparing for the procedure they are going to take during the walk through and testing of vendors. In the field work phases, the internal auditors will go out and meet with the vendors again and do the walkthrough and testing. The wrap-up phase is where they put all their research and results together for the ending of the audit. In this department, there is a lot of traveling, research and preparation involved in conducting these audits. Zamansky said auditors could be in the planning part of one project and the wrap-up or field work of another, but they are not in the same phase at once for multiple projects.

I also asked Zamansky, what are the advantages to having internal controls at Kohl's? He responded with saying, without internal controls there is a greater frequency of fraud. An example given is the theft of company assets because there is more temptation for employees to steal. Having internal controls, Zamansky described, is like giving businesses a guardrail and providing security access to people who need it. Internal controls puts more of the company's interest first and increases the shareholders value. Without internal controls, employees would look out more for their own interest than the company's, which would increase fraud. The main point made is that internal controls help minimize company and employee fraud.

Since SOX has been implemented it has effected many companies including Kohl's, both positively and negatively. In Zamansky's opinion, SOX has helped increase

awareness of internal control consciousness and gives more discipline. Everyone knows they are going to be audited each year so it makes them more on top of their game. It also creates a better process design. By this Zamansky means that they can focus more on higher priority risks. Some of the negative things brought by SOX are the cost of compliance both internally and externally. Internally it adds additional layers of review and auditing. Externally there is more work to be done in an external audit. SOX created additional documents of control procedures, walkthroughs, details, and transactions. Overall it created more work than necessary as Zamansky stated. The additional details and processes added more focus on something that may not lead to a misstatement. SOX has effected Kohl's positively by adding structure and discipline, but has also negatively impacted them with additional work.

Kohl's has disciplinary procedures for any employee who does not follow SOX or internal controls, but these actions are rarely used. However, if someone intentionally doesn't follow procedure or policy they will most likely be terminated. This practice is understandable because the trust is gone with that employee and most likely this is done throughout many companies. Zamansky said it is rarely done at Kohl's because if someone doesn't follow policy or procedures, it's mostly unintentional. When it is unintentional they typically discipline the employees by just reminding them what they did wrong and providing them with more education and training. Kohl's internal auditing understands that everyone is not perfect and will make mistakes. They try to educate their employees when they are newly hired and also when unintentional mistakes are made. To educate, they provide all employees with a code of conduct and a code of ethics. They have their employees sign one every year to be sure they have an understanding on what

they are. Also each department has policies and procedures. These are created by each department and give the employees the ability to be successful. Zamansky stated that it was their job to make sure these policy and procedures are measured realistically and exist for each department. Other sources are just training material and documentation. I know while interning over the summer Kohl's had multiple training classes held for employees. These were held during the week, about an hour long, and taught by management from other parts of the department. I thought this was very interesting and convenient for employees. They taught you the little things that can take you a long a way in your work. For example, one class taught you the details of excel and the formulas that can minimize the time it takes to do some tasks. This was a great way I thought Kohl's provided training. Another thing that helps with internal control is Kohl's encourages employees to rotate and work in different areas of the department about every two years. This not only improves employees' knowledge and skills but also guards against internal fraud. Fraud will be easily detected when someone new comes in and takes over and sees what is being done. It does not allow for one person to stay in their spot and get too comfortable and make wrongful decisions.

Internal auditing is one of the key parts in Kohl's success as a company today. Zamansky and his team help ensure all the departments are following policy and procedure. They ensure employees are being educated and updated on rules. They also make sure vendors don't have fraud or material misstatements and are performing efficiently and effectively.

Conclusion

Internal auditing has come a long way. History is an important piece to our future by learning from its mistakes. We have learned from the past errors and fraud within the business community that more internal control and oversight is needed to ensure accuracy and reliability of financial data. Internal auditing has become more prominent after Sarbanes Oxley, which has impacted nearly every company. The focus on quality internal controls may require work, but it helps ensure the data used by the company is correctly stated. In addition, the volume of data that needs to be examined has only increased since Sarbanes Oxley was implemented. By the increased focus on controls, Sarbanes Oxley has helped restore confidence to the markets. It doesn't just benefit government but also investors, shareholders and even us. With no effective controls in business, we saw the disasters it caused. Internal auditing makes business run more effective and report more reliably.

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