



Client Relations

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November 5, 2015

Webinar Agenda

- Why you should care about Client Relations
- Impact
- Essential Elements
 - Respect
 - Open communications
 - Humility
 - Recognizing client successes
- Other Important Areas
- Examples of Balanced Communications
- MCA Structure
- Conclusion/Q&A

Why Care About Client Relations

- We are Audit – Agents of the Regents
- What do we typically find in our reviews?
 - Thieves?
 - Totally dysfunctional controls?
 - Controls in place with opportunity to strengthen those controls
- What is our end product?

Question #1

What is Internal Audit's ultimate end product?

- A. An Annual Report to our local Audit Committees and the Regents that controls are functioning as intended?**
- B. An audit report for each review that summarizes our findings and Management's corrective actions?**
- C. Assurance to External Auditors that controls over accurate financial statements are working?**
- D. Providing the incentives to Management and Staff to do the right thing?**
- E. Being a catalyst for change?**
- F. BMW M3**

What is our Ultimate End Product?

- A. Annual Report to our local Audit Committees and the Regents that controls are functioning as intended and no fraud has been committed?
- B. An audit report for each review that summarizes our findings and Management's intended corrective actions?
- C. Assurance to External Auditors that controls over accurate financial statements are working?
- D. Incentivize Management and Staff to do the right thing?
- E. Being a catalyst for change?
- F. BMW M3

Not just being a catalyst for change but being a catalyst for lasting change that improve systems of control

Question #2

Which statements that are true:

- A. Audit is hard work so we don't have time for reassuring infantile clients
- B. I need to become an expert in the area audited so the client will respect me.
- C. Its all about data analytics, I don't need to talk to Clients
- D. For observations I need to determine the condition, cause, criteria and effect on my own so that my independence is not compromised.
- E. I want to make sure the observation is fully developed before discussing with the client because I want to get credit for my good work.
- F. The best place to learn about Client Relations is at the UC Davis Summer Camp for Future Auditors (ages 6-8)
- G. If you divide the gallons of water used in December by the population of Sacramento divided by the number of bicycles in Davis you can estimate the number of bathtubs in Beverly Hills.

Question #2 Discussion

Which statements are true:

- A. Audit is hard work so we don't have time for reassuring infantile clients
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Impact of Client Relations

- So if we are a catalyst for change why do client relations matter?
- Depends on the client
 1. Many don't like being told what to do. Some are afraid of being reprimanded by their manager
 2. They work hard everyday and you are going to focus on the errors in their ways.
 3. Some are enlightened and welcome a second set of eyes
- If clients feel the review was helpful and the audit team was good to work with they are more likely to work to address the issue.

1. Sometimes the best client relations won't matter – focus on greatest potential impact

2. Sure they feel bad. Recognize the good with the bad – balanced report.

3. But you need to deliver. They want insight on how to improve

Essential Elements of Client Relations

- Treat Clients with Respect
- Open Communications
- Get their input on risks (early and often) when deciding what to audit.
- If you find issues during audit work, discuss them early with the client.
- Don't work in a vacuum or just do data analytics. Get out and talk with those that do the work
- Be humble: Ask am I missing something? You may not have a complete picture.
- No surprises
- Tell them strengths you found and call your observations “potential opportunities”

Question #3

Treating Clients with Respect: Arthur the Auditor sets up a meeting to interview a client and indicates that the meeting must take place within the next two days. The client is busy with peak season which runs for 2 more weeks but agreed to meet because the auditor insisted. The clients are very conscientious but also very nervous about the auditor finding fault with what they are doing. On the day of the meeting he shows up 5 minutes late and says it took longer to get there than he thought. He doesn't try to explain the purpose of the meeting but instead begins with detailed questions about their operation. As they begin to answer he is also reading a financial report of their operation. Before they finish he interrupts and asks a question about the report. Later in the meeting he repeats questions asked earlier in the meeting. The meeting lasts for 90 minutes even though 60 minutes were planned.

What things does Arthur do wrong? Think about your answer and Tim Mulshine will read your mind and summarize your answers.

Question #3 Discussion

Treating Clients with Respect: Arthur the Auditor sets up a meeting to interview a client and indicates that the meeting must take place within the next two days. The client is busy with peak season which runs for 2 more weeks but agreed to meet because the auditor insisted. The clients are very conscientious but also very nervous about the auditor finding fault with what they are doing. On the day of the meeting he shows up 5 minutes late and says it took longer to get there than he thought. He doesn't try to explain the purpose of the meeting but instead begins with detailed questions about their operation. As they begin to answer he is also reading a financial report of their operation. Before they finish he interrupts and asks a question about the report. Later in the meeting he repeats questions asked earlier in the meeting. The meeting lasts for 90 minutes even though 60 minutes were planned.

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Open Communications

- Ask about their perception of risks in their area. Easier to help them if you understand their concerns
- Do not need to be secretive about what you are trying to accomplish
 - Exception is if you are doing an investigation
 - Otherwise be open
 - You don't want clients to feel the auditor is out to get them
 - We don't expect to find big problems. If we find anything they are mostly just human errors or ways to make your systems and processes a little stronger.
- This is not a performance appraisal

Discuss issues early with the client.

- It does not have to be a confrontation
- “Here is what I am seeing does this look right to you? Am I missing something?”
- So don’t draw that conclusion until you have validation from the client.
- If you wait for the draft report and/or exit conference before discussing it, you are more likely to lose credibility in general if this specific conclusion is wrong
- Seeing it in writing may cloud client’s perception

Get out of your office

- Talk with people that actually do the work
- Data Analytics and testing transactions are important aspects of audit but you should not audit from your desk
- Show a genuine interest in what they do and where they do good work.
- Tone of emails can be easily misinterpreted. Many aspects of communication such as body language are even lost on phone calls.
- If the issue is complex and/or critical meet with the client to discuss.

Be Humble

- “Am I missing something that would explain this _____?” Be open to the possibility that you are drawing the wrong conclusion
- How would the client look at it or explain it?
- “We will never develop your technical and nuanced understanding of your operation but we are process experts and can provide an independent perspective.”

No Surprises

- Have open discussion throughout fieldwork (excluding investigations.)
- If you wait and the problem goes unchecked they will not be happy.
- Resist the temptation to wait in order to get credit for the revelation because the observation is not yet fully developed.
- Better if it's a team effort anyway.

Have Balanced Communications

- Clients like to hear that you feel they have some best practices
- Take the time to listen to the successes in their units and compliment them.
- Audit reports should always include discussions where controls are strong.
- Turn negatives into positives
- In summary: Be solution oriented and remember to identify best practices.

Other areas important to client relations

- Be Human – friendly, interested and willing to see the humorous side of life.
- Manage your project – maintain momentum – keep communications timely
- Establish reasonable time frames for completing fieldwork and report writing
- Telling clients that they have a problem and they should establish a team to study the problem should be a rare occurrence.

Relevancy in Client Relations

- Controls are designed to ensure objectives are met.
- Is the risk you are evaluating material?
- What are the clients current challenges?
- If an item is not material but its still helpful to a client then make it a verbal discussion item.

Examples of Balanced Communications

- Audit Distribution email –

- “Thank you for implementing or agreeing to implement the following: ...”

Instead of:

“Our audit identified the following and management has agreed to address the issue...”

- Balanced Audit Reports

- Typically writing a conclusion on each audit objective – mentioning what is working well followed by where there are opportunities for improvements.

Audit Distribution Email

Attached is the final report based on our administrative review of strategic sourcing processes. The purpose of our review....

Our analysis of the 12 months reviewed indicates that ***UC Davis was successful at achieving savings of approximately \$9 million under strategic sourcing agreements.*** Additional savings ... by not bypassing strategic vendor agreements (\$2 million) and ***Contracting Service analysis shows additional savings through ... competitor bypass spend (\$9 million)....***

We would like to thank you for agreeing to take the following actions:

- ***Evaluating the opportunity to seek refunds*** of some of the foregone savings that can reasonably be pursued related to agreement bypass spend.
- ***Providing additional resources to Contracting Services*** in support of the strategic sourcing program.
- ***Developing strategic communications and marketing plans*** for the campus community in support of SciQuest, the modern e-procurement system that will replace UCDBuy in spring 2016.
- ***Establishing metrics*** surrounding customer satisfaction, spend-to-benefit calculations, and bypass spend in order to evaluate how well the objectives of the strategic sourcing program are being met.

Construction Management Report

Conclusion:

Over the last decade, DCM has invested over \$1.6 billion in capital improvement projects. Many of the projects delivered by DCM are ***highly complex requiring unique engineering expertise and special project management skillset***. UCD buildings and facilities ***utilize state-of the art engineering systems and are at the forefront of green building design***. They contribute positively towards creating a cohesive and distinguished campus and transforming the existing facilities to advance the campus' mission of learning, discovery and engagement. ***Our audit found many good practices that were established to develop, design and deliver large scale major construction projects.***

Construction Mgt Report - Continued

DCM management has demonstrated competencies in the following areas but also acknowledges the need to make improvements in:

- Project oversight and monitoring;
- Cost estimating and budget planning;
- Transparency of contracting practices;
- Change order management; and
- Documentation retention.

Recommendations or MCAs

- Recommendation should be to address the control issue – how they do that (MCA) is a management prerogative.
- Make sure you are not telling them something they already know. “Keep doing what you are doing...”
- Don’t tell them they need to study an issue further.

Summary

- Our end product is being a catalyst for change and Client Relations will facilitate the impact we have on our Universities.
- Ultimately we will have the greatest impact to our Universities and optimize the value we add through a team effort with management.
- We talked about essential elements of Client Relations: Respect, Open & Frequent Communications, Meet with Clients, Humility, Balanced observations, Being Human and Timeliness
- I gave you examples of balanced communications (Distribution emails and Audit Reports.) Also applies to face-to-face meetings.
- Ended with impact of Recommendations and MCAs



Contact Information and Questions

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Questions?