



## **CFPB Readiness Series: Developing an Internal Audit Process**

# Who is KirkpatrickPrice?

KirkpatrickPrice is a licensed CPA firm, providing assurance services to over 250 clients in more than 40 states, Canada, Asia and Europe. The firm has over 10 years of experience in information assurance by performing assessments, audits, and tests that strengthen information security, and compliance controls.



# Welcome

Todd Stephenson is an Information Security Specialist helping collection agencies and law firms prepare for a CFPB examination.

- Certified Information Systems Auditor (CISA)
- Information Security Specialist
- Over four years working with the ARM industry



# Why Internal Audit?

- “You can only expect what you inspect.”
- Key component of *any* effective management system
- FFIEC Requirement
  - Prescribes uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of:
    - The Federal Reserve System (FRB)
    - The Federal Deposit Insurance Corporation (FDIC)
    - The National Credit Union Administration (NCUA)
    - The Office of the Comptroller of the Currency (OCC)
    - The Consumer Financial Protection Bureau (CFPB)



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# Internal Audit = Step 3: “Check”



# Why Internal Audit?

“Management should develop and follow a formal internal audit program consisting of policies and procedures that govern the internal audit function, including IT audit.”

**FFIEC IT Examination Handbook**

# Why Internal Audit?

“In assigning a consumer compliance rating, all relevant factors must be evaluated and weighed. In general, these factors include the nature and extent of present compliance with Federal consumer financial law, the commitment of management to compliance and *its ability and willingness to take the necessary steps to assure compliance*, and the adequacy of systems, including internal procedures, controls, and audit activities designed to ensure compliance on a routine and consistent basis.”

**CFPB Supervision and Examination Manual V.2, Pg. 26**



# Why Internal Audit?

“An effective compliance management system commonly has four interdependent control components:

- Board and management oversight
- Compliance program
- Response to consumer complaints
- **Compliance audit**

When *all of these four* control components are strong and well-coordinated, a supervised entity *should be successful* at managing its compliance responsibilities and risks.”

**CFPB Supervision and Examination Manual V.2, Pg. 35**





# Welcome

Gary Boardman

- Qualifications:

- CISSP

- CISA

- CRISC

- CIA

- QSA

- Information Security Auditor



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# Why do you need an Internal Audit Process?

- To provide an independent, objective evaluation of the operational effectiveness of organizational controls



# Establish Authority for an Internal Audit Process to Operate

- Organizational Policy Must Support the Function of Internal Audit
- Authorization for the Policy
  - Board of Directors
  - Ownership

# Establish Reporting Structure

- Identify Independence
- Daily operational reporting
- Audit deliverable reporting
  - Board of Directors – Ownership – Stakeholders

# Scope of Internal Audit Goals, Deliverables, and Objectives

- Corporate size and business complexity
- Establish internal audits annual deliverables to reporting entity
- Responsibility in measuring corporate risk assessment/business impact

# Scope of Internal Audit Goals, Deliverables, and Objectives

- Responsibility in measuring corporate risk assessment/business impact
  - Contractual Deliverables
  - Operations
    - Business Model
    - Governance (Tone from the Top – Ethics)
    - Processes (Manual and Automated)
    - Human Resources



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# Scope of Internal Audit Goals, Deliverables, and Objectives

- Financial
  - Accounts Receivable
  - Accounts Payable
  - Reporting
- Information Systems – Processing and Data Management
- Third Party Vendor Management
- Compliance – Corporate/Legal (Federal and State Consumer Financial Laws)



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# Scope of Internal Audit Goals, Deliverables and Objectives

- Scoping Quality Assurance and Evaluation
  - Control Framework Selection
  - Audit Cycle Selection



# Establish Internal Audit Staffing

- Scoping specific internal auditing team professional competencies with functional topics  
Operational/Financial/Information Systems/Legal Compliance
- Develop internal audit performance metrics
- Establish internal audit compensation schedule

# Establish Internal Audit Operational Work Process

- Documented frameworks
- Audit plans to support selected frameworks
- Audit work paper requirements
- Data security and retention of audit work papers
- Findings and recommendation reporting
- Corrective action recommendation follow-up reporting



# Establish Internal Audit Program Evaluation and Update

- Does the program provide an independent objective evaluation of the operational effectiveness of organizational controls?
- Does the program provide findings, recommendations, and corrective action reporting in a timely manner?
- Does the current business model/cycle require updates to controls?

# Thank you for attending our Webinar

## Q & A

For further information contact:

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# Coming up Next

CFPB Readiness Series:

When:

*Watch your email for information regarding our next webinar.*

