

a better experience.



## Statement of Qualifications Internal Audit

Weaver is one of the largest independent certified public accounting firms in the nation, ranked the largest regional independent accounting firm in the Southwest by Practical Accountant magazine and is also ranked among the Top 100 Accounting Firms in the nation by Public Accounting Report. With locations throughout Texas, we are focused on meeting the needs of our clients, and providing real solutions that add value and quality to our services.



Risk Advisory Services



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As a part of our risk advisory services, we assist clients in achieving their risk management objectives by providing an independent, objective and disciplined approach to evaluating and improving the effectiveness of risk management, internal audit and IT practices.

### **Engagement Approach**

- As a first step, we will perform a risk assessment or, review existing risk assessments. We will also evaluate the current internal audit plan.
- Our internal audit approach is comprehensive and collaborative. As part of our audits, we will focus on improving compliance, strengthening internal controls and building a procedural system that is scalable as you change.
- The results of our approach are to identify operating, compliance and financial risks impacting you and adding value by recommending process enhancements, cost containment initiatives and controls to effectively mitigate and manage risk.
- Our audit planning and risk model is designed to develop a frequency or cycle of internal audit requirements for each of the business processes of your company.
- We will work closely with management to develop the internal audit strategy to address specific issues and related internal controls in each audit area. Our consultative approach will focus on your goals and objectives for each audit area, as well as management's overall vision, mission and values.

### **The key steps in our internal audit methodology include:**

- Review the risk model
- Evaluate the internal control universe
- Review the risk assessment for each audit area
- Determine timing of selected audits
- Perform audit procedures

An internal audit plan can then be developed in a phased approach with the first phase addressing internal audit areas that have been identified as high risk and/or significant. Internal audit activities focus on asset protection, loss prevention, compliance, effectiveness of internal control design, operational effectiveness, process improvement, and /or fraud.

In performing an internal audit, we work closely with management to develop an internal audit plan designed specifically to meet management's objectives. After performing the internal audit procedures, we compile the results of the audit and report preliminary findings to management as follows:

- Summarize audit findings
- Identify associated risks
- Rate the risk based on materiality, impact, and likelihood of occurrence
- Recommendations for improvement of internal controls

**Risk Assessment Process for Internal Audit**

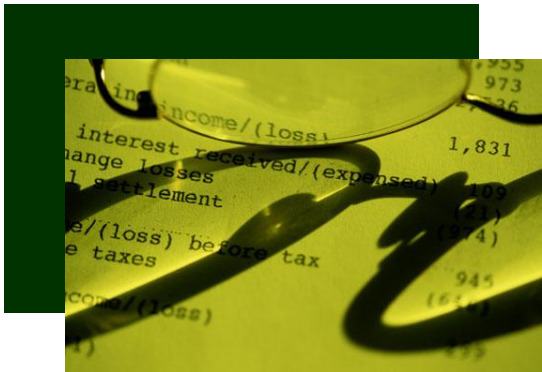
The first step in performing internal audit services is to understand the audit universe at the macro-level, including the assessment of both internal and external risk factors. Our risk model is designed to develop a risk rated internal universe to specify the frequency or cycle of internal audit requirements for each of the identified audit areas of a company.

We recommend a risk assessment be performed to measure the financial, compliance and operational risks associated with each department and/or activity. All areas identified for audit coverage are evaluated against the criteria presented below:

- Materiality to the financial statements
- Errors identified in accuracy or completeness of the process
- Seriousness of deficiencies indicated in previous internal, external, or management audit reports
- Risk of diversion or loss of assets
- Complexity of the activity or complexity of the transactions processed
- Need for an audit presence based on the time elapsed since the previous audit
- Change in service, technology, or objectives
- Change in regulations or regulatory emphasis
- Change in management or key personnel positions
- Any other change or unusual situation
- Risks related to delegation of authority and/or segregation of duties

We work with management to identify each significant financial and operational process area. These areas are then rated on a scale from 1 to 5 for each relevant risk factor. The risk ratings are quantified and a risk-rated internal audit universe is prepared.

After compiling this information, the audit areas are prioritized into three categories: high risk, moderate risk, and low risk. Our ultimate goal is that all high-risk areas will be audited within 18 months of the previous audit report date, moderate-risk areas will be audited within 30 months of the previous audit date, and low-risk areas will be audited within 36 months of the prior audit report date. The risk assessment should be performed on an annual basis, and it is likely that some category reassignments will occur each year.



Our risk model is designed to develop a frequency or cycle of internal audit requirements for each of the business processes. The model can be further refined to assess components of the processes as the internal audit plan is developed to address individual components as considered necessary.

#### **Development of the Audit Plan**

The audit plan will be based on information gathered through broad consultation across the organization and a formal assessment of existing and emerging risk. As part of the planning process, meetings will be coordinated throughout the process to solicit input on areas of concern and obtain feedback on the appropriateness of the proposed audit plan. We will also use these meeting as an opportunity to obtain feedback on the quality of audit services we provide.

While the annual internal audit plan will contain a balance of assurance services, consulting services and other work, we will also ensure that there will be sufficient and timely assurance services provided for risk management, control frameworks as well as information to support decision-making and reporting for each audit area.

#### **Audit Plan Vision**

The effectiveness of internal auditing is based on the overall organizational vision, and is implemented through a strategic plan designed by both the internal auditor and the organization, and will include these attributes:

##### ***Proactivity***

The internal audit function establishes itself as a change throughout the organization. It identifies new initiatives to add value to the organization while retaining a clear focus on traditional audit areas such as internal control exposure and potential ethical issues. The internal audit will identify organization-wide improvement efforts and to provide timely management information to support management decisions.

##### ***Innovation***

Innovative internal auditing maximizes the use of its resources, questions the value of routine audits, and creates opportunities to increase the value of the function. The internal audit function will partner with the Organization and enhance the value of services.

##### ***Motivation***

A motivated internal auditing function has a sense of mission, teamwork, and organizational pride open to constructive suggestions and seeking continuous improvement.

##### ***Integration***

Internal auditing recognizes that reasonable investments have been made in technology that will assist in monitoring transactions, performance measures, and potential fraudulent transactions.

Our approach to internal audit outsource projects is to logically organize the audits into categories based on the characteristics of the audit area. We will perform integrated audits where there is a combined effort between financial compliance and IT. We understand the risks and vulnerabilities of each audit area and will tailor an audit plan around these. In addition, Weaver can provide staff augmentation to perform financial, IT or operational compliance audits.



**The key steps in our engagement for internal audit include:**

- Meet with representatives from operations or internal audit and evaluate past audit plans and results, if available
- Meet with management and process owners to identify risks, concerns and known control deficiencies
- Develop a tailored audit plan using IIA guidelines and internal audit best practices
- Combine certain audit areas if it is determined time efficiencies will result
- Prepare a time and expense budget based on procedures, individual schedules and the process cycle
- Meet with management and obtain approval of the scope and objective and budget for each process prior to execution
- Prepare the audit program
- Execute the audit procedures according to the audit plan
- Perform data analysis utilizing Audit Control Language software where appropriate
- Identify exceptions and clear with process owners and management
- Compile results and report preliminary findings to management, internal audit representatives as appropriate

We will review the financial, operational, and IT controls to evaluate reliability and adequacy to advise as to whether the systems of internal control effected by the organization, management and other personnel, provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness of design of internal controls
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Established plans, policies, and procedures
- Assurance that assets are accounted for and safeguarded from loss

An internal audit is an in-depth evaluation of the controls within the specified area. In preparing the internal audit program based on the objective agreed upon with management, we will include the following:

- Quality of internal controls
- Dependence on IT systems
- Adequacy of written procedures
- Delegation of authority and segregation of duties
- Complexity of operations
- Changes in operations
- Time since the last review over the area
- Impact of area functions on other areas or users
- Interest of management

As part of the internal audit, we will consider general computer controls, IT application security and data management areas. We will provide recommendations to improve operating efficiency.



### Focus on Fraud

We recommend that companies undertake a fraud risk assessment as part of the overall internal audit plan.

Fraud risk assessment expands upon traditional risk assessment. It is scheme and scenario based rather than control risk or inherent risk based. The assessment considers the various ways that fraud and misconduct can occur by and against an organization.

Some risks are inherent in every control environment of the entity, and most can be addressed with an appropriate system of internal control and as internal audits are performed. Once fraud risk assessment has taken place, the entity can identify the processes, controls, and other procedures that are needed to mitigate the identified risks. Effective internal control consists of a well-developed control environment, including an effective and secure information system and appropriate monitoring activities.

A typical scope of work in the fraud area includes:

- Identify existing anti-fraud policies and procedures
- Evaluate and test how existing software is used to flag instances that require follow up and determine the effectiveness of the process
- Understand the role of the existing fraud oversight group so as not to duplicate effort
- Design programs and execute test plans in agreed upon areas

Management has primary responsibility for establishing and monitoring all aspects of the entity's anti-fraud activities, and should evaluate whether appropriate internal controls have been implemented in any areas management has identified as posing a higher risk of fraudulent activity, as well as controls over the entity's financial reporting process. Because fraudulent financial reporting may begin in an interim period, management should also evaluate the appropriateness of internal controls over interim financial reporting.

The nature and extent of management's risk assessment activities should be commensurate with the size of the entity and complexity of its operations. For example, the risk assessment process is likely to be less formal and less structured in smaller entities. However, management should recognize fraud can occur in organizations of any size or type, and that almost any employee may be capable of committing fraud given the right set of circumstances. Accordingly, management should develop a heightened "fraud awareness" and an appropriate fraud risk management program, with oversight from the board of directors or audit committee.

**Complete Production**

*Houston, Texas*

Complete Production Services is a provider of specialized oil and gas services and equipment in North America, developing hydrocarbon reserves for its customers and enhancing oil and gas production.



**City of Dallas**

*Dallas, Texas*

The ninth-largest city and part of the fourth-largest metropolitan area in the nation, Dallas covers approximately 343 square miles and has a population of over a million people.



**OmniAmerican**

*Fort Worth, Texas*

OmniAmerican Bank is a full-service financial institution approaching \$1.5 billion in assets that serves 158 communities by providing comprehensive products and banking services.



**Baptist General Convention of Texas**

*Dallas, Texas*

The BGCT provides comprehensive missions, evangelism and financial support to churches to encourage, facilitate and connect individuals in their communities and in the world.



**Triad Financial**

*North Richland Hills, Texas*

Triad is a leader in the non-prime automobile financing industry serving automobile dealers and borrower-customers nationwide.



**Tarrant Regional Water District**

*Fort Worth, Texas*

TRWD is one of the largest raw water suppliers in the state of Texas, providing water to more than 1.6 million people in the North Central Texas area.



**Range Resources**

*Fort Worth, Texas*

Range Resources is an independent oil and gas company that operates in the East Texas, West Texas, Midcontinent, Gulf Coast and Appalachian regions of the United States.



**NLASCO**

*Waco, Texas*

NLASCO is a subsidiary of Hilltop Holdings, a property and casualty insurance provider, offering coverage for low-value homes.



**Frisco ISD**

*Frisco, Texas*

Frisco ISD is at the top of the fastest growing school districts in the state and serves residents of Collin and Denton Counties and residents of Frisco, and some portions of Plano, Little Elm, and McKinney.





At Weaver we understand the importance of focus, strategy and communication in performing internal audits that are well planned, based on strategy, executable and measurable. We work closely with our clients to model services to fit their existing structure, process and staffing. We understand the importance of communication and integrate it throughout every step of the process.

Our risk advisory services include:

**Enterprise Risk Management**

- Entity level risk assessment
- Control self assessment
- Business risk assessment
- Fraud detection services
- Executive training
- Acquisition controls integration

**Strategic Risk Services**

- Corporate governance
- Strategic alignment and gap analysis
- Regulatory compliance
- IT long-term planning
- Acquisition compatibility assessment
- Internal Audit planning and development

**Operational Risk Services**

- Internal Audit
- Internal controls assessment
- General controls assessment
- Sarbanes-Oxley consulting
- Policy and procedure development and review
- IT audits
- Fraud prevention assessments
- Process performance management
- Evaluation of automated systems
- Operational performance studies
- Financial reporting advisory
- Data mining and analysis



**About Weaver**

Weaver is among the top 50 certified public accounting firms in the nation according to the 2009 Public Accounting Report Top 100 Firms list, and is ranked the largest regional independent accounting firm in the Southwest by Practical Accountant magazine. Weaver is also ranked the 7th fastest growing firm in the country by the 2008 Accounting Today Top 100 Firms Survey. The Firm operates offices in Fort Worth, Dallas, Houston, San Antonio and Austin with approximately 400 team members, including more than 280 accountants and consultants and four licensed attorneys. Affiliations through Baker Tilly International allow for service delivery nationally and worldwide. The Firm's client base includes private and publicly held business enterprises, local governments, municipalities, nonprofits and individuals.

**Mission**

Weaver and its affiliates are committed to excellence. Our mission is to provide our clients the highest quality, client-oriented, professional services with an extra measure of personal attention through an organization where our people succeed.

**Services**

Weaver provides clients in all industries with assistance in accounting and consulting services including:

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| <ul style="list-style-type: none"> <li>• Risk Assessment</li> <li>• Internal Audit</li> <li>• IT Audit</li> <li>• SOX Consulting</li> <li>• Transaction Services</li> <li>• Assurance</li> <li>• Accounting</li> <li>• Tax</li> <li>• Estate Planning/Wealth Transfer</li> <li>• Business Valuation Services</li> <li>• Consulting Services</li> <li>• Profit Enhancement</li> <li>• Information Technology Services</li> <li>• Litigation Support</li> <li>• Property Tax Consulting</li> <li>• Cost Segregation</li> <li>• International, State and Local Tax</li> </ul> | <p><u>Industries Served:</u></p> <ul style="list-style-type: none"> <li>• Manufacturing and Wholesale</li> <li>• Distribution</li> <li>• Oil and Gas</li> <li>• Technology</li> <li>• Health Care</li> <li>• Financial Institutions</li> <li>• Retail</li> <li>• Real Estate</li> <li>• Construction</li> <li>• Hospitality/Restaurant</li> <li>• Professional Services</li> <li>• Arts and Entertainment</li> <li>• Education</li> <li>• Local Government</li> <li>• Nonprofit</li> <li>• Private Foundations</li> </ul> |
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*Our services are designed to ensure that your organization is functioning in the most efficient manner, and that controls are adequate and effective. With our in-depth assessments, we uncover important information to assist you in forming a realistic view of your internal controls.*

**Offering the resources of a national or international firm without the excessive fees**

Our five Texas locations, combined with strategic national and international affiliations, allows us to offer you the resources of a large firm without the fees required to support national or international overhead.

**Committed to your complete satisfaction**

The only goal you can't accomplish is the one you don't go after! Our mission is to help you identify and achieve your financial goals. As such, we promise to deliver professional services that add "measurable" value.

**Providing "awesome" client service**

Members of your engagement team, including senior management, will communicate with you in a timely and courteous manner all year long, not just during your engagement. As a Firm and as individuals, we place great value on building long-term relationships, and providing outstanding service is one way we accomplish this.

**Understanding your needs**

As your professional services provider, we have a responsibility to learn your business and understand your needs. To accomplish this, we utilize comprehensive, industry-specific research tools to identify and address the issues facing you.

**Recognizing knowledge is power**

Each member of our client-serving staff participates in a rigorous program of continuing professional education so that we can assist you with the process of translating complex information into knowledge, and knowledge into decisions. We also have several specializations represented within the Firm including accredited business valuers, accredited estate planners, certified financial planners, certified fraud examiners, certified profit enhancement consultants, licensed attorneys and personal financial specialists.

**Taking a proactive stance on your behalf**

We strive to help you reach your financial goals by informing you of relevant law changes or additional services we can provide to help you seize the opportunities and conquer the challenges along the way. In addition to accounting, audit and tax services, we offer numerous specialized services including some focused on specific industries.



# INSIDE Public Accounting

The competitive advantage for accounting firm leaders since 1987

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## INSIDE PUBLIC ACCOUNTING IPA'S 2009 TOP 100 FIRMS THE LARGEST ACCOUNTING FIRMS IN THE U.S.

RANKED BY U.S. NET REVENUE

RANK 09 08	FIRM / HEADQUARTERS	CHIEF EXECUTIVE	NO. OF OFFICES	YEAR END	NET REVENUE
26	26 Wipfli LLP / Milwaukee	Rick Dreher	15	5/09	\$114,000,000
27	25 SMART Business Advisory and Consulting <sup>1</sup> / Devon, Pa.	Steve Samek	13	12/08	\$98,889,000
28	32 Cherry, Bekaert & Holland / Richmond, Va.	Howard Kies	14	4/09	\$98,577,189
29	30 Anchin, Block & Anchin / New York	Frank A. Schettino	1	9/08	\$96,600,000
30	31 Berdon LLP / New York	Stanley H. Freundlich	2	12/08	\$95,000,000
31	33 Marks Paneth & Shron / New York	A. Cannata / M. Leventus	4	12/08	\$89,876,000
32	29 Goodman & Company / Virginia Beach, Va.	Thomas Wilson	10	6/09	\$88,450,000
33	34 Citrin Cooperman & Company / New York	Joel A. Cooperman	5	12/08	\$82,000,000
34	37 Carr, Riggs & Ingram / Enterprise, Ala.	William H. Carr	12	9/08	\$77,684,257
35	39 Beard Miller Company (bmc) / Reading, Pa.	Lamar R. Stoltzfus	15	12/08	\$75,233,643
36	36 Parente Randolph / Philadelphia	Robert J. Ciaruffoli	12	10/08	\$74,287,000
37	38 Armanino McKenna / San Ramon, Calif.	Andy Armanino	3	12/08	\$73,269,032
38	35 WithumSmith+Brown / Princeton, N.J.	Ivan C. Brown	11	6/09	\$72,103,000
39	28 The Siegfried Group <sup>9</sup> / Wilmington, Del.	Robert L. Siegfried Jr.	17	12/08	\$70,934,764
40	42 Caturano and Company <sup>8</sup> / Boston	Richard Caturano	1	6/09	\$67,100,000
41	40 Rehmann <sup>10</sup> / Saginaw, Mich.	Steven D. Kelly	11	12/08	\$66,557,930
42	43 Schenck Business Solutions / Appleton, Wis.	William D. Goodman	9	9/08	\$62,285,673
43	44 Beers + Cutler / Vienna, Va.	Ed Offerdinger	1	12/08	\$60,839,297
44	53 Friedman LLP / New York	Bruce A. Madnick	3	12/08	\$59,122,496
45	45 Morrison, Brown, Argiz & Farra / Miami	Antonio L. Argiz	6	12/08	\$59,115,000
46	65 Habif Arogeti & Wynne / Atlanta	Joseph D. Simms	1	12/08	\$59,078,000
47	50 Holthouse Carlin & Van Trigt / Santa Monica, Calif.	Philip J. Holthouse	6	12/08	\$58,922,684
48	48 Home LLP / Jackson, Miss.	Hugh J. Parker	13	12/08	\$58,903,938
49	46 Aronson & Company / Rockville, Md.	Lisa J. Cines	1	5/09	\$58,700,000
50	54 <b>Weaver and Tidwell / Fort Worth, Texas</b>	<b>Tommy D. Lawler</b>	<b>4</b>	<b>5/09</b>	<b>\$58,132,887</b>

**Editor's Note:** Most, but not all firms provide Net Revenue for the IPA ranking. If firms provided Gross Revenue, it is noted. For ranking purposes, net revenue includes revenue from mergers. Percentage change excludes merger revenue and reflects organic growth only. <sup>1</sup> Firm divested a service practice line in 2008. <sup>8</sup> Firm consolidated two offices in 2008. <sup>9</sup> Name change from Vitale Caturano & Company. <sup>10</sup> Name change from The Rehmann Group.

Source: The Platt Group / INSIDE Public Accounting

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Practical Accountant Magazine has ranked Weaver as the largest independent accounting firm in the Southwest in its annual Top Regional Accounting Firms lists. The Firm is also ranked the 7<sup>th</sup> fastest growing firm in the country by the 2008 Accounting Today Top 100 Firms Survey.

WeaverL.L.P., was recognized as one of 15 Best Places to Work in DFW by the Dallas Business Journal in the mid-sized company category in 2006.

Our Firm's success is a direct reflection of the dedicated individuals who work here.



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