

## Importance of Internal Audit

Identifying, assessing, and managing an organization's risks are among the top priorities of management, audit committees, and shareholders. Internal audit's responsibilities include ensuring that management and the board properly understand the business risks faced by the organization, as well as helping develop an appropriate risk-based audit approach to provide independent assurance that the organization's risk management, governance, and internal control processes are properly designed and operating effectively. The amount of resources dedicated to these inherent risk areas is governed by the risk tolerance level of an organization's management, audit committee, and board of directors.

Risk management is an ongoing process. Effective internal audit departments continually focus on opportunities to improve risk management capabilities. The Institute of Internal Auditors ("IIA") Standard 1300 states, "the Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity." In addition, Standard 1312 requires periodic independent assessments of the organization's internal audit activity. The external review should:

- (1) Assess the efficiency and effectiveness of the internal audit activity in light of its charter;
- (2) Assess the conformity of the internal audit activity to the Standards of the IIA; and
- (3) Identify opportunities for improving the performance of the internal audit function and its staff.

## Outsourcing or Co-sourcing

Whether clients choose to fully outsource or co-source their internal audit needs, Chess Consulting ("Chess") is committed to delivering services in an integrated, transparent, and efficient manner. Our professionals possess the requisite skillset including a mix of industry specific, public accounting, regulatory, and internal audit experience to effectively develop and execute our client's internal audit plan. We coordinate with clients' external auditors to gain a

level of trust that enables the auditors to rely upon our work. In addition to helping clients manage risks, we are committed to providing outstanding value-added services to our clients including providing practical recommendations for process improvements.

## Our Services and Approach

Chess's risk-based approach and assessment methodology includes utilizing risk models and other tools to identify, source, and prioritize an organization's business risks. As part of the risk assessment process, we collaborate with management to properly identify and review risk areas and opportunities relative to the organization's business objectives and strategies. Utilizing our industry expertise, we help interpret, validate, and, working with management, prioritize the risk assessment results. After prioritizing the risks, we work with business process owners to identify the specific risks and auditable activities within each of the respective areas. Throughout this phase of our work, we focus on building and executing an internal audit plan that is aligned with the scope of activities envisioned by management and which addresses the key business risks.

Our internal audit services are flexible and designed to complement our clients' organizational and strategic needs. We assist clients in a variety of capacities, including performing assessments of an existing internal audit function, which typically entails:

- Performing quality assurance reviews;
- Assessing the internal audit policies and methodologies;
- Identifying areas for improvement and developing implementation plans; and
- Training client personnel.

Our approach includes utilizing best practices and diagnostic tools to help identify key controls, process improvements, and cost saving opportunities.

## The Chess Consulting Advantage

Our professionals combine well-rounded technical skills with deep industry expertise to understand all sides of an issue and provide a comprehensive, customized approach for

conducting effective internal audits. Our professionals deliver depth in virtually all areas of the financial accounting and reporting continuum including, but not limited to:

- Auditing;
- Accounting and financial reporting;
- Business risk assessments and mitigation;
- Business systems configuration;
- Corporate governance and internal controls;
- Financial due diligence;
- Forensic accounting and investigations;
- M&A integration; and
- Regulatory expertise.

It is this combination of critical accounting and auditing skills, regulatory expertise, and business process expertise that distinguishes us from other consulting firms.

Our leadership team has decades of experience working with companies and their external auditors on a multitude of business, accounting and financial reporting matters. Among our clients are some of the largest commercial and government contracting companies in the country, including publicly traded and privately held companies, spanning a wide variety of industries, including:

- Aerospace and defense;
- Construction and engineering services;
- Information technology;
- Pharmaceutical and biotechnology;
- Professional services;
- Manufacturing and distribution;
- Healthcare;
- Higher education and nonprofit;
- Energy; and
- Telecommunication.

Notable client engagements include:

- *Government contractors, including Fortune 500 publicly traded companies.* We developed, recommended, and assisted with the implementation of best practice internal controls designed to strengthen and standardize the internal control framework across the entire company both domestically and internationally. The best practice controls covered a wide range of activities and entity-wide controls, including approvals, authorizations, verifications, and reconciliations, among others.
- *A privately owned mid-size government contractor.* We provided outsourced internal audit and government contract compliance functions. Our assistance included performing an enterprise-wide risk and control assessment and developing an audit and compliance plan.

We also provided government contract compliance assistance in a variety of capacities including, but not limited to, preparing and/or reviewing forward pricing rates, preparing incurred cost submissions, and serving as a liaison with government agency auditors.

- *A multinational biopharmaceutical company.* We provided co-sourced Sarbanes-Oxley and internal audit assistance. Our work included testing the effectiveness of internal controls, preparing internal control deficiency analyses including quantification of financial statement impacts, and presenting results to management. We also tested the effectiveness of remediation efforts that were implemented to address identified deficiencies.

## Chess Consulting Differentiators

**Deep industry knowledge** and technical expertise which helps each client deal effectively with the complexities of the processes and issues facing its business.

**Profitability focus** concentrating on actions and solutions that create a competitive business advantage while fully complying with regulatory requirements.

**Practical and creative solutions** that effectively address difficult compliance and business issues.

**Supportable positions** that have been proven to withstand scrutiny from regulatory agencies such as the SEC, DCAA, DOJ, and GAO.