



Critical Thinking: Problem-Solving Skills for Auditors

“Our profession's history of successfully pivoting when the need arose was reactive. ... We no longer have that luxury. We must become proactive and agile ... (which) requires changing our mindset ... refocus(ing) ... prioritizing ... and coordinating ...”

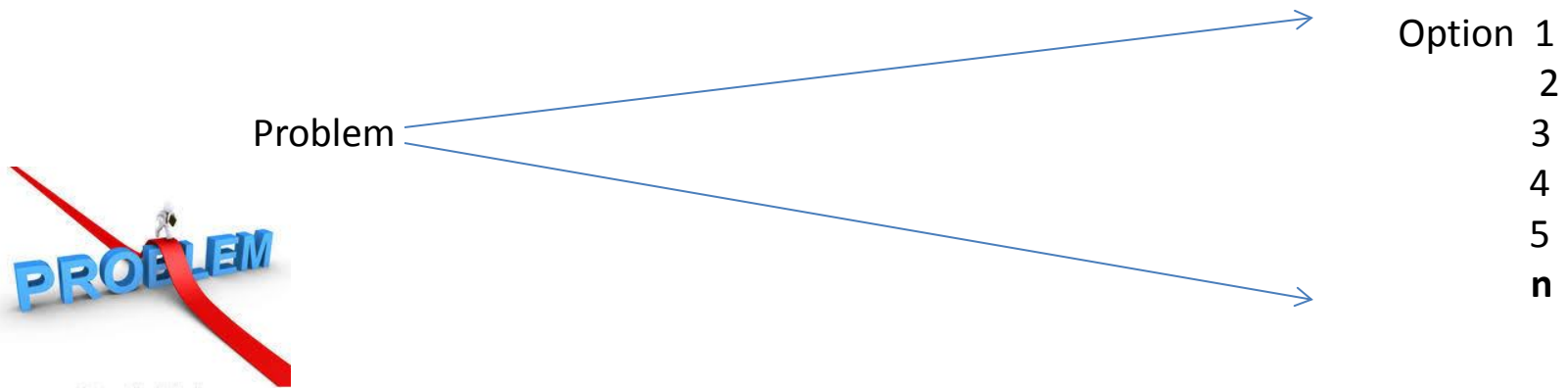
- *Richard Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President & CEO of IIA
former deputy IG - U.S. Postal Service
former IG - Tennessee Valley Authority
former director - Pentagon's U.S. Army Worldwide Internal
Review Organization*

The Case of the Hungry Bookworm





Problem-Solving

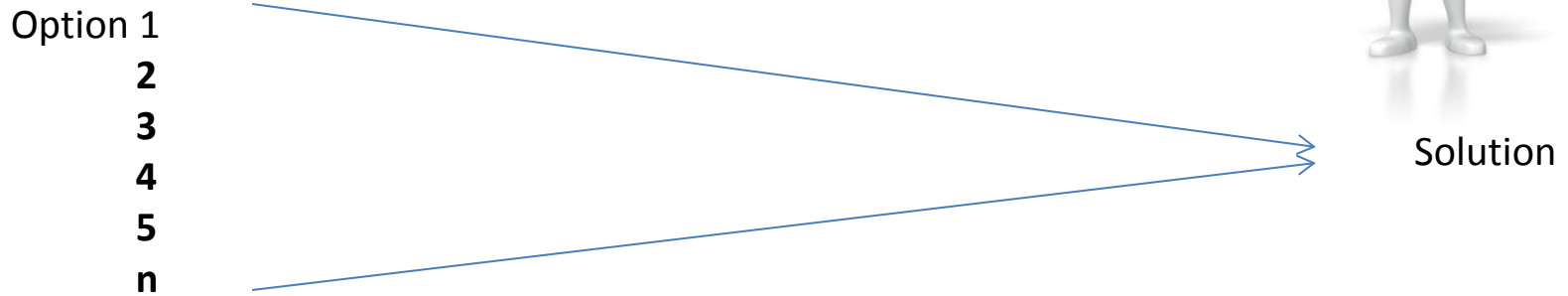


There's a problem to solve when you want to have more *options*.

Creating means expanding and exploring.

Education in the U.S. has historically suppressed creativity in favor of *correctness*.

Decision-Making



A decision is a *selection*.

Current decisions: often based on *past decisions*.

Each decision needs to be based on *the current situation and context*.

To do that, you must have *clarity* about the desired outcome.

Good decisions are ones that more closely *matches* the desired outcome.

Problem Statements



A problem statement is a tool that will help you deal with the **gap** between **what is** and **what is desired**

Example

Your company sells cereal. After hermetically sealing the cereal in pouches, you package it in cardboard boxes. The price of the cereal is permanently marked on the box. You sell about 10,000 boxes of cereal a week. Senior management has decided that a price increase of ten cents per box is necessary within two weeks if the product is going to remain profitable.

You have 100,000 units on hand.

Why A Good Problem Statements Is So Critical

How you word the problem statement automatically
LIMITS
what you see, consider, and think about.

It also **GUIDES** and **BIASES** you
toward a certain set of solutions.



Short Case Study

Your team conducted an audit of the UGO program, including budget and expenditures on items such as meetings. You checked with the hotels where meetings were conducted to confirm the nature and amount of the charges for the various meetings, which were provided to you by the program. You found some unusual charges, such as a line item of \$16 per person for muffins showed as a charge – and the hotel confirmed that was correct. One of your findings was that the program inappropriately spent public funds by significantly over-paying for certain items, such as the muffins.

What do you believe was the problem in this case?

The right combination of problem-solving and decision-making helps avoid scope creep, missing the mark, and other serious audit shortcomings.



“As a young internal auditor, I found the identification and communication of a problem (condition) to be exhilarating. I felt I had truly demonstrated my value when I was able to point out a control failure or waste, inefficiency, or mismanagement ... there are still too many internal auditors who get more satisfaction out of identifying the problem rather than how to solve it.”



- Richard Chambers