President’s Message
Amy Lyons

What a great start to our Chapter’s Program Year!! Our first seminar Cyber-security and Fraud was a success, definitely a FUN way to learn and earn hours.

Another great way to learn more about auditing, ideas, and challenges within our profession is to utilize the resources on the IIA website. The website offers access to standards and guidance, certification resources, the Internal Auditor articles, a monthly newsletter – Tone at the Top, as well as elearning options including access to complimentary webinars to Members Only.

Future webinars are scheduled through December: Future of Internal Audit, Business Continuity Management, Internal Audit in the Virtual World, and Ethics in the Industry. Be sure to check out https://na.theiia.org to see what is available to assist you. This is one benefit of being a member of the IIA.

Speaking of membership, be sure to renew your IIA membership before it expires. During this past seminar, we determined a few members whose membership had lapsed or will be lapsing soon. Check your membership data online and update it. The State of Illinois Government Auditing Group membership will expire October 31, 2013. If you have any questions or need assistance in renewal, please contact us at Springfield.iia@comcast.net.

Training Seminar
SIAAB Government Conference
Tracy Allen, CPA

We have a jam packed, fun filled, exciting 2 days of training coming up at the annual SIAAB Fall Conference. The first day will include speakers from: McGladrey, LLP instructing us about auditing third party vendors and service providers; the Comptroller’s Office discussing Financial Reporting and State Accounting updates and changes; the Treasurer’s Office on E-pay; the Executive Ethics Commission on Trouble Ahead: Signs of Ethics Problems on the Horizon; and Office of the Inspector General on recent updates and case decisions.

As if that wasn’t enough, a fantastic lunch will be served during which Chief Internal Auditors may attend a round table to discuss current topics.

Day two will include speakers from: BKD Management Consultant Forensics and Fraud investigations on Data Analytics for Detecting Fraud; Stephen Minder from YCN Group discussing the COSO framework and Designing the Right Plan as well as the Auditor General!

There will be another fantastic lunch catered by the Northfield Center, our host for the occasion on day 2, during which university auditors may attend a round table to discuss relevant topics. Don’t miss out, sign up!

SIAAB FALL GOVERNMENT AUDITING CONFERENCE
Speakers: Various
Date: 10/29/13 to 10/30/13
Time: 8:30 – 4:30
CPE: 14 hours
Cost: $55
Reservations: Tracy Allen (782-1003) by 10/23/13 at https://illinois.edu/fb/sec/9698278
Northfield Center

DEPARTMENT OF REVENUE VACANCY

Illinois Department of Revenue (IDOR) seeks a Chief Internal Auditor in Springfield. IDOR is an agency of 1,500 employees that is responsible for the administration of over $40 billion in taxes for the State of Illinois. Position is required to be either a Certified Internal Auditor or a Certified Public Accountant. Position reports to the Director and supervises 4 auditors and support staff.

- Candidate should have prior management experience and extensive internal audit expertise.
- Serves as a spokesperson for Director.
- Possesses full authority to commit the agency to specific courses of action.
- Interacts with external auditors.
- Provides testimony pertaining to audit findings before legislative committees.

Submit resume to Director, Department of Revenue, 101 West Jefferson, Springfield, IL 62702. Indicate application for Chief Internal Auditor on the envelope.
5 Years Ago

Jay Wagner, CIA, CISA, served as Chapter President.
- **TRAINING.** The seminar was titled “White Collar Crime” and was presented by Mark Ranck and James Watson of the FBI.
- **MEMBER NEWS.** Gary Styzens, CIA, took a vacation in England on what is known as a “narrow boat” with his fiancée Marsha Armstrong, CMS deputy director.
- **PROFILE.** A member profile was written of First Vice President Larry Stone, CISA, CCP, CRPC.

10 Years Ago

Cary Franks, MS MIS, served as the Chapter President.
- **TRAINING.** There were two seminars: “Computers, Internet, and Auditing” and “Integrating the Internet into Internal Audit” by James Kaplan.
- **MEMBER NEWS.** Second V.P. Christina K. Neely, CIA, CISA, took a position with Shared Services.
- **CIA EXAM.** Terri Rauworth passed the CIA exam.

15 Years Ago

Lesslie D. Morgan, CIA, CPA, CGFM, CISA, served as the Chapter President.
- **TRAINING.** The Chapter hosted The IIA’s State and Local Government Conference on October 20 and 21 at the Hilton. The theme of the conference was “Charting Your Course to the New Millennium – Risk and Opportunities.” This was the largest IIA State and Local Government Conference ever with 181 registrants. Special recognition went to:
  - Mike Moody, CIA, CISA – Conference Chair.
  - Ben Zemaitis, CIA, CPA, and Bill Sampias – Program Committee Co-Chairs.
  - Rusti Cummings, CPA, CISA – On-Site Committee Chair.
  - Lesslie Morgan, CPA, CGFM, CISA – Promotion Committee Chair.
  - Dianna Hathorn, CPA, and Shelly Martin, CPA – Tour & Reception Committee Co-Chairs.
- The following members also helped at the Conference: Bob Schwarz, CISA; Deanna Marvin, CIA, CISA; Mary Fritz, CIA; John Nosari, Ph.D., CIA, CPA; Karen Waters; Barb Minton, CIA, CISA; Ray Piiparinen, CISA, CPA, CPA; Brian Bond, CPA; Cary Franks, MS MIS; and Tom Fitzgerald, CISA.
- **MEMBER NEWS.** Dianna Hathorn was named the Employee of the Month by DCMS which said Dianna “is quick in her ability to understand complex issues and has a positive attitude toward employees.” Also, Brian J. Bond, CPA, who went on to serve as Chapter President, took a position as Chief Procurement Officer for DPA.

20 Years Ago

Bill Coons, CFE, served as the Chapter President.
- **TRAINING.** A two-day seminar by Gordon Smith of CANAUDIT was offered on “Auditing for Profit.”
- **JOINT MEETING.** A joint membership meeting was held in Bloomington with the Central Illinois Chapter. Robert White, Chairman of the Board, was the guest speaker.

25 Years Ago

Kevin Carhill, CIA, served as the Chapter President.
- **TRAINING.** Robert McCabe gave the dinner presentation “Preparing for a Career in Internal Auditing” at our student night dinner.
- **PROFILE.** A chapter profile was done on Kevin Carhill.
- **MEMBER NEWS.** Randy Welch was appointed the Chapter’s Associate Trustee for the IIA Research Foundation.
- **SEMINAR.** Southern Illinois University faculty on October 14 and 28 presented the second session of the internal auditor training program.

30 Years Ago

Jim Donkin, CIA, served as the Chapter President.
- **TRAINING.** Jerry Fitzgerald, Ph.D., gave the dinner presentation on “Auditing Data Communication Network, Teleprocessing and On-Line Distributive Network.”
- **AWARD.** Lillian Stevens won the early registration award at the St. Louis Central Regional Conference.
- **PROFILE.** A chapter profile was done on Jim Donkin, CIA, who went on to become the chapter president for two consecutive years.

35 Years Ago

Lisa Hall served as the President of our Chapter for 1978 and 1979.
- **MEETING.** The new Chapter held its meetings at the Top of the Arch in Springfield.
- **OFFICERS.** The officers for Chapter Year 1978-79 were Lisa Hall (President), Bob Schwarz, CISA (Vice-President), Vince Brackett (Treasurer), and John Cain, CPA, CISA (Secretary). Governors were Rudy Davenport, Darrel Burris, and Murray Lyons.
<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>8/29/13</td>
<td>Christopher Trifiletti (FBI)</td>
<td>Morning: Cyber-Security</td>
<td>8:30 - 4:30</td>
<td>7</td>
<td>$100</td>
<td>$125 Students: $20</td>
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<td></td>
<td>Tim Hungerford (Hungerford, Vinton, LLC)</td>
<td>Afternoon: Fraud</td>
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<td></td>
<td></td>
<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>September 2013</td>
<td>N/a</td>
<td>No Training Planned</td>
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<tr>
<td>10/29/13 to 10/30/13</td>
<td>Various</td>
<td>Annual SIAAB Fall Government Auditing Conference</td>
<td>8:30 - 4:30 (Gov't)</td>
<td>14</td>
<td>$55</td>
<td>$55</td>
</tr>
<tr>
<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>
<td>$75 Students: $15</td>
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<tr>
<td>✓ Student Day</td>
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<tr>
<td>December 2013</td>
<td>N/a</td>
<td>No Training Planned</td>
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<tr>
<td>01/23/14</td>
<td>Al Marcella</td>
<td>Privacy Compliance</td>
<td>8:30 - 4:30</td>
<td>7</td>
<td>$100</td>
<td>$125 Students: $20</td>
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<tr>
<td>✓ Joint meeting with ISACA</td>
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<tr>
<td>02/27/14</td>
<td>George Heyman, Lucas Morris</td>
<td>Ethics and Fraud (morning)</td>
<td>8:15 - 4:15</td>
<td>7</td>
<td>$100</td>
<td>$125 Students: $20</td>
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<td></td>
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<td>Avoid Headlines (afternoon)</td>
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<tr>
<td>03/20/14</td>
<td>Leita Hart-Fanta</td>
<td>How to Conduct Performance/Operational Audits</td>
<td>8:30 - 4:30 (Gov't)</td>
<td>7</td>
<td>$100</td>
<td>$125 Students: $20</td>
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<tr>
<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>
<td>7</td>
<td>$100</td>
<td>$125 Students: $20</td>
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<tr>
<td>✓ Joint meeting with Central Illinois Chapter</td>
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<td>5/22/14</td>
<td>Pam Dill-McCoy (Team Mate)</td>
<td>Risk Assessment</td>
<td>8:00 - 12:00</td>
<td>4</td>
<td>$60</td>
<td>$75 Students: $15</td>
</tr>
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</table>

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.
Back to the Basics

Analyzing Contracts

www.theIIA.org

Auditors may be asked to understand a contractual relationship, confirm that prices paid for goods or services are reasonable, and/or assess whether the contract terms have been met, although ultimately contract interpretation is decided by courts of law.

**CONTRACT ELEMENTS.** A contract is a legally binding agreement entered into by two or more parties, such as an owner and a contractor. There are five key contract elements:

1. **Agreement** refers to the arrangement offered by one party and accepted by another.
2. **Consideration** signifies that each party is bringing something to the arrangement.
3. **Intent** conveys that both parties intend to be legally bound by the contract.
4. **Legal capacity** indicates that the parties are authorized to enter into the contract and fulfill its terms.
5. **Formality** means the contract should be written and signed to be enforced from a legal standpoint.

**CONTRACT TYPES.** Lump sum and cost-plus are common types of contracts and each has advantages and risks.

- In lump sum contracts, the owner specifies the desired project and the contractor quotes a fixed price to complete it.
- Cost-plus contracts pay the contractor for the labor and materials plus a reasonable profit (e.g., a fee or percentage of costs). A cost-plus contract is advantageous because the project could cost less depending on which costs the owner decides to pay.

**KNOW THE BASICS.** One of the most important sections in any contract is the scope of services, which describes what the contractor is supposed to deliver.

- If specifications or requirements about the services are not defined, the contractor can use this loophole to deliver less than what the owner expected.
- The contract’s payment structure is another vital section; what has the contractor agreed to deliver? A contract that does not specify can be a problem.

**THE RIGHT TO AUDIT.** Many contracts contain a section that establishes the general conditions and rules for the contractual relationship, such as definitions of terms, each party’s responsibilities, insurance, and bonding requirements, and payment and dispute processes, as well as owner and contractor signatures. A “right to audit” clause is essential for conducting additional audit work.

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**Independence & Objectivity**

IIA Practice Guide: Independence and Objectivity

The importance of independence and objectivity has always been significant to auditors. A growing number of stakeholders demand greater transparency, increased disclosures, increased professionalism, and improved coordination among internal and external auditors.

- **Practice Guide.** The IIA’s practice guide highlights the Standards for the Professional Practice of Internal Auditing related to independence and objectivity.
- **Audit Charter.** It is also important to have a strong governing body and an internal audit charter which outlines internal audit’s responsibilities, authorities, and reporting relationships, along with access to information, people, and records.
- **Standards.** The Standard on Auditing titled “Using the Work of Internal Auditors,” states external auditors have to first evaluate internal audit’s degree of objectivity to determine reliance.
- **Social Pressure.** Social pressures may arise when an auditor is exposed to, or perceives, that he or she is exposed to pressures from external parties.
- **Relationship.** This threat may arise when an auditor is a close friend or relative of the manager being audited.
- **Hiring.** Hiring practices can also be a safeguard for independence.

For more information, go to www.theiia.org/guidance.

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Former Chapter Treasurer Cori Fuchs and her husband Marc celebrated their 40th anniversary by taking a trip to Alaska this August. They took a fully escorted Gray Line land tour from Anchorage to Denali National Park on the north and to Seward on the south. Cori described it as an “awesome” trip and noted that she has now visited all 50 states – a big milestone!
Congratulations to Nancy Burklow on passing the CIA exam! Nancy was in auditing but now has become the SPO at the Department of Revenue.

I ran into former Chapter Treasurer Ray Piparinen at DCFS where he is winding down to retirement. Ray served as our Treasurer for 12 years before he retired. He looked good, was in great spirits, and said he stays up on chapter news via our website and newsletter. Thanks Ray for your service to our chapter!

Separately, if anyone uses an older version of Adobe to register for a monthly IIA training seminar, you may want to know that a few members have had their email sent elsewhere. Chapter VP Jay Wagner found that the older version of Adobe does not pick up the last part of the link’s email address. If you have had any difficulty, please confirm your reservation with Chapter Secretary Emily Durbin.

Congratulations to Chapter member Gary Styzens on retiring from the IEPA after working for the State for 30 years. Gary is married to Marcia Armstrong who remains with CMS. They have an RV that they plan to use for trips around the country (also see the article on page 2 Chapter History – 5 Years Ago).

**CONDOLENCES**

The Chapter extends its condolences to:
- Deanna Marvin whose mother passed away recently. Deanna was President in 2000-2001 and has served on our Board of Governors since 1998.
- Cori Fuchs whose mother passed away on September 8. Cori has been a member of our chapter since 2003 and also served as Treasurer.
- Carol VanWinkle whose husband Jerry of over 40 years passed away on August 9. Carol is the Peoria county auditor who has been a member of our chapter since 2007.
- Ed Schofield whose father passed away on August 19. Ed has been a member of our chapter for 25 years.
Failure to Encrypt Data Puts Individuals at Risk
Karen A. Frenkel, CIO|INSIGHT

1. Millions of people are at risk as personal information of over 2.5 million people was put at risk by data breaches in 2012.

2. A single breach hurts thousands of individuals: the average incident involved 22,500 people.

3. Encryption is key because if data had been encrypted, over 1.4 million would have been protected and 28% of breaches would not have required notification.

4. Retail suffered the most breaches (34 incidents – 26%), followed by finance and insurance (30 incidents – 23%); and health-care (19 incidents – 15%).

5. Outsiders and unauthorized insiders committed over half (55%) of the breaches; the remaining (45%) were from failure to adopt or carry out appropriate security measures.

6. Remember to encrypt data when moving/sending data outside the organization’s network.

7. Review security measures to adapt to new threats by reviewing and tightening security controls on personal information, and training of employees and contractors.

8. Breach notices were often misunderstood. The average reading level of breach notice was at a 14th grade level, which is too high for 43% of Americans who read at 8th grade level.

9. Unsecured social security numbers and payment cards were over half of breaches (56%).

10. Nearly 30% of SSN breaches resulted in identity theft, yet no monitoring or other mitigation product was offered to victims. Clearing up identity theft can take hundreds of hours and cost thousands of dollars.

Submitted by Cary Franks

Springfield Chapter
The Institute of Internal Auditors
P.O. Box 205
Springfield, IL 62705-0205

SIAAB
Government Conference