August 2014

Inside This Issue
1. Message from the President
2. CAP Summary
3. New Members
4. Save the Date
5. Volunteer Opportunity
6. Tax, Fraud, Cyber Security – oh my!
7. Fraud is Fun
8. Where are the Bread Crumbs?
9. IIA Leadership Academy
10. Upcoming Newsletter

Message from the President
Dear Members,

I hope everyone is having an enjoyable summer! Your chapter board members have been working diligently to schedule seminars of interest to our members. Please be sure to take a look at page 3 of this newsletter for the upcoming seminars. A big thank you to Sarah Duran, VP-Programs, for leading this effort on behalf of our chapter! This is your chapter, so please let us know about any ideas you have for seminars.

Speaking of seminars, we are always looking for volunteers to help at the seminars (yes, a shameless plug here)! This could range from taking photos, to food set up/clean up, to meet/greet, to writing an article for the newsletter (see the excellent articles written by volunteers on pages 4-7) and so on. There are definitely benefits in it for you! If you earn enough Membership Appreciation Points (MAP) for volunteering, you’ll be invited to the chapter’s annual MAP luncheon. This is where you’ll be treated to a free lunch, one free hour of CPE, and eligible to win some great prizes! You’ll read about the June MAP lunch in our next newsletter. The chapter also reimburses the travel expenses for at least one board member (again, a volunteer position) to attend the annual IIA Leadership Academy at the Disney World resort in Orlando. Thank you to Nicki Russell for attending this year on behalf of our chapter (see page 6 for her report)!

We also have a few board members who “retired” this year! 😊 Please join me in thanking Kendall Blythe (VP-Programs), Cathy Lucia (VP-Membership), and Susan Cardwell (Board Member) for their service to the chapter. You all played a big role in helping our chapter maintain Platinum Status with the IIA over the years.

Looking forward to seeing everyone at our upcoming seminars!

Please contact me via e-mail (sandra.freese@landmarkbank.com) or phone (direct 573-441-2895) with any ideas or questions you have.

Sincerely,
Sandy Freese, CRMA
President - Central Missouri IIA Chapter
CAP Summary

The following is the status of the Chapter Achievement Program (CAP) points for our chapter as of July 31, 2014:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum for Bronze</th>
<th>Chapter Points (to Date)</th>
<th>Balance to Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Service to Members</td>
<td>325.00</td>
<td>177.00</td>
<td></td>
</tr>
<tr>
<td>II. Service to Profession</td>
<td>200.00</td>
<td>71.00</td>
<td></td>
</tr>
<tr>
<td>III. Chapter Administration</td>
<td>160.00</td>
<td>17.00</td>
<td></td>
</tr>
</tbody>
</table>

685.00  265.00

Current CAP Status:

Targets:
- Bronze: 685.00
- Silver: 1,060.00
- Gold (Platinum): 1,560.00

New Members

Please welcome the following individuals to the chapter!

Christopher McClain, Missouri State Auditor’s Office
Patrick O’Dell, Missouri Gaming Commission
Christy Knipp, Office of State Courts Administrator
SAVE THE DATE!!!

You asked and we listened. We are working to provide our members training topics of interest. Many of the topics listed below were chosen as a result of member surveys and evaluation forms. We are also working on a seminar on the topic of auditing the human resource function and fraud. Please mark your calendar and plan to attend.

- August 26, 2015 – Vendor Management and Using SOC Reports
- October 9, 2014 – Ethics
- December 10, 2014 – Economic Update
- April 17, 2015 – Report Writing
- May 21, 2015 – Disaster Recovery & Business Continuity Audits

Volunteer Opportunity

The AARP Foundation Tax-Aide Volunteer team will appreciate your expertise more than you can imagine.

Good with numbers? Be a preparer. You'll work with taxpayers directly, filling out tax returns. Past tax experience is desirable but not necessary — we'll train you on the latest tax preparation forms and software.

If you have 4-6 hours per week to give during tax season, go to http://www.aarp.org/money/taxes/info-2006/volunteer_aarp_tax_aide.html for more information and to apply.

2014-2015 Board Members

President
Sandy Freese, CRMA
Landmark Bank
Sandra.Freese@landmarkbank.com

Vice President - Programs
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Hawthorn Bank
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Vice President - Membership
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Treasurer
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Webmasters
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Lori.Melton@auditor.mo.gov
**Tax, Fraud, Cyber Security – oh my!**
By Lisa Kremer, MBA, CIA
Manager Engineering & Mgmt Services Unit of the MO Public Service Commission

The Central Missouri Chapter of the Institute of Internal Auditors provided 3.5 hours of professional education on **February 5, 2014** centered of the topics of **tax evasion, fraud, investigations, and cyber security**. Kristopher Bleich, Director of Forensic Services of Speartip led the first session with a discussion of malware, which he called the ‘cyber soldier’ used for specific cyber-attacks. Virus prevention software frequently does not detect malware and shouldn’t be depended on as the sole source to find or deter cyber breaches. Mutexes are the calling card for malware and enable viruses to ‘reinfect’ computer systems, eventually causing them to crash and data to be compromised. Phishing e-mails are prevalent in the banking industry where unaware patrons open fraudulently sent e-mails and malware is then attached to their computer. Mr. Bleich indicated that ‘threat collaboration’ was one way his organization kept abreast in the volatile cyber security field which includes work with professionals in Europe, Israel and other countries. He stressed employee education as being one of the most important cyber defenses.

Kevin Cox, Administrator with the Criminal Tax Investigation Bureau within the Missouri Department of Revenue, described the organizational structure of his bureau which conducts complex criminal investigations into Missouri state tax fraud. Mr. Cox addressed the specific skill set that financial fraud investigation requires and the importance of having well-trained investigators. Three common elements of tax fraud include: 1) an understatement of taxes, 2) willful intent to evade taxes and 3) a course of action that demonstrates the taxpayer’s intent to commit fraud. The speaker addressed the differences between tax avoidance and tax evasion, the latter of which is determined by verifying knowledge, specific intent and a bad purpose. The Department of Revenue works to most efficiently and effectively use its resources in criminal prosecutions.

Finally, Jim Cali, Director of Internal Audit of Metro in St. Louis, MO., lead a discussion on ‘tax zapper’ software, which enables commercial businesses to hide sales from their tax obligations. Two types of tax zapper software are utilized: 1) perishable product scheme (which omits the sale from records) and 2) product substitution scheme (which substitutes a less cost item on Company records to be used in tax calculations). Tax zapping is very prevalent in Europe. Some US states have developed laws regarding tax zapping software including Florida, Georgia, Maine, Utah, and West Virginia.

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**Fraud is Fun**
By Michelle Clayton, MPA
Senior Auditor at MoDOT

On **April 15 and 16**, **Fraud is Fun** was the mantra by John J. Hall who presented the course, **Fraud Issues and Answers for Internal Auditors**. John Hall is a professional speaker, consultant, corporate executive, business owner, author, and publisher. His experiences across the nation and his enthusiasm made the course interesting and **fun**.

John gave us several tools to use when looking for potential fraud; three of which are as follows:
**HClUf** for How Can I Use This. Take suggestions and/or experiences (approaches) and apply them as teaching tools. John suggests you try using each approach at least once before tossing it.

**3rd Manning** – the use of a person doing the same or similar job as an example. i.e. “That’s an excellent answer. In fact, John Doe in the East District gave the same answer except he does one other thing. He ….” In this manner you hope to pique the interest of the person you are speaking to so that they will want to improve their work without making them feel inferior.

**Fraud Score Card:** Simply put, it is a spreadsheet dividing a page into thirds with each section labeled as follows: Fraud Risk Description, Symptoms, and Detection Step. At your next brainstorming session for audit planning, use a Fraud Score Card for each Fraud Risk you identify to develop tests for fraud.

One of the biggest area of risk is situational incompetence; managers who have never been trained in looking for fraud. One great example John gave was signing off on a purchase card invoice and receipts without questioning the need for the purchases or the number of the same item purchased repeatedly. As internal auditors we not only need to be aware of potential fraud, but we also can use our experience and knowledge to train managers in ways to prevent fraud.

If you would like to learn more about John Hall, go to [www.JohnHallSpeaker.com](http://www.JohnHallSpeaker.com), or if you have a specific question or issue you would like to share with John, email him at [John@JohnHallSpeaker.com](mailto:John@JohnHallSpeaker.com).

The chapter also celebrated its 25th anniversary by having cake at the seminar afternoon break, and by providing more seminar prizes to attendees as a way to celebrate this meaningful milestone. Congratulations to the following attendees that won a seminar prize!!

- **$25 gift card:** Christie Martin, Carla Hancock, Debbie Bernsen, and Jeff Wilson
- **Book written by John Hall:** Patricia Bedell, Patricia Smith, Bobby Showers, Karri Ball, and Gary Bangert
- **IIA cup:** Julie Zerr, Kay Niemeier, and Nicki Russell
- **IIA pen:** Lauren Pierson and Maggie White

**Where are the Bread Crumbs?**

*By Terese Summers, CPA, MSAS*

*Staff Auditor III at MO State Auditor’s Office*

John Hall is the author of the book *Do What You Can! Simple Steps- Extraordinary Results* and he has put us in the hot spot to be the leaders for change and teachers of best practices. The message of John Hall's training on "Fraud: Issues and Answers for Auditors" is that it is up to us to facilitate changes in our organizations. After attending this training, you are definitely energized and will look at auditing from a different perspective and consider fraud detection to be one of the most interesting of the challenges and opportunities in our profession.

This two day seminar, provided us with examples of how to detect fraud using a three step approach, using root cause analysis to detect fraud, and the do's and don'ts for auditors with fraud related handling responsibilities. John Hall published *The Anti-Fraud Toolkit - A Self-Guided System for Business Wrongdoing*; and, we at IIA were privileged to receive a first-hand view of his strategies and tools during
the 2 day training seminar in April. We were led through examples of wrongdoing, through memorable stories to give us a picture view of what fraud looks like. Phrases such as "Cookie Jar", "Big Bath Charge" and the stories of the big fishing trip were just examples of his technique in illustrating fraud in a tangible fashion allowing us to start thinking like a thief in order to catch fraudsters.

John Hall suggested we take the lead in providing logical steps and checklists to business management to train them on how to properly review time sheets, expense accounts, invoices and financial statement activity. Checklists are a key anti-fraud strategy targeted to help the most experienced managers remember to review all the important details on these documents. John Hall indicated we, as auditors, are the idea facilitators and those to whom we present ideas need to feel it is their idea in order to buy in to needed changes. One of the IIA members in the audience, suggested it is like "laying out the bread crumbs" a "step at a time" in order to get that buy-in to make changes in an organization's controls and culture. John Hall has encouraged us to take the lead in our organizations and has provided us with the tools to facilitate and implement these changes and to detect and investigate fraud activity.

IIA Leadership Academy
By Nicki E. Russell, CIA, CPA, MPA
Internal Auditor at MOSERS

I attended the IIA Leadership Academy on April 27-29, 2014 in Orlando, Florida. Approximately 500 auditors attended this conference representing chapters in the United States, Canada, and the Caribbean region. The above picture was an attempt to capture everyone in attendance. This program not only provided me with resources that I can share with other IIA chapter leaders, but also provided takeaways in my role as an internal auditor. It was really an inspiration to see so many people in attendance become inspired and motivated about the internal auditor profession. To me, this is vital for our chapter as well as for the organizations where I work. Below is a few of the highlights from the IIA Leadership Academy.

- The top skills chief audit executives (CAE) are looking for in their audit staff include analytical and/or critical thinking, communication, and data mining.
- Research shows that forty-two percent of newly hired CAE’s were not in an auditor role prior to accepting the CAE position. One of the IIA’s concerns is that individuals without audit experience do not have an institutional understanding of risks and controls. The other concern is these individuals are staying in this position for one to three years and then moving up the career ladder. The risk in this example is the fear that the CAE may not be objective. The IIA encourages better preparation of the current internal auditors so they become the number one choice for advancement.
- A trend shows internal auditors are spending more of their time on operational audits, with the next highest time spent on compliance and regulatory type of audits. Internal auditors only spend nine
percent of their time on financial related audits. The IIA believes this indicates that internal auditors are starting to focus on risks, and this is good.

- A session on “bring your presentations to life” indicated that PowerPoints should include bullet points; the presenter should not look at their slides but rather at the audience; and the most important thing to remember when presenting is to be yourself.
- I was the first person to respond to one of the lessons learned on navigating membership in a recap session and as a result, I won $25 in Disney Dollars. YAHOO!!
- I received an autographed book written by the IIA President/CEO Richard F. Chambers titled Lessons Learned on the Audit Trail. This book focuses on the lessons that auditors do not learn in school but rather through experience.

The program also allocated time to network with vendors, speakers, and other IIA members; as well as sessions to talk with other similar sized chapters about topics such as chapter programs, marketing your chapter and/or the internal auditor profession, membership, advocacy, certifications, and academic relations. I also had the opportunity to network with the chapter leaders in the IIA Midwest District, which is St. Louis, Kansas City, and Springfield (Missouri), and Topeka (Kansas), and learn what works and what does not work for their chapters.

I thank the Central MO IIA Chapter for providing me with the opportunity to represent our chapter at the 2014 IIA Leadership Academy. It was truly an honor. It is my hope that others in this chapter will consider volunteering as a future IIA chapter leader as a way to give back and advance the internal auditing profession.

**Upcoming Newsletter**
The next newsletter will feature articles on the following topics.
- XBRL for Internal Auditors – May 12, 2014 seminar
- Materiality and Risks – update from the June 4, 2014 seminar
- IIA District Meeting – June 17, 2014
- Membership Appreciation Lunch & Seminar – June 26, 2014