President’s Message
February 2013

By Dan Smith

It is March already? I hope you have kicked off the year with several successful audits and well received reports – not to mention wrapping up the annual audit plan for December fiscal year end organizations.

Training and development are the cornerstone of our profession – and individual professional growth as internal auditors and leaders within organizations. Organizations constantly adapt to the environment to maximize stakeholder value. In most environments, that means staying ahead of competitors. How can we help as auditors? While our chapter offers core staff auditor training and in-charge auditor training in May, it is a bit harder for practitioners to be equipped to provide consulting and assurance services for emerging risks like new products & lines of business and changes in legal/regulatory, political, and/or other macro environment factors. I hope our district conference accomplishes that for many. With specific content covering financial institutions, information technology, and government and technical accounting we are sure to have some success. Not to mention the required ethics CPEs for NC CPA’s.

Not registered for District Conference yet? For the first time, single day pricing is available for this 2 ½ day event. Our speakers are too numerous to include here, but to have the heads of audit from Wells Fargo, Regions Bank, Ally, Bank of America, and Carolinas Health Care System on the same ticket is pretty compelling. We have some great keynotes and multiple levels of content as you will see on page 3 of the newsletter or online.

Our programming year is winding down with one more student night on March 19 at Maggiano’s and our two-day training in May for staff auditors and in-charge auditors (two separate tracks). Hopefully we will see you at a future event.

Sincerely,
Dan Smith
Back by popular demand, daily pricing for the conference is now being offered! Pay $200 for each one day training (March 11/March 12) and $100 for half day training (March 13).

Take advantage of this great training opportunity! Non-members that register for the three day conference will receive a free one year IIA membership!

Keynote speakers scheduled to appear include Jon Gordon and Don Levonius, M.A., M.A.

Jon Gordon is the author of *The Energy Bus: 10 Rules to Fuel Your Life, Work, and Team with Positive Energy*. Based on his international best-selling book, *The Energy Bus*, Jon Gordon presents a powerful roadmap to overcome common life and work obstacles, and bring out the best in yourself and your team. Whether you are a leader looking to build a positive culture, a manager trying to energize and engage your team, or someone who desires to enhance your productivity and performance, this talk will help you create more success and enjoy the ride of your life.

Don Levonius is currently the Director of Seminars and Curriculum Development for The Institute of Internal Auditors and has developed a niche for helping identify values, develop strategies, improve team performance, and drive bottom line results.

Topics to be discussed in the other three featured tracks include: Financial Regulatory Environment, Financial Crimes, Complexities of Internal Fraud, Social Media, Data Analytics, Auditing the Public Sector, Construction Auditing, T&E Fraud, 2013 Professional Ethics and Conduct, and Communication Skills for Auditors, among others.

Reserve a room at the Embassy Suites for $149 a night plus applicable taxes. You can make a reservation by either: calling the hotel directly at 704-455-8200 and speaking to the reservations department and providing the Group/Convention Code: IIA, calling 1-800-EMBASSY, or by going online to [www.embassysuitesconcord.com](http://www.embassysuitesconcord.com) and entering the Group/Convention Code: IIA. Spaces are limited and rooms must be reserved by February 13, 2013. Any requests after this date will be taken on a rate and availability basis.

CPE: 20
Field of Study: Auditing
Prerequisites: None
Advance preparation: None
Level of knowledge: BEG. to INT.
Delivery method: Group Live
Cost for IIA Members: $495
Cost for Non-Members: $595
### Conference Schedule

#### DAY 1 - MARCH 11, 2013

<table>
<thead>
<tr>
<th>Time</th>
<th>Track 1: Financial Institutions</th>
<th>Track 2: Information Technology</th>
<th>Track 3: Tech &amp; Gov't Accounting</th>
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<td>7:15-8:00</td>
<td>Registration/Continental Breakfast</td>
<td>General Session - President’s Welcome/Opening Remarks</td>
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| 8:15-9:30 | Financial Regulatory Environment  
Lead Speaker: John Stoker, Counsel,  
Law Department, Wells Fargo  
Panel Discussion:  
Dan Soto - Chief Compliance Officer, Ally Financial Inc.,  
Michael Balbirnie - Chief Audit Executive, Regions Financial Corporation,  
Derek Duval - Owner, Duval Associates | Auditing the Public Sector  
Nicholas DiMola - CPA, CCA, Co-Founder & Principal, Quality Plus & Associates |
| 9:30-10:15 |  |  |  |
| 10:15-12:00 |  |  |  |
| 2:00-2:15  | Lunch/Exhibitor Booths open |  |  |
| 2:15-3:00  | Financial Crimes  
(3 presentations followed by a panel discussion)  
Walter Bowling - Sargent Charlotte Mecklenburg Police Department, Financial Crimes & Cyber Crimes  
Jeff Maw - Wells Fargo, Information Security Engineer, Computer Crimes  
Chris Avery - FBI Special Agent, Financial Institutions Crimes | Cloud Computing  
David Nielsen - Cloud Computing Evangelist & Entrepreneur, American Program Bureau, Inc. | Construction Auditing  
Paul J. Fieza - CFE, CPA, CISA, Co-Founder & Principal, Quality Plus & Associates  
Nicholas DiMola - CPA, CCA, Co-Founder & Principal, Quality Plus & Associates |
| 3:20-5:00  |  |  |  |
| 5:15-6:00  |  |  |  |
| 6:00-7:00  |  |  |  |

#### DAY 2 - MARCH 12, 2013

| Time       | Track 1: Leading Internal Audit at Financial Institutions: Chief Audit Executive View  
David Julian - Executive Vice President & Chief Auditor, Wells Fargo | Track 2: Digital Fraud: Emerging Trends & How it Affects Financial Transactions Today  
Ben Chisolm - Large Bank Examiner, Information Technology Risk, Federal Reserve Bank Richmond | Track 3: Ripped from the Headlines: Case Studies in Major Embezzlements  
Bethmara Kessler - CFE, CISA Managing Director, The Fraud and Risk Advisory Group, Inc. |
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| 1:15-3:10  | KEY NOTE  
CAE Panel Discussion |  |  |
| 3:20-5:00  |  |  |  |
| 6:00-7:00  |  |  |  |

#### DAY 3 - MARCH 13, 2013

| Time       | Track 1: Internal Auditing Trends  
Brian T. Portman - Senior Manager, Financial Services, Ernst & Young, LLP  
Matthew Hatch - Senior Manager, Advisory Services, Ernst & Young, LLP | Track 2: Big Data  
Matthew Yarmey & Rodney Murray, Dixon Hughes | Track 3: FCP and IFRS, A step beyond the acronyms  
McGladrey LLP  
Cal Christian - North Carolina Association of CPAs |
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**MARCH 13, 2013**

- **Keynote:**  
  - Financial Services, Ernst & Young, LLP  
  - Advisory Services, Ernst & Young, LLP

- **Morning Break:**
  - Morning Break

- **Better Practices for Strong Internal Audit Shops**  
  - Pascal Binetti, Partner, KPMG

- **Emerging Risks in Information Security for Financial Institutions**  
  - Jeff M. Spivey - CRISC, CPP, PSP Security Risk Management, Inc.

- **The Next Evolution of IT Governance**  
  - Dan Manley - KPMG

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**MARCH 12, 2013**

- **Track 1:**
  - **Leading Internal Audit at Financial Institutions:**  
    - Chief Audit Executive View  
    - David Julian - Executive Vice President & Chief Auditor, Wells Fargo  
  - **The Complexities of Internal Fraud**  
    - Michael Bacon - Executive Vice President & CSO Corporate Security, Wells Fargo

- **Track 2:**
  - **Digital Fraud: Emerging Trends & How it Affects Financial Transactions Today**  
    - Ben Chisolm - Large Bank Examiner, Information Technology Risk, Federal Reserve Bank Richmond

- **Track 3:**
  - **Ripped from the Headlines: Case Studies in Major Embezzlements**  
    - Bethmara Kessler - CFE, CISA Managing Director, The Fraud and Risk Advisory Group, Inc.

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**MARCH 11, 2013**

- **Track 1:**
  - **Financial Regulatory Environment**  
    - Lead Speaker: John Stoker, Counsel, Law Department, Wells Fargo  
    - Panel Discussion:
      - Dan Soto - Chief Compliance Officer, Ally Financial Inc.
      - Michael Balbirnie - Chief Audit Executive, Regions Financial Corporation
      - Don Delaney - National Bank Examiner, Large Bank Division, Office of the Comptroller of the Currency (OCC)

- **Track 2:**
  - **IT Audit Bracketology: Player’s and Coach’s Guide to Career Madness**  
    - Derek Duval - Owner, Duval Associates

- **Track 3:**
  - **Auditing the Public Sector**  
    - Nicholas DiMola - CPA, CCA, Co-Founder & Principal, Quality Plus & Associates
IIA Charlotte Chapter Scholarship Overview

Scholarship Program Objectives

• To promote the Internal Audit profession as a viable and rewarding career path for full-time undergraduate students majoring in accounting, finance, and business.
• To create opportunities for students to learn more about the Internal Audit profession through direct interactions with local IIA Chapter members.
• To provide a financial incentive for students to promote their personal and academic goals as they relate to the Internal Audit profession.

Please click here (or visit the website) for more details and for the application. Contact the IIA Charlotte Chapter- Academic Relations Committee with your questions.

The IIA's complimentary Members-only Webinar Series is available exclusively to you as part of your membership investment. These monthly educational webinars are developed specifically with IIA members in mind.

12-March-2013  Creating a Top-Down, Risk-Based Audit Plan
13-March-2013  Three Lines of Defense
10-April-2013   Developing the Internal Audit Strategic Plan

Special Thanks to our 2012 Corporate Sponsor!

To sponsor one of our Chapter activities, or advertise on our website, contact Lashonda Dover

Support Local Education by purchasing company “slots” for upcoming chapter events. Contact Simon Talbot for more information!
Five Things Internal Auditing Has Taught Me About Human Nature

Richard Chambers, CIA, CGAP, CCSA, CRMA

As a young internal auditor, I concentrated extensively on learning the technical skills of the profession. I learned early in my career about the importance of developing an audit plan at the beginning of every engagement, documenting the results of the audit, and crafting a well-written audit report. I also learned how important it was to understand the operations/business of the areas I was auditing. All of these skills served me well throughout my career. However, I can honestly say that the technical skills were easy to learn compared with the “soft skills” that I needed to hone in order to be successful.

Over the course of my career, I have led or served on scores of audit teams focused on an incredible array of industries and operations. As I did so, I began to notice that regardless of the function or operation I was auditing, there were common threads in the way the people behaved. Overall, the hundreds of professionals over whose areas of operations I have audited have been good, decent, and hard-working professionals. Many of them had thankless jobs at which they toiled tirelessly without complaining. However, I have learned some things along the way about human nature that might be useful for those who are starting out in their careers and even for those who are seasoned internal audit veterans (and want to compare their observations).

Smart People Can Do Dumb Things

It is easy for internal auditors to be intimidated when auditing an area led or populated by intelligent and seasoned professionals. They often can dazzle you with their deep knowledge of the operations and appear to be unassailable. However, I frequently have observed that some of these bright folks have done some pretty “dumb” things. On occasion, I have noticed that their decisions to violate or circumvent internal controls were intentional decisions based on their belief that their experience or expertise didn’t warrant the kind of controls they were being asked to follow. Don’t assume that smart people always do smart things.

Good People Can Do Bad Things

When we think of fraudulent acts, we tend to associate them with nefarious characters who intentionally set out to do something bad. However, many of the frauds I discovered or reviewed during my career were committed by otherwise good and decent people who somehow lost their way. These were people who often were under extraordinary financial or personal pressures outside of the workplace. Many times, they rationalized their initial actions and didn’t intend for the frauds to morph into something as big as they eventually did. As internal auditors, we should not assume that everyone is doing bad things. However, we must maintain a level of professional skepticism and remember that even good people can do bad things.

People Like to Be Recognized for Accomplishments

As internal auditors, we are trained from the outset that the purpose of our work is to provide assurance on the effectiveness of risk management, internal controls, and governance. Yet, we often bolt straight for the findings on inadequate risk management, internal controls, etc., in our final audit report. Many audit reports are crafted with no genuine recognition of management’s accomplishments. It is one of the things that gives us a bad reputation. I have discovered during my career that people are looking for an objective assessment of their areas of operations. They understand that we have a job to do, but seek to at least be recognized for what they have accomplished or done well. Including a “management accomplishments” section at the beginning of an audit report can go a long way toward generating acceptance of our findings and recommendations for corrective actions that follow.

People Don’t Like to Be Surprised

One of the first audits I led taught me a lot about the importance of communicating throughout the audit. My team and I were under a lot of pressure to complete the audit quickly. Following an entrance briefing with operating officials, we put our heads down and went to work. Four weeks later, we presented the same officials with a draft report. They were incensed at what they viewed as being “blindsided” by the results. One of them said to me that he didn’t disagree with the results of the audit, but he sure would have appreciated learning about the problems as we discovered them. In recent years, the importance of communication throughout the engagement has been stressed in audit standards and guidance. Timely communication is important throughout the engagement, in large part because people don’t like to be surprised.

… (Continued on Page 4)
Five Things Internal Auditing Has Taught Me About Human Nature

People Like to Make Themselves Look Good
Most of us seek to be recognized for what we do well. While we may recognize our shortcomings or failures, we certainly don’t accentuate them when communicating with others. That is important to remember when conducting interviews during an internal audit. People will speak effusively about things that are working well. However, they rarely volunteer information about things that are not. This is another reason that professional skepticism is so important for internal auditors. Don’t assume that you have been told “the truth, the whole truth, and nothing but the truth,” because people often like to make themselves look good.

This is my short list of things I have learned about human nature in the workplace over my career as an internal auditor. I welcome your thoughts.