President’s Message

Tracy Allen, CPA, CISA

The Standards are changing

The IIA, International Internal Audit Standards Board has announced proposed changes to the International Standards for the Professional Practice of Internal Auditing (Standards) in the following areas:

- Two new standards
- Core principles alignment
- Existing standards updates

The comment period will be open for feedback from February 1 thru April 30, 2016 at: https://global.theiia.org/standards-guidance/Pages/2016-Standards-Exposure.aspx.

Talent Management guidance

The IIA has a new Practice Guide available regarding Talent Management. It provides recommended guidance for Chief Audit Executives with regard to recruiting, development, motivating and retaining competent audit team members. While auditors with State are sometimes limited by statutes and agency policy with regard to what we can do there are still some good ideas to consider particularly in the areas of training, motivating and retaining talent in your internal audit shop. If you are an internal audit chief or want to prepare for the future, I recommend you check it out.

CIA certification review course offered

If you are interested in obtaining your CIA certification, here is an opportunity to prepare at a reduced expense. The IIA is offering a CIA review course, at a greatly reduced price, during the upcoming IIA Central Regional Conference in Nashville on May 1st – 4th, 2016. Typically the cost for a member to purchase The IIA’s CIA Learning System self-study materials on their own is US $295/part and the cost to attend this course in Nashville, which also includes the Learning System materials + instruction is only US $250/part. The per-part course fee with materials is less than if a member were to go purchase the self-study materials on their own. If you are interested in this opportunity you may contact me or Kelly.Quinn@theiia.org.

Tracy

Congratulations to Joelle Egger on accepting a position as Accounting Manager for the State Board of Elections effective March 1, 2016. Joelle has served as our chapter’s co-Treasurer for many years and is stepping down. Replacing her as the new co-Treasurer will be Amy DeWeese, CPA. Congratulations Amy!

Separately, Joelle’s position at the Department of Lottery is vacant if you wish to apply.

TRAINING

PSYCHOLOGY BEHIND FRAUD

H. Jay Wagner, CIA, CFE, CISA, First Vice President

The Springfield IIA is delighted to welcome back Dr. Joan Pastor. In March 2015, Dr. Pastor gave a phenomenal presentation on adding value through communication and collaboration. After her presentation, attendees voted on which topic they would like for Dr. Pastor to teach on her return visit, and the choice was overwhelmingly “Psychology Behind Fraud, Unethical Behavior, and White Collar Crime.”

How is it that so many people have been duped over the years and so many of the perpetrators continue to get away with it? Is there a pattern between the worst perpetrators of white collar crime and fraud and the rest of us? Absolutely. This extremely powerful presentation: 1) lays out the pattern of what creates and perpetuates white collar crime, step-by-step; 2) is for those who want to understand workplace crime; 3) gets inside the heads of the Bernie Madoffs of the world and the folks from Enron, AIG, Tyco, and others; and, 4) uses the secrets of clinical psychologists to detect (and hopefully prevent) white collar crime and fraud and the rest of us? Absolutely.

Please join us for this important seminar at Northfield Inn & Suites on Thursday, March 24, from 8:00 a.m. (7 CPE’s). Register at http://www.etouches.com/mar2016seminar.
<table>
<thead>
<tr>
<th>Date</th>
<th>Speaker</th>
<th>Program</th>
<th>Hours</th>
<th>CPE</th>
<th>Members</th>
<th>Non-Members</th>
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<tbody>
<tr>
<td>09/15/15 Tuesday</td>
<td>Raven Catlin</td>
<td>Performing Value Adding Audits</td>
<td>8:30 – 4:30</td>
<td>7</td>
<td>$105</td>
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<td>10/27/15 to 10/29/15</td>
<td>Various</td>
<td>Annual SIAAB Fall Government Auditing Conference</td>
<td>8:30 – 4:30 (last day until 11:30a)</td>
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<td>11/19/15 Student Day</td>
<td>Chris Mower, Crowe Horwath</td>
<td>Risk Assessment and Audit Plan Development</td>
<td>12:30 - 4:30</td>
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<td>December 2015</td>
<td>N/a</td>
<td>No Training Planned</td>
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<td>01/21/16 Department of Agriculture Auditorium</td>
<td>Jack Rakers</td>
<td>Risks for System Developments Facing the State of Illinois</td>
<td>8:30 - 12:30</td>
<td>4</td>
<td>FREE</td>
<td>FREE (based on space)</td>
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<td>02/25/16</td>
<td>Danny Goldberg</td>
<td>Optimized Operational Auditing</td>
<td>8:30 – 4:30</td>
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<td>03/24/16</td>
<td>Dr. Joan Pastor</td>
<td>Psychology Behind Fraud and White Collar Crime</td>
<td>8:00 – 4:00</td>
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<td>04/26/16 Tuesday</td>
<td>Mike Jacka</td>
<td>Auditing Social Media: Is the Company Controlling the Conversation?</td>
<td>12:30 - 4:30</td>
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<td>$65</td>
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<td>05/26/16</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 on Thursdays unless noted differently (i.e., joint meeting with the IIA’s Central Illinois Chapter is likely to be held outside of Springfield).
March 2011

Larry L. Stone, CIA, CCP, CRPC, served as Chapter President.

- **Training.** The chapter met at Northfield Center for a full-day seminar “The Hunt for Fraud: Prevention and Detection Techniques.”
- **Presenter.** Al Marcella, Ph.D., COAP, CQA, CSP, CFSA, CDP, CIA, from Webster University in St. Louis, an internationally recognized public speaker, researcher, seminar leader with 30 years of experience in IT audit and security and assessing controls.
- **Member News.** Tina Neely, AuditTrends, a training firm devoted to identifying and communicating the best of current internal audit practice.
- **Training.** The chapter met at Northfield Center for a full-day seminar on “Evaluating Soft Controls.”
- **Presenter.** Jim Roth, President of AuditTrends, a training firm devoted to identifying and communicating the best of current internal audit practice.
- **Member News.** Mary Fritz, who was the newsletter editor 25 years ago when her boss Bob Schwarz was the chapter President, was welcomed back when she returned to work after having slipped on ice in the parking lot.
- **After Dinner.** The after-dinner topic was “Using Self-Directed Work Teams in the Auditing Department.”
- **Presenter.** David Richards, CIA, CPA, Director of Auditing for Centerior Energy Corporations.
- **After Dinner.** Dave Richards spoke on “Integrated Auditing and Auditors.”
- **Member News.** The chapter thanked Brad Hammond (Department of Natural Resources), John Nosari (University of Illinois), and his colleagues from Illinois College and MacMurray College for their efforts in putting together the Students’ Night.

March 2006

Tina Neely, CIA, CISA, CGAP served as Chapter President.

- **Training.** The chapter met at Northfield Center for a full-day seminar on “Evaluating Soft Controls.”
- **Presenter.** Jim Roth, President of AuditTrends, a training firm devoted to identifying and communicating the best of current internal audit practice.
- **Member News.** Mary Fritz, who was the newsletter editor 25 years ago when her boss Bob Schwarz was the chapter President, was welcomed back when she returned to work after having slipped on ice in the parking lot.
- **Also, Doug Tinch, CIA, CPA, CISA, CISSP, Chapter Vice President, became IT Audit Supervisor for the Illinois Office of Internal Audit under chapter member Doris Green.

March 2001

Deanna Marvin, CIA, CISA served as Chapter President.

- **Training.** The chapter met at the Northfield Center for an afternoon roundtable on the “Fiscal Control and Internal Auditing Act.” The roundtable panel was made up of senior IIA members.
- **After Dinner.** The after-dinner topic was “Stress Reduction,” presented by Linda Boston of St. John’s Hospital.
- **Member Profile.** Richard L. Rhone, Internal Auditor/EDP Auditor, Department of Revenue, who has been an IIA member since 1998.
- **Member News.** John Cain, CIA, CISA, retired as the Chief Internal Auditor for Department of Public Aid. Previously, John had been the Chief Internal Auditor for the Secretary of State. [John passed away in 2006.]

March 1996

Mark Krell, CIA, served as Chapter President.

- **Training.** The chapter met at the Best Western for the annual Students’ Night seminar on “Using Self-Directed Work Teams in the Auditing Department.”
- **Presenter.** Richard L. Rhone, Internal Auditor/EDP Auditor, Department of Revenue, who has been an IIA member since 1998.
- **Member News.** Richard L. Rhone, Internal Auditor/EDP Auditor, Department of Revenue, who has been an IIA member since 1998.
- **Member News.** John Cain, CIA, CISA, retired as the Chief Internal Auditor for Department of Public Aid. Previously, John had been the Chief Internal Auditor for the Secretary of State. [John passed away in 2006.]

March 1991

David W. Oehmke, CIA, CPA, served as Chapter President.

- **Training.** The chapter met at the Sheraton for a seminar on “Internal Audit Education.”
- **Presenter.** Dr. Glen Summers, CPA, Professor of Internal Auditing at Louisiana State University.
- **Member News.** Frank J. Wargo, Supervisor of Fiscal Audits at the Department of Corrections, died after being stricken by an apparent heart attack at work. Frank was a member of the IIA’s Chicago Northwest Chapter but was an active participant in the Springfield Chapter’s meetings and training programs. Frank loved his work and was recognized as Mr. Internal Audit at the correctional facilities.

March 1986

William B. Winberg, CPA, served as Chapter President.

- **Training.** The chapter met at the Sangamo Club in Springfield for the annual Bosses’ Lunch which was a joint meeting with the AGA and the State Internal Audit Managers. The topic of the meeting was the “Gramm-Rudman-Hollings Legislation.”
- **Presenter.** Harry S. Havens, Assistant U.S. Comptroller General, GAO.
- **New Members.** Ray Genge, Department on Aging, Garrison Veicht, Department of Rehabilitation Services, Brenda Vost, Office of the Auditor General, Mary Sariff, Sangamon State University, and Jim Schiouch, Office of the Auditor General.
- **Membership.** Membership increased 7% this year bringing the total to 71 members.

March 1981

Vincent G. Brackett served as Chapter President.

- **Training.** This month’s seminar was “Internal Audit Importance.”
- **Presenter.** William E. Thompson, Senior Vice President, Alabama Bancorporation, Birmingham, AL.
The Government Auditing Standards established by the U.S. Government Accountability Office (GAO) require audits to test internal controls and compliance with laws and regulations that are significant to the audit objectives. Controls and compliance are interrelated—a good system of controls increases the likelihood of compliance.

**TESTING CONTROLS**

Internal control is reflected in the policies, procedures, directives, decisions, reviews, and reports. Internal controls consist of policies and procedures that are designed to ensure the following:
- Organizational goals and objectives are met;
- Resources are safeguarded, used efficiently, and reliably accounted for;
- Reliable data are obtained and reported; and
- Laws and regulations are complied with.

An agency’s control environment can be identified by its structure; methods and procedures used to accomplish goals and objectives; and by the information that it obtains, maintains, and reports. Other factors affecting controls include:
- Management’s philosophy and operating style (“tone at the top”);
- Organizational structure;
- Methods of delegating authority and responsibility;
- Methods for monitoring performance and taking corrective action; and
- Personnel policies, practices, and training.

Information about controls can be obtained by reviewing the program’s policy and procedures manuals, interviewing management and staff, and making visual observations. Actual transactions must be tested to see employees are correctly applying procedures.

Controls have a cost to them as they can increase procedures, documentation, and supervisory reviews; therefore, controls should be considered in relation to their benefits. Supervision is an important element in a system of controls since supervisory methods can prevent deficient operations.

**TESTING COMPLIANCE WITH REQUIREMENTS**

A risk assessment should be performed to determine the extent of compliance testing to be performed. A risk assessment can indicate the vulnerability of noncompliance and whether controls will prevent or detect it. Consider the following in determining whether to test a requirement:
- Are laws and regulations vague or complex?
- Do incentives of noncompliance outweigh the potential penalties?
- Are the requirements so burdensome for compliance to be expected?
- Are contractors involved and actively monitored?
- Does the activity have a significant amount of assets that are readily marketable (cash, securities, drugs) or that could be used for personal needs (tools, cars, repair parts, computers)?
- Is management knowledgeable about problems, has a constructive attitude, and has a good reputation?

The key steps in determining risk exposure are discussed below:
- Significance and Sensitivity. Significance refers to the importance of items, events, information, or problems. Frequently it is assessed in terms of dollars. Sensitivity refers to the likely response by people (e.g., legislators, news media).
- Susceptibility. Susceptibility is the likelihood of not achieving program goals, misusing resources, and not complying with requirements. Some “red flags” to be alert for include:
  - Poor internal controls.
  - High rate of personnel turnover.
  - Poorly designed or old IT systems.
  - Lack of specific performance measures, which make results difficult to measure.
  - Inadequate review of grants and contracts.
  - Inability of management to establish priorities.
- Management Support. Management should recognize the importance of internal controls and make a commitment to implement them. Auditors should consider the following:
  - Has management set the right tone by stating in writing its expectations for integrity, honesty, and impartiality?
  - Does management comply with standards that apply to other employees?
  - Is internal audit performed of agency activities?
- Competence of Personnel. Employees should have personal and professional integrity. Auditors should consider the following:
  - Are there an appropriate number of employees to accomplish tasks?
  - Have technical skill requirements been specified? Are they based on appropriate criteria and in accordance with normal requirements of the particular occupation?
  - Do employees get the necessary training?
Conducting audits is not always science but is more like art. Auditors often need to put their heads together and develop audit conclusions – i.e., what do all the audit findings really mean?

Audit conclusions are an important part of the report. Typically, such conclusions are at the beginning of the audit where they pull together all the findings to place the results in perspective. Government Audit Standards explain this in section 7.27:

• “Auditors should report conclusions based on the audit objectives and the audit findings.

• Report conclusions are logical inferences about the program based on the auditors’ findings, not merely a summary of the findings.

• The strength of the auditors’ conclusions depends on the sufficiency and appropriateness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions.

• Conclusions are more compelling if they lead to the auditors’ recommendations and convince the knowledgeable user of the report that action is necessary.”

One of our speakers at the January training seminar, Jack Rakers, IT Audit Manager for CMS Internal Audit (picture by Tracy Allen).
Humor

My first job was working in an orange juice factory, but I got canned...couldn't concentrate.

Then I worked in the woods as a lumberjack, but I just couldn’t hack it, so they gave me the ax.

After that I tried to be a tailor, but I just wasn't suited for it, mainly because it was a sew-sew job.

Next I tried working in a muffler factory, but that was too exhausting.

Then I tried to be a chef. I figured it would add a little spice to my life, but I just didn’t have the thyme.

I attempted to be a deli worker, but any way I sliced it, I couldn’t cut the mustard.

My best job was being a musician, but eventually I found I wasn't noteworthy.

I studied a long time to become a doctor, but I didn't have any patience.

Next was a job in a shoe factory. I tried, but I just didn't fit in.

I became a professional fisherman, but discovered that I couldn't live on my net income.

I managed to get a good job working for a pool maintenance company, but the work was just too draining.

So then I got a job in a workout center, but they said I wasn’t fit for the job.

After many years of trying to find steady work, I finally got a job as a historian, but there was no future in it.

My last job was working at Starbucks, but I had to quit because it was always the same old grind.

SO I RETIRED – AND FOUND THAT I AM PERFECT FOR THE JOB!

AEIOU:

- Assume the other party means well.
- Express your feelings.
- Identify what you want.
- Outcome desired should be stated.
- Understand on a mutual basis.