President’s Message
Amy Lyons

Loving that March is here and hoping Spring is right around the corner. With only three more opportunities to earn CPEs this chapter year, I am excited about the training line-up. Leita Hart-Fanta is one of my favorites; she facilitates the training keeping attendees involved and eager to learn more. Always a successful and fun training. April brings our joint meeting with the Central Chapter and Tom Esch, “ Courageous Dialogue – Tools for Talking When Stakes are High”. Finally, May provides a Risk Assessment training just in time as many of our members begin the ‘Annual Plan’ process for the upcoming fiscal year. I am hoping to have a lot of takeaways to assist with brainstorming Department’s risks.

Have you seen what’s NEW on the IIA website? The IIA is excited to announce the American Center for Government Auditing (ACGA), an exclusive membership program that services public sector/government auditors with timely and relevant thought leadership, industry news, training, and networking opportunities.

The ACGA membership will include a host of services focused exclusively on government auditors’ needs:

- Guidance and Resources
- Thought Leadership and Research
- Industry News
- Networking Opportunities
- Training and Career Development

I invite you to check it out, if you haven’t done so!!

BIRTHDAY. Happy 40th birthday to former Chapter President and current Second Vice President Jay Wagner! Jay’s wife Catrina is too good to him – she surprised him with round trip tickets to Florida. Have a great time Jay and we’ll look forward to hearing about your trip next month.

JAPAN. Board member Bill Sampias went to Japan to visit his son Wes who is going to school there. Bill and his wife Sandy were gone two weeks and also visited China.

How to Conduct Performance/Operational Audits

<table>
<thead>
<tr>
<th>How to Conduct Performance/Operational Audits</th>
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<tbody>
<tr>
<td><strong>Speakers:</strong></td>
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<tr>
<td>Leita Hart-Fanta</td>
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<tr>
<td><strong>Date:</strong></td>
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<tr>
<td>March 20, 2014</td>
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<td><strong>Time:</strong></td>
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<td>8:30a – 4:15p</td>
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<td><strong>Lunch:</strong></td>
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<td><strong>CPE:</strong></td>
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<td>7 hours</td>
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<td><strong>Members:</strong></td>
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<td><strong>Non-Members:</strong></td>
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<td><strong>Students:</strong></td>
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<tr>
<td>$20</td>
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<td><strong>Registration:</strong></td>
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<td><a href="mailto:springfield.iia@comcast.net">springfield.iia@comcast.net</a> by 3/17/14 or Emily Durbin at 782-3324</td>
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<tr>
<td><strong>Northfield Center</strong></td>
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Conducting Performance Audits
Tracy Allen, CPA, CISA

Our March 20th training will herald the return of a Chapter favorite, Leita Hart-Fanta, CPA, CGFM, CGAP, Ms. Yellowbook herself! Leita will teach us how to conduct a Performance/Operational Audit yellowbook style. You will earn 7 CPEs, eat a good meal and learn a logical step-by-step approach to audit any subject matter against given criteria including how to:

- Determine the scope of your audit
- Describe what the IIA and the GAO have to say about performance audits
- Set clear objectives and sub-objectives
- Design actionable audit program steps to minimize fieldwork

Leita makes finance and auditing fun and easy. She converts the complex topics of accounting, finance, auditing, and budgeting into information that professionals can absorb and use. She has also authored several publications including: Accounting Demystified, The Four Principles of Happy Cash Flow, CPE self-study manuals and an online course for Texas State University.

Leita is an experienced facilitator, having led over 800 seminars. She has also keynoted numerous conferences and developed over 25 distinct courses and speeches. Leita has owned and operated AuditSkills, a training and professional development company, since 1995. She founded Yellowbook-CPE.com – a site for self-study CPE for governmental auditors – in 2009. Leita writes a monthly column for Single Audit magazine. She is a graduate of the University of Texas at Austin with a bachelor’s in business administration.
Springfield IIA Chapter

CHAPTER HISTORY

Five Years Ago: March 2009

Jay Wagner, CIA, CISA, served the Chapter as its President. Our Chapter was created on March 9, 1978, and celebrated its birthday this month!

- TRAINING. This month’s speaker was Stephen W. Minder of YCN Group speak on the updates of the IIA’s International Professional Practices Framework. Steve will discuss what has changed, what is required, and tools available to assist in the Quality Assurance Improvement Program (QAIP).
- MEMBER PROFILE. Carol Jessup, CPA, CFE, was profiled in this month’s newsletter. Carol is Associate Professor of Accounting at UIS and remains our Chapter’s Academic Relations Officer.

Ten Years Ago: March 2004

Cary Franks, MS MIS, served the Chapter as its President.

- TRAINING. The March meeting was presented by Harry Hofer, State Farm. Mr. Hofer’s lunch presentation was titled “Lessons from Grandpa Bill – Setting Goals and Adapting to Change” and his afternoon presentation was on “Effective Ways to Manage Change…”
- MEMBER NEWS. Four former employees of the Auditor General’s Office were serving as the chief internal auditors at other constitutional offices: Rusti Cummings (Comptroller), Lesslie Morgan (Attorney General), Barb Ringler (Treasurer), and John Bracco (Supreme Court). As a result of the consolidation of the internal auditors under the Governor, many chapter members had new phone numbers and addresses.

Fifteen Years Ago: March 1999

Lesslie D. Morgan, CIA, CPA, CGFM, CISA, served the Chapter as its President.

- TRAINING. This month’s meeting was located at the Northfield Center. Our guest speaker was Robert G. Kirk, who was the Department of Central Management Services’ Manager of the Bureau of Support Services. The after-dinner speaker was Dawn Smith, a graduate student at the University of Illinois getting a masters degree in Human Development Counseling. Her topic was “How to deal with Difficult People.”
- CIA EXAM. Two chapter members passed the CIA exam: Lesslie Morgan, CIA, CPA, CGFM, CISA of the Department of Insurance and Susan Pimentel, CIA, CPA of Southern Illinois University.
- GOLD. The Chapter’s race to the coveted “Gold” Chapter Achievement Program was over – the Chapter officially went “Gold” as of January 31, 1999, and it appeared that we were only the second chapter in North America to have done so.

Twenty Years Ago: March 1994

Bill Coons, CFE, served the Chapter as its President.

- PRESENTATION. Tim Johnson and Bob Linquist, CIS Solutions Inc. spoke on “Geographic Information Systems Technology.”
- TRAINING. Angela Maniak presented a two-day training workshop on "Writing Effective Audit Reports."

Twenty-Five Years Ago: March 1989

Kevin Carhill, CIA, served the Chapter as its President.

- TRAINING. This was a joint meeting with the Illinois Chapter of the EDP Auditors Association of which 59 members and guests attended. Bill Sampias, CISA, and Chuck Klawans, CISA, presented a seminar on “Computer Assisted Audit Techniques.”
- DINNER. J. Richard Schien, of Karmak Software and Computer Services, gave the dinner presentation on “Controlling Growth and Profit.” This month was the last of three half-day seminars. Ben Zemaitis, CIA, CPA, spoke on “Controlling Your Audit Project.”
- GOLD. Bob Schwarz, CISA, announced that the Springfield Chapter had become the IIA’s first “Gold” Chapter in the Chapter Achievement Program. In this first year of the Chapter Achievement Program, our Chapter came in 2nd.

Thirty Years Ago: March 1984

James R. Donkin served the Chapter as its President.

- TRAINING. Bosses’ Luncheon was at the Baur’s restaurant with the Illinois State Audit Managers and the Association of Government Accountants. Jim Reilly, Chief of Staff for Governor Thompson, was our guest speaker.
- NEW MEMBER. Evelyn Rusciolelli and Gerald Wright, CIA, were our newest members.
- CIA EXAM. Sandra King and John Schmerbach successfully completed the requirements for the professional title of CIA.
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<thead>
<tr>
<th>Date</th>
<th>Speaker</th>
<th>Program</th>
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<th>CPE</th>
<th>Members</th>
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<tbody>
<tr>
<td>8/29/13</td>
<td>Christopher Trifiletti (FBI) Tim Hungerford</td>
<td>• Morning: Cyber-Security</td>
<td>8:30 - 4:30</td>
<td>7</td>
<td>$100</td>
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<td></td>
<td>(Hungerford, Vinton, LLC)</td>
<td>• Afternoon: Fraud</td>
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<td></td>
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<td>• Meet Chapter Officers and Board Members</td>
<td>4:30 - 6:30</td>
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<td></td>
<td>• Light Hors d'oeuvres and Cash Bar (Northfield Center). RSVP by 8/27/2013</td>
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<tr>
<td>10/29/13</td>
<td>Various</td>
<td>Annual SIAAB Fall Government Auditing Conference</td>
<td>8:30 - 4:30</td>
<td>14</td>
<td>(Gov't)</td>
<td>$55</td>
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<td>11/21/13</td>
<td>Rob Cameron, CPA</td>
<td>The Impact of SAS 115 - Communication of Internal Control Related Matters Identified in an Audit.</td>
<td>12:30 - 4:30</td>
<td>4</td>
<td>$60</td>
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<td>Student Day</td>
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<td>12/23/14</td>
<td>Al Marcella</td>
<td>Privacy Compliance</td>
<td>8:30 - 4:30</td>
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<td></td>
<td>Joint meeting with ISACA</td>
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<td>02/27/14</td>
<td>George Heyman, Lucas Morris</td>
<td>• Ethics and Fraud (morning)</td>
<td>8:15 - 4:15</td>
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<td>• Avoid Headlines (afternoon)</td>
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<td>03/20/14</td>
<td>Leita Hart-Fanta</td>
<td>How to Conduct Performance/Operational Audits</td>
<td>8:30 - 4:30</td>
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<td>04/17/14</td>
<td>Tom Esch</td>
<td>Courageous Dialogue – Tools for Talking When Stakes are High</td>
<td>8:30 - 4:30</td>
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<td>$100</td>
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<td></td>
<td>Joint meeting with Central Illinois Chapter</td>
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<td>05/22/14</td>
<td>Pam Dill-McCoy (Team Mate)</td>
<td>Risk Assessment</td>
<td>8:00 - 12:00</td>
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Cancellations should be made at least 24 hours before the meeting to avoid a charge. Meetings will be held at the Northfield Center, unless noted differently.
Managers view risk management as helpful to the extent that it enables them to better manage the expectations of their key stakeholders. Accordingly, a thorough stakeholder analysis should always be the first step in any risk management process.

Risk assessments should be aimed at the likelihood to which organizational objectives will be achieved. It requires producing reliable forecasts -- which requires that managers be aware of the opportunities and their levels of risk exposure. The more realistic these forecasts are, the more likely they can be achieved.

Why does risk management often fail to deliver what is expected? Most often the culprits come down to a handful of common dysfunctions which are regularly neglected in organizations:

1. **Ask the Key Question.** Risk management discussions typically do not evolve around the question, “*How can we better manage stakeholder expectations?*” In fact, the external perspective is often absent entirely.
   - There are no risk-free organizations or error-free managers.
   - Recognize that the future is inherently uncertain and that its endless possibilities are far too complex for anyone to predict.

2. **Recognize the Limitations of Risk Assessments.** Correlations among multiple risk factors are hard to define and essential data is often missing. Therefore, predicting the future is not a science and past effectiveness of control measures is no guarantee for the future.
   - Risk assessment merely provides opinions about the future. These analyses are colored by factors such as the personal preferences, knowledge, recent experiences, and character traits of those involved.
   - Risk assessments should not only include items that potentially hamper the objectives (the risks) but also include matters that help achieve business objectives (the opportunities).

3. **Demand Integrated Management Information.** Management should not receive separate periodic reports from multiple functions regarding performance, risk exposures, and trends.
   - Management should demand single integrated reports which require the organizations’ functions to work together. Its aim should be to build a shared view of the extent to which the objectives have been achieved in the previous period and the extent to which they are expected to be achieved in the next period.
   - Management should use continuous monitoring of transactions to spot irregularities when making decisions.

4. **Make Sure Rules Are Enforceable.** The organization should insist on having clear rules that can be realistically executed in practice. Management should arrange “reality checks” when designing and implementing new rules in an effort to prevent “rules obesity” from proliferating.

5. **Create the Right Culture.** If an organization is led by a dominant individual who has little tolerance for deviating opinions, his/her primary response will be to blame rather than to learn from mistakes.
   - Consequently, staff will keep issues quiet which will create a culture where learning is not valued and where self-preservation prevails.
   - Communicating what constitutes acceptable behavior and what doesn’t, as well as the bandwidths of acceptable deviations (the risk tolerances), must be provided.
   - Management should encourage learning from errors rather than simply tearing down those responsible - a prerequisite for effective risk management.

6. **Put Your Staff in the Driver’s Seat.** If line managers, who have to balance risks and rewards when making decisions, are not adequately included in performing risk assessment, the function will tend to categorize into “lines of defense” rather than working to achieving opportunities.
   - There are alternatives to fencing off processes with lots of controls than just by adding more controls.
   - Line managers should not feel as though their duties are an after-thought or a mere distraction from their “real job” which is only based on reducing risk (as controlling risk has costs).
   - Pursuit of opportunities should go hand in hand with discussions of the risks.

7. **Use Suitable Reward Systems.** Adequate remuneration is necessary to steer people’s behaviors in the desired direction. The objectives that are established should be specific, measurable, achievable, realistic, and timely (or SMART).
1. **Quiz.** If you are driving on the road and reach a four-way signal where you get in a right turning lane to make a turn on a green light, and there is a car coming from the opposite side that also wants to turn in the same direction as you, who has the right of way (assuming no other traffic)?

2. **Serving the People.** The other day someone on TV said that they work for government because they want to serve the people and want to give back. With the exception of a few, wealthy people, I would guess that the majority who work for government do so because it pays a salary with benefits. The only people who serve are volunteers; the rest just work for a paycheck – the higher the pay, the better, as can be seen by the number of people who change jobs for a higher salary.

3. **Video.** As video technology has grown, we have seen more and more cameras being installed everywhere, from watching traffic flow to watching public places, to catching red light violators. One WSJ article said that people are already wearing tiny cameras on their clothing that record all day. They currently cost $300 but the price is going down. Also, network TV news reported that such cameras have been around for 8 years and so we may be on some of them!

4. **Economy** ([www.cnn.com](http://www.cnn.com)). Thanks to a recovering economy, the 2014 deficit is projected to be $514 billion, a drop of 27% from the previous year. The deficit will remain 3% of GDP for several more years before it increases. In 2007, the accumulated federal debt was 35% of GDP. Today it has doubled to 74%. By 2038 it will become 110%.

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**From the Editor**

ADada@auditor.illinois.gov

The Board of Governors consists of all Officers, Governors, and the past two Presidents.
Many SIM Cards Rely on ‘70s-era Technology

SIM cards are the “de facto trust anchor” of mobile devices, Security Research Labs wrote on its blog. And yet, added the German firm, it’s found a way, with just two Short Message Service (SMS) texts, to break into a mobile phone and steal information, listen in on calls and even make purchases.

SRL estimates that more than 7 billion SIM cards are in active use today and “many, if not most” rely on ‘70s-era technology that it could crack.

SRL founder Karsten Nohl told The New York Times in an interview that the process can be accomplished in two minutes from an everyday computer. “We can remotely install software on a handset that operates completely independently from your phone. We can spy on you. We know your encryption keys for calls. We can read your [SMS]. More than just spying, we can steal data from the SIM card, your mobile identity, and charge your account.”

Nohl found he was able to discover a SIM’s digital key by sending an SMS text masquerading as one sent by the phone’s wireless carrier.

While most often the phones recognized that Nohl’s phone was using a false signature and broke off the communication, 25 percent of the time the phones responded with an error message that included its digital signature – which was enough for Nohl to figure out the SIM’s digital key.

Nohl and his colleagues owned the phones that they hacked and offered some advice:

1. SIM cards need to use state-of-the-art cryptography with “sufficiently long keys, should not disclose signed plaintexts to attackers and must implement secure Java virtual machines.” While some cards already do, many still don’t.

2. Including an SMS firewall on phones could address “other abuse scenarios.”

3. Networks should implement filtering practices. “Remote attackers rely on mobile networks to deliver binary SMS to and from victim phones. Such SMS should only be allowed from a few known sources, but most networks have not implemented such filtering yet.”

Submitted by Cary Franks