SOCIAL MEDIA RISKS AND AUDIT CONSIDERATIONS

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Agenda

• What it is and Why it Matters
• Key Risks
• Key Audit Considerations
• Resources
• Questions/Comments
Please Note:

• Thoughts expressed are our own

• Content and views do *not* necessarily represent positions, opinions, etc. of City National Bank

WHAT IS IT? WHY DOES IT MATTER?
Definition

• A set of technologies and channels targeted at forming and enabling a potentially massive community of participants to productively collaborate.

  - Gartner

Just how Massive?

• Facebook (as of 12/2012)
  • 1.06 billion active users, 618 million daily active users

• Google+ (as of 12/2012)
  • > 500 million users, > 230 million active users

• Twitter (as of 12/2012)
  • > 500 million users, > 200 million active users

• LinkedIn (as of 1/2013)
  • > 200 million users
  • Does not reveal number of active users

Stat Sources: Facebook, Google, Twitter, Mashable, c|net, AllThingsD
Popular Social Media Sites

- Facebook
- Google+
- Twitter
- YouTube
- FourSquare
- LinkedIn
- TripAdvisor
- Yelp
- Pinterest
- Flickr
- Meetup
- So many more...

Source: PCWorld, 1/2013
Pervasive for Consumers...

• Usage enhanced by mobile revolution
• Value in interaction, sharing content
• Content shared ranges widely, often extension of individuals
• Good Example:
  • Twitter and the Super Bowl in 2013

Pervasive in and for Business

• Sales/Marketing
  • Social media analytics
  • Sales leads and ‘listening’ via social media
• Customer Service
  • Segment of support staff dedicated to social media
• Recruiting
  • Sourcing prospective hires
• Internal to Organizations
  • Blogs and info sharing via intranet
  • Wikis via SharePoint
Pervasive in and for Business

- **Fortune 500 Adoption** (Source: Univ. of Massachusetts at Dartmouth, 2012)
  - 73% now use Twitter (have an official corporate account with tweet activity in the previous month), up 11 percentage points (or 17.7%) from the 62% that did so in 2011.
  - 66% have a corporate Facebook page, up 8 points (or 13.8%) from the 58% that did so a year earlier.
  - 28% have a corporate public-facing blog from the primary corporation with posts in the previous 12 months, up 5 points (or 21.7%) from the 23% that did so in 2011.

Guess the percentage of Congress using Twitter
Twitter Adoption by U.S. Congress

- All 100 Senators
- 90% of House of Representatives
- Numbers have increased dramatically in the past two years: When the 112th Congress began in 2011, 44% of the Senate and 35% of the House were on Twitter.

Source: Twitter (official) blog

Useful and Innovative Uses

- Tracking the flu (Johns Hopkins)
- Disaster relief (Hurricane Sandy)
- Benefits to law enforcement (US and EU)

- Trends
  - Linking social and financial services
  - Graph Search for Facebook
  - Pinning and Pinterest
RISKS OF NOT ADOPTING SOCIAL MEDIA

Risks of Not Adopting Social Media

• Miss opportunity to solidify company brand/image
• Yield competitive advantage
• ‘Listen-Only’ mode cedes control of conversation and mindshare (linked to spending decisions)
• Miss out on customer interaction, incl.:
  • Quick and cost-effective customer feedback on pilot programs
  • A survey says consumers unsatisfied that more businesses don't use social media to communicate
  • 70% of consumers surveyed said they’re looking for information and communication on social networks
  • Companies failing to get on board are putting themselves at risk
KEY RISKS OF ADOPTING SOCIAL MEDIA

Key Risk: Reputational Damage

- Because inherent to social media is lack of control to one voice. No one person or organization controls a conversation.
- Potential for damage magnified by:
  - Relative anonymity
  - Less accountability
  - If it’s put online, assume it will live on
Social Media Embarrassments

- McDonald's
- Nestle
- American Red Cross
- Celeb Boutique
- StubHub
- Chrysler
- Gap
- Honda
- FedEx
- El Monte City Council

Key Risks: Security, Privacy, Confidentiality

- Hotbed and logical launchpad for viruses, malware
- Hijacked account is exposure to customers
- Advanced techniques involve messages (e.g. Facebook inbox or Twitter direct messages/tweets) from **known, trusted sources** unaware of compromise
- Social games and media-sharing sites are notorious as sources of origination
- When in doubt, leave it out
- Examples:
Either Mark Zuckerberg Got A Whole Lot Less Private Or Facebook's CEO Doesn't Understand The Company's New Privacy Settings.

When Facebook's new privacy settings were rolled out yesterday, many privacy gurus complained that the default setting was for "Everyone" to have access to your Facebook profile, meaning users had to be proactive about limiting access to their accounts. The Electronic Frontier Foundation said the "new 'privacy' changes are clearly intended to push Facebook users to publicly share even more information than before."

Facebook CEO Mark Zuckerberg either missed that article or doesn't care. Back in October, I checked the Facebook profiles of the Facebook executive team, and found their privacy settings to be quite high. I wrote of Zuckerberg's profile at that time:

Source:

Oops. Mark Zuckerberg's Sister Has A Private Facebook Photo Go Public.

Being a member of the Facebook founder's family won't protect you from having your privacy breached on the social network. On Tuesday night, Randi Zuckerberg — older sister to Facebook's CEO — posted a photo from a family gathering to Facebook (of course), showing her sisters using Facebook's new Snapchat-esque ' Poke ' app on their phones, with Mark Zuckerberg watching with a confused look on his face. It popped up on the Facebook newsfeed of mediator Colissi Schweitzer who subscribes to Zuckerberg. Assuming the photo was a public one, Schweitzer tweeted it to her nearly 40,000 Twitter followers. Zuckerberg was not pleased.

Source:
Key Risk: Loss/Theft of Intellectual Property and Trade Secrets

- Unauthorized release of IP data via social media among the biggest risks
- Copyright Infringement
  - Digital files/media shared via social media
- Social Engineering
- Security concerns apply (e.g. simple account hack may reveal classified information)

Key Risks: Legal, Compliance

- Handling of customer data
  - Regulations for archiving customer interactions
  - Laws governing collection and retention of customer geolocation data, demographics
- Contests and sweepstakes
- Endorsements and testimonials
- Defamation lawsuits abound
  - Avoid what may be considered factual statements. Present opinions.
WHAT TO CONSIDER DURING AN AUDIT OF SOCIAL MEDIA

Key Consideration: Governance

- Identify stakeholders and owners
- Strategy, policies and procedures
- Legal and compliance
- Training program
- Monitor and Audit
- Use existing control processes
  - Crisis guidelines / incident response plan
  - Existing security tools and technology
- Vendor management
- Human resources
- Evaluation and reporting
Key Consideration: Policies & Procedures

Key Elements:
- Purpose and scope
- Authorized social media channels and official sites
- Authorized users and administrators
- Authorized applications and tools
- Acceptable content – posting and commenting guidelines (business and personal)
- Disclaimers by nature/extent of use (business and personal)
- Integration with existing policies
  - Acceptable use (business and personal)
  - Privacy
  - IT security policies
- Managing access

Key Consideration: Access

- Who has access?
- What has access? (e.g. Apps)
- On which devices?
- Using which e-mail address(es)?
- Which password is used?
- Are privacy settings appropriate?
- Is social gaming permitted internally?
- Are shared links enabled internally?
Key Consideration: Access

- Social account ownership/management:
  - Periodically verify users, administrators, e-mail addresses, password strength and reset options, apps that are authorized to access, devices with client apps, privacy settings of top-level account and admins
  - Use official site help guides (settings often change)

Key Consideration: Legal and Compliance

- FTC - Endorsements and testimonials in advertising
- FFIEC - Social media guidance
- FINRA – Social media guidance
  - Compliance requirements apply to electronic communications
    [http://www.finra.org/industry/issues/Advertising/p006118](http://www.finra.org/industry/issues/Advertising/p006118)
  - Compliance requirements specifically apply to blog and social media- Regulatory Notice 10-06
- SEC – Social media guidance
  [http://www.sec.gov/about/offices/ocie/riskalert-socialmedia.pdf](http://www.sec.gov/about/offices/ocie/riskalert-socialmedia.pdf)
Key Consideration: Training

- Elements of a social media training program:
  - Start with business needs
  - Social etiquette and accountability
  - Caution on risks
  - Suggest incorporation of best practices
  - Include social engineering
  - May want to include internal collaborative tools
  - Emphasize acceptable use and prohibitions per social media policy
  - Make mandatory and periodic

Key Consideration: Monitoring

- Keep up with: Followers, Mentions, Questions, Issues
- Tools to facilitate monitoring the brand:
  - TweetDeck and HootSuite are good examples for starters, plenty other advanced enterprise-level tools available
  - Google Alerts are a good tool for WWW mentions
  - Sticking to native sites is less risky but not as efficient
  - Tools tend to offer better analytics capabilities
  - Remember: Access security is key with third-party tools
- Monitor comments/interactions against guidelines
- Applies to all social sites, incl.: YouTube, Google Plus Reviews, Yelp, blogs on own website
Resources

• **ISACA** Social Media Audit Program

• **IIA** (http://www.theiia.org, http://www.AuditChannel.tv)

• **FFIEC** Press Release and Proposed Social Media Guidance

• **FINRA** (http://www.finra.org/)

• **SEC** (http://www.sec.gov)

• **FTC** (http://www.onguardonline.gov/)

• **FBI** List of Social Networking Resources

QUESTIONS?
THANK YOU!