

## Bank Auditors Should Bank on Monarch for Data, Says Auditing Executive Bill Thompson

### Why do you use Monarch?

“Because that’s where the data is! Using Monarch to transform existing reports into live data is the most direct, auditor-friendly method to get rock-solid reliable audit data, without programming and without seeking help from IT personnel.”

William “Bill” Thompson, President of T Paradigm, a Florida-based independent bank audit firm, has a record of success in bank audit management spanning nearly forty years, across several major southeast banks, including AmSouth, Wachovia (South Carolina National Bank), Bank of America (North Carolina National Bank), and others. Thompson knows the internal audit function not only as a seasoned audit executive, but also from serving on committees and commissions of the Institute of Internal Auditors (IIA), Bank Administration Institute (BAI), and the American Institute of CPAs (AICPA). In fact, Thompson served the IIA as its International Chairman of the Board and later on the headquarters staff as Director of Education, and Director of Research & Development.

Amid this success, Thompson has never been content with merely following yesterday’s ways of conducting internal bank audits. “Internal audit methods need to keep pace with new bank regulations and major changes in the banking industry,” says Thompson. “Now more than ever, there is tremendous pressure to get more productivity out of audit operations. Effective internal audits are a major source of feedback to help banks realize new productivity and efficiency.

“That said, one of the biggest issues for Internal Auditors is getting data from different sources,” Thompson adds. “Conventional wisdom says the only way to get this data is raw data extracts from the mainframe and servers, then load it into a special audit software package. But my experience shows otherwise. Auditors need data from two sources. One is today’s data, which may be available from the mainframe and servers. However, auditors

do a lot of work with past conditions, like account balances, transactions, and ratios. These cannot be obtained from current files; you have to look at the history in past reports. One of the best and far more readily available sources of historical data is existing reports. And Monarch software is by far the easiest way to transform those reports into live data, and easily analyze that data.”

### WHY DO REPORT MINING WITH MONARCH? ‘THAT’S WHERE THE DATA IS!’

Monarch, by Datawatch Corporation, is desktop report mining software that transforms report files into live data on your PC. Thompson finds existing reports to be the most readily available data source within banks by far, and therefore utilizes Monarch in virtually all bank audit engagements today, to the point where he now rarely uses specialized audit software.

When asked why auditors should use Monarch, Bill Thompson smiles. “Well,” he says, “it’s like that well-known line from bank robber Willie Sutton: ‘Willie, why do you rob banks?’ ‘Because that’s where the money is!’ Similarly, to answer the question, ‘Why do you use Monarch?’ I say, ‘Because that’s where the data is!’ Using Monarch to transform existing reports into live data is the most direct, auditor-friendly method to get rock-solid reliable audit data, without programming and without seeking help from IT personnel.”

Thompson has found standard bank reports to be a universal source of information. “Every bank produces a library of mission-critical reports,” Thompson says. “For example, many banks today use a service bureau for transaction processing. The bank

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may not have direct access to the core database, but they have a host of standard reports from the bureau within the bank's COLD storage system, ready for report mining with Monarch. Even those banks with in-house systems may not have in-house IT personnel with the time and technical knowhow to properly get data from the system's raw databases. In those environments, it's also often too expensive to utilize audit software. Monarch used with the bank's reports again proves to be the fastest and easiest source of audit data.

"I got up to speed with Monarch very rapidly — in hours, not days — on my own using the excellent Learning Guide included with the software," Thompson adds. "I quickly realized how much time I had wasted in the past chasing the IT department for data extracted from the raw databases. Monarch, by contrast, makes getting the data as easy as requesting a copy of key bank reports as a print file. I can't emphasize enough the benefits of being self-sufficient in acquisition of audit data using Monarch."

### MONARCH "ENABLES A 21ST CENTURY APPROACH TO AUDITING"

What key bank reports does Bill Thompson focus on when performing a bank audit with Monarch? "First and foremost, I want the bank's various applicant trial balances," says Thompson. "Of course, I want those trial balances not on paper, but as a text file, so I can load it into Monarch. The bank's application trial balances contain the basic 'building blocks' of information essential for any audit. As an example, I want principal, interest rate, maturity date, and repricing date - the date the interest rate can change - on loans, for example.

"With Monarch, I can then build a Monarch model template to 'mine' all the data I need out of the loan trial balance, and create a valid data table in Monarch," Thompson says. "Monarch is designed to be 100% user-friendly for auditors, accountants, and other non-technical people, so producing Monarch templates to get at the report data is a snap. In very short order, Monarch gives me the data I need with no hassles, no programming."

Thompson also builds Monarch model templates to mine the data from key specialized reports, such as Past Due Loans, Overdrafts, Dormant Accounts, and more, matching the data from those reports with the data from all-encompassing reports such as the application trial balances. "I can then save all of the Monarch model templates I create, and re-use them again and again," explains Thompson.

Thompson also cites the flexibility of Monarch as a productivity tool. "My bank clients send me trials and other key reports via e-mail in advance of the fieldwork," he explains. "This allows me to walk through the door on the first day with a great deal of the 'grunt work' already done. I am ready to put my head to work instead of spending huge proportions of my expensive on-site time in data gather and preliminary analysis.

"Monarch really enables a 21st century approach to auditing," Thompson adds. "It optimizes the in-person audit time at the client site. That time on site is expensive because it involves travel, lodging and related expenses. The more data-related work I get done with Monarch before I am at the client site, the more productive I will be."

### MONARCH DELIVERS COMPREHENSIVE DATA ANALYSIS

Bill Thompson is quick to emphasize that Monarch is much more than just a data conversion tool. "Once Monarch extracts the data from the reports, the data appears in Monarch as a table, similar to a spreadsheet," he says. "In this Monarch 'table' view, I can do additional calculations and analysis I need and export the data to Excel anytime.

"For example, I produced a very useful 'What If' analysis with the data extracted with Monarch, to determine what would happen to the bank's loan portfolio if the prime lending rate went up or down. My analysis will identify whether the bank may be basing its loan pricing on faulty assumptions about deposit rates and other information.

## About Bill Thompson

Bill Thompson is a Certified Bank Auditor, Certified Internal Auditor, Certified Fraud Examiner and Certified Risk Professional who has been involved in bank audit management since 1963. Now as President of T Paradigm, Bill Thompson specializes in bank auditing; compliance and loan review; professional development for Auditors, Accountants and Managers; technology consulting and development of auditors and audit systems. In addition to his auditing achievements noted in this story, Bill has been a frequent lecturer and author on internal auditing for the IIA, BAI and a number of other accounting and auditing organizations. Actively involved in audit training and education, Bill has authored several online courses, including a Paperless Auditing course, which features the use of Monarch software. These courses are available online on the MicroMash website, a subsidiary of Thomson Corporation.

“Still another Monarch-based analysis I designed extracts information from loan records and loads the data into an Excel template, to identify various factors and build a comprehensive loan review. The data needed comes from multiple reports, but Monarch pulls all the data together the way I need it, transforming what had been a 3-4 day data gathering task into one hour. That’s the power Monarch brings to the audit function.”

### PAPERLESS AUDITING COURSE FEATURES MONARCH

Bill Thompson has been eager to share his actual auditing experience and new auditing solutions with others as part of a paperless auditing online training course that he has developed based on years of experience. He explains, “The course focuses on the two technologies that will vastly improve the efficiency and effectiveness of any auditor: document imaging technology, to store copies of actual documents, and, of course, report mining using Monarch, to transform the bank’s library of reports into electronic data and completed analysis.

“One of my goals in presenting my paperless auditing online course is to minimize the physical work of rekeying data into a spreadsheet or spending time seeking IT help to get data extracts from the raw database. Instead, auditors should get away from the mountains of paper and spend

more time on ‘mind work’ — spending more time on in-depth analysis of the data. What facts about the organization’s operations is the data trying to tell you? Monarch is a key tool to enable the auditor to have the facts — and the time — to answer that question. Time is the most precious asset the auditor has. When the auditor uses up the budgeted time, there may be issues that don’t get covered. Monarch gives me an amazing amount of that asset to work with.”

### WANTED: NEW MONARCH ‘RAVING FANS’!

Whenever Bill Thompson completes an auditing engagement, he typically leaves a new group of Monarch converts in his wake. “I enjoy showing clients just what Monarch is all about,” says Thompson. “After showing them five minutes of Monarch report mining, they are hooked!

“Yes, you can say that I’m a ‘raving fan’ of Monarch,” adds Thompson. “But my positive emphasis I put on Monarch is well-deserved. The flexibility of Monarch software is almost infinite. It can be used to transform any thick printed report into gold: data that is immediately available, easily analyzed, and easily exported to Excel and other applications.

“After saving days of time and effort with Monarch, I can’t imagine tackling an auditing job without it!”



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