

Creative and Critical Thinking for Auditors

AUDT8012G

PARTICIPANT GUIDE



GOVERNMENT AUDIT TRAINING INSTITUTE



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Creative and Critical Thinking for Auditors

Participant Guide, Version 3.0



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Washington, DC 20024
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Courses are identified by the following skill levels:

Foundation

Suggested for auditors with up to three years of experience and for more experienced auditors with limited exposure to the subject matter

Intermediate

Suggested for auditors with two to five years of experience and for more experienced auditors with limited exposure to the subject matter

Advanced

Suggested for seasoned auditors with over five years of experience at mid or upper level, or for those preparing for supervisory, management or leadership responsibilities

All Levels

Appropriate for auditors at all levels

**SEE NEXT PAGE FOR AN OVERVIEW OF SKILLS AREAS
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GOVERNMENT AUDITING, ANALYSIS, AND EVALUATION COURSES BY COMPETENCY AREA AND LEVEL

All

Foundation

Intermediate

Advanced

(suggested)

Competency Area	GOVERNMENT AUDITING, ANALYSIS, AND EVALUATION COURSES BY COMPETENCY AREA AND LEVEL									
	All	Foundation	Intermediate	Advanced	<i>(suggested)</i>					
Basic & Refresher Auditing Skills	Basic Governmental Auditing (AUDT7001G)	Audit Evidence & Documentation (AUDT7011G)	Government Auditing Standards: Review & Update (AUDT7732G)	Conducting Performance Audits (AUDT7002G)	Interviewing Techniques for Auditors (AUDT7012G)	Developing & Presenting Audit Findings (AUDT7021G)	The Governmental Audit: From Planning to Reporting (AUDT8032G)	Quick Response Auditing (AUDT8011G))		
Performance Audit & Program Evaluation	Federal Appropriations Law for Auditors (AUDT7010G)	Conducting Performance Audits (AUDT7002G)	Introduction to Program Evaluation (PGMT7003D)	Data Collection Methods (PGMT8011D)	Intermediate Performance Auditing (AUDT8046G)	Using Metrics to Assess Performance (AUDT8027G)	Cost Benefit Analysis Workshop (PGMT8100D)	Auditing Performance Outcomes (AUDT9012G)	Management Analysis: Advanced Applications (PGMT9000D)	Effective Audit Resolution, Follow-up & Implementation (AUDT8034G)
Writing & Communications	Developing & Presenting Audit Findings (AUDT7021G)	Interviewing Techniques for Auditors (AUDT7012G)	Written Communication for Auditors (AUDT8611G)	Presentation Skills for Auditors (AUDT8522G)	Writing Audit Reports by Objectives (AUDT8511G)	Clear Writing Through Critical Thinking (WRIT7100D)	Reviewing Other People's Report Writing (AUDT9502G)			
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Internal Controls & Information Security	Army Managers' Internal Control Administrators Course (AUDT9015G)	Manager's & Auditor's Roles in Assessing Internal Control (AUDT8003G)	Compliance Auditing (AUDT8095G)	Assessing Controls in Performance Audits (AUDT8021G)	Counterintelligence for Information Security Assessment & Protection (AUDT7200G)	Assessing Financial-Related Activities & Controls (AUDT8811G)	Effective Audit Resolution, Follow-up & Implementation (AUDT8034G)	Enterprise Risk Management: Executive Seminar (AUDT8912G)		
Financial	Federal Appropriations Law for Auditors (AUDT7010G)	Government Standard General Ledger (ACCT8100D)	Auditing Grants (AUDT7407G)	Introduction to Financial Management (FINC7000D)	Introduction to Federal Accounting (ACCT7001D)	Contract Auditing (AUDT8801G)	Antideficiency Act (FINC7202D)	Assessing Financial-Related Activities & Controls (AUDT8811G)	Non-Defense Working Capital Funds (FINC9250D)	Understanding Federal Financial Statements (FINC8103D)
Fraud	Prevention & Detection of Fraud (AUDT8002G)	Contract & Procurement Fraud (AUDT8036G)	Making Your Case to Prosecute Fraud (AUDT8090G)	Zeroing in On Bribes & Kickbacks (AUDT8950G)	Counterintelligence for Information Security Assessment & Protection (AUDT7200G)					
Information Technology	Information Systems Auditing (AUD8029G)	Information Technology for Auditors (AUDT8024G)	Counterintelligence for Information Security Assessment & Protection (AUDT7200G)	Assessing the Reliability of Computer-Processed Data (AUDT8043G)						
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Executive Audit Seminars	Emotionally Intelligent Auditor: Achieving Power with People (AUDT8911G)	Ethical Decision Making for Auditors (AUDT9030G)	Data Analytics: Tools & Techniques (AUDT8913G)	Enterprise Risk Management: Executive Seminar (AUDT8912G)	Selecting & Planning Audits for Return on Investment (AUDT8914G)	Managing for Results (EXEC9913L)	Executive Survival Skills (EXEC9911L)	Leadership, Motivation & Accountability for High-Performance Audit Organizations (AUDT9010G)		

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Keys to Getting the Most from Your Course

<p>✓ Participate! Get involved by asking questions. Make contributions. Be active in any case studies or other exercises. You'll get more out of the class and so will your classmates.</p>	<p>✓ Take notes! Don't let any good ideas get away. Note taking reinforces learning and helps you organize your thoughts. You'll be able to pull out your notes months from now and get a quick, concise review.</p>
<p>✓ Meet other people! Expand your network of contacts. Take the initiative to meet as many classmates as possible. Some of them may provide solutions to your problems. You can benefit from their experiences just as they can benefit from yours.</p>	<p>✓ Develop an "action" plan! After your class ends, write down your plans for putting into practice some of the things you've learned. Block out some time (schedule a meeting with yourself) one week from now to see how well you're progressing. Schedule follow-up meetings to measure your progress.</p>
<p>✓ Relate what you learn to yourself! Don't settle for "abstract" knowledge. What are the one or two most important things this course could do for you? Let your instructor know these things early in your course.</p>	<p>✓ Don't call the office! There will always be things that demand your attention, but in most cases, they can wait. Let colleagues know how to reach you, but concentrate on the training while you're with us. Please turn off your cell phone.</p>
<p>✓ ENJOY YOURSELF! Training is fun. Relax and look for every opportunity to benefit from class. Don't worry about the office (it'll be there when you get back). This is your time to develop -- take advantage of it.</p>	

Table of Contents

Module 1	
Creative Thinking	1
Module 2	
Creative and Critical Thinking for Problem Solving	13
Module 3	
Applying “Creative” Thinking Tools	21
Module 4	
Applying “Critical” Thinking Tools	31
Module 5	
Presenting Results from Creative and Critical Thinking Tools	39
Appendix	
Creative Thinking for Auditors	43

Course Learning Outcomes

On completion of this course, you will be able to:

- Describe and discuss the basic concepts of creative thinking.
- Eliminate roadblocks and barriers to use of creative thinking in auditing.
- Distinguish between creative and critical thinking and explain their complimentary roles in problem solving.
- Describe the two key stages in applying creative and critical thinking to identify the causes and solutions to problems with performance.
- Use creative thinking principles and tools to boost your output of innovative ideas and identify the real causes of, and best solutions to, organizational problems.
- Apply critical thinking principles and tools to organize, evaluate, and prioritize ideas generated by creative thinking.

Introduction

Sharing a little about yourself can aide in our audit relationships.

Please share your:

- Name, agency, years of auditing experience.
- Types of audits you have done.
- Use of creative thinking in any audit projects.

If you won \$10 million in the lottery, what would you do with the \$10 million?

Module 1

Creative Thinking

Module 1 Learning Outcomes

Upon completion of this module, you will be able to

- explain the importance of creative thinking in problem solving;
- define creativity and discuss several common misconceptions about creativity; and
- identify and discuss potential roadblocks and barriers to creativity.

Importance of Creative Thinking in Problem Solving

Creativity and creative thinking are essential in a host of endeavors. Our focus in this course is on the use of creative thinking, along with critical thinking, in problem solving.

Problem identification and problem solving are staples in performance auditing. Thus, to be successful auditors need to be adept at finding solutions to problems they identify in their audits.

What is Creativity?

“Creativity involves breaking out of established patterns in order to look at things in a different way.” (Edward de Bono, Maltese psychologist and writer)

Popular Misconceptions about Creativity

The following are several popular misunderstandings about creativity.

Misconception 1. You have to be a natural genius to be creative.

If you think of creativity as a rare or special quality possessed only by a few exceptional geniuses, you might find it easy to be overly doubtful or hesitant of your own creative potential.

The opposing view is to view creativity as the potential for anyone to be able to think of new and useful ideas; to look at a problem in a new way and use one’s mind to generate and apply new ideas about the possible causes.

Misconception 2. You have to be artistic to be creative.

Being artistic is often associated with the idea of creativity. Creativity in the arts is very real.

Creativity does not occur only in the arts. Creativity exists wherever and wherever people direct their efforts toward new or original ideas and solving ambiguous or complex problems.

Misconception 3. Creative thinkers have a “few loose screws.”

If you think of creative people as being a little wild, eccentric, or unreliable you are unlikely to see yourself as creative.

The opposing view is that a person functioning creatively is, in fact, operating in ways that can lead to personal and professional effectiveness. Creativity can help you become a more productive thinker.

Exercise 1-1: What Does an Audit Look Like to You?

Directions: Individually, using the paper and colored markers provided by your instructor, draw a picture of what an audit looks like to you.

What is Creative Thinking?

Creative thinking is a process that can lead individuals and teams to more creative results.

Creative thinking is a process for:

1. Generating new ideas.
2. Developing new perspectives.
3. Combining existing and new ideas to create a new result.
4. Breaking away from structured thinking and critical thinking.
5. Connecting current issue with other seemingly unrelated ideas.

Creativity refers to the process of idea generation.

Innovation describes the process of idea selection and the translation of the idea into reality.

The Idea Edge
Bob King and Dr. Helmut Schlicksupp

Exercise 1-2: Applying Creative Thinking

Directions: You have three minutes to create a coherent sentence of the following passage. Don't worry about punctuation.

bicycle creativity a taught gift
riding performing other is a can
not as a accounting it or skill
such like be skills

The Brain and Creativity

Left Brain vs. Right Brain

Left = facts, figures, logic, evidence.

Right = imagery, intuition, feelings, beliefs.

Exercise 1-3: Personality Traits

Directions: In your group, do the following:

First, prepare a list of personality traits typical of auditors.

Second, prepare a list of personality traits typically seen as needed for creativity.

Do You See Everything?

Part of being creative is seeing things other people don't see.

Sometimes we miss things that are right in front of our eyes. For reasons that are unclear, people tend not to see what they are not looking for.

Careful planning can help auditors seek out what they might otherwise miss. This is particularly important in identifying the cause of problems documented in the audit. Having two auditors conduct observations adds a second set of eyes and this can help auditors make sure they don't overlook something important.

Exercise 1-4: How Many F's Do You See

Directions: Take 15 seconds to read the statement below. Count the number of F's you see.

FINISHED FILES ARE THE RESULT OF YEARS OF SCIENTIFIC STUDY
COMBINED WITH THE EXPERIENCE OF MANY YEARS.

Can You Learn to Think Creatively?

Yes!

If you believe that creativity is an esoteric phenomenon, a divine gift or an unpredictable inspiration, you may think that creativity can't be taught. Being creative and applying creative thinking approaches to solving problems are learnable skills. The process is the key.

At the extremes of talent, maybe creativity is a "rare ability." But most people are coachable. If you can be coached, it is a learnable skill.

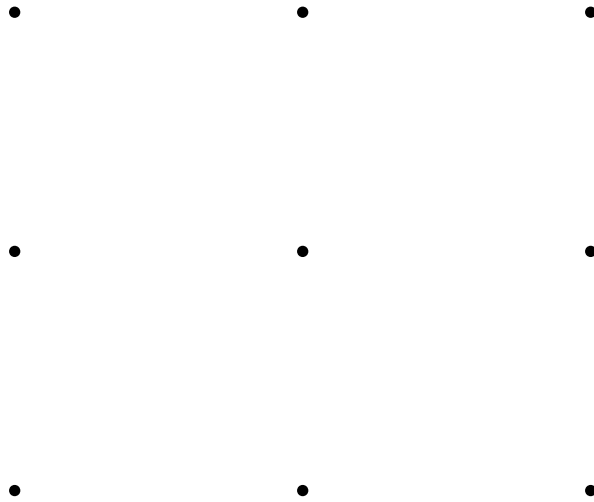
Like riding a bike or performing accounting, creative thinking is a skill that can be taught. Skill development is a process that takes time and practice. Your ability to learn and adapt are more important than being a genius or being artistic.

You can learn to think creatively with:

- Use of intuition and imagination.
- Open-mindedness.
- Thinking outside the box.
- Exposure to concepts (this class).
- Knowledge of tools to help you organize your creative and critical thinking and problem-solving abilities (this class).
- Practice (this class).

Exercise 1-5: Thinking Outside the Box

Directions: Connect the 9 dots using only 4 straight lines WITHOUT lifting your pen or pencil.



How Creative Thinking Can Help Auditors

Auditors can use creative thinking to successfully provide breakthrough solutions in **problem solving** and process improvement.

Although management is responsible for implementing corrective actions, auditors are responsible for finding solutions and making effective recommendations that will help the organization move to a higher level of performance. These actions add value to the organization.

Creative thinking can help auditors ask the right questions. By asking the right questions, auditors can get to the root cause of a problem.

- What does success look like? Who are the stakeholders? Who benefits? What's working and what's not working?
- Ask 'Who,' 'What,' 'Where,' 'When,' 'How,' and 'Why.' Ask 'Why' five times to get to the root cause.

Creative thinking opens auditors to new ideas and new perspectives and improves their ability to find new solutions to old problems.

For an audit team to successfully solve problems, it needs its creative thinking to be supported by

- A climate of freedom and openness.
- Effective teamwork.
- Use of a problem-solving approach.
- Selection of the right set of tools.

Allowing yourself to be creative may feel strange at first, but with practice your comfort level will grow. In fact, you may get to the point where you feel uncomfortable when you do not apply creative thinking tools in situations where doing so is appropriate.

Why Do Auditors Hesitate to Be Creative?

Auditors are typically accustomed to following the generally accepted government audit standards (GAGAS).

“If you follow the standards, you can’t go wrong.”

“If you deviate, you might have unexpected results.”

“Auditors tend to be process-oriented.”

“Fear of being judged, being wrong or exposed.”

“Auditors, like most adults, tend to ‘box’ themselves in, wanting to feel safe.”

All of these tendencies and behaviors can result in diminished creativity.

Potential Roadblocks and Barriers to Creativity

One important aspect of being successful is being aware of potential roadblocks and barriers. The same is true for creative thinking.

The ability to identify roadblocks and barriers can improve our chances of eliminating them, which in turn, can increase our success with creative thinking.

Main examples of roadblocks and barriers are:

1. Organizational Culture
2. Problems Approach
3. Resistance to Change
4. Groupthink

1. Creativity and the Organizational Culture

Command and Control Structure

- Bureaucratic, authoritative
- Excessive amount of control
- Decisions made by the boss
- Less 2-way communication
- Less tolerance for ideas and change
- Inflexible and stifling
- Creativity is discouraged

Do you know any organizations like this?

Employee Empowerment Structure

- Employee judgment and initiative is welcome
- Change is normal, risk is acceptable
- Increased communication and team work
- Motivational environment
- Creativity is inspired and encouraged

Organizations like Apple, Google, Facebook

A Creative Culture

- provides ingredients for innovation,
- accepts ambiguity and the impractical,
- has lower external controls, and
- places the focus on results more than on processes.

2. Problems Approach vs. Solutions Approach

The **Problems Approach** is an attitude that focuses on what's wrong, finding someone to blame, and uses negative terms that cause defensiveness. This approach is adversarial and stifles creativity.

The **Solutions Approach** is an attitude that focuses on what's working and what are the strengths in an organization. This develops openness and encourages involvement which leads to more energy, enthusiasm and motivation. This approach is participatory and enhances creativity.

3. Resistance to Change

Change can cause fear, anxiety and defensiveness because of the potential to lose power and influence. By the nature of their work, auditors represent change within an organization and thus create this defensiveness in others.

If auditors accept the role of a change agent, then there is the need to sell the value of change. Auditors can also be more successful by being aware of the benefits of being creative instead of reactive.

Reactive Thinking Characteristics

- Deflect blame and protect themselves
- Find reasons to avoid change
- Poor listeners, highly opinionated
- Hold on to the past, afraid to lose control
- Output, not outcome, oriented
- Work very hard but suffer inner stress
- Quick to admonish others, accusatory

Examples of Accusatory and Negative Comments

- Why are you behind schedule?
- What's the problem with this project?
- Why didn't you do that?
- We've never done that before.
- It won't work!
- That's not our responsibility.
- Let's wait and see.

People tend to resist when being told what to do and how to do it or when they are not afforded credit for ideas and accomplishments.

Creative Thinking Characteristics

- Embrace change, seek opportunities for new ways to achieve goals
- Encourage others to excel
- Good listeners, open minded
- Learn from mistakes, teach others
- Focus on how to benefit from change
- Avoid accusatory questions and comments
- Ask empowering questions

Examples of Empowering and Positive Comments

- How do you feel about the project (process) so far?
- How does this process work?
- What are the objectives?
- Have you experienced any challenges?
- How would you change it?
- How do you identify success?
- What are you most pleased with?

More success comes when people have participated in the ideas and have a ‘buy in’. Auditors can approach managers and staff as the organization experts and find an untapped resource. You can sell future change by giving credit and reinforcement for past successes and progress.

4. Groupthink

Conformity can make behavior more predictable. When we find ourselves in a group situation, there can be pressure to conform to the general thinking of the group. Causes behind this include:

- Pressure for unanimous decisions
- Lack of tolerance for dissent
- Feeling intimidated by strong personalities in the group
- Fear of being singled out if you disagree
- Feeling empowered and over optimistic by the ‘numbers’ in the group

Avoiding Groupthink

- Be aware of its existence and dangers
- Encourage critical thinking
- Play the ‘devil’s advocate’ with the group

Exercise 1-6: Avoiding Group Think

Directions: Your instructor will guide you through an exercise to demonstrate the value of group work and the dangers of groupthink. See Appendix, Exercise A-1.

Module 2

Creative and Critical Thinking for Problem Solving

Module 2 Learning Outcomes

Upon completion of this module, you will be able to

- distinguish between creative thinking and critical thinking and explain their complimentary roles in problem solving;
- define what constitutes a problem;
- describe the structural components of problems and how they relate to the elements of an audit finding;
- explain the steps in problem analysis; and
- cite the phases in the audit process where creative thinking can be most effectively applied.

Creative Thinking vs. Critical Thinking

Auditors are typically trained for structured thinking which is rational, discerning and analytical.

Creative Thinking

In the context of problem solving, creative thinking is the process of generating ideas. Creative thinking involves

- Generating ideas about potential causes to a known, defined problem (with the goal of identifying a solution).
- Generating ideas about potential solutions. (Auditors might not do this.)

Critical Thinking

In the context of problem solving, critical thinking is the process of attempting to take many different ideas or possibilities (generated by creative thinking) and drawing them together to identify the problem's underlying cause or to select the best or most appropriate solution. It involves

- organizing and analyzing the identified possibilities,
- ranking or prioritizing the possibilities (causes or solutions),
- choosing or deciding on possible causes to pursue, and
- selecting the best or most appropriate solution.

Successful problem solving depends on using both creative and critical thinking, not just one or the other.

Creative thinking creates the ideas with which critical thinking works.

Creative Problem Solving
A Step-by-Step Approach Robert A. Harris

Exercise 2-1: Applying Creative and Critical Thinking

Scenario: Air Traffic Controller fatigue in the midnight to 5:00 a.m. shift has recently been publicized in the media. What can be done to address the problem?

Assumptions for this case. Work is scheduled in three 8-hour shifts: morning, afternoon, and midnight. Controllers rotate shifts working three weeks on each shift. If a controller can't make their assigned shift (e.g., they are sick), one of the on-duty controllers might work a double shift.

Directions: Your instructor will lead you through this exercise.

What is a Problem?

A problem is commonly defined as a gap between expectations and reality.

In the world of organizations and programs, a problem is commonly defined as a gap between an expected level of performance and the actual level of performance being achieved.

In performance auditing we define a problem as the gap between condition and criteria. The gap will be with one or more aspects of performance, such as quality, timeliness, efficiency, safety, security, customer satisfaction, and program outcome results. (There are other performance aspects that may apply in a given audit, like financial condition, cost recovery, and return on investment.)

Problem Components

Problems have certain structural components. In performance auditing we refer to those components as the elements of a finding.

The structural components of a problem, and of a performance audit finding, are shown below:

1. Condition—gap between expected performance and actual performance.
 - a. Criteria representing the expected performance level.
 - b. Actual performance level.
 - c. Gap—in comparing actual performance to criteria.
2. Effect—negative consequences resulting from the gap.
3. Underlying Cause—reason the problem exists.
 - a. Best practices.
 - b. Actual practices.
4. Solution (recommendations)—action that will eliminate or minimize the problem.

Steps in Problem Analysis

Literature does not define a standard set of steps to follow in identifying and solving performance problems. The following are the steps we believe most applicable to auditors (except Steps 7 and 8).

Problem Identification

1. Establish if a problem exists.
 - Select criteria of expected performance.
 - Measure actual performance.
 - Compare actual performance to criteria—is there a gap?

Problem Definition

2. Define the nature and extent of the problem.
 - Does the problem have limits (to particular customers, specific transactions, particular time periods, etc.)?
 - Does the extent of the problem vary by performing office?
 - Does the problem have a history (how long has it existed; is it getting better, worse or staying the same)?

Problem Consequences

3. Determine or estimate the consequences.

Problem Solution

4. Identify the underlying cause(s).
5. Identify alternative solutions (auditors might not do this).
6. Identify the preferred solution and recommend its adoption.

Solution Implementation

7. Develop a plan for implementing the solution.
8. Implement the solution.
9. After implementation, assess the extent to which the problem has been eliminated.

Our primary focus in this course is on steps 4 through 6.

Government Audit Standards – 2018 Yellow Book

The Government Audit Standards makes many references to the need for collective creative and critical thinking in perceiving possible problems, opportunities, and fraud through discovery of root causes and transformational recommendations for corrective actions or a desired state.

General Standards – Professional Judgment (3.0 -3.11)

Professional skepticism includes being alert to evidence that contradicts other evidence obtained or information that brings into question the reliability of documents or responses to inquiries. Professional judgment represents the application of the collective knowledge, skills, and abilities of all personnel involved with an engagement

Identify Potential Fraud and Significant Abuse

Be alert to situations or transactions that could be indicative of fraud or significant abuse

- Be aware of inherent risk areas
- Be alert to “red flag” indicators
- Be aware of potential significant abuse
- Maintain an attitude of professional skepticism

Findings –Elements of a Traditional Finding (6.0 -6.28)

- Criteria – what should be or could be
- Condition – what is, (usually in comparison to criteria)
- Effect – so what (consequences)
- Cause – why

Criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated...Criteria identify the required or desired state or expectation..

Cause is the factor or factors responsible for the difference between the condition and the criteria, and may also serve as a basis for recommendations for corrective actions.

Effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. Effect or potential effect (either positive or negative) may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

Phases of the Audit Process

Six Basic Phases

1. Project Proposal Phase
2. Survey Phase
3. Planning Phase
4. Field Work (Verification) Phase
5. Reporting Phase
6. Follow-up Phase (on recommendations made in prior audits)

Phases Where Creative Thinking is Most Useful

- Project Proposal Phase—in identifying meaningful issues for audit.
- Planning Phase—in selecting among alternative strategies for conducting an audit, and in identifying possible causes to pursue in determining the real, underlying cause.
- Reporting Phase—in marshaling audit evidence to support and answer each finding element objective and the overall objective.

Exercise/Discussion

Do you agree that:

- A good audit report does not exist?
- If auditors are effective, the need for them would be eliminated?

Exercise 2-2: Applying Creative Thinking in the Planning Phase

Retention and Recruiting of Registered Nurses

Scenario: It is well documented that Veterans Administration hospitals have problems with retaining and recruiting Registered Nurses (RNs). But it is not known for sure if all hospitals are experiencing problems with either, just one, or both retaining and recruiting of RNs. It is known that many long-term RNs have been retiring. It is also known that hospital actions to replace and recruit RNs must be approved by the Headquarters Human Resources Department.

Directions: This is a “rush” audit and you are in the Planning Phase. Your audit objective is to find the cause of the problems with retaining and recruiting RNs. As a first step in selecting the audit scope and methodology to answer that objective, do the following. Work in table groups assigned by your instructor.

1. Identify three alternative strategies you might use to determine which, if not all, hospitals are experiencing problems with retention and/or recruiting of RNs. Your priority is to use a fast method to obtain the information.
2. Be prepared to explain the reliability of the information you will obtain from each strategy.
3. Assuming there are hospitals that are NOT experiencing problems with retention of RNs, what strategy might you pursue in your audit to identify the underlying cause at hospitals having a problem with retention?

Module 3

Applying “Creative” Thinking Tools

Module 3 Learning Outcomes

Upon completion of this module, you will be able to

- describe creative thinking tools and their use in the audit process;
- explain the benefits of SWOT analysis to the audit process;
- utilize Force Field analysis to generate and analyze ideas about solutions; and
- describe and practice applying idea generation tools in the audit process: idea quotas, brainwriting, wall writing and brainstorming.

Creative Thinking Tools

There are a variety of tools for stimulating creative thinking. The following tools are addressed in this course.

1. SWOT Analysis.
2. Force Field Analysis.
3. Idea Generation Tools: Idea Quotas, Brainwriting, and Brainstorming.

SWOT Analysis

SWOT analysis aides us in applying what we have learned from the past as we evaluate the uncertainties of the future.

Strengths

Weaknesses

Opportunities

Threats

The audit can benefit from input by all stakeholders in an organization:

- External
- Internal
- Management
- Staff

Strengths

Retrospectively evaluate what has worked well and identify the organization’s strong points and successes; what has the organization accomplished?

Citing strengths in an audit report provides balance and develops rapport with the client.

Weaknesses

Retrospectively evaluate what has NOT worked well and identify the organization’s weaknesses; what aspects of the organization have been unsuccessful and where do resources need to be focused to ensure improvement?

Weaknesses lend themselves to be identified as findings in an audit.

Opportunities

Identifying opportunities is forward thinking, asking ‘what’s possible?’, ‘what could lead to success?’. It is helpful to identify new technologies, new products, new customers and changes in legislation.

Threats

Identifying potential harm to the organization is also proactive.

- Loss of stakeholder support
- Lack of resources
- Increased competition
- Deteriorating economic conditions
- Disasters, natural or man-made

The audit report can include recommendations developed by identifying Opportunities (things to pursue) and Threats (things to avoid).

Benefits of SWOT Analysis

- During the **project proposal phase**, SWOT analysis can identify potential areas to audit.
- During the **survey and planning phases**, SWOT analysis can help narrow the areas for focus.
- During the **field work phase**, SWOT analysis can help ‘fine tune’ potential recommendations.

Force Field Analysis

Force Field Analysis, as developed by Kurt Lewin, is a mechanism to describe how change occurs. We may often ask “*How does a situation move from ‘point A’ to ‘point B’?*” By identifying factors which either push us toward change (‘driving forces’) or factors which inhibit change (‘restraining forces’), we can gain a better understanding of how change occurs.

This technique encourages creative thinking and allows us to review all the imaginable aspects surrounding a desired change (i.e. ‘losing weight’). As we work with the results, we may determine the desired change can be accomplished by **increasing** the driving forces or **reducing** the restraining forces.

Problem:	
Driving Forces	Restraining Forces

Exercise 3-1: Application of Force Field Analysis Tool

Losing Weight

The problem: An individual is too heavy and wants to lose weight.

Directions: Create two columns on a sheet of paper—one labeled *Driving Forces* and the other labeled *Restraining Forces*.

Think of and list as many driving forces as possible for why someone could (or should) lose weight.

Then, think of and list as many restraining forces for why someone could have a problem losing weight.

Idea Generation Tools

Creative thinking involves gathering as many ideas as possible without judgment about whether they are good ideas or bad ideas. It is okay if some ideas are not as good as others — more ideas tend to spawn more ideas.

The need to be right all the time is the biggest bar to new ideas. It is better to have enough ideas for some of them to be wrong, than to always be right by having no ideas at all”.

Edward de Bono

“If at first the idea is not absurd, there’s no hope for it. Problems cannot be solved by thinking within the framework in which the problems were created.”

Albert Einstein

There are a number of idea generation techniques. We cover the following three techniques believing they are the most useful for auditors.

- Idea Quotas,
- Brainwriting,
- Wall Writing, and
- Brainstorming.

Idea Quotas

Stretching yourself to gather as many ideas as possible.

- Set a quota: a number of ideas.
- Think of enough ideas to meet the full quota.
- If it’s too easy, add to the quota.
- Prioritize and implement.

Exercise 3-2:

Assignment: You have lost your job as an auditor. What will you do?

Directions: List 10 things you’ll do—go beyond the obvious, stretch yourself, get out of your comfort zone.

Brainwriting

In Brainwriting, team members share their ideas in silence. In Brainstorming they share their ideas verbally. Group members write down their ideas on paper. The ideas are shared with members of the team who add their own ideas. Allowing team members to individually and thoughtfully reflect on written ideas enhances participation in some settings.

A popular version of brainwriting is called Brainwriting 6-3-5. The numbers 6-3-5 refer to 6 people in a team, 3 ideas for each round, and 5 minutes of idea generating for each round. A worksheet such as the following might be used.

Problem:		Form: #:
		Date:
Idea 1	Idea 2	Idea 3

Step-by-Step Process

1. Identify the team members to participate in the session.
2. Convene the team and clarify the ground rules.
3. Define and agree on the problem or issue.
4. Have each participant write ideas on paper (e.g., worksheet).
5. Papers are passed to the next person who reads the ideas already written, then adds their own.
6. Rotate the papers until the papers are returned to their originators.
7. Combine all the ideas on one sheet, eliminating any duplicates.

Exercise 3-3: Conducting a Brainwriting Session

Distracted Driving

Background: It is well documented that distracted driving on the highways is a national problem. What can be done to address this problem?

Directions: Use brainwriting to generate as many ideas as you can think of as potential solutions to the distracted driving problem.

Each person starts with their own blank sheet of paper with the problem written at the top. Create three columns for ideas to be listed. Allow a separate row for each member in your group.

After individual reflection on the assignment, write three ideas on the first row, one in each column. Pass your sheet to another group member until all members have contributed to each list.

Upon completion, the instructor will review and share the results with the class.

Wall Writing

A variation of Brainwriting is Wall Writing. Here, team members do the following:

- Write their ideas on sticky notes; one idea to a note.
- Post the sticky notes on a wall or flip chart paper.
- Sort the sticky note ideas into categories. Critical thinking tools for doing this are presented in Module 4.

The key advantage of this idea generating technique is that it facilitates sorting of ideas into categories, which can be a first step in prioritizing and selecting the best ideas.

Brainstorming

Brainstorming is a popular method of idea generation. It encourages group members to verbally share ideas free of criticism.

In classic brainstorming, every person in a group is to give an idea as their turn arises in the rotation or pass until the next round. It can create a certain amount of pressure to contribute which often forces even shy people to participate. Teamwork is stimulated and ideas can be built upon. This approach typically results in generating waves of bigger and better ideas.

Basic guidelines are as follows:

- Everyone agrees on the problem or issue being brainstormed. Write it down on a flip chart or writing surface.
- Write every idea on a flip chart or writing surface. Record the words of the speaker; don't interpret.
- All ideas have equal value and are not judged.
- Do it quickly, but don't necessarily stop when the flow of ideas starts to wane. A pause may bring forth some new ideas.

Step-by-Step Process

1. Identify the team members to participate in the session.
2. Convene the team and clarify the ground rules.
3. Define and agree on the problem or issue.
4. Team members, in turn, verbally offer ideas.
5. Delete duplicate ideas, and if necessary, rewrite vague ideas so everyone understands them.

Exercise 3-4: Conducting a Brainstorming Session

Background: Audit Management has requested your audit team provide recommendations on how to address several problems. The problems are:

1. How to reduce the time to complete an audit.
2. How to make audits more efficient.
3. How to make audits more effective.
4. How to measure an audit’s success.
5. How to make an audit report more interesting.
6. How to develop an Auditor Development Program.

Directions: The instructor will assign class members to a team and each team will be assigned one of the problems. Each team will work 10–15 minutes to brainstorm possible solutions to their assigned problem. All ideas will be recorded exactly as stated by the team member—with no judgment or evaluation. After the initial time, class members will rotate to the other teams to participate in the brainstorming exercise on the other problems. One person from the original group will remain to serve as an anchor (recorder and facilitator) for the incoming group. On the second rotation, the first anchor will go to a new group and a new anchor will be chosen.

On each rotation, the new group will review the existing ideas and brainstorm for additional ideas.

The objective is to generate as many ideas as possible on your group’s assigned problem.

The results of this exercise will be utilized when proceeding to Module 4, Applying Critical Thinking Tools.

Module 4

Applying “Critical” Thinking Tools

Module 4 Learning Outcomes

Upon completion of this module, you will be able to

- discuss the critical thinking process;
- describe four tools useful to the critical thinking process; and
- practice critical thinking skills in organizing, evaluating and prioritizing ideas generated by creative thinking.

Critical Thinking Tools

Successful problem solving requires critical thinking. The abilities to reason logically, analyze, and make good judgments are attributes auditors are expected to regularly demonstrate.

Auditors also need to demonstrate the ability to organize, evaluate, and prioritize ideas. The critical thinking process requires auditors to work with the ideas generated during the creative thinking process to make sense of them.

Organization of Ideas

This is accomplished by sorting and grouping “like ideas” around chosen criteria. Suggested criteria for prioritizing ideas can include:

- Timeliness
- Quality
- Practicality
- Economical/Cost
- Legality
- Ethicality
- Potential benefits
- Acceptability to organization’s culture

Two techniques can assist in the organizing and grouping stage, the fishbone diagram and the spider-web diagram.

The Fishbone Diagram

This tool is useful when attempting to identify multiple causes to a problem. Each potential cause can be assigned a location on the fishbone skeleton to receive the appropriate attention for determining its degree of impact on the problem. This also helps you distinguish between **root causes** and symptoms.

Following is an example of this technique as depicted by Robert A. Harris in *Creative Problem Solving, A Step-by-Step Approach*.

Problem: What is the **cause** of poor gas mileage?

Fishbone Diagram Approach:

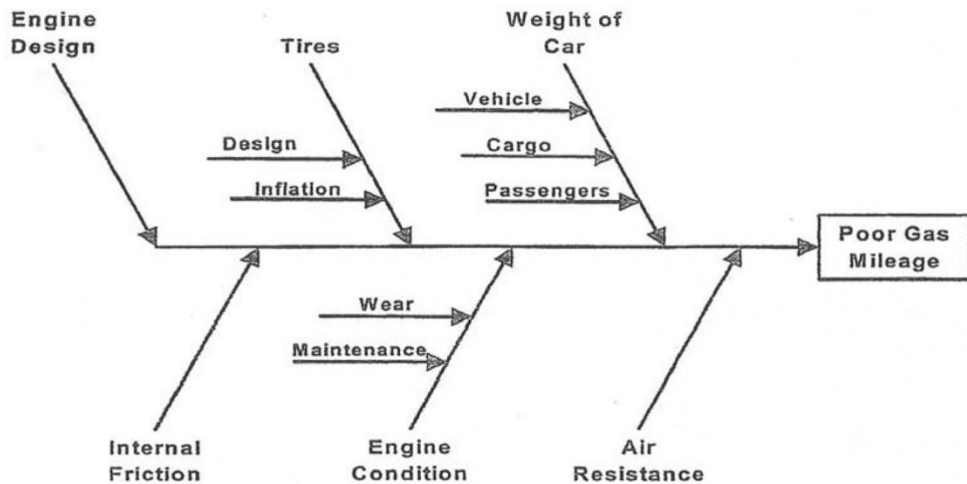
In exploring potential causes, you may identify several contributing causes: tires, weight of the car, engine condition, and air resistance. You may also determine each of these contributing causes have their own contributing causes.

For example, while exploring the issue of tires affecting gas mileage, you may learn of problems with tire design or the amount of air pressure in the tires is incorrect.

Another example is the issue of the weight of the car. You may have additional contributing causes like the vehicle’s weight while empty, additional items being carried in the trunk, and the weight of additional passengers.

It is important to determine what is the real cause of the problem (is there only one?) and what are secondary causes. Sometimes you may have identified a symptom instead of a real cause.

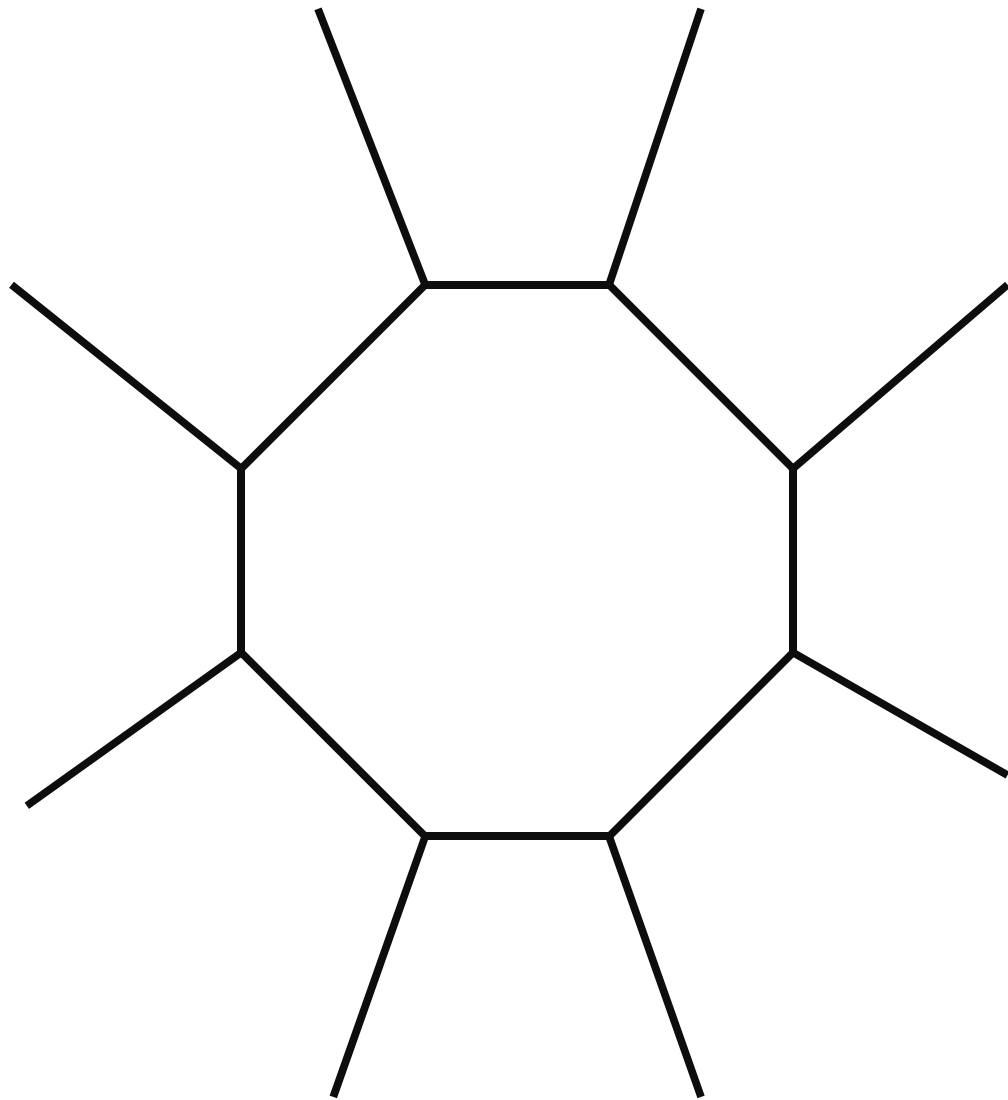
The fishbone diagram, as depicted below, can help you organize and analyze the causes to separate real causes from secondary causes and symptoms.



Fishbone Diagram of Multiple Causes

The Spider-Web Diagram

This diagram is based on an octagon shape with the stated problem written in the middle of the octagon. Lines are drawn out from the octagon on which the criteria are recorded. This technique facilitates organization of the ideas generated during brainstorming and allows the group to reflect on a visual representation of the mass of information.



Evaluation and Ranking of Ideas

After having organized the ideas into groups, the next step is to evaluate and rank the groups of ideas. The potential success of each group of ideas will be considered and the groups will be prioritized.

Nominal Group Technique

The Nominal Group Technique provides teams with a method for narrowing down a list of ideas and reaching consensus around a more manageable number of ideas. It provides a technique for integrating individual rankings into a team’s final set of priorities among ideas or solutions.

The step-by-step process for applying the Nominal Group Technique is as follows:

1. The team usually begins with a list of ideas or solutions that are written on a writing surface.
2. Team members make clarifications and remove any duplicate ideas or solutions from the list.
3. Team leader records the final list of statements and puts a letter in front of each statement that appears on the list.
4. Team members individually rank each idea. Each member does this on a sheet of paper. If there are five ideas, team members would rank each making the most important as **1** and the least important as **5**.
5. The leader combines the rankings of all team members. This can be done by writing the ranking number of each team member under each statement. These numbers are added to arrive at the combined rank for each idea or solution.
6. The team can then select the idea or ideas with the highest rank for further investigation.

Weighted Multivoting

In this technique, each team member rates, not ranks, the relative importance of the listed ideas or solutions by distributing a value among the choices. Each team member can distribute a set number of points—as high as 100 or as low as 10—across the ideas or solutions. The points can be distributed between as many or as few choices as desired. For example, with 10 points to distribute, a team member might chose to distribute all 10 to one solution, or to distribute 7 to one solution and 3 to another.

The step-by-step process for applying the Weighted Multivoting Technique is as follows:

1. The team usually begins with a list of ideas or solutions that are written on a writing surface.
2. Team members make clarifications and remove any duplicate ideas or solutions from the list.
3. The session leader records the final list of statements and puts a letter or number in front of each statement.
4. The session leader (or the team) decides on the points to be distributed by each team member.
5. Team members distribute their points to one or more ideas. It is generally helpful to have team members explain the criteria they used in making their distributions.
6. The leader writes under each idea or solution the number of points distributed by each team member.
7. The leader adds the points distributed to each idea or solution to arrive at the final ranking.
8. The team can then select the idea or ideas with the highest rank for further investigation.

Exercise 4-1: Evaluating, Ranking Ideas and Selecting Solutions for Recommendations to Management

Audit Problems

Directions: Working in the original groups assigned by your instructor, you will work with the audit problem statement covered in Module 3.

The team goal is to select from among the solutions identified in Exercise 3-4 the three top solutions for presentation to management as recommendations to address the subject audit problem. The presentation will be made in Module 5.

Working with the list of solutions for the problem assigned to your team, do the following—applying one or more of the critical thinking tools discussed in this module:

- A.** Decide what critical thinking tool or tools to apply.
- B.** Using the tool you chose, group similar ideas and categorize them according to pertinent criteria. (This could be done using the Spider Web diagram or Fishbone diagram). This step is optional.
- C.** Using the tool(s) you chose, evaluate the proposed solutions and prioritize the top three. Follow the step-by-step process for applying that tool.
- D.** The top three solutions are to be presented to management as recommendations to address the problem.

Module 5

Presenting Results from Creative and Critical Thinking Tools

Module 5 Learning Outcome

Upon completion of this module, you will be able to

- present to management the results (findings) from application of creative and critical thinking principles and tools to an assigned case study.

Delivering an Oral Presentation

Select a member of your team to present your finding, or make the presentation as a team.

In your presentation, be sure to address the following points on satisfying listener needs.

- Why did you (the auditor) do it (the audit)?
Your reason for doing the audit, plus the audit objectives.
- How did you do it?
The scope and methodology you used to achieve the objectives.
- What did you find?
The good or bad news. It can be important here to first state the bottom line “synopsis” of your finding, then follow that with the details supporting each finding element.

In communicating the audit results, auditors need to ensure that the findings presented can be seen as related to the objectives of the audit. This helps the receptors of our message better understand the relevance and significance of the information we are presenting.
- What should be done?
You present your recommendations.

Exercise 5-1: Presentation of Results

Directions: Each team will present the results of their work in the format of an audit exit conference with management. Select a member of your team to present your finding, or make the presentation as a team.

The following guidelines should be employed:

- Provide a brief explanation of the problem statement and the approach used by the audit team (your group) in identifying potential solutions.
- Explain the technique that was used in selecting, grouping, analyzing, and ranking the potential solutions.
- Your very best solution should be first.
- You are selling your ideas as recommendations to help management solve a problem – remember to be professional, diplomatic and tactful.
- Allow for questions from management and be prepared as a group to address those concerns.
- Use any visual aids you consider helpful and appropriate.

Appendix

Creative Thinking for Auditors

Exercise A-1: Space Survival Exercise

In the following situation, your 'life' and 'death' depends upon how well you can prioritize items for survival in a relatively unfamiliar environment. This problem is fictional, although the official results were compiled by space experts.

The Situation

You are a member of a lunar exploration crew originally scheduled to rendezvous with a mother ship on the lighted surface of the moon. Due to mechanical difficulties however, your ship was forced to land at a spot some 200 miles from the rendezvous point. During the re-entry and landing, much of the equipment aboard was damaged, and since survival depends on reaching the mother ship, the most critical items available must be chosen for the 200 mile trip.

Your Task

The list is 15 items left intact and undamaged after landing. Your task is to rank these items according to their importance in aiding you to reach the mother ship. Start with '1' for the most important up to '15' for the least important.

Items	Individual Rank	Individual Error	NASA Rank	Team Rank	Team Error
Compass, magnetic	_____	_____	_____	_____	_____
First aid kit w/ hypodermic needles	_____	_____	_____	_____	_____
Flares, signal	_____	_____	_____	_____	_____
FM receiver/transmitter (solar powered)	_____	_____	_____	_____	_____
Food concentrate	_____	_____	_____	_____	_____
Heating unit (portable)	_____	_____	_____	_____	_____
Map, stellar map of moon's constellations	_____	_____	_____	_____	_____
Matches (1 box)	_____	_____	_____	_____	_____
Milk (1 case dehydrated)	_____	_____	_____	_____	_____
Oxygen (2 - 100 lb. tanks)	_____	_____	_____	_____	_____
Parachute (silk)	_____	_____	_____	_____	_____
Pistols (2 - .45 caliber)	_____	_____	_____	_____	_____
Raft, life (automatic inflating)	_____	_____	_____	_____	_____
Rope, nylon (50 feet)	_____	_____	_____	_____	_____
Water (5 gallons)	_____	_____	_____	_____	_____
Total Error Score					

Scoring: Calculate difference between NASA ranking and your ranking—disregard negatives

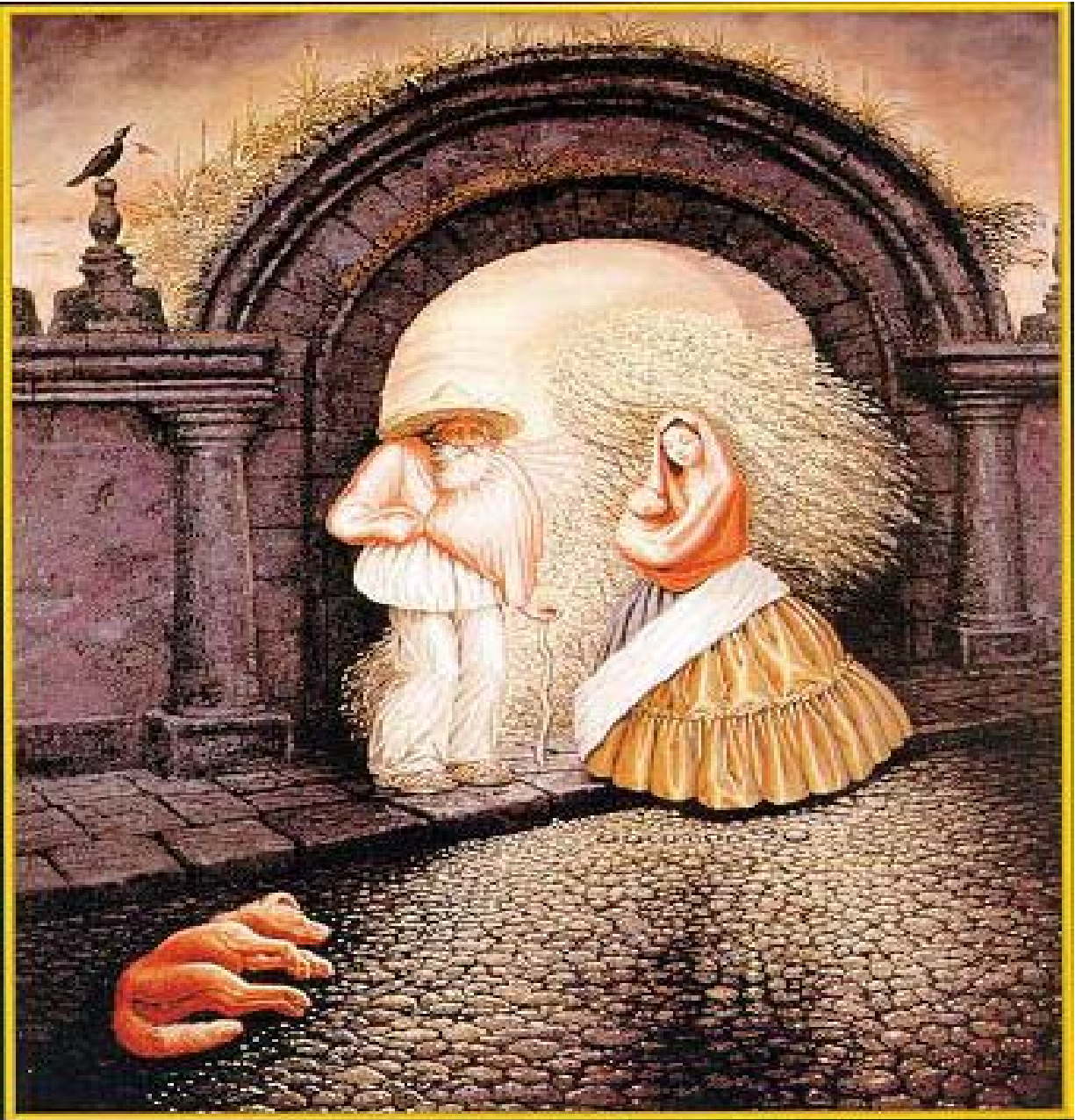
Compare the team rankings with the individual rankings. The team effort score should be lower.

Exercise A-2

Sometimes we miss things that are right in front of our eyes.

Part of being creative is seeing things other people don't see.

- How many faces do you see?



Exercise A-3: Identify Patterns

Directions: Look for patterns and identify on which row the letter 'Z' should be placed.

A E F H I K L M N T V W X Y

 B C D G J O P Q R S U

Exercise A-4: Interpretations

Directions: Take 5 minutes to determine the meaning.

- | | |
|--|--|
| <p>1. <u>MAN</u>

 BOARD

 <u>STAND</u></p> | <p>11. <u>0</u>

 M.D.

 Ph.D.

 D.D.S.</p> |
| <p>2. I</p> | <p>12. <u>KNEE</u>

 LIGHT</p> |
| <p>3. /R/E/A/D/I/N/G</p> | <p>13. <u>II</u> <u>II</u>

 0 0</p> |
| <p>4. R

 ROAD

 A

 D</p> | <p>14. DICE

 DICE</p> |
| <p>5. CYCLE

 CYCLE

 CYCLE</p> | <p>15. T

 O

 U

 C

 H</p> |
| <p>6. <u>WEAR</u>

 LONG</p> | <p>7. <u>MIND</u>

 MATTER</p> |

8. LE VEL

16. GROUND

FEET

FEET

FEET

FEET

FEET

FEET

9. CHAIR

17. HE'S /HIMSELF

10. ECNALG

18. DEATH/LIFE

Exercise A-5: Word Associations

Directions: What word can be added to each line?

1. Light, dress, head

2. Pool, sand, bite

3. Stub, pay, cashier

4. Cloth, kitchen, round

5. Sun, eye, spy

6. Book, ocean, store

7. Roller, plastic, sand

Exercise A-6: Word Associations

Directions: What word can be added to each line?

1. Pay, call, line

2. Bell, iron, tender

3. Man, hot, sure

4. Stick, hair, ball

5. Blue, cake, cottage

6. Man, wheel, high

7. Wood, liquor, luck

8. Key, wall, precious

9. Base, snow, dance

Exercise A-7: Identifying What You See

“It’s not what you look at that matters, it’s what you see.”

Henry David Thoreau

What do you see?

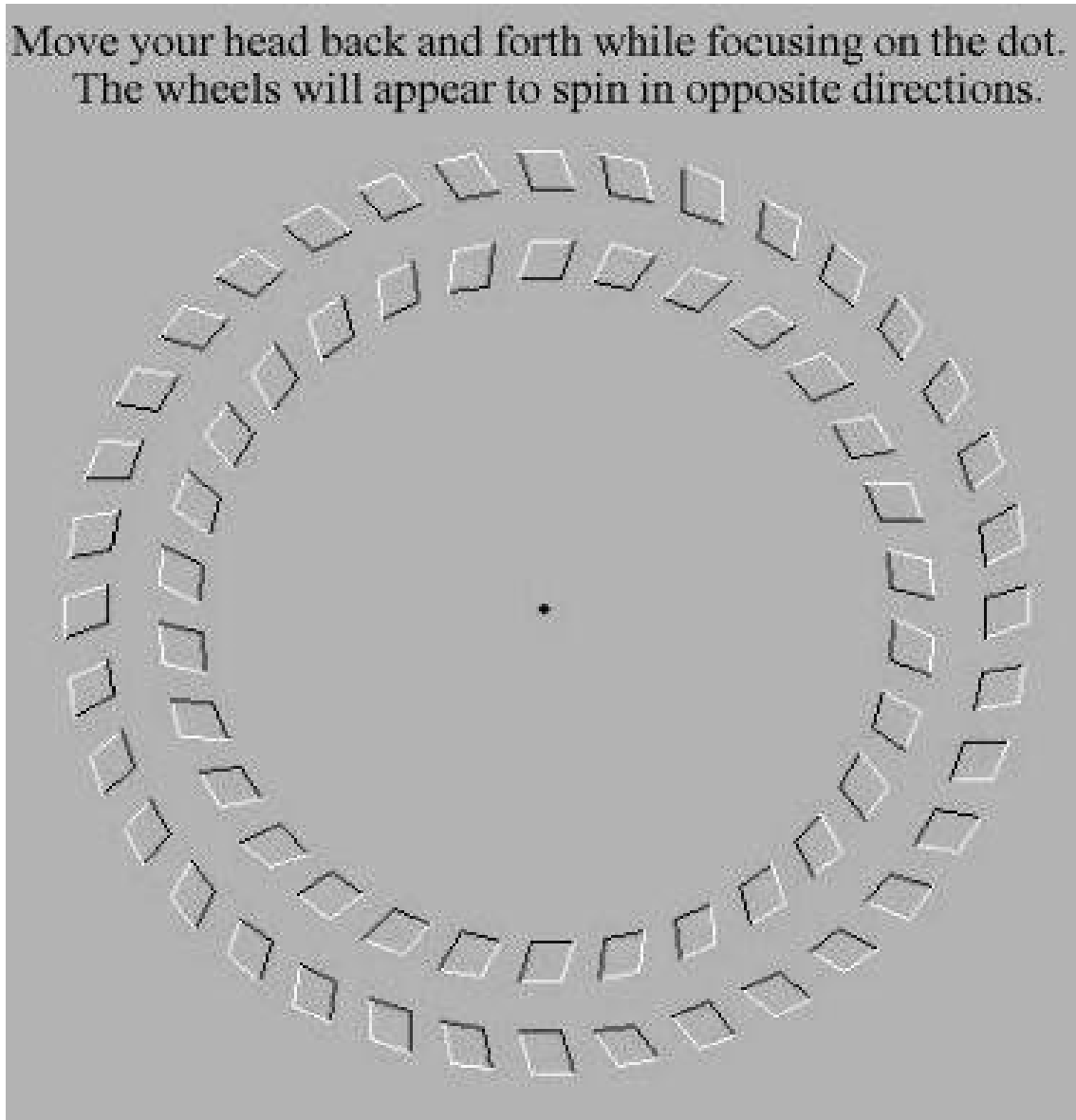


Exercise A-8: Imagination

“You can’t depend on your eyes, when your imagination is out of focus.”

Mark Twain

Move your head back and forth while focusing on the dot.
The wheels will appear to spin in opposite directions.



Exercise A-9: Test Your Judgment

TEST YOUR JUDGMENT

This will help you to determine how well you distinguish between fact and opinion

Directions: Read the following sample story and take for granted that everything it says is true. Read carefully because, in spots, the story is deliberately vague. Don't try to memorize it since you can look back at it at any stage.

Then read the numbered statements about the story and decide whether you consider each one true, false or questionable. Circling the "T" means that you feel sure the statement is definitely true. Circling the "F" means you are sure it is definitely false. Circling the "?" means you cannot tell whether it is true or false. If you feel doubtful about any part of a statement circle the question mark.

Take the statement in turn and do not go back later to change any of your answers. Do not reread any of the statements after you have answered them. Such altering or rereading will distort the test.

Correct answers are provided to statements on the sample. (See the next page.)

Sample Story

The lights were on at 10 p.m. on June 6, 2005. In an office of the P.Q.R. Co. lettering on the door of this office read "L. D. Jones, President."

Statements

1. There was lettering on the door of the office. _____ T _____ F ?

This is true because the story specifically mentions lettering on the door.

2. There were no lights on in the office on the evening of June 6, 2005. _____ T _____ F ?

This is false because the story specifically mentions that there were lights on in the office that evening.

3. L. D. Jones is president of the P.Q.R. Co. _____ T _____ F ?

This is questionable since the story specifies only the lettering on the door. Mr. Jones, for instance, could have died recently.

4. The lights in the office were on at 9 p.m. on June 6, 2005. _____ T _____ F ?

This is questionable because it is unspecified. Someone could have turned the lights off for awhile about then. Or the lights might not have been needed until later.

Exercise A-9: Test Your Judgment (continued):**Story A**

John Phillips, the research director of a Midwestern food products firm, ordered a crash program of development on a new process. He gave three of his executives authority to spend up to \$50,000 each without consulting him. He sent one of his best men, Harris, to the firm's west coast plant with orders to work on the new process independently. Within one week Harris produced a highly promising new approach to the problem.

Statements about Story A

- 1) Phillips sent one of his best men to the west coast plant. T F ?
- 2) Phillips overestimated Harris' competence. T F ?
- 3) Harris failed to produce anything new. T F ?
- 4) Harris lacked authority to spend money without consulting Phillips. T F ?
- 5) Only three of Phillips' executives had authority to spend money without consulting him. T F ?
- 6) The research director sent one of his best men to the firm's west coast plant.
 T F ?
- 7) Three men were given authority to spend up to \$50,000 each without consulting Phillips.
 T F ?
- 8) Phillips had a high opinion of Harris. T F ?
- 9) Only four people are referred to in the story. T F ?
- 10) Phillips was research director of a food products firm. T F ?
- 11) While Phillips gave authority to three of his best men to spend up to \$50,000 each, the story does not make clear whether Harris was one of these men. T F ?

Story B

Arthur Johnson, merchandising manager of Jones, Smith and Williams, Inc., phoned his company's vice president in charge of sales, Charles Brown. In the course of this call Johnson discussed the possibility of Brown hiring a man named McNaughton as a sales trainee. He informed Brown that he had just been told that McNaughton had recently been graduated. Brown assured Johnson that McNaughton would be interviewed.

Statements about Story B

- 1) Arthur Johnson phoned Charles Brown. T F ?
- 2) In the course of his phone call to his superior Johnson did not discuss the possibility of Brown hiring McNaughton. T F ?
- 3) McNaughton is a recent graduate. T F ?
- 4) The story does not state that Brown will hire McNaughton. T F ?
- 5) Brown promised to interview McNaughton. T F ?
- 6) Brown is vice president in charge of sales. T F ?
- 7) Arthur Johnson is a vice president with this company. T F ?
- 8) In their conversation Brown and Johnson discussed a young man named McNaughton.
 T F ?
- 9) Johnson did not tell Brown anything he had heard about McNaughton.
 T F ?
- 10) Johnson assured Brown that he would interview McNaughton. T F ?
- 11) The story does not state whether McNaughton was qualified as a sales trainee.
 T F ?
- 12) The gist of the story is that one man calls another to recommend a third man.
 T F ?
- 13) Brown and Johnson discussed a recent college graduate named McNaughton.
 T F ?
- 14) While Johnson recommended McNaughton, the story does not state clearly whether Johnson had reservation about McNaughton's qualifications as a sales trainee.
 T F ?
- 15) Arthur Johnson is merchandising manager of Jones, Smith and Williams, Inc.
 T F ?

- 16) The purpose of Johnson's call was to discuss the possibility of Brown's hiring McNaughton as a sales trainee. _____ T _____ F ?
- 17) Brown and Johnson were in different cities. _____ T _____ F ?
- 18) Brown and Johnson did not discuss the possibility of hiring McNaughton as a management trainee. _____ T _____ F ?
- 19) Brown initiated the conversation about McNaughton in his phone discussion with Johnson. _____ T _____ F ?
- 20) Johnson had just been told that McNaughton had recently been graduated. _____ T _____ F ?

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The morning of the last day of class, you should receive an email from the Graduate School USA, either from surveys@graduateschool.edu or from regina.gibbons@graduateschool.edu. This email contains a link to the course evaluation for your specific session. We suggest that you add these email addresses to your address book or otherwise indicate in your email settings that these are safe senders.

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