

# Making a Difference

A Case Study



# Agenda – Making a Difference

## ❑ The Foundation – Building a Healthy Organization

- ❖ A Case Study: The Rise and Fall (and Rise!) of the House OIG
- ❖ Creating a Culture of “Pervasive” Leadership

## ❑ The Target – Improving Value by Getting Ahead of Risk

- ❖ Moving Beyond Compliance
- ❖ Getting Proactive

## ❑ The Follow-through - Getting a Seat at the Table

- ❖ While Maintaining Independence &
- ❖ Providing Products that Matter



# 1994...

❑ House OIG created because of public outrage over a series of scandals...

- ❖ Post Office
- ❖ House Banking
- ❖ House Restaurant



# 1994...

❑ The Auditors are celebrated as heroes!

- ❖ Part of the Congressional Accountability Act
- ❖ Lots of visibility/credibility
- ❖ Included in major press conferences
- ❖ Seen as part of solution to cleaning up past abuses



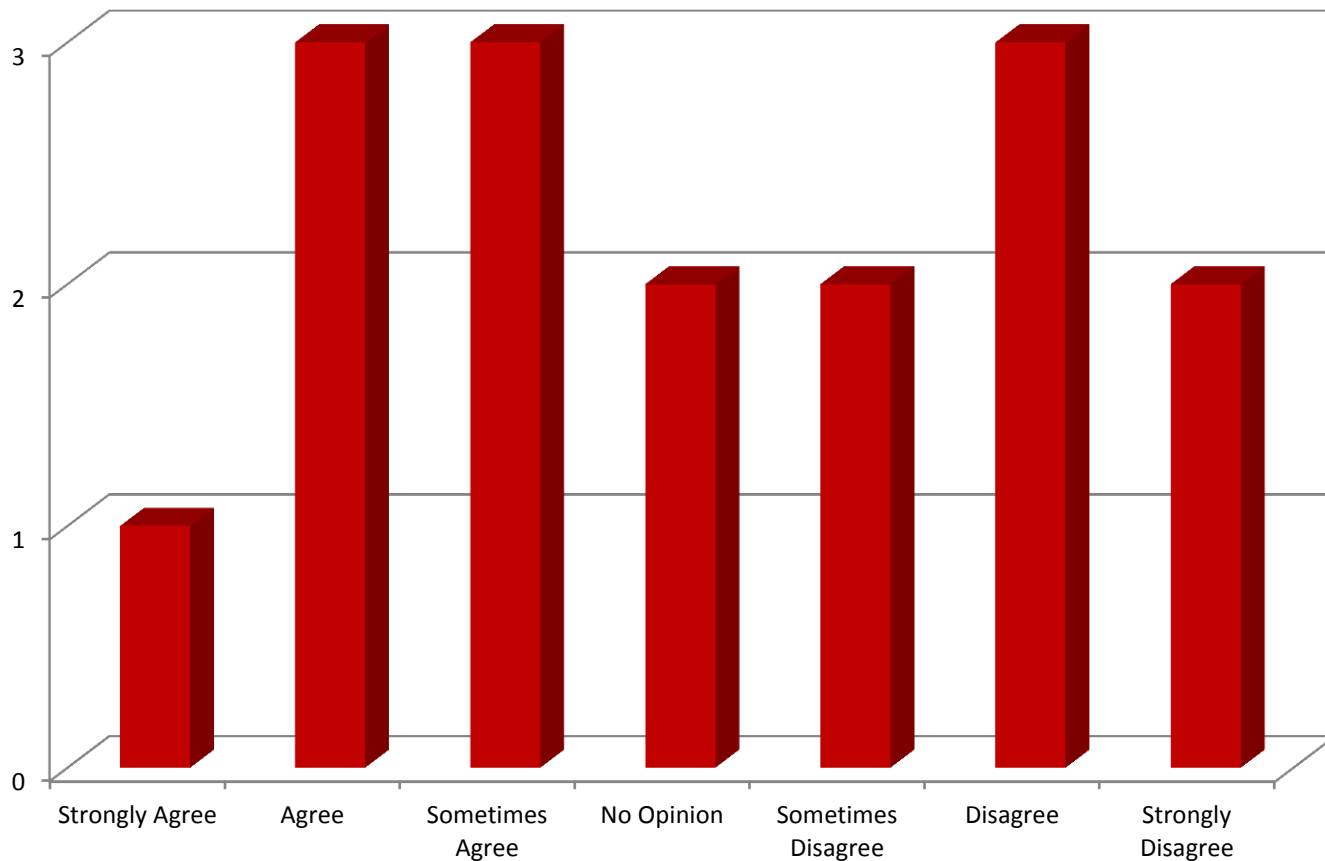
# Fast forward to 2004...

- ❑ Audit Committee **lost confidence** in the audit department
- ❑ Audit Department seen as **ineffective** by Management (AND by the auditors themselves !!)
- ❑ **Toxic** internal work environment



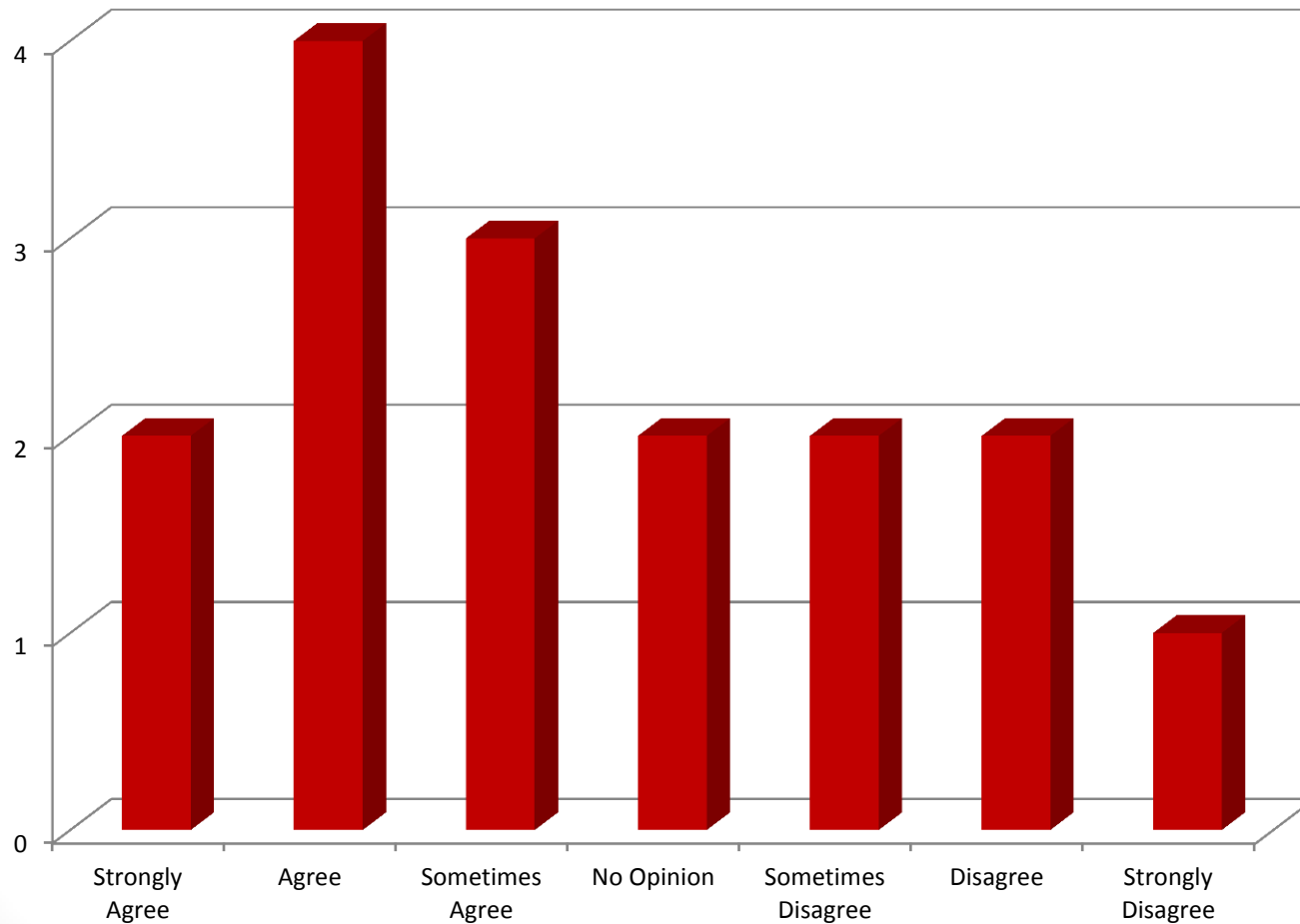
# 2004 Employee Satisfaction Survey

☐ It is safe to say what I think at my job?



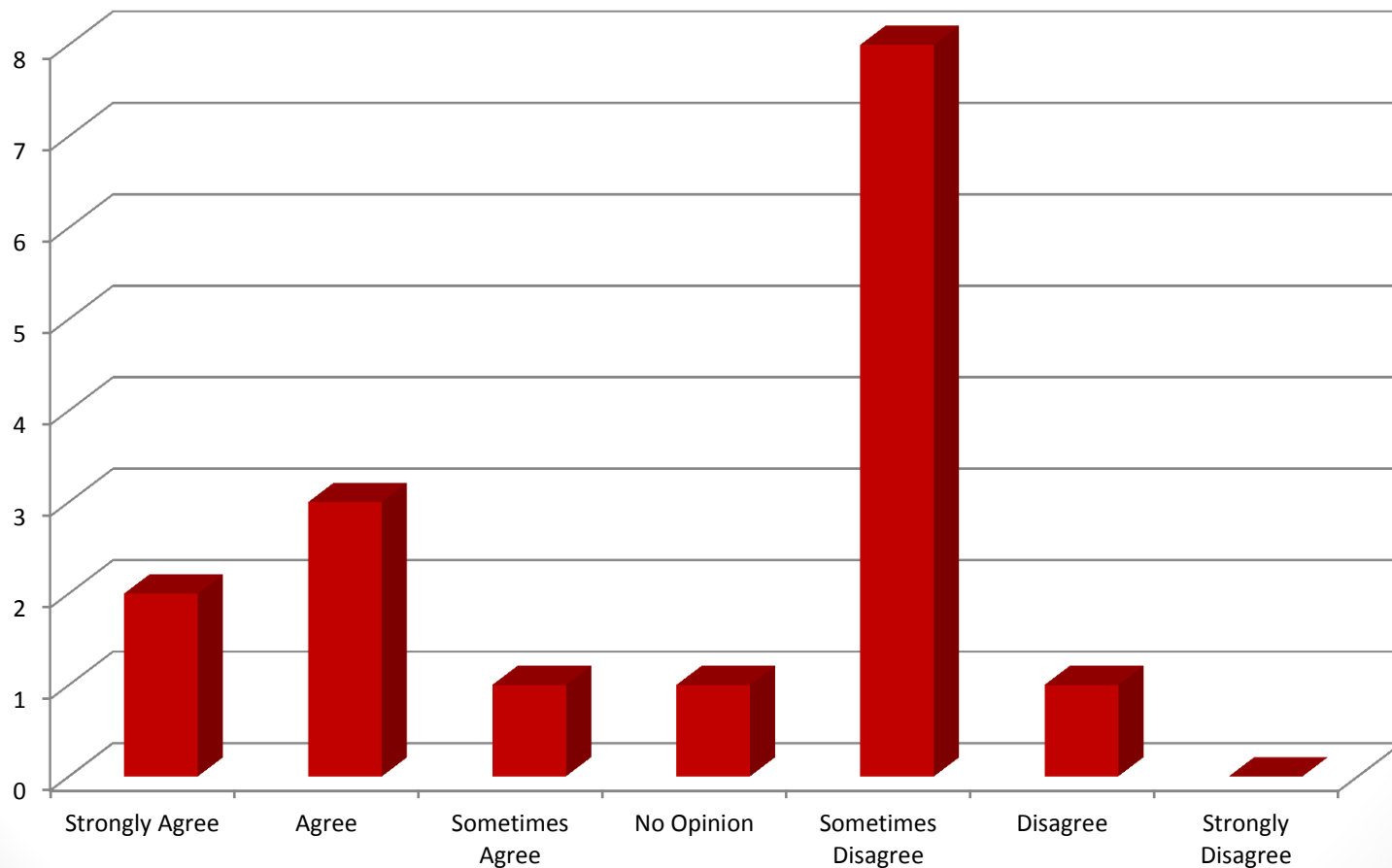
# 2004 Employee Satisfaction Survey

☐ Employees are promoted based upon performance



# 2004 Employee Satisfaction Survey

Senior Management Sets Vision and Communicates Effectively

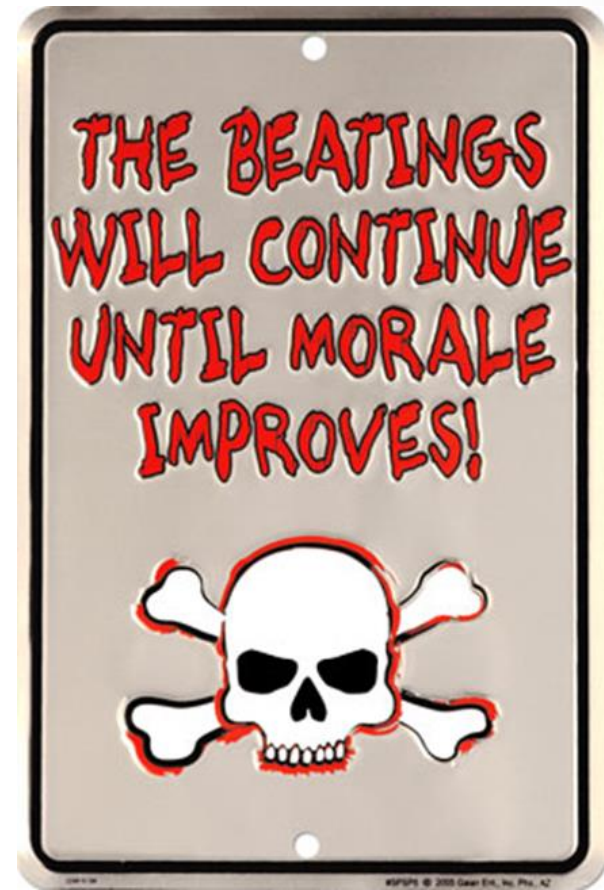




# 2004 Employee Satisfaction Survey

## ❑ Comments ...

- ❖ “Being told by someone in Senior Management that no one would ever be impressed by any of my work no matter what I do isn’t a textbook motivator.”
- ❖ “I do not believe I can voice problems or complaints for fear of retribution”.
- ❖ “Promotions are given to members of a clique or people known to the selecting official instead of looking at the qualifications of the candidates”.



# What went so wrong??

❑ A Failure in **Leadership** (at all levels)...

❑ A culture of **distrust**...

- ❖ Managers selected based on friendships---not qualifications
- ❖ Inequality in treatment of employees---blatant favoritism
- ❖ No performance accountability
- ❖ “Secret” awards and promotions

❑ Poor **relationships** with key stakeholders...

- ❖ Limited to no communication
  - Stakeholders not consulted
  - Blindsided stakeholders with “bad news”
  - Were they audit reports or indictments???



# So How Do You Fix This?

- ❑ Assess your organizational health
- ❑ Build an environment of accountability and equality
- ❑ Invest in the workforce
- ❑ Create a culture of “Pervasive” leadership



# How do you know if your organization is healthy?

- ❑ One-on-one meetings with staff

  - ❖ Morale: A responsibility and reflection of leadership (for good or bad!)

- ❑ Employee Engagement and Customer Satisfaction Surveys

  - ❖ Used as a baseline for Balanced Scorecard



# Environment of Accountability and Equality

- ❑ Take a hard look at your Performance Management System – Ensure:
  - ❖ Equality among similar positions
  - ❖ Clear understanding of differences in responsibility across grades/positions
- ❑ Standardize promotion criteria
  - ❖ Emphasize organizational values



# Environment of Accountability and Equality

## ❑ Hold staff accountable

### ❖ If it is an ability issue...

- Training
- Mentoring

### ❖ Attitude issues - The cancer of an organization...

- Direct conversations
- Formal Counseling
- Performance Improvement Plans
- Terminations





# Invest in the Work Force

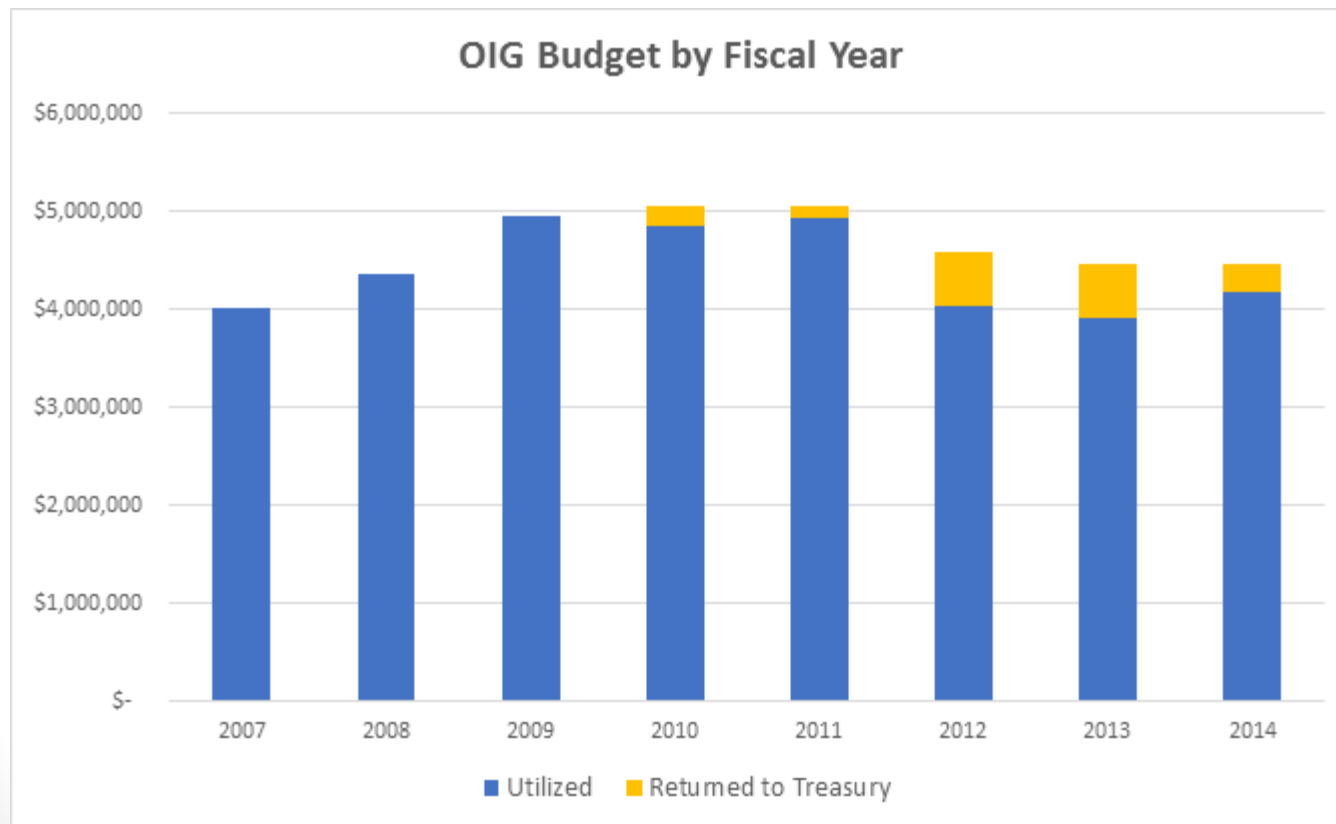
- ❑ Prioritize investing in staff technical training and certifications
  - ❖ Incorporate into promotion criteria
  - ❖ Require staff to do “teach-back’s” at brown bag lunches
    - Improves public speaking skills
    - Knowledge transfer benefits rest of staff
    - Reduces contractor costs
- ❑ Recognize importance of leadership competency on par with technical and managerial competences.



# Invest in the Work Force

## ❑ Self initiated budget cuts

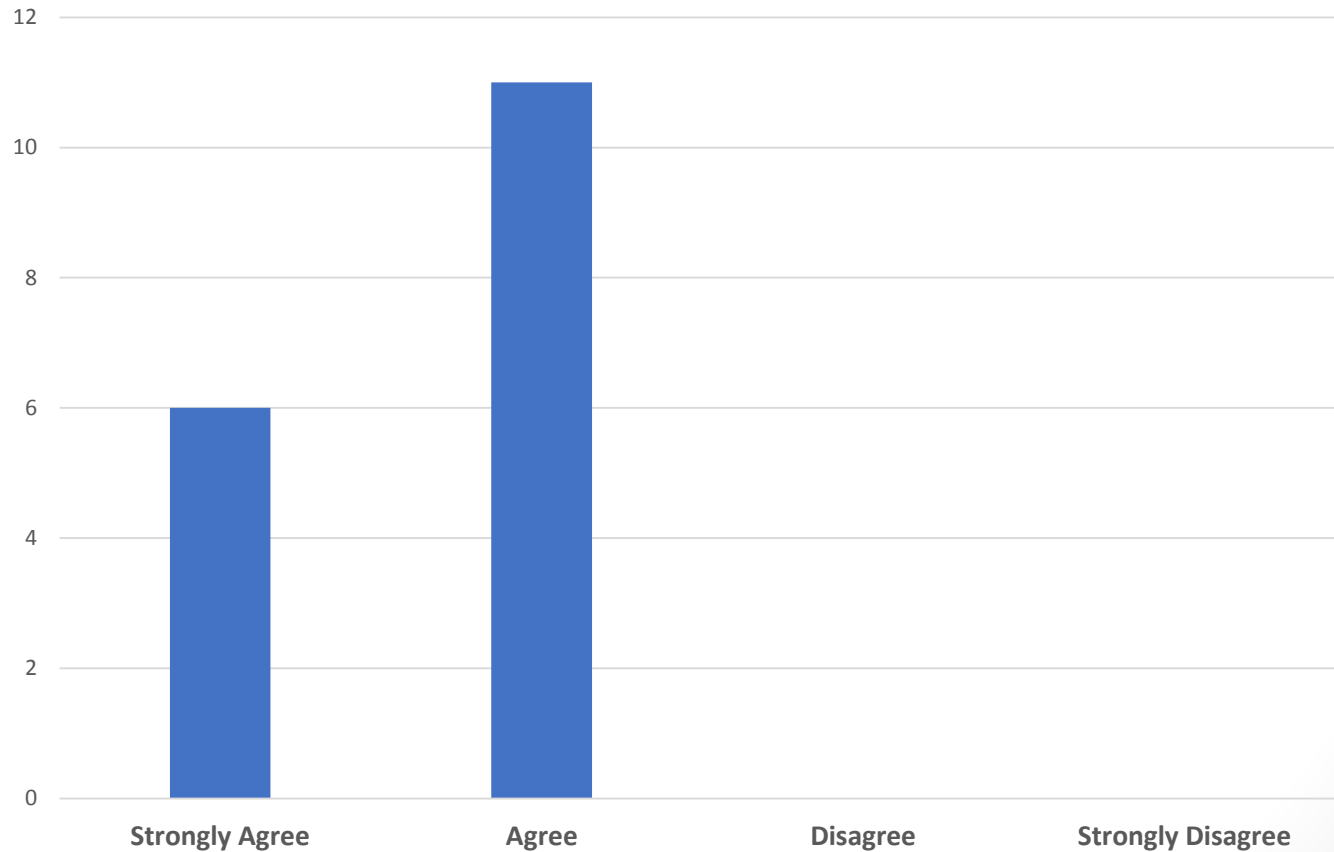
- ❖ Operating at 2007/2008 Funding levels with better outcomes
- ❖ OIG returned an average of 10.2% of its operating budget, FY12-14





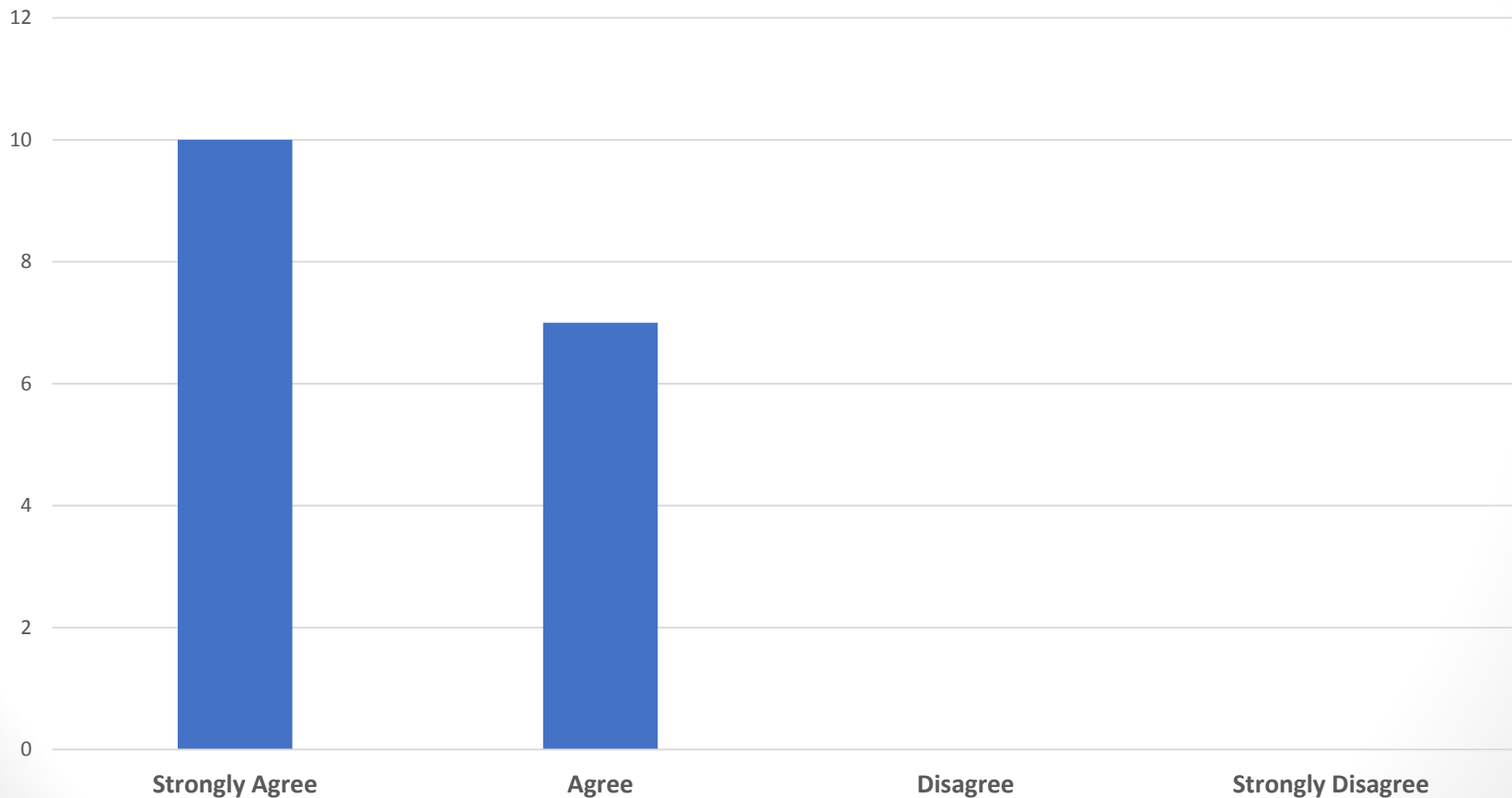
# 2014...

It is safe to say what I think about concerns with the office



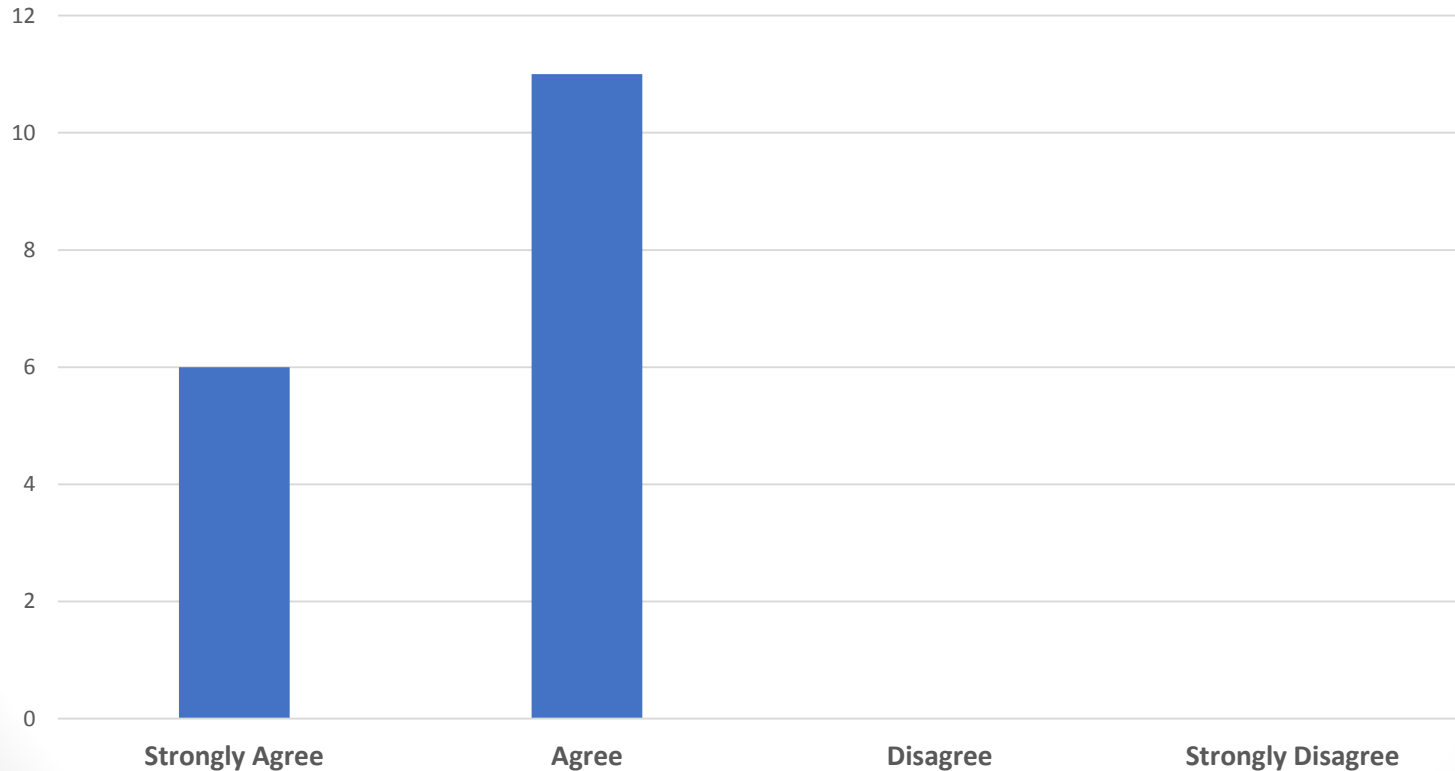
# 2014...

I understand the goals and mission of the office



# 2014...

## My ideas and opinions count



# Why do you want leadership throughout your organization?

- ❑ Every member of an organization should have a stake and a sense of ownership in organizational goals
- ❑ Moves organization away from a “That’s not my job” mentality
- ❑ Creates investment in being part of the solution



# What is a Leader?



A job title?



A set of traits?

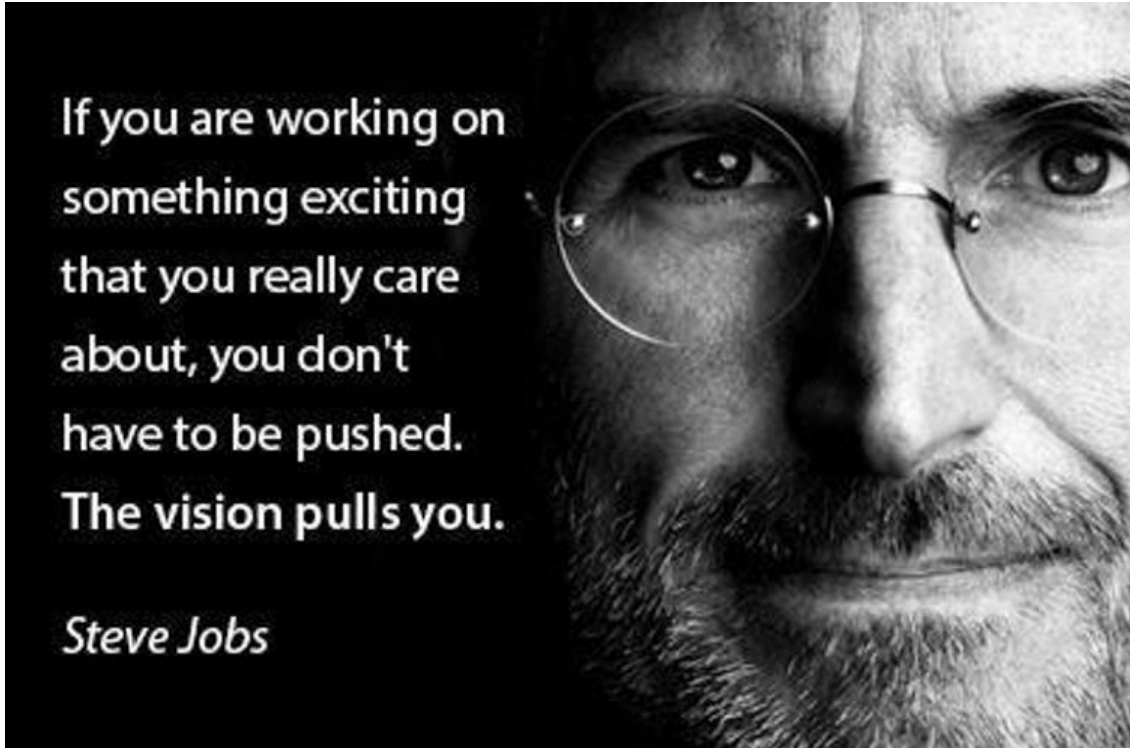
# Leadership Essentials

- 1. Takes Smart Risks and is Courageous**
- 2. Is Flexible**
- 3. Communicates Effectively**
- 4. Has Integrity**
- 5. Supports and Facilitates the Team**
- 6. Is Magnanimous**
- 7. Respects Others**
- 8. Inspires**
- 9. Articulates and Leads Change**
- 10. Knows limitations**



# What does it look like when there's a culture of pervasive leadership? At the Top...

- ❑ Strategy and vision are clear and always guide decisions at all levels
  - ❖ Everyone is singing the same song
- ❑ Decision-makers have extensive information flowing from the workforce and act boldly and decisively
  - ❖ They feel safe and informed to enable courageous action



If you are working on  
something exciting  
that you really care  
about, you don't  
have to be pushed.  
The vision pulls you.

*Steve Jobs*

# What's the impact of poor leadership at the top?

- ❑ No vision, no strategy, no brand
- ❑ Lack of staff and customer confidence ("I've got a great boss and great teammates. I'm happy to be here, but I'm not really sure what we're doing...")
- ❑ Organizational indecisiveness





# What does it look like when there's a culture of pervasive leadership? In the Middle...

- ❑ Middle management teams to optimally align organizational resources to minimize risk and maximize customer service and quality.
  - ❖ Minimizes (counterproductive) in-fighting among silos
- ❑ Clear and important mission for the organization and everyone in it
  - ❖ Middle managers feel safe and empowered in developing and holding staff accountable to achieve the mission.



# What's the impact of poor leadership in mid-management?

- ❑ Subversion of strategy/priorities (up)
- ❑ Stove-piping and intra-organization fighting/turf battles, inefficient intra-organizational resource allocation (across)
- ❑ Lack of credit/recognition (down)
  - ❖ Poor morale (people don't leave jobs, they leave bosses...)



# What does it look like when there's a culture of pervasive leadership? In the Workforce...

- ❑ Workforce has latitude to be responsive to the customer and to improve through innovation, but is guided by the vision and brand for consistency and quality
- ❑ Individual's achievements recognized publicly, celebrated by peers, and seen as clear models



# What's the impact of poor leadership in the workforce?

- ❑ Poor responsiveness, poor customer support
- ❑ Poor information flow to management/decision makers
- ❑ No personal accountability, reduced loyalty
- ❑ No innovation



# What does a culture of leadership look like?

- ☐ Organizational, managerial, and individual accountability embraced with courage
- ☐ Empowered, effective problem solvers
- ☐ Unafraid to escalate issues
- ☐ High Morale





# So We Have a Healthy Foundation – What's Next??

❑ The Target – Improving Value by Getting Ahead of Risk

❖ Moving Beyond Compliance

❖ Getting Proactive



# What are auditors good at?

❑ Producing detailed assessments of compliance with rules and regulations...

- ❖ What is the criteria?
- ❖ What is the Auditee Doing?
- ❖ We use the gap to develop our recommendation



## IIA: To deliver maximum value, 3 of the Top 5 Key Strategies for Effective Audit Depts. Involve Risk:

1. Assume a leadership role by coordinating the second (**risk management**) and third (**internal audit**) lines of defense.
2. Enhance internal audit's ability to address critical, **strategic business risks**. Strategic business risks were the **top focus** of both **audit committees** and **executive management**.
3. Become a trusted adviser to the audit committee and executive management by educating these groups on **emerging risks and mitigation activities**.
4. Improve alignment with expectations of key stakeholders
5. Develop and implement knowledge and talent-acquisition strategies.



## But, According to the IIA's "Pulse of the Profession" Global Survey...

❑ Increased areas of internal audit focus in 2014, according to the survey of 1,935 audit professionals around the world, include:

- ❖ Risk management effectiveness (10%, up from 7% in 2013).
- ❖ Business strategy (8%, up from 5% in 2013).
- ❖ Corporate governance (5%, up from 4% in 2013).



# Are we suffering from compliance Myopia?

## ❑ The Risk of the Checklist



# Opportunities to be Proactive

**Risks Ahead of You are  
Closer than they  
Appear...**



# Opportunities to be Proactive

- ☐ Systems Development
- ☐ Fraud Detection
- ☐ Emerging Technologies
- ☐ Cost Benefit Analysis
- ☐ Governance
- ☐ Lean Six Sigma
- ☐ Customer Service and Service levels
- ☐ Budgeting Process (i.e. ZBB)
- ☐ Performance evaluation and award processes
- ☐ Sourcing and Procurement (strategic sourcing)

☐ And on and on and on....



# Sounds Great, But what are my Obstacles?

I have found the Enemy and he is us...

- ☐ Cries of Heresy!
- ☐ The Auditee doesn't want our "help" (Getting a Seat at the Table)



# Safeguarding independence

## ❑ Independence Safeguards – the fine print...

- ❖ Considered during development of the Annual Plan
- ❖ Reconsidered when the non-audit services (e.g. Management Advisory) engagement plan is developed
- ❖ Management retains responsibility for selecting alternatives and making decisions that impact their operations.
- ❖ Organizational structure that separates audits from advisories





## Audit's Traditional Role...

### ☐ Bayonetting the Wounded



# Getting a seat at the table

## ❑ Three Key Ingredients:

- ❖ Relationships
- ❖ Relationships
- ❖ Relationships





## Getting a seat at the table

### ❑ Providing Products that MATTER

- ❖ Understand your audience
- ❖ Put things in risk terms that your audience understands and values
- ❖ Realize that your reports are for THEM, not YOU



# Getting a seat at the table

## ❑ Expanding Audit's Influence

❖ Once you have a seat at the table for the BIG decisions

- **Have an Opinion!**
- Timing is Everything!! Be Proactive!!
- Don't over play your hand – be realistic with risks
- When you raise the alarm, they will listen

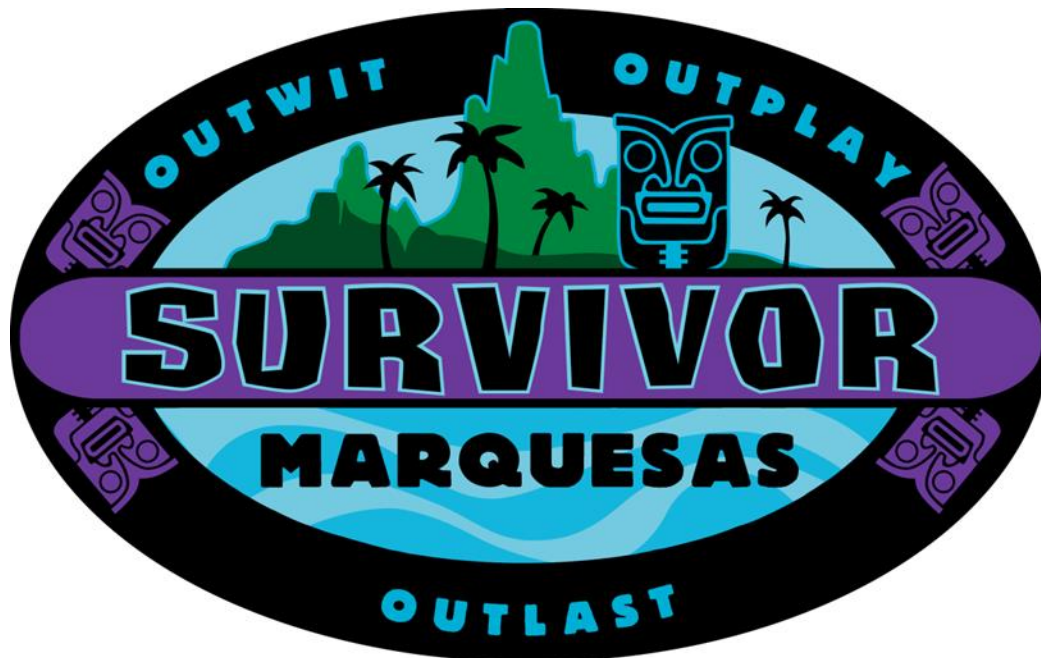


# Do we add value?

## Bottom Line:

☐ If it weren't for **fear of appearance**, would leadership consider **cutting** (or **eliminating**?! ) my department during lean times?

❖ Would they be right to do so?



# Making a Difference...





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