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# A RACEHORSE WITHOUT A JOCKEY

Your First Steps in Launching An Audit Intelligence Project



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Thank you for your interest, I hope you enjoy the reading. It should take about 30 minutes to finish.

!!Two Out!!

came over the loudspeaker, indicating that there were two more horses left to enter the gate. With only two more horses to go, the next race would kick off in just a few minutes.

It was an absolutely gorgeous day at Hollywood Park, a horse racing track in the Los Angeles, California area. I was there with my Dad, his significant other, and my girlfriend -- later to be wife.

We were having a terrific time.

Having grown up with horse race handicapping ( the "science" of picking horses ), my Dad and I had spent a good part of the prior evening going over today's card. Based on our analysis, this day was very exciting. The upcoming race was a lock.

On the four horse was Gary Stevens, and he couldn't lose. We had good odds on him, too.

My Dad was jumping through his skin. He emptied out his pockets on this horse. He bet this horse every which way but Sunday; to win, exactas, doubles, triples, pick six ... if he somehow could have parlayed that horse into a football game, he would have done that too!

“All In”, was the next announcement, and two seconds later...

“Racing!”

As the gates flew open, everybody went straight out of the gate except Gary Stevens who flew straight up in the air about two feet, then came down on his back.

The crowd was screaming, but it wasn't enough to drown out my Dad proclaiming, “There goes the four horse!” He then proceeded to announce his opinion of Gary Stevens to everybody within audible distance.

Behind us and one row up, was guy who could not stop laughing. Do you know how hard it is to keep a straight face, while some guy is cracking up behind you, and your dad is swearing at everybody because he just lost all his money?

The four horse finished first of course ( with no weight on his back, it was an easy win ), however there’s a funny rule in horse racing that says in order to “qualify” for a win, the horse and the jockey need to cross the finish line at the same time.

When you see a horse running a race with no jockey, it usually means he lost his jockey at the start of the race.

A compliance project that isn’t started properly is a racehorse without a jockey.

The project will be moving along, and look like it’s executing, and may even look like it “finished”, but it’s a dead project. It was dead from the beginning – never had a chance.

I see this all the time, and it’s a shame. I addressed this problem briefly in my free article, ***Building Your Compliance Project Charter : The Most Important Document in Any Project***, however in this ebook we’ll get into detail about how to start off a project the right way, specifically an ***audit intelligence*** project. After reading this ebook, you should never have to worry again about a racehorse without a jockey.

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## FROM BUSINESS INTELLIGENCE TO AUDIT INTELLIGENCE

Business Intelligence is the industry that empowers strategy. Business Intelligence allows us to take transactional data from our processing systems, and transform it into strategic data.

ETL is a common acronym used in Business Intelligence circles. It stands for Extract, Transform, and Load. It’s the process of:

- E**xtracting data from our transaction systems
- T**ransforming it, based on a strategic objective
- and **L**oading it into a strategic system like an Operational Data Store, Data Warehouse, or Data Mart.

The reason why we transform data for strategic reasons ( instead of just doing strategic reporting out of our transaction system ), is based on a pretty fundamental principal:

**Organize your data in a fashion that supports your objective.**

Your objective for a transactional processing systems is, to process transactions ( i.e. orders ). So, these data systems are organized to support that.

Your objective for a strategic reporting systems is, to analyze data for strategic business reasons. So, these data systems are organized to support that.

Have you ever considered organizing your data to support an audit?

Probably not.

This is what I call “audit intelligence”, taking Business Intelligence up a notch.

**Audit intelligence is the construction of a compliance data system whose primary purpose is to support an audit.**

Audit intelligence is a more specific subset of Business Intelligence, that requires much more diligence. Just like the business world, best practices for Business Intelligence all of a sudden become mandatory for audit intelligence.

The stakes are much higher, so we need to be more careful about how the system is designed.

This is not an ebook about audit intelligence, however this is a pragmatic ebook about **starting** an audit intelligence project, and avoiding a racehorse without a jockey.

The principals presented here are easily adaptable to any project or initiative, however our focus in this ebook, is custom tailored to audit intelligence.

## I'M OUT OF THE GATE, AND THE JOCKEY'S STILL THERE

This ebook picks up from the point there you have recognized that an audit intelligence project is at least a consideration. We need to get you out of the gate, with the jockey still on your back, so here's what that looks like:

- You have a Project Charter
- You have done a Stakeholder Assessment
- You have a Project Preamble
- You have an Elevator Speech

I will walk you through all of these in this ebook.

It's important to understand, that getting started doesn't mean going forward with the project. Getting started only means that you have organized your thoughts around the effort that needs to be undertaken.

You can go through this process, and decide you want to do the project later, or that you don't want to do it at all. That's okay. Going through this process will do these three things:

1. It will clarify your thoughts
2. It will help you prioritize
3. It will help you evangelize

It shouldn't take you more than a week to complete all four documents. I can do it in a 2 day workshop.

A **Project Charter** is the cornerstone document for the whole project, should you decide to run it. Of all the documents, this is the most important, and it's the one I always see either missing, or done wrong when I'm injected into a project that is already running. **In one page**, the project charter gives anybody interested an at-a-glance view of the project's purpose, objective, scope, and structure.

A **Stakeholder Assessment** is a survey of the players involved. You need to analyze in advance, how to leverage the people that will support your project, and how to engage the people that will resist.

A **Project Preamble** is along the same lines as the Project Charter, however it’s a little more lengthy ( a few pages ). This document is for somebody who is **really** interested in the project, and has a little bit of time to find out more. **This is not a requirements document.** It simply sets the project up like the Project Charter, with a little more detail.

An **Elevator Speech** is pretty self explanatory. It is few sentences that describe the project. It’s the standard response whenever anybody asks, “So what is this project about?”

## THE PROJECT CHARTER

Let’s start off with the most important document your project can have.

I’ll reiterate that.

This is the most important document your project can have; more important than requirements, more important than detailed designs. The reason why the charter is so critical, is that it sets the stage for everything else that is going to happen. This is the project’s anchor, and everything else that’s created for the project stems from this.

Your project charter is your ubiquitous project document. It’s used in:

- Presentations to stakeholders
- Included as the standard reference in all other project documents
- Handed to everybody and anybody who cares and needs to know

It answers all the key questions that anybody new to your project would have. Here are the 7 key sections of the Project Charter, and the questions they answer:

- **Business Case** – Why are we doing this project?
- **Risk Assessment** – What is the exposure?
- **Project Objective and Controls** – What is this project trying to accomplish?
- **Project Scope** – What are the bounds around the project?
- **Project Plan** – What are the major milestones?
- **Project Team** – Who are the key team members?
- **Declaration of Project Manager** – ~~Who will I fire~~ Who is responsible for the outcome?

Here are 5 key tips when constructing the Project Charter:

- Everything needs to fit on **one page**.
- Exercise pithiness.
- Support your statements with precise data.
- It doesn't have to be perfect, especially the first draft.
- This is a living document. It will be updated frequently as better information presents itself.



problems than what you’re working on, but you’ll have to deal with it.

If your company’s high level strategy mentions something about compliance and auditing, you are in luck. Just tie in there:

*CEO John Smith has organizationally pronounced The Widget Company’s concern for ongoing compliance, by calling it out as one of its 7 key strategic objectives for this fiscal year. Having a compliance and auditing data system organized around our financial information directly supports this strategic objective.*

If your company’s high level strategy doesn’t mention compliance, but your effort is directly related to a well known compliance mandate like Sarbanes Oxley, then tie in strongly there, and try to bridge in your company’s strategy:

*As is well known, Sarbanes Oxley ( SOX ) is an eminent concern for all public companies including The Widget Company, and is an implicit part of our company’s strategic goals. Having a compliance and auditing data system organized around our financial information will greatly enhance our ability to comply with SOX, and reduce our exposure in the financial*

*markets. This supports our stated strategic objective of Increasing Public Shareholder Confidence.*

If your scope of responsibility falls below the top level strategy, then you need to tie in to **all** the strategic objectives from the bottom up:

*Jane Johnson, VP of Finance maintains as one of her key strategic objectives, the Accurate and Timely Reporting of Financial Data. This objective was in response to CEO John Smith’s renewed interest in Governance as one of 7 key company-wide strategic goals. Having a compliance and auditing data system organized around our financial information will greatly improve our internal audit function, which supports these strategic efforts.*

If your company does not have a well defined and publicized strategy that people immediately recognize, you’ll need to get executive level endorsement somehow to support the effort. Here’s a few ideas to support your business case:

- Have a memo issued by the CEO or other high ranking executive.

- Hold a meeting to discuss the topic, and reference the meeting minutes.
- If the urgency is in response to an unfavorable external audit, use it to build your case.
- Reference industry recognized benchmark studies and surveys to highlight your exposure.
- Have an outside agency do a risk assessment on your situation. Use their findings to support your business case.

## RISK ASSESSMENT

Your risk assessment explains what has gone wrong, or what could go wrong, with the system that you are trying to fortify for audit. Here's the classic flow for approaching compliance:

1. Understand key objectives
2. Explore risks
3. Create controls to mitigate the risks

We will highlight number 2 in this section, and touch on 3 in the next section, Project Objective and Controls.

Just to give you an idea of where we're going with audit intelligence, let's say your accounts receivable is spread out over 7 different systems, for geographical reasons. At period close, each of the 7 accounts receivable subledgers is consolidated into one big subledger, then posted up to the general ledger.

A key scenario of control could be this:

### Sideline Coaching

A Risk Assessment is specific to an audit intelligence project charter. Other types of projects may use an "Opportunity Statement" here instead.

- **Key Objective:** Accurate Reporting of Accounts Receivable data
- **Key Risk:** Subledger data not in sync with General Ledger data
- **Key Control:** Reconcile Subledger data with General Ledger

So, for our risk assessment we would highlight the risk that data may not be in sync with general ledger data:

*Due to the complexity of our Accounts Receivable architecture ( 7 subledgers distributed geographically ), there is a pronounced risk that the consolidation process may produce inaccurate balances on the General Ledger. This is a significant exposure point for SOX compliance*

...

You will want to highlight all of the key risks addressed by your proposed efforts. If this list is long, consolidate them into groups.

*... We also face the risk of fraudulent tampering with the general ledger after the subledger consolidation process has been done. ...*

### Sideline Coaching

An Affinity Diagram is a very useful tool for organizing large amounts of data into groups. You can create one on your own, but it's better when it's executed as a group effort.

It is good if you can have precise data in this section to validate your risks.

*... A recent audit of our existing system found that as much as 28% of our transactions are currently in violation of GAAP rules.*

Here are some key tips for putting together your Risk Assessment:

- This is the “fear factor”. Scare the reader with the reality of now.
- Be as concise as possible, while covering all the risks.
- Use dramatic language to emphasize your case.
- Use precise data points that you can back up ( i.e. 28.5% instead of 30% ).

## PROJECT OBJECTIVE AND CONTROLS

Let’s go back to our classic flow for compliance:

1. Understand key objectives
2. Explore risks
3. Create controls to mitigate the risks

The objectives and risks live in the existing system ( the one that needs to be audited ). The control lives in the new compliance data system, which is the goal of your project.

The Project Objective and Controls section needs to accomplish two things:

1. State the objective of building a compliance data system, in specific terms.
2. Spell out the controls that will be in the system.

Your objective needs to be SMART:

- Specific
- Measurable
- Actionable

### Sideline Coaching

For a project that doesn’t involve audit intelligence, keep the “Project Objective” part, and don’t include the “Controls” part.

- **Relevant**
- **Time-Bound**

As you are constructing your Project Objective and Controls, make sure all 5 SMART elements are covered:

*Build a compliance data system to audit our order entry system, handling the key controls of reconciliation and segregation of duties. The new data system will extract data from our 5 ERP instances, transform the data based on identified controls, and load the data into the newly provisioned database called OPCS ( Order Processing Compliance System ). The system must be completed before the end of year internal audit.*

If possible, use specific target numbers, that will serve as parameters for the effectiveness of the compliance data system. Tie in to the data that was stated in the Risk Assessment:

### Sideline Coaching

Look for side benefits to your project efforts, and who will benefit. This can help greatly with stakeholder support and funding.

*In accordance with stated zero tolerance governance policy and best practices, reduce the GAAP rule violation count to zero.*

Strive to get a side benefit documented. Most compliance efforts are best practices enforced, so it probably won't be hard to figure out a tangential benefit to the construction of your new system. Document this as a goal:

*As a secondary goal, due to increased efficiencies in our reporting architecture, a 75% reduction in the cost financial quality control is targeted.*

Make sure to keep these key tips in mind when building your Project Objective and Controls:

- This is the most important section of the project charter, because it really cements the intent. Spend some time to get it right.
- The Business Case, Risk Assessment, and Project Objective and Controls should all flow together and support each other.
- Make sure your Objective is SMART, and all your Key Controls are represented.
- If you have a lot of controls, use the same techniques presented above in the Risk Assessment to consolidate.
- Use data to support your goals if you have it.

### Sideline Coaching

I recommend you build the Project Charter in the order presented in this eBook. When you have completed the Project Objective and Controls section, the hard part is over. Congratulations, you are almost done!

- If you do not have a specific target at the start, that’s okay. Use “directionary” language like “improve” or “reduce”. You can always improve this section when you have a better idea on metrics.

## PROJECT SCOPE

Your Project Scope section sets bounds around your project. It spells out what is in scope, and what is out of scope.

The real value here, is identifying what is out of scope, and clarifying for yourself where marginal items sit.

Let’s go back to the accounts receivable example, where there are 7 different systems distributed geographically. Here’s some key questions that could be asked:

- Are there any other accounts receivable systems that we are not including?
- There are two stages of posting ( subledger to consolidated subledger to general ledger ). What exactly are we reconciling?
- Are there any related efforts ( i.e. corporate level SOX compliance ) that we need to clearly call out as being out of scope?

### Sideline Coaching

A “In Scope / Out of Scope” exercise is a great tool to use here. You can do this alone, but it’s better with a group.

The format for your Project Scope section is two columns:

***In Scope:***

- *7 Key Accounts Receivable Systems*
- *Reconciliation between all subledgers and consolidated subledger*
- *Reconciliation between consolidated subledger and general ledger*

***Out of Scope:***

- *Government A/R System ( Sensitive Data )*
- *Corporate SOX and PCI efforts*

Think in advance what other people in the organization might assume about what you are trying to do, and preempt the ambiguity. As you start to evangelize your project, pay attention to scope related questions, and update your charter as they come along.

Here are some key tips for composing your Project Scope section:

- Once again, it doesn't have to be perfect. Just jot down what comes to mind, and move on.

- It’s a living document – update it as you go. This section tends to be updated a lot in the beginning, and stabilizes out quickly.
- Start out with at least one item In Scope, and one item Out of Scope
- Stick to the format. Don’t try to do this in paragraph form.
- Have a maximum of 5 bullets for either column, If you reach 6 items, think about consolidating and merging bullets.
- 5 bullets max, but 2 or 3 is best.

## PROJECT PLAN

This is a **high level** plan. Nobody cares about the details.

Use big milestones, with a Gantt format – **simple** Gantt, with milestones down the side, and months / quarters across the top. At a minimum, include the intended Start and End dates of the project:

Milestone	OCT 07	NOV 07	DEC 07	JAN 08	FEB 08	MAR 08
<b>Project Start</b>						
<b>Project End</b>						

If you are following a prescribed project methodology, then your work is just about done, just paste it in:

Milestone	OCT 07	NOV 07	DEC 07	JAN 08	FEB 08	MAR 08
<b>Project Start</b>						
DEFINE Phase Completed						
MEASURE Phase Completed						
ANALYZE Phase Completed						
DESIGN Phase Completed						
VERIFY Phase Completed						
Rollout and Training Completed						
<b>Project End</b>						

If you’re not following a prescribed methodology, just brainstorm 3 – 5 significant milestones and jot them in:

Milestone	OCT 07	NOV 07	DEC 07	JAN 08	FEB 08	MAR 08
<b>Project Start</b>						
Key Controls Solidified						
Test Plans Created						
Target System Created						
Source Systems Staged						
Transformation Logic Completed						
Rollout and Training Completed						
<b>Project End</b>						

If you are following an iterative or agile project methodology, just list the expected iterations:

Milestone	OCT 07	NOV 07	DEC 07	JAN 08	FEB 08	MAR 08
<b>Project Start</b>						
Iteration 1 Completed						
Iteration 2 Completed						
Iteration 3 Completed						
Iteration 4 Completed						
Iteration 5 Completed						
Iteration 6 Completed						
<b>Project End</b>						

## Sideline Coaching

Milestones should be worded in past tense, as a finished event, like “Training Performed”

If you have a project manager in mind, engage them at this point for guidance. A good project manager should be able to take your Business Case, Risk Assessment, Project Objective and Controls, and Project Scope, and come up with some methodology recommendations.

If you are really not sure of how this should be broken down, it’s okay to just have a Project Start and End date, but that won’t hold you for long. Engage a project manager and / or subject matter experts as soon as you can to fill in the blanks. You should have 3 to 8 milestones before you really start campaigning your project.

Keep the following tips in mind when building your Project Plan:

- Keep it high level and simple. No dependencies or resource allocation.
- Don’t go over 8 milestones, including Start and End.
- Begin with the End Date and work backwards.
- Include a few “insightful” milestones that demonstrate that you have thought this out a little. For instance, “External Auditor Sanity Check

Completed” subtly demonstrates that you have a handle on what’s going on.

- Like the Project Scope, stick to the format. Do not try to explain this in paragraph format.

## **TEAM MEMBERS**

Next to last section! And good news ... it’s real easy.

Just list the roles that are necessary to complete the project, and the people ( name and title ) you have in mind to do the job. If you don’t know yet who will do the job, just put in “TBD”. Here are some typical roles for an audit intelligence project:

- Executive Sponsor / Champion
- Project Manager / Coach
- Program Manager
- External Auditor
- Internal Auditor
- Legal Advice
- Finance Specialist
- Business Analyst
- Process Analyst
- Data Architect
- Technical Lead
- Developer

Here’s what it looks like for a Six Sigma project:

*Champion: Terri Li, Chief Audit Officer*  
*Project Manager: Sanjeev Gupta, Black Belt*  
*External Auditor: KPMG ( TBD )*  
*Key User: Bonnie Taylor, Internal Auditor*  
*Subject Matter Expert: Lynne McDougal, Finance Analyst*  
*Data Architect: David Johnson, IT Data Architect*  
*Business Analyst: Juan Lopez, IT Business Analyst*  
*Technical Lead: Lisa Chan, Green Belt*  
*Developer: TBD*  
*Developer: TBD*

## **DECLARATION OF PROJECT MANAGER**

One small step left. The Executive Sponsor needs to formally endorse the project manager ( coach, black belt ... whoever is running the project ). If you don't have a project manager yet, just leave this section blank.

This is an important step. Don't ignore this.

This will pave the way for your project manager to have the necessary authority and control over the project.

Here's the language:

*As Project Executive and Champion of this project I declare Tony Oliveria as my Project Manager, and authorize him to manage and control the schedule and resources on this project. His authority on this project should be respected as such.*

*Signed:* \_\_\_\_\_

A digitized signature should accompany all electronic copies of this document.

## **CELEBRATE! YOUR PROJECT CHARTER IS DONE!**

Not so hard, right!

And guess what? You are now light years ahead of over 90% of the projects on the ground right now.

I cannot emphasize it enough. Completing this document **properly** is the single most valuable thing you can do to ensure your project’s success.

It doesn’t even need to turn into a project to provide value. Remember, at this point you are not committing to anything other than a brief exercise to clarify your objectives. If at the end of this exercise you find it’s not worth it – good for you! You just saved yourself a lot of grief and anguish.

So, let’s take a look at the fruit of our “hard” labor:

Remember, it looks like this:

PROJECT CHARTER	
Project: Audit Intelligence for Financial Systems	
<b>BUSINESS CASE</b> ..... .....	<b>RISK ASSESSMENT</b> ..... .....
<b>PROJECT OBJECTIVE AND CONTROLS</b> ..... .....	<b>PROJECT SCOPE</b> ..... ..... .....
<b>PROJECT PLAN</b> ..... ..... .....	<b>TEAM MEMBERS</b> ..... ..... .....
<b>Declaration of Project Manager</b> .....	

... and this is what it says ...

*Business Case:*

*Jane Johnson, VP of Finance maintains as one of her key strategic objectives, the Accurate and Timely Reporting of Financial Data. This objective was in response to CEO John Smith’s renewed*

*interest in Governance as one of 7 key company-wide strategic goals. Having a compliance and auditing data system organized around our accounts receivable data will greatly improve our internal audit function, which supports these strategic efforts.*

*Risk Assessment:*

*Due to the complexity of our Accounts Receivable architecture ( 7 subledgers distributed geographically ), there is a pronounced risk that the consolidation process may produce inaccurate balances on the General Ledger. This is a significant exposure point for SOX compliance. We also face the risk of fraudulent tampering with the general ledger after the subledger consolidation process has been done. A recent audit of our existing system found that as much as 28% of our transactions are currently in violation of GAAP rules.*

*Project Objective and Controls:*

*In accordance with stated zero tolerance governance policy and best practices, reduce the GAAP rule violation count to zero. Build a compliance data system to audit our accounts receivable system, handling the key controls of reconciliation and segregation of duties. The new data system will extract data from our 7 accounts receivable transaction systems, transform the data based on identified controls, and load the data into the newly provision database called ARCS( Accounts Receivable Compliance System ). The system must be completed before the end of year internal audit.*

*Project Scope:*

***In Scope:***

- *7 Key Accounts Receivable Systems*
- *Reconciliation between all subledgers and consolidated subledger*
- *Reconciliation between consolidated subledger and general ledger*

***Out of Scope:***

- *Government A/R System ( Sensitive Data )*
- *Corporate SOX and PCI efforts*

*Project Plan:*

<b>Milestone</b>	<b>OCT 07</b>	<b>NOV 07</b>	<b>DEC 07</b>	<b>JAN 08</b>	<b>FEB 08</b>	<b>MAR 08</b>
<b>Project Start</b>						
Key Controls Solidified						
Test Plans Created						
Target System Created						
Source Systems Staged						
Transformation Logic Completed						
Rollout and Training Completed						
<b>Project End</b>						

*Team Members:*

*Champion: Terri Li, Chief Audit Officer*  
*Project Manager: Sanjeev Gupta, Black Belt*  
*External Auditor: KPMG ( TBD )*

*Key User: Bonnie Taylor, Internal Auditor*  
*Subject Matter Expert: Lynne McDougal, Finance Analyst*  
*Data Architect: David Johnson, IT Data Architect*  
*Business Analyst: Juan Lopez, IT Business Analyst*  
*Technical Lead: Lisa Chan, Green Belt*  
*Developers: TBD*

*Declaration of Project Manager:*

*As Project Executive and Champion of this project I declare Sanjeev Gupta as my Project Manager / Black Belt, and authorize him to manage and control the schedule and resources on this project. His authority on this project should be respected as such.*

*Signed: \_\_\_\_\_*

## STAKEHOLDER ASSESSMENT

A Stakeholder Assessment answers the question, “How do we deal with the organization?”

This document is the beginning of your political warfare strategy – a widely overlooked aspect of project management. This is one of the few documents that **you do not share with anyone, not even the project team ( well, not all of them )!**

Just about every project I get injected to is missing one of these documents.

This is the second biggest mistake people make when running their projects ( the first is having either a bad or non-existent Project Charter ). Unlike the project charter, I rarely see a “bad” Stakeholder Assessment, it’s usually just missing. The missing document is not the problem however, it’s the indicator that no thought has been put around the political aspect of running their project.

This is very dangerous, especially in an overly political organization. I’ve seen valid projects get stomped because the wrong person had an opposite agenda, and a larger influence in the organization.

The format of the Stakeholder Assessment is easy. The most value to you, is knowing you need to do it, and the “hard” part is the thought that goes behind getting it completed.

### **FOR YOUR EYES ONLY**

As I mentioned, this work is not for everyone to see. If this is a small effort, or you don’t have access to resources, keep this information to yourself.

#### **Sideline Coaching**

Take extra precautions to guard any documentation that you produce like this. I can be very damaging if people know you are engaging in political warfare with them.

If you have the resources, form your own Central Intelligence Agency of between 2 and 7 people. Call them the “Change Team”, or something really vague like “Global Communications” or “Audit Surveillance”. Include your project manager if you know who it is going to be, but make sure she knows how sensitive the information is. The others on the

team should be people that really understand the people in the organization, and where they stand on issues.

### THE STAKEHOLDER ASSESSMENT SURVEY

The foundation of the Stakeholder Assessment is the Stakeholder Assessment Survey:

<i>Who?</i>	<i>Strongly Supports</i>						<i>Strongly Resists</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>

You will end up with two different surveys; one for departments and one for individuals.

First brainstorm *influential* organizations in the company, then list them in the “Who?” section of the survey. It’s important to identify influential organizations, not the organizations you think make sense. This exercise is about uncovering the undertow influence in the company, regardless of how it’s organized. These organizations may be obvious to you, but if not here are some tips for uncovering them:

- Look at the company strategy. Where is the departmental emphasis ( Marketing? Finance? Technology? )
- What are the departments with the largest budget?
- What departments seem to always get their projects funded?
- How have decisions historically been made? Are the engineers running the company? What about Sales?

Next, fill out the survey with your best guess of where each organization falls. Here are some of the organizations that typically support audit related projects:

### Sideline Coaching

A Stakeholder Assessment is a great opportunity to uncover ways to get somebody else to fund your project. Look for strong supporters, and show them how your project will benefit them.

- Finance
- Treasury
- Internal Audit
- Governance
- Risk Management
- Legal
- Government Related Business Units

Here are some of the organizations that typically resist audit related projects:

- Marketing
- Sales
- Operations
- Product Support
- Non-Government Business Units

After you take the survey for organizations, do the same thing for influential individuals. First brainstorm, then evaluate. It’s quite interesting but common to see an individual supporter of your efforts in an organization that resists, and vice versa.

This is *extremely* important with individuals. I worked at a company where a Senior Manager ( just under Director ) could shut down a VP-level initiative if she didn't like it. Furthermore, she could push even the most unpopular issues through the organization. I always made sure she was on my side when something was stirring up!

To keep the operation clandestine, communicate with each other in terms of numbers, when referring to an organizational or personal assessment. For instance, a “7” is somebody you need to start leveraging right away, and a “4” is either completely neutral or unknown. Organizations and people that are “1”s or “2”s are going to be a problem, be prepared.

Don't refer to people as “Supporter” or “Resister”. A “Curious George” around the corner might catch on to what you're talking about.

### **STAKEHOLDER SUMMARY**

Now that you have done the survey, you just need to organize the results a little bit, and come up with probable next steps. I can't teach you how to be political in this ebook, but just use your head.

For most people, it’s a small leap, but if this is difficult for you, you need to think more about your company’s politics, and start noticing who has the “real” power to make things happen.

Let me give you a clue. If your CEO is constantly looking to other people for advice, guess who doesn’t have any influence over what gets done in the company.

Here’s an example:

### ***Stakeholder Summary***

*We should see strong support from our Internal Audit and Governance departments. The key people to immediately engage for support are Keith Templeton, VP of Global Governance, and Chief Operating Officer Franz Van Gelder. Keith’s “Total Governance” platform is a logical fit for a proposed Compliance Data System, as it fits well with his organizational design. Also, COO Van Gelder has recently voiced his growing concerns for minimizing exposure through better audit practices, and is probably the most influential person on the Executive Team.*

...

*Primary opposition for the effort will most likely be Timothy Pratt, VP of Global Sales. He will most likely view this as “interference” to his sales efficiency. We will need to demonstrate the long term benefits to his organization, as well as our focus on minimal intrusion.*

...



As with the Project Charter, this document is a living document, so you will adjust it as time goes on. Also, try to keep this as simple as possible, and save more details for other documents.

Remember, the value is not in knowing all the documents to create, and all the details for the documents. The value is in knowing that you need to do something like this. Once you know, use your common sense to fill in the blanks.

## THE PROJECT PREAMBLE

The Project Preamble is simply massaging and supporting what you’ve already discovered in the Project Charter and Stakeholder Assessment. It should be about 5 pages long, and it’s the second thing somebody will read about your project, if they’re interested in what the Project Charter has to say.

The reason why they are interested in your Project Preamble, is because they want to find out more information, so it needs more substance than the Project Charter; but not that much.

Keep in mind that people don’t care to know as much as you know about the project. You are passionate about it, so you might feel the need to share everything in your head.

Nobody cares, and everybody’s busy. Here are the three most common mistakes people make when trying to do a document like this:

- Way too long and boring.
- No value – obvious boilerplate with no information.

- Copy and paste from other documents which are easily available.

Don't make these mistakes. Make sure your Project Preamble is valuable, informative, relevant, and concise.

Here's the basic format:

*Executive Summary*  
*Current Compliance Capability*  
*Target Compliance Capability*  
*Project Management and Organization*  
*Organizational Challenges*  
*Organizational Benefits*  
*Total Cost of Ownership*  
*Return on Investment*  
*Glossary and References*

I know this seems like a lot of sections, but don't over-think this. This is actually more of a propaganda piece than anything else. This document has the illusion of

being a substantial document, but in reality it’s a document to get people from interested to committed.

If you have already done the Project Charter and the Stakeholder Assessment, there is not much more internal discovery to do.

Here’s what you do:

1. Start with the **Current Compliance Capability**. Use the Risk Assessment from the Project Charter to highlight the current state, and the exposure of not doing anything. Back up the numbers and claims previously made in this section. If you had to consolidate to make things concise in the Project Charter, “unconsolidated” here to substantiate.
2. Now do the **Target Compliance Capability** by leveraging the Project Objectives and Controls section of the Project Charter. Once again, just be a little more verbose, and back up your numbers and claims. You can “unfold” controls here, just like you did with risks in the previous section.
3. In your **Project Management and Organization**, discuss your rationale for the team you have in mind, and the project management methodology

you intend to use. Justify the reason why you think this methodology is a good fit for your project, and why you think your intended project manager ( if you have one chosen ) is a good fit.

4. Use your Stakeholder Assessment to identify 1s and 2s, and state their concerns, to complete the **Organizational Challenges** section. This is a preemptive strike that demonstrates that you are not ignoring them. You will need to “spin” your findings a little, to show how you will address their concerns.

### Sideline Coaching

When you are building your Project Charter, you will need to revise and trim to make the piece pithy. Save these “intellectual scraps” for your Project Preamble.

5. In the same way leverage your 6s and 7s for your **Organizational Benefits** section. You don’t have to “spin” anything here, just pour it on. Also, if you have any hard financial benefit numbers, state them here. We are starting to setup Return on Investment ( ROI ).

6. **Total Cost of Ownership.** Okay, you will need to do a little more thinking here, as we are trying to work through ROI. Try to estimate up front

project costs, and ongoing maintenance costs. Just use ballparks for now, you can always refine things later.

7. **Return on Investment** is where we show the financial benefit. Go out at least 3 years, but no more than 5. Your first year will involve your project costs so the ROI will be lower. If you plan 2<sup>nd</sup> and 3<sup>rd</sup> generation project efforts, they may factor into future year project costs as well. If your ROI is over 100% ( which happens a lot ), don't state it in percent terms anymore, use factors. For example, “The annualized return on investment based on a 5 year projection will be 10-fold.”
8. **Glossary and References** is self-explanatory. If you have to use acronyms that's fine, just don't overdo it. This is where you can spell things out for people unfamiliar with your jargon.
9. Finally, get the **Executive Summary** done. Take all this information, and boil it down to a couple of paragraphs max. Be concise – executives aren't the only ones who are busy, and this may be the only section your reader will want to process.

## ELEVATOR SPEECH

This is the last and easiest thing to do.

You just want to create a canned response whenever somebody asks you, “What is this project about?”

Save this piece for last, because all the intellectual work done up to this point will make this real easy.

You want to lead with a sentence that highlights your key Organizational Benefits. Don’t focus on what you’re trying to do, focus on what people will get.

*This project is about improving our Accounts Receivable controls, so that Finance can operate more efficiently. ...*

Then introduce the plan gently, but keep it somewhat vague and optimistic.

*... To mitigate our current risks, we plan is to construct a Compliance Data System that will consolidate the access point for auditors ...*

Finally, seal the deal with an ROI statement:

*... We expect to see a 10-fold return on investment after 5 years.*

With a little bit of practice, you can literally learn to do this in under 10 minutes, and it will pay off in dividends.

This little speech is enough to give people confidence that you know what you are talking about.

And if they need to know more, you'll have a Project Charter ready.

And if they need to know more, you'll have a Project Preamble ready.

And if they're an identified supporter, you'll be prepared to reel them in.

And if they're an identified resister, you'll be prepared to engage.

It's all in making sure your jockey stays on this horse.

## SO WHAT'S NEXT?

Good question.

To be honest, right now you need to figure out if this project is worth it or not. Most compliance projects are a no-brainer – they have to be done, whether or not the financial ROI supports it. However, you need to pick your battles. I'll leave that decision up to you, but by this point you should have enough information to make a good decision.

If you want to move forward after this point, find a good project manager if you don't have one already. Then, start working with your auditors and audit findings to gather requirements.

Even if you decide not to build your Compliance Data System, I hope you can see that going through this exercise is extremely valuable. These principals can easily be applied to other efforts that are not related to compliance or auditing.

If you do decide to implement audit intelligence to build your Compliance Data System, congratulations! You have a much better chance of winning this race, with the jockey actually on your back.

Thanks, and Good Luck!

Links for future reference:

<http://www.excellentmanagementsystems.com>

<http://www.chiefcompliancecoach.com>

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