

***FIRMA National Risk
Management Training
Conference – San Francisco, CA
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Internal Control Reports
Facts, Myths, and Best Practices

Francis P. Thomas
The Glenmede Trust Co., N.A.

Leveraging Internal Audit Work with your SAS-70 Auditors

- Extensive Planning (scope of controls, what elements are key to the audience)
- Designate an IA liaison
- Make sure all testing programs cover your key controls and are approved in advance by the CPA firm who will sign the report.
- Assignments should reflect efficiency and expertise.

Leveraging Internal Audit Work with your SAS-70 Auditors

- Do you obtain management's response to issues or does the CPA?
- Weekly status updates on progress.
- Target deadlines for delivery of completed sections.
- Adequate time allotted for clearing review notes, (manager reviews and partner sign off).

Leveraging Internal Audit Work with your SAS-70 Auditors

2009 SAS70 Status Update Worksheet [Compatibility Mode] - Microsoft Excel

Audit Section	Auditor	Audit & Sample Size	% Complete	Date: Level 1 by FPT	Date to E&Y for Review	Accum GTC Hours	TOTAL
GTC's SAS 70 Status Update Worksheet for 2009							
Planning	FT					5.50	
A Account Admin							
A1 Account Admin	CS	20 HHW	100%	8/17/2009	8/18/2009	38.00	
A2 Account Admin	CS	5 INST	100%	8/21/2009	8/21/2009	12.25	
B Asset Pricing							
B1 State Pricing	NR	2 State Price Rpts - 10 Securities from each	100%	8/7/2009	8/10/2009	10.00	
B2 Market Pricing	NR	25 Securities	100%	8/7/2009	8/10/2009	10.00	
B3 Private Partnership Pricing	DA	25	100%			186.00	
B4 Hedge Fund Pricing	CS	5	100%	8/21/2009	8/21/2009	26.00	
C Asset Safekeeping							
C1 GP to DTC	EY	2 periods for Recs-100%					
C2 GP to Chase	EY	2 periods for Recs-100%					
C3 Reconciliation Testing - Non-Primary Custodian		Not performing in 2009 SAS70					
C3 Primary Custodian Coding Changes		Not performing in 2009 SAS70					
C4 Vault Count	NR	Confirm vault count done by Sec Ops.	100%	9/2/2009	9/3/2009	3.00	
C5 Reconciliation Testing - Monthly Trust Accounts	EY	Sample of 2 monthly trust account bank reconciliations					
C6 Reconciliation Testing - Assoc Bank Accounts	CS	5 HHW memo part of Bank Recs GP & custodian	100%	9/2/2009	9/3/2009	10.00	

Average: 17592.65244 Count: 118 Sum: 721298.75

Ready

Start | Inboxes - Microsoft Outlook | GlenNet - Microsoft Inter... | FIRMA Conf material | 2009-09 SAS 70 | Microsoft PowerPoint - [...] | Microsoft Excel - 200... | 3:09 PM

Leveraging Internal Audit Work with your SAS-70 Auditors

- Internal review / external approval
- Discuss how best to communicate results of testing for the report?
- Will report be made available in hard copy or via PDF electronically?
- Are you going to track recipients?

Does your SAS-70 give away too much information?

- Don't give flowcharts on how data moves and is controlled.
- Don't identify the actual systems you use. Say "trust accounting system" or "trade order entry system"
- Don't identify your strategic partners by name (telecommunications vendor, name brand routers and switches, etc.)

Vendor Management Committee Duties

- Oversee the establishment of all vendor due diligence practices and procedures
- Maintain oversight of data input to the vendor database
- Report up in the committee structure and escalate any security concerns
- Report any risk concerns to the Risk Management Committee

What is a significant vendor?

- Someone with access to client or employee NPI
- High business impact if product or service not available from vendor
- High business impact due to vendor interaction with clients/prospects
- High business impact if vendor fails

Using a vendor SAS-70

- What type of report is supplied (Type I/A or Type II/B – with testing results)?
- Within the scope of the report, can you identify the product or service you purchase as being tested?
- Go to results and look for disclosures about the controls over your product or service. Are they acceptable?

Using a vendor SAS-70 cont.

- If control weaknesses were identified, are they situations that would be significant to your business? Has the vendor provided their management response?
- If significant, do you have the ability to directly discuss the action plan with the vendor?
- If you cannot communicate directly, do you have any avenue to provide input that may positively alter the corrective action?

Using a vendor SAS-70 cont.

- How are you going to document your risk management concerns?
- Do you have a way to monitor to see if the corrective action has been implemented and is working – or do you have to wait until the next SAS-70 report becomes available?
- If the situation is uncorrected or deteriorates, do you have contract options to exit your commitment or change vendors?



Questions / comments

- The clock says we're almost out of time for this session. If you did not get an answer, please see us at a break or lunch today.
- Thank you for attending this session and we hope you take home some good information
- Travel safely.