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Upcoming Events

Annual Conference

April 27, 2018
Melville Marriott

See page 3 for further details.

For more information, go to: https://chapters.thiia.org/long-island/Pages/default.aspx
Happy April and welcome to spring, a time when we start thinking about summer vacations and outdoor activities. April is also the month of our last conference for the Chapter year.

We close the year with our Annual Conference, which will be on April 27th. We have a great lineup in store for this conference, which includes both an opening and closing keynote speaker.

Prior to the start of the conference, we will exercise the Chapter’s requirements of electing new Board of Governors (BOGs) and Officers onto the LI Chapter Board. Some BOGs will be rotating off. We would like to thank them for their services to the LI Chapter. We also welcome those joining the Board and look forward to having them be a part of the team.

At the conclusion of the conference, our closing keynote speaker, Kevin McCarthy, will have his book ‘Blind Spots: Why Good People Make Bad Choices’ available for sale, which he will personally sign. Please note there will only be a limited number of books for sale at the conference. The cost of the book will be at a significantly reduced price of $10 ($19.97 on Amazon). Please bring cash or check to purchase the book.

Following the conference, we will also be having a networking and social hour in the Great Room of the Marriott restaurant. Please join us so we can have an opportunity to socialize and continue business discussions in a more informal setting.

Our IT Conference held on March 23rd once again had a nice turnout, 108 attendees. Our speaker, Tom Salzman from MISTI, presented on some pertinent IT topics, including: i) A Look Inside the Crystal Ball: IT Emerging Trends in 2018; ii) Auditing Mobile Devices and Mobile Management System; iii) Incident Response – Learning how Breach Preparation can Drive Down Loss. Tom kept the attendees engaged throughout the day and the survey results demonstrated they left the session well informed with some takeaways to apply to their day jobs.

We are pleased to report that our Academic Relations Committee provided students majoring in accounting at various colleges and universities scholarships ranging from $500 to $1000 towards their educational expenses. A total of $6000 in scholarships was awarded to students on behalf of the LI Chapter.

Please reach out to myself or a Board member should you need any assistance. I can be reached at 1-516-349-2050 or rocky.shankar@pseg.com.

Kind regards,

Rocky Shankar, CIA, CCSA, CRMA
Event Summary

Our March IT Conference was presented by Tom Salzman from MISTI. Tom was a last minute replacement, as the previously scheduled speaker became ill and was unable to be present. Tom’s presentation focused on some pertinent IT topics, including: i) A Look Inside the Crystal Ball: IT Emerging Trends in 2018; ii) Auditing Mobile Devices and Mobile Management System; iii) Incident Response – Learning how Breach Preparation can Drive Down Loss.

A special thanks to our Board member, Joel Lanz, for putting together the conference. We also had a very nice turnout of 108 attendees.

Photos from the IT Conference

Left: Rocky Shankar, with MISTI speaker, Tom Salzman.
Right: Tom Salzman while speaking to the attendees.

Isaac Smith Jr, Assistant Vice President at Federal Reserve Bank of New York, was the Survey Winner, via a random drawing, for responding to the survey for the IT Conference. A gift card from the IIA Long Island Chapter is on its way to Isaac. Please note that a random drawing is held after every conference. Respond to the survey and you can also be a winner.
Annual Conference

Annual Conference
April 27, 2018 – Melville Marriott
8:30 a.m. – 5:00 p.m.
(8 CPE/CPD Credits)

Event Summary
In addition to having both an opening and closing keynote speaker, this conference will feature a variety of topics with significant relevance to the internal audit profession. Here is a glimpse of the topics:

- Finding Internal Audit’s Future (Mike Jacka, Opening Keynote Speaker)
- Auditing Social Media
- Auditing Culture
- Update on Lease Accounting and Revenue Accounting
- Developing and Implementing an Effective Ethics & Compliance Training Program
- Blind Spots: Why Good People Make Bad Choices (Kevin McCarthy, Closing Keynote Speaker)

Our closing keynote speaker’s (Kevin McCarthy) book (Blind Spots: Why Good People Make Bad Choices) will be available for sale at a discounted price of $10, so please bring cash or check to purchase at the event.

8:30 – 8:40 AM: Vote in New Officers

8:40 – 9:45 AM: Finding Internal Audit’s Future
One look at the organizations that have found themselves in the dust heap of history shows that what has worked in the past is no longer viable. Internal audit faces a similar challenge, but is also besieged on all sides by customers who demand more and competitors who say they can do our job better. To remain relevant, internal auditors must be willing to reexamine our preconceptions regarding what we do for a living and prepare for a necessary evolution. This session will provide an overview of the challenges faced by the profession, as well as how such skills as agility, creativity, leadership, and even brand recognition will play a role in the profession’s successful transformation.
This session will be presented by:

Mike Jacka  
Chief Creative Pilot  
Flying Pig Audit, Consulting, and Training Solutions (FPACTS)

During a 30-year career in internal audit with Farmers Insurance, Mike Jacka was responsible for projects as far-ranging as development of fraud investigation procedures for a 100-person audit shop, oversight of Farmers’ western regional auditing operations, and designing auditor training programs for a global organization of 200+ staff members. Currently, he is Chief Creative Pilot for Flying Pig Audit, Consulting, and Training Solutions (FPACTS).

He is top-rated presenter, award-winning columnist, and contributor to Internal Auditor magazine including his column “The Mind of Jacka”, his blog “From the Mind of Jacka” and the magazine’s lighter side pieces such as “Alice in Auditland”, “Auditing Songs for the Holidays”, and “Auditors Anonymous”. He is also author or co-author of numerous books including Business Process Mapping: Improving Customer Satisfaction (now in its second edition), Auditing Social Media: A Governance and Risk Guide, and the recently published Auditing Humor and Other Oxymorons.

9:45 – 10 AM: Break

10 – 11 AM: Auditing Social Media: Is the Company Controlling the Conversation?  
Mike Jacka, our opening keynote speaker, will cover this session.

Organizations everywhere recognize social media as a significant opportunity, but also a significant risk. They are still often caught unaware by the emerging issues that are part of this new technology. This session, by discussing the basics of social media, the emerging risks, and approaches to mitigation of these risks, will provide internal auditors the information they need to help their organizations navigate this constantly evolving area.
11:05 AM – 12 PM: Auditing Culture & Stepping Outside Our Comfort Zone
This session will:

- Evaluate practical considerations to be considered by Internal Auditors when auditing culture, including what is culture, why it matters, and what are the effective strategies for auditing it.
- Focus on key components of what makes up good and bad organizational cultures.

This session will be presented by:

John Wszelaki
Director, American Center for Government Auditing
The Institute of Internal Auditors

Wszelaki is recognized as a long-time leader in advancing the internal audit profession on the local and national levels, sharing best practice approaches and mentoring fellow professionals. He also is deeply versed in risk management, internal control, governance, and investigative techniques.

Before joining The IIA in early 2016, Wszelaki was Director of Internal Audit at the State of Virginia’s Department of Alcoholic Beverage Control for nearly 17 years and, previously, Managing Auditor at American Greetings Corp. for nearly 22 years.

An active IIA volunteer for more than 20 years, Wszelaki served in an array of leadership capacities, including as Chairman of the North American Board (2014-15); Chair of the North American Chapter Relations Committee; member of the North American and Global boards; President and member of the Board of Governor of The IIA’s Central Virginia Chapter; and district representative and adviser.

Wszelaki is a Certified Internal Auditor (CIA) and Certified Fraud Examiner (CFE), and holds a certification in Risk Management Assurance (CRMA). He earned a bachelor’s degree in law enforcement administration and a master’s in public administration from Kent State University.

The American Center for Government Auditing was formed in 2014 to advance the professional practice of auditing in the public sector by advocating its value through timely and relevant thought leadership, communication, collaboration, and education.
Annual Conference
(continued)

12 – 1 PM: Lunch

1 – 2 PM: Lease Accounting & Revenue Accounting Update
The session will cover lessons learned to date from the adoption of the new revenue recognition standard, and a view into the impact of the impending new lease accounting standard, all from an internal audit point of view.

This session will be presented by:

Justin Krystopher
Associate Director
Protiviti

Justin is an Associate Director in the Internal Audit and Financial Advisory practice in Protiviti’s Metro New York Region. He has over 10 years of experience serving clients as a external auditor with a global accounting firm (Deloitte & Touche LLP), and as a internal auditor and financial risk consultant. At Protiviti, Justin has provided internal audit out-sourcing and co-sourcing, Sarbanes-Oxley readiness and compliance services. He also has significant experience in their Financial Remediation and Reporting Compliance group where he provides assistance to companies experiencing restatements and other financial investigations, leads public company readiness engagements, and provides implementation support for new accounting pronouncements, including revenue recognition and leases.

Zachary Unger
Associate Director
Protiviti

Zack is an Associate Director in Protiviti’s New York office, and is part of the Internal Audit & Financial Advisory practice. With almost ten years with the firm, Zack has assisted clients in a wide range of industries with various projects focused mainly on client transformation efforts such as acquisition integrations, adoption of new accounting standards including revenue recognition and leases, and has assisted several public companies through financial restatements. In addition, Zack has helped to lead internal audit efforts at numerous clients of various sizes and industries.
2:05 – 3:30 PM: Developing and Implementing an Effective Ethics & Compliance Training Program

This session will cover:

- Recent regulatory events that have put ethics and compliance training programs at the forefront of your organization
- Internal and external areas that are affected by an ethics and compliance program
- Steps to take in implementing an effective ethics and compliance training program
- Development of the right approach and programs for your ethics and compliance programs
- Bringing compliance and media to the masses
- Measuring the success of your ethics and compliance program
- The Dos and Don’ts of an effective ethics and compliance program

This session will be presented by:

Domenick Claudio
Independent Consultant

Domenick Claudio is an independent consultant on Long Island with expertise in implementing ethics and compliance programs, Sarbanes Oxley compliance, global corporate policy management programs and fraud awareness training programs. He was the former Executive Director of Global Financial Compliance with the Estée Lauder Companies in New York with corporate wide responsibility for managing the company’s global Sarbanes Oxley compliance effort and global financial policies program.

Domenick holds a Bachelor of Arts degree in Economics and Political Science from Rutgers University. He is a member of the Institute of Internal Auditors and a former board member of the IIA International Internal Audit Standards Board. Domenick is also a frequent speaker for the MIS Training Institute and facilitator for the IIA Conferences and Seminars Programs held across the country.

Domenick is also active in many community programs including board member of the Monday’s At Racines Cancer Care Foundation as well as an active volunteer for Breast Cancer Research Foundation for The Estée Lauder BCRF Programs.
3:30 PM – 3:45 PM: Break

3:45 – 5 PM: Blind Spots – Why Good People Make Bad Choices
If you have ever said to yourself, “I didn’t see that coming!” then Welcome to the BlindSpot Zone™ is a program you won’t want to miss!

Our closing speaker spent 33 months in a federal prison for a crime he didn’t knowingly commit because… he had blind spots. What are your blind spots doing to you?

The problem with making ethical decisions is you don’t always know you are in the middle of an ethical dilemma. You simply don’t know what you don’t know! And, sometimes the things you think you know simply are not so.

Blind spots are those unconscious biases, implicit associations, memory traps and thinking errors that affect our behavior and decision-making abilities.

We all have numerous blind spots. They are nearly impossible to recognize if we are not looking for them. In fact, it is easier for us to identify blind spots in others than in ourselves.

Through Kevin’s presentation you will learn how to identify your own blind spots and mitigate their impact at work and at home. As a result, you will be able to make better, more ethical decisions, enjoy better communications, deeper relationships and, ultimately, live your best life.

Join us. You won’t want to miss even one minute of Kevin’s story!

Kevin will have his book ‘Blind Spots: Why Good People Make Bad Choices’ available for sale, which he will personally sign. The cost of the book will be at a significantly reduced price of $10 ($19.97 on Amazon). Please bring cash or check to purchase the book. Only a limited number of books will be on-hand.
This session will be presented by:

Kevin McCarthy  
Trainer and Coach  
Making Better Happen, LLC

Kevin McCarthy is a full-time Keynote speaker, Trainer and Coach for Making Better Happen, LLC, a Portland, Oregon based company that “helps professionals create lasting authentic change”. He is a professional member of the National Speakers Association and current President for the Oregon chapter, where he recently won the “Member of the Year” award.

Kevin’s national recognition as the owner of the 13th largest Century 21 real estate franchise in the USA out of more than 6,000 offices in 1994 launched his professional speaking career. While traveling throughout North America speaking to thousands of people on hundreds of stages, Kevin developed a web-based software solution that would position his real estate clients for optimum success. He eventually sold his tech company for a substantial sum during the craziness of the dot com era.

His next opportunity blindsided him with a prison sentence he didn’t see coming.

Kevin works globally with industry leaders to uncover the blind spots that affect their behavior and decision-making abilities.

Registration for the Annual Conference

Here is the link to register for this program:

http://www.cvent.com/d/wgqm95/4W

Information supplied with this link includes an overview of the seminar program and additional background on our speakers. Registration options are also noted in the write-up. If there is any problem accessing this link try copying it in your browser. Chapter members have received details on registration for the Program in a direct email message. Should you have any questions regarding the Program or with the link, please call or Email Rocky Shankar, our Chapter President at: ROCKY SHANKAR:
Telephone: 516-349-2050 or Email: rocky.shankar@pseg.com

Details for Attending the Long Island Chapter Seminar

Please refer to notes outlined below for details on our Seminar Time, venue, dress-code, breakfast/lunch offerings and other details pertaining to all programs.

This information is supplied to aid in use of the Chapter Program schedule. Please note that every effort is made to accommodate the needs of all attendees. Contact any Chapter officer/board member with your comments and needs to make the programs a professional experience.

**Continental Breakfast:** Served at 8 AM

**Lunch:** Usually served at 12 PM

**Dress:** Business Casual

**Venue** – Program is held at the **Melville Marriott** in Melville, Long Island. There is ample on-site parking and the Marriott is convenient to Old Country Road, the Northern State Parkway, Long Island Expressway and Route 110.

**Program Cancellation** – Over the years, only a few cancellations have occurred (hurricanes, snow days). A direct telephone number to the Marriott is: **(631) 423-1600**. All events are rescheduled.

**Registration for individual events** – Generally opens 20 days prior to each event. Registration information is emailed to Chapter members and will appear in the Chapter Newsletter. For more information go to OUR Chapter website: https://chapters.theiia.org/long-island/Pages/default.aspx

**CPE/CPD Certifications** – Attendees who participate in a program will receive a CPE/CPD certificate and be registered to receive credit for use in their certification needs, as appropriate.
Chapter Volunteers

If you would like to volunteer within the Long Island Chapter please do not hesitate to contact me - (Rocky Shankar at rocky.shankar@pseg.com).

Long Island Chapter 2017/2018 Upcoming Programs

Below is the program schedule for the remainder of the 2017/2018 Chapter year.

<table>
<thead>
<tr>
<th>Date/ Location</th>
<th>Format CPE/ CPDs</th>
<th>Topic</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 27, 2018</td>
<td>Full Day</td>
<td>Annual Conference</td>
<td>Member - $150</td>
</tr>
<tr>
<td>Friday</td>
<td>(Breakfast and Lunch)</td>
<td></td>
<td>Non-member - $200</td>
</tr>
<tr>
<td>Melville Marriott</td>
<td>8 CPE/CPDs</td>
<td></td>
<td>Student - $30</td>
</tr>
</tbody>
</table>

Continental Breakfast is served at 8:00 a.m. Registration for individual events generally opens 20 days before each event. For more information go to: https://chapters.theiia.org/long-island/Pages/default.aspx
Roving Signature Stamp

Poor internal controls cost transit entity $250,000

By: John E. "Jack" Little, CFE, CPA; Jason H. Grossman

Pamela Johnson, a low-level accounts assistant, had a hidden gambling problem and the trust of the Tompkins Consolidated Area Transit. Here's how she exploited her employer's confidence and how the external auditors actually discovered the devastating three-year fraud.

The Tompkins Consolidated Area Transit (TCAT) controller sat at his desk looking at the document request for JTD Enterprises from an external independent auditor. "I didn't know we had a vendor named JTD Enterprises," he said to himself. This was the beginning of many difficult days when TCAT learned that nearly a quarter of a million dollars was missing from its coffers.

TCAT is a private, not-for-profit organization that provides public transportation for Ithaca and Tompkins County, New York. Three primary funders — the City of Ithaca, the County of Tompkins and Cornell University — support TCAT. Three representatives of each entity comprise the nine-member board of directors. The 2015 operating budget was approximately $13.5 million. TCAT has about 120 employees.

In March of 2014, that inquisitive external independent auditor discovered a TCAT accounts assistant, Pamela Johnson, a TCAT employee since 2009, had diverted nearly $250,000 in cash out of TCAT accounts from 2010 through 2013 via a fraudulent check scheme. Because of a lack of adequate safeguards in the internal control system, she was able to create a fictitious vendor — JTD Enterprises — within the accounts payable system without prior approval.

During the three-year period, she submitted approximately 65 fictitious invoices in the JTD name for payment. Management later determined that she used the TCAT general manager's signature stamp to sign all the checks. She deposited those checks to a bank account in her husband's business name, Johnson Tool Design, which she had access to and controlled.

Where were the auditors?

Thankfully, the independent auditing firm found this fraud during its routine annual audit of the 2013 financial statements (although the fraud was already three years old). However, often when an auditor doesn't discover a fraud, the members of the board of directors will commonly ask, "Where were the auditors?" This is because of the common misconception that an external auditor is responsible for preventing and detecting all fraudulent behavior. Let's look a bit deeper.
External auditors, when planning audits, are required to follow the AICPA's Auditing Standard AU Section 312, "Audit Risk and Materiality in Conducting an Audit," which encompasses the overarching consideration of materiality judgments and procedures for audit risks that auditors must complete. Auditors are supposed to use AU 312 to plan their audits so they can be reasonably sure that financial statements are free from material misstatements, regardless of whether these misstatements were caused by error or fraud. (The standard outlined in AU 316 — that auditors' use in conjunction with AU 312 — defines fraud as an intentional act resulting in a material misstatement in financial statements.)

According to AU 312.07, two types of misstatements resulting from fraud are relevant to the auditor's consideration in conducting a financial statement audit: those resulting from fraudulent financial reporting and from the misappropriation of assets, also known as theft. (In a broader definition of fraud, the ACFE's Fraud Tree provides three major classifications: corruption, asset misappropriation and fraudulent misstatements.)

AU 312.03 says that the concept of materiality "recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles, while other matters are not important. In performing the audit, the auditor is concerned with matters that, either individually or in the aggregate, could be material to the financial statements."

The key concept that the standard notes is that an auditor is able to obtain "reasonable, but not absolute, assurance that material misstatements are detected" (AU 312.02). This implies that — based on the auditor's judgment of materiality — the auditor is only responsible for items or inconsistencies that are independently, or in their aggregate, larger than that materiality threshold.

Because of the importance of materiality in an audit, another statement, Financial Accounting Standards Board (FASB) Statement of Financial Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information, further delves into this topic. No. 2 defines materiality as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement".

Hence, the calculation of materiality in planning the audit becomes a matter of the auditor's professional judgment, although the auditor can alter that judgment during the course of the audit when he or she discovers new or updated information. (Fraud examiners, as compared to auditors, search for evidence of fraud and not necessarily materiality after they determine predication. A fraud examination is a methodology of resolving signs or allegations of fraud from inception to disposition using the fraud theory approach. For more information see the 2015 Fraud Examiners Manual, "Fraud Examination Methodology," 3.104.)

Based on court documents we obtained from the Tompkins County Courthouse, below summarizes the total annual amount of each year's fraudulent activity.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$1,670</td>
</tr>
<tr>
<td>2011</td>
<td>$42,914</td>
</tr>
<tr>
<td>2012</td>
<td>$68,893</td>
</tr>
<tr>
<td>2013</td>
<td>$132,999</td>
</tr>
<tr>
<td>Total</td>
<td>$246,476</td>
</tr>
</tbody>
</table>
Responsibility of the board of directors and management

The board of directors of any entity plus management have total responsibility to design, implement and maintain a sound system of internal controls within a strong control environment. The Committee of Sponsored Organizations of the Treadway Commission (COSO) has laid out an integrated framework for organizations to follow to help create or maintain an effective internal control system and environment.

The five crucial parts of this framework include control environment, risk assessment, control activities, monitoring activities, and information and communication. The control environment is the tone of the organization, which management and the board primarily promulgate.

The control environment serves as a base for the rest of the internal control system because in order to implement and maintain a system there have to be strong and ethical leaders passing these values down the chain of command.

In a good risk-assessment process, management objectively analyzes its organization and identifies potential threats and risks to the system and plans to determine how to alleviate those risks.

The control activities component of the COSO framework includes proper segregation of duties with no overlap between authorization, recording and custody. COSO also stresses the importance of monitoring an established internal control system. This process considers the quality of the system over time by examining the daily management of employees and actual performance of duties.

The monitoring process also attempts to reduce the prevalence of internal control deficiencies and communicates those issues to the board when needed. Finally, the information and communication component of the COSO framework is persistent throughout the other four parts. An internal control system will only work when an organization captures and processes the correct information and then regularly communicates it to the proper parties. The key to the entire system's efficiency is ensuring accuracy and timeliness.

After the team completes the control evaluation, the independent auditor should decide if the controls are strong enough to rely on, whether there should be more internal control testing or if they will take a purely substantive audit approach.

Two fatal flaws

In TCAT's case, two substantive flaws in the system of internal controls in the procurement process allowed for the implementation of Johnson's scheme. Johnson was able to create a fictitious vendor in the payable system. As an accounts payable assistant, she shouldn't have had the authority to create a new vendor, without an approval from a manager at least one level higher in the organization.

At a minimum, TCAT's controller should have had to approve JTD Enterprises as a vendor. Of course, this basic lack of segregation of duties for the expenditure cycle allowed Johnson to perpetrate her fraud.
The second internal control blunder was that Johnson could access and use a signature stamp to sign checks made payable to JTD Enterprises. Clearly, any organization should secure its signature stamp under lock and key and make it available to a select few top managers. TCAT only intended for its general manager, whose signature was on this stamp, to sign checks. He should have kept it under his control and documented in writing who should have access to it in his absence; Johnson certainly wouldn't have been on that list.

On April 3, 2014, the TCAT board of directors published this statement on the TCAT website and in Mass Transit Magazine: "The TCAT Board of Directors and the TCAT management team are taking their obligations very seriously in the wake of these grave allegations. … The TCAT board and management team are firmly committed to ensuring that such incidents do not occur in the future. We are reviewing all of our accounting processes and will implement all necessary changes."

**Fraud Triangle analysis**

At least two sides of the Fraud Triangle are evident in this case. Johnson's attorney, Frank Policelli, said publicly that she has a gambling addiction. Johnson would be at a casino "from a Friday to a Monday," said Policelli at a December 2014 court hearing before Tompkins County Judge John C. Rowley, according to an Ithaca Voice article. "Policelli says that Johnson is essentially a good person who suffered from 'compulsive … pathological' gambling problems," according to the Ithaca Voice article.

We believe that this gambling addiction probably created an _unshareable pressure_ — a financial burden on Johnson — that led her to commit her fraudulent acts.

And she obviously had the _opportunity_ because of the lack of internal controls in her TCAT responsibilities. The ability to create new vendors in accounts payable systems linked together with access to a signature stamp is a deadly combination for fraud.

We haven't heard yet about her _rationalization_ behavior — whether she intends to repay the funds or if she felt she was underpaid or underappreciated.

**One sharp prosecutor**

On April 2, 2014, the Tompkins County District Attorney's office, spearheaded by Assistant District Attorney Dan Johnson (no relation to the fraudster) filed second-degree grand larceny charges against Johnson. She pleaded not guilty to the charges, and she was later set free on her own recognizance.

Following her not-guilty plea, the assistant district attorney determined that Johnson and her husband, Robert A. Johnson, held a variety of assets, including bank accounts, pension assets and real property in Cortland, New York. He petitioned Supreme Court Judge Robert C. Mulvey for an _ex parte_ order of attachment against $247,785 of assets owned by the couple.
Court documents showed that on May 21, 2014, Mulvey granted, in part, the assistant district attorney's request for the *ex parte* order of attachment, which effectively froze sufficient assets to satisfy a future order of restitution in the criminal case.

**Resolution and changes at TCAT**

On June 24, 2015, Judge John Rowley sentenced Johnson (after she changed her plea to guilty to second-degree grand larceny) to serve 90 days in the Tompkins County jail, 90 days under house arrest and five years of probation. "I think it's lenient. I'm not even sure it is appropriate," Rowley said. Full restitution of the $247,785 is assured because of the court's earlier *ex parte* order of attachment ruling. The county also has recovered the proceeds of recent real property sales by Johnson and her now ex-husband, held them in escrow and forwarded them to TCAT.

The court awarded the reimbursement of legal and audit costs incurred by TCAT — $7,200 and $29,898 — respectively, to TCAT. Per New York state law, this restitution can't come from the funds already held by the county from the *ex parte* order of attachment. Hence, TCAT has to collect this judgment.

TCAT engaged a Rochester, N.Y., forensic auditing team to evaluate the internal controls and systems in place at the organization. Here are some of the improved procedures that emerged from that process:

1. A purchase requisition is now required to generate a purchase order.
2. All purchase orders are now attached to the accounts payable invoices.
3. Management reviewed and modified employee access levels to the accounting system.
4. TCAT removed inactive and obsolete vendors from the accounts payable system.
5. The front office staff now opens the daily mail, makes a list of any checks received and restrictively endorses all checks.
6. TCAT implemented password security procedures for the computer system.

Ironically, the external forensic auditing team didn't mention the wandering signature stamp in its recommendations.

Nobody can dispute that a low-level accounts assistant duped TCAT. But it can take certain comfort that its board of directors and management acted decisively after the external independent auditors discovered the fraud. They allowed the auditors to investigate to determine the full extent of the defalcation. They then brought in forensic experts to validate the auditor's findings and make recommendations. Management quickly implemented those controls. Throughout the process, the board and management were transparent, publicly admitted responsibility and promised immediate action. They collaborated with the county district attorney to prosecute the embezzlement and ultimately received restitution in full.

This incident was certainly a painful learning experience for the organization. As TCAT's assistant general manager said in an Ithaca Journal news article "Johnson's theft was not a crime against an individual, but against a whole community."
John E. "Jack" Little, CFE, CPA, is the senior lecturer of accounting at the Dyson School of Applied Economics and Management at Cornell University in Ithaca, New York, and a local practitioner. He's a former managing partner at the Ciaschi, Dietershagen, Little, Mickelson & Company CPA firm. His email address is: jack.little@cornell.edu.

Jason H. Grossman recently graduated from the Dyson School of Applied Economics and Management at Cornell University with a Bachelor of Science in Accounting and Finance. He works in the New York City office of Ernst & Young and recently completed all four parts of the Uniform CPA Exam. His email address is: jhg275@cornell.edu.

The Long Island Chapter would like to thank Mr. Jack Little and Mr. Jason Grossman for allowing us to reprint this fraud article in our Newsletter.
CERTIFIED INTERNAL AUDITOR (CIA) EXAM PREP

Earn the most sought-after credential in the global internal audit profession! **Become a Certified Internal Auditor (CIA)!** There is no better way to prepare for the CIA Exam than with Pace University’s CIA Exam Prep Course. The CIA Prep Course is based on the **IIA’s New CIA Learning System (version 4.0)** which has been updated and enhanced to teach the entire **3-Part CIA exam syllabus**. This premier CIA Exam preparation and professional development program delivers the global CIA exam syllabus in a blended learning format of customized workbooks and web-based learning software. Expert instructors will lead you through the entire CIA exam syllabus in a structured and interactive live classroom environment to ensure that you understand and can apply the critical CIA topics. Prepare to pass the CIA Exam and arm yourself with critical tools and knowledge to excel in your internal audit career.

**THE IIA CIA LEARNING SYSTEM MATERIALS INCLUDE:**

- Easy to-understand print modules that corresponds to the new three-part CIA exam
- Extensive content organized by sections so you can tailor your studies to meet your needs
- A pre-test to assess initial level of knowledge and develop a customized study plan
- Section-specific questions to reinforce concepts
- A post-test to gauge what you have learned and identify the areas requiring further study
- A final review test encompassing all review questions for additional exam practice
- eFlashcards and glossary to review important terms
- Resource Center providing additional references

[Click Here](#) to register for the CIA Exam.

**CIA Exam Prep Classes**

- [Certified Internal Auditor CIA Exam Prep, PART 1: Internal Audit Basics](#)
- [Certified Internal Auditor CIA Exam Prep, PART 2: Internal Audit Practice](#)
- [Certified Internal Auditor CIA Exam Prep, PART 3: Internal Audit Knowledge Elements](#)
NEW! Ethics CPE Requirement

Starting this year, two of your CPE/CPD credits must be earned in Ethics. The IIA currently provides Ethics for Internal Auditors, an OnDemand course that can help you obtain these CPE. The IIA and the Long Island Chapter will be adding additional ethics training options throughout 2018 and beyond.

NEW! Changes Coming to the CIA Exam Syllabi

A recent job analysis confirmed the need to update the CIA exam syllabi to more closely align with the evolving responsibilities of today’s leading internal auditors. Changes to the exam take effect in January 2019. 
Learn more about how the CIA exam will be changing

New! Assurance Guidance Released

This new Practice Guide walks readers through how to create a visual to understand where assurance gaps and duplications exist. It also provides an overview of how to identify assurance service providers and sources of risk information. 2.27, .26, 7.1, 0

Download the Practice Guide now

Insights to Quality: Successful Internal Audit Practices

The IIA’s quality assessment teams are reporting seeing evidence of successful internal audit practices with the help of The IIA’s core principles. These emerging trends demonstrate alignment with organizational activities, objectives, and risks, and provide valuable context for reported observations.

Download Insights to Quality for tips on successful practices
Internal Audit in the Age of Disruption

By focusing on assurance, engaging with subject-matter experts, investing in training and disruptive technologies, putting new technologies to work, and providing insight into emerging risks and opportunities, internal audit may be seen as a key asset in helping the organization to harness the power of disruption.

Download the free report now

Get Ahead of the Domino Effect

Knowing how, when, and where to conduct risk assessments can save your organization from triggering a domino effect of missteps. Get ahead of looming threats by ordering your copy of the 2nd Edition of The Internal Auditor’s Guide to Risk Assessment.

Pre-order your copy now

Crisis Resiliency: Missed Conversations, Misplaced Confidence

Most boards of directors believe their organizations could deal effectively with crisis. Most are probably wrong. Here’s why … and what to do about it. Read the latest issue of Tone at the Top.

Download now
### Upcoming Training Opportunities

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<th>Topic</th>
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<td>The Effective Auditor: Understanding and Applying Emotional Intelligence</td>
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<td>Apr 3-12</td>
<td>Assessing Risk: Ensuring Internal Audit’s Value</td>
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<td>Apr 3-26</td>
<td>CIA Learning System Comprehensive Instructor-led Course — Part 2</td>
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### Long Island Chapter 2017 – 2018
Officers and Board of Governors

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<tr>
<th>Officers</th>
<th>Title</th>
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<tbody>
<tr>
<td>Rocky Shankar</td>
<td>President</td>
</tr>
<tr>
<td>Lauren Agunzo</td>
<td>EVP &amp; Treasurer</td>
</tr>
<tr>
<td>Biju Beegum and Andrea Reece</td>
<td>VP &amp; Assistant Treasurer</td>
</tr>
<tr>
<td>Anthony Cervoni</td>
<td>VP &amp; Chief Information Officer</td>
</tr>
<tr>
<td>Carolyn Leahy</td>
<td>VP &amp; Assistant Chief Information Officer</td>
</tr>
<tr>
<td>Robert McNair and Vincent Colletti</td>
<td>VP &amp; Operations Officers</td>
</tr>
<tr>
<td>Brian Austin</td>
<td>VP &amp; Membership</td>
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<tr>
<td>Jeffrey Speed</td>
<td>VP &amp; Secretary</td>
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<thead>
<tr>
<th>Board of Governors</th>
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<tbody>
<tr>
<td>Ellen Caravella</td>
<td>Past President</td>
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<tr>
<td>Ernest Patrick Smith</td>
<td>Past President</td>
</tr>
<tr>
<td>Brian Blisard</td>
<td>Governor</td>
</tr>
<tr>
<td>Lucille Brower</td>
<td>Governor</td>
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<tr>
<td>Roy Garbarino</td>
<td>Governor</td>
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<tr>
<td>Ronald Goldman</td>
<td>Governor</td>
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<tr>
<td>Pinak Guha</td>
<td>Governor</td>
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<tr>
<td>Larry Karp</td>
<td>Governor</td>
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<tr>
<td>Prabhat Kumar</td>
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<tr>
<td>Michael Lanning</td>
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<td>Joel Lanz</td>
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<tr>
<td>Maria Michaelson</td>
<td>Governor</td>
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<tr>
<td>Lauren Nichols</td>
<td>Governor</td>
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<tr>
<td>Russ Safirstein</td>
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<tr>
<td>Alice Seoylemezian</td>
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<tr>
<td>Bob Skirkanich</td>
<td>Governor</td>
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<tr>
<td>Rita Thakhar</td>
<td>Governor</td>
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<tr>
<td>Chris Wright</td>
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<tr>
<td>Raquel Marin-Oquendo</td>
<td>District Representative</td>
</tr>
<tr>
<td>Neil Frieser</td>
<td>District Advisor</td>
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<tbody>
<tr>
<td>Dawn Scala</td>
<td>Historian</td>
</tr>
<tr>
<td>Chris Cariello</td>
<td>Website Administrator</td>
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<tr>
<td>Biju Beegum</td>
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<td>Lauren Nichols and Roy Garbarino</td>
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<td>Ellen Caravella</td>
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<td>Russ Safirstein</td>
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