



ACUARAP QUARTERLY

Winter 2023

THE MAGAZINE OF THE ASSOCIATION OF CREDIT UNION AUDIT AND RISK PROFESSIONALS

DATA BREACHES

BUILD A ROBUST,
LAYERED SYSTEM
OF PROTECTION

2024 NCUA PRIORITIES

LET'S MAKE
SOME
PREDICTIONS

FRAUD RISKS

THEY DON'T
ALWAYS COME
FROM OUTSIDE



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An inert Congress leaves Americans uninspired.

The Who song, “Won’t Get Fooled Again”, included the lyric, “meet the new boss/same as the old boss,” meaning that nothing is changing. As we look at Congress in 2024, it appears that The Who was right – nothing is going to be different than it was in 2023.

2023 began with the Republican-controlled House of Representatives needing five days to select a Speaker. The fact that this action historically takes about 30 minutes should have been a clue that we were in store for a wild ride. To secure the gavel, former Speaker Kevin McCarthy (R-CA) had to accept a provision that a single member could call for his ouster. And after brokering a bipartisan deal to keep the government operating, he was voted out when 8 Republican members joined with the Democrats to remove McCarthy from the Speakership.

Then the House took another week to pick his successor, voting against choices such as Rep. Steve Scalise (R-LA), Rep. Jim Jordan (R-OH) and Rep. Patrick McHenry (R-NC), finally settling on the little-known Rep. Mike Johnson.

With this as the background, it’s no wonder that this session of Congress was one of the least effective in the history of this country. Congress passed only 27 bills during this session although it held over 700 votes. Of further concern is that of these 27 bills, many were non-controversial – the minting of a coin to commemorate the Marines, naming of post offices and other federal buildings and the votes to keep the government operating. These numbers cannot inspire the American people.

In the absence of action by Congress, how will things get done? The simple answer is that the “power” will convert to the regulatory agencies. And since NCUA is one of those regulatory agencies, credit unions should be on the lookout for actions taken by NCUA that can have a dramatic effect on credit union operations.

These include a consumer protection division within NCUA – not unlike a CFPB inside NCUA. And climate issues have more of chance of moving up the action ladder since Congress hasn’t shown any cohesive nature.

Moving forward, credit unions need to remain watchful of the actions taken by those regulatory agencies that impact credit unions. Remember, with nothing changing in Congress, the impetus to act falls on the regulator. ■

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Your ACUARP Board strives to add to excellence.

Having been a member of the ACUARP Board on two separate occasions, I can attest to the fact that being a member of this Board is an honor. To be selected to determine the future of the association that was formed 33 years ago is a big responsibility and myself as well as the other Board members do not take it lightly. While it can be hard work, it is fun too.

The Board met in early November in our annual strategic planning session. Strategic planning for an association has some similarities to what we do at our credit unions; but it also has some differences. For example, the Board always wants to be good stewards of the association's finances but we don't have to focus solely on making a profit – we strive to deliver quality educational content, worthwhile regional meetings and topical webinars.

As a member, you know that ACUARP does not charge mem-

bers for our webinars and yet, each webinar also offers at least 1 CPE credit. That means that your dues of \$200 could net you 12 “free” CPEs over the course of the year... and that doesn't include other benefits like discounts on the annual conference and regional meetings, discounts on the IA certification schools, discounts on ERM certification schools, our quarterly magazine (more on that later) and the networking opportunities. All in all, ACUARP membership is one of the best deals in credit union land.

The Board strives to not only continue this excellence, but to add to it. We are looking to add members from those credit unions that either aren't aware of the great benefits that ACUARP offers or haven't yet joined. One of our goals is to identify these credit unions. Here's where you can help. If you know of someone in your position at another

credit union, and they aren't members of ACUARP, tell them about us. Tell them why you joined. Tell them what you get from the association. Tell them about the benefits...as you see them. Peer reviews can be a great selling point for those that aren't part of this stellar association.

We also work to make the annual conference and ½ day seminars better with each year. That's not an easy chore as we continue to set the bar higher. In the past, we've had Frank Abagnale (“Catch Me If You Can”), Sarah Thomas (the first female NFL referee), Kurt Eichenwald (“The Informant” and “Conspiracy of Fools”) and last year we got to hear from the legendary Erin Brockovich. This year will be no different. We have Hall of Famer Bill Walton, noted financial columnist Allan Sloan and Baxter CU CEO Mike Valentine. There will also be breakout sessions designed around topics of interest for our members.

One change can be seen on the cover of this magazine. Formerly known as the *Audit Report*, the Board agreed to rename this publication, *ACUARP Quarterly* to better recognize the broad range of responsibilities that our members have at their credit union. We are also in the process of revamping the entire website to make it more user friendly and member centric.

Again, your ACUARP Board is always looking is always looking to improve your membership experience. If you have any thoughts, please feel free to forward them to me. ■

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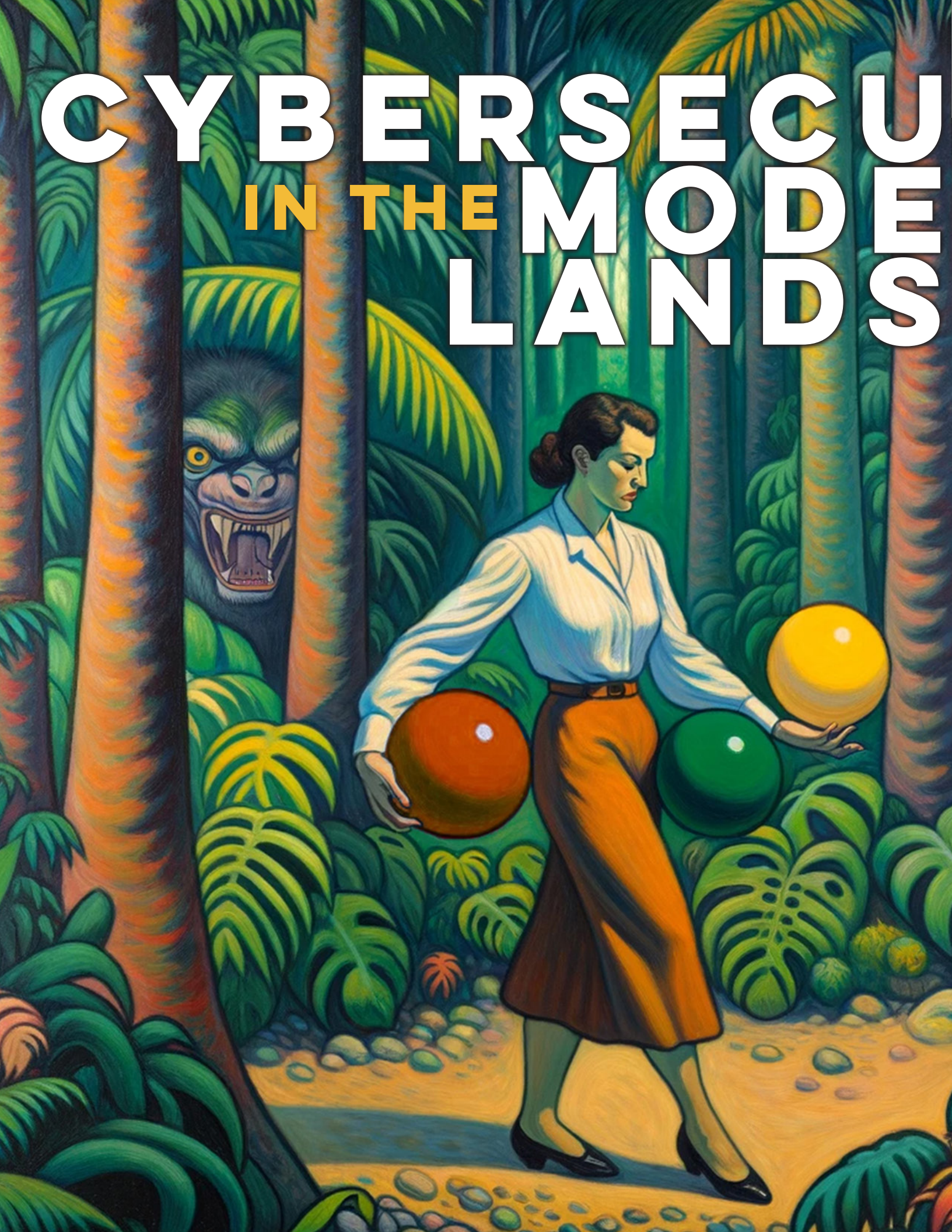
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CYBERSECURITY IN THE MODELS LANDS





RITTY RNRN CAPE

Balancing Compliance, Budget, and Actionable Data

JOSH SCHMIDT

BPM PARTNER IN CHARGE OF
CYBERSECURITY ASSESSMENT

How confident are you in the security of your vendors? With recent headlines over the past several

months, this could appear as a question with an obvious answer, and on the surface a seemingly lazy topic; however, I assure you the answer goes much deeper than SOC attestation reports and internal audit vendor due diligence. How confident are you in the rigor of your security testing? Security will never be a point in time exercise, nor is security isolated to the latest headline exploits. How confident are you in your internal security program?

Security is a process, one that is built from the top down and contingent upon strong internal support from leadership and the utmost confidence in the vendors to whom you entrust your members' data.

Not all vendors are created equal and I have seen firsthand industry leading vendors fall short of client expectations.

In today's threat landscape, there is no universal solution to solve every challenge that impacts information confidentiality, integrity, or availability. As we have all experienced in our personal lives, the computational power of computer chips has held true to Moore's law and consistently doubled approximately every 24 months since 1965. Leveraging this continued growth and daily dependence on technology, threat actors have realized just how lucrative cyber attacks can be. The 2022 Verizon Data Breach Investigations Report reviewed 2,527 incidents in the Finance industry, of which 690 were confirmed breaches. As I reflect on the past 10 years I have spent working with Credit Unions' security teams, Cybersecurity has transformed from a cost center line item to satisfy compliance into a mainstream topic that is on the forefront of every conversation. The year 2023 was no exception; cyber incidents large and small continued to dominate headlines and organizations without mature security programs found themselves at a significant disadvantage. While a robust security program will never provide an absolute guarantee of protection, it substantially improves an organization's resiliency and lays the foundation to an expedient recovery.

Kicking off 2024 and looking ahead to what the next 12 months hold, understanding the modern threat landscape and the direct impact to daily operations is essential. Despite the economy's soft landing, there is an increasing pressure to maximize utilization of the available resources, which continue to be finite, be they staff or budgetary. A 2023 Gartner study¹ highlighted that 34% of surveyed organizations were already using security



**The 2022
Verizon
Data Breach
Investigations
Report
reviewed 2,527
incidents in
the Finance
industry, of
which 690 were
confirmed
breaches.**

applications that leveraged some form of AI, while an additional 56% were actively exploring such tools. These statistics alone are not particularly surprising given that Gartner also found specifically that Generative AI was at the apex of the 2023 Hype Cycle for Emerging Technologies². The reality, however, is that these tools are not inexpensive. As an organization seeks to identify viable solutions there is a substantial cost to properly evaluate not only the claims made by vendors, but of equal importance is in-depth and rigorous vendor due-diligence to ensure member data is protected. In 2023 BPM was routinely contacted by clients who were facing the fallout of a third-party data breach, and we observed that clients who had maintained strong security programs and had documented evidence of vendor due-diligence were situated much better to recovery and move forward.

As a proactive measure, remember that the point in time in which your organization has the most leverage is prior to signing the contract. Use this leverage to scrutinize your potential vendors and ensure that their security practices are meeting or exceeding your own. It has been my experience that while many companies profess secu-



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Perspective changes everything.

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rity, and most in fact do possess independent certifications such as a SOC 2 or ISO 27001, these compliance certifications do not tell the whole story and can provide a false sense of security. Remember, these can be point in time assessments, a SOC attestation is rooted in the past and does not attest to ongoing upkeep of controls or technology drift.

As with any commodity in a saturated market filled with vendors, not all products or services are created equal; this is especially true in the security industry where terms are often overloaded and conflated by marketing teams. When evaluating artifacts that are intended to demonstrate security such as a letter of attestation, risk assessment, penetration test report, or certification – consider not only the artifact itself but the reputation of the firm who performed the work. What is the quality of the work? What level of rigor was applied? What was the scope of the work? What is the periodicity? The answers to all these questions will shed light on the core question: were the motivations of this assessment or audit activity driven by checking a box for compliance, or was true security improvement the priority?

Similar questions can be reflected to the reader; at your Credit Union, where does security sit within organizational priorities? Within a degree of reason, there is no right or wrong answer but rather it must be considered within the context of your charter and how you uphold the protection of your member data. When the Gramm-Leach-Bliley Act (GLBA) was enacted in 1999, it was a pivotal moment that helped define the safeguards for which financial institutions were responsible. Contained within the GLBA under 12 C.F.R. §748 Appendix A, Guidelines for Safeguarding Member Information the following can be found: “...Tests should be conducted or reviewed by independent third parties or staff independent of those that develop or maintain the security programs.” While a strong start that was ahead of its time in the overall security landscape, this is hardly a roadmap to securely manage systems; since 1999 we have continued to see valuable guidance come from the FFIEC and NCUA, most recently the NCUA’s adoption of the Information Security Examination (ISE) framework in early 2023³.



Were the motivations of this assessment or audit activity driven by checking a box for compliance, or was true security improvement the priority?

The ISE framework does an excellent job of outlining and standardizing the minimum set of specific activities that should be performed and on what interval. While rather broad ranges, ISE provides specific criteria based on the two overall asset sizes of under \$50M and over \$50M. In addition, there are enhanced control statements to perform a deeper dive into more specialized areas based on the overall risk present.

When evaluating new security tooling, or planning internal strategic priorities and related assessment activities, focus on the quality of the output. As is evidenced by the training data leveraged in recent machine learning tools and large language models, there is no shortage of available data. The challenge in intelligence has always been, and continues to be, how to accurately interpret the data and make substantive changes. Reports that present the greatest value contain actionable information that efficiently cuts through the noise and can hone in on what truly presents risk exposure to the Credit Union. When you onboard a new product or select your next security assessment firm ensure that the data will not only be of high quality, but that the results



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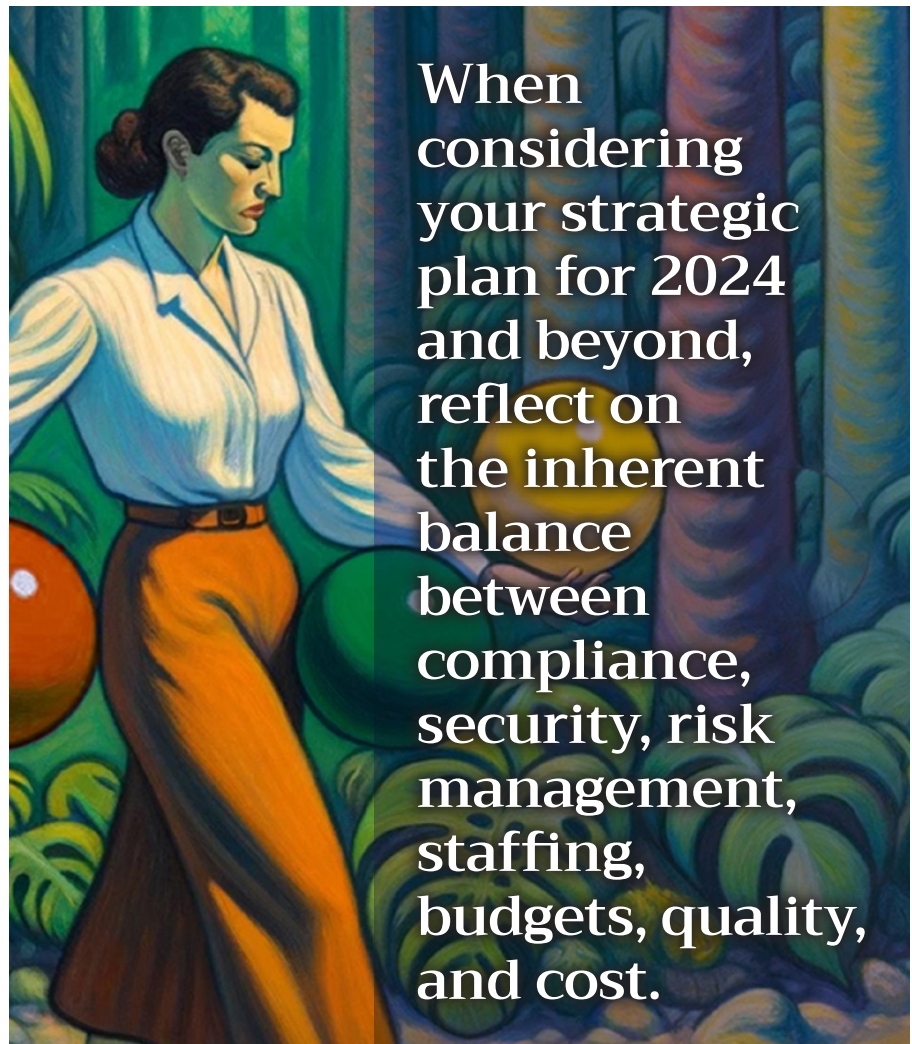
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will account for the context of your organization. Software can offer great automation and coverage in a small amount of time to inform security teams about what risks are present, but it requires manual review and coordination to accurately triage and prioritize. Without this prioritization, the finite time your staff has could easily be wasted resolving issues that are technically present, but are assigned inflated severity scores. An apparent cost savings upfront with a less expensive vendor that provides largely automated results often requires more internal resources, which can negate any savings and ultimately cost more by focusing on the wrong priorities.

A classic example of this is vulnerability scanning software. The common scanning engines lack the context to account for many variables that should be directly influencing your priorities. Consider the following scenario: a web application is susceptible to remote code execution with a known exploit. While in isolation, this is undeniably a high risk, but what network perspective is required to access the application? Is the risk exposure the same if it is only accessible to a small number of internal users? Conversely, how much confidence do you have in the absence of a finding, or that a low severity item is in fact not a priority? The same vulnerability scanning process that lacks context is also challenged when identifying multiple low-impact issues that could be chained together for much higher impact. These elementary examples highlight how thoughtful consideration is often required to contextualize the findings and think beyond the necessities of compliance checks.

When considering your strategic plan for 2024 and beyond, reflect on the inherent balance between compliance, security, risk management, staffing, budgets, quality, and cost. Despite the advancements in technology and software with lofty claims that they will protect your members' data, there remains no silver bullet; instead, there are a wealth of old tools with new enhancements and startup companies with promising ideas. When properly vetted and deployed, there are countless solutions that can increase your team's efficiency and harden your attack surface. Integrate strategic planning into



your vendor due-diligence selection process; as you consider the product or assessment at hand and the internal resources required, remember, budgetary line items and check-the-box compliance rarely portray the whole story of security and cost. ■

ABOUT THE AUTHOR



Josh has a decade of experience performing IT security and compliance services for clients in financial services, government, healthcare, education, and law enforcement. Today, he continues this important work by leading BPM's cutting-edge Cybersecurity Assessment Services team that provides in-depth, rigorous security assessments for businesses of all sizes.

1 <https://www.gartner.com/en/newsroom/press-releases/2023-09-18-gartner-survey-revealed-34-percent-of-organizations-are-already-using-or-implementing-ai-application-security-tools>

2 <https://www.gartner.com/en/newsroom/press-releases/2023-08-16-gartner-places-generative-ai-on-the-peak-of-inflated-expectations-on-the-2023-hype-cycle-for-emerging-technologies>

3 <https://ncua.gov/files/publications/regulation-supervision/cybersecurity-credit-union-system-resilience-2023.pdf>

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Are You Prepared for a

DATA BREACH

The threat of a data breach always promises a painful and expensive recovery process, whether that process is financial or increased regulatory scrutiny. Now, financial institutions have another potential consequence to worry about: class action lawsuits.



EACH?

A robust, layered system of preventative and detective cybersecurity controls reduces the likelihood of a successful intrusion and is your primary defense against both breaches and the consequences that may follow them.

Two recent cyber breaches have members filing class action lawsuits directly against their credit unions over exposed non-public personal information (NPPI) and the delay in notification to them about the breach. Members of the Ventura County Credit Union (VCCU) allege that the credit union failed to implement reasonable data security practices, comply with industry standards, and provide adequate privacy notices, resulting in the compromise of personal information such as full names, social security numbers and financial account information of credit union members and employees.

The credit union became aware of suspicious activity around December 14, 2022, covering a period from October 20 to December 15, 2022, but notification was sent on July 6, 2023, after the completion of a forensic review. HawaiiUSA Federal Credit Union in Honolulu suffered a similar attack in December of 2022 that resulted in more than 20,000 of their members being affected. Notification to affected members was sent in April 2023.

Of note, these lawsuits are not claiming members lost money from their account as result of the breach. In one case, a credit card was opened in the name of the member and for another, fraudulent tax returns were filed. The members did see an increased number of spam calls, texts, and emails, and allege the value of the personally identifiable information has been diminished or lost for them. In both cases, the credit union provided credit monitoring and identity protection services for the affected members at no cost.

In addition to allegations that the credit unions failed to maintain reasonable cybersecurity procedures, the members also questioned why it took so long to notify them of the breach, potentially allowing the data to be used or sold. Although both credit unions launched investigations

upon discovering the breach, notification took several months. These lawsuits highlight that consumers will not wait until regulators investigate and impose penalties but will use the courts to obtain damages.

MITIGATING DATA BREACHES

A robust, layered system of preventative and detective cybersecurity controls reduces the likelihood of a successful intrusion and is your primary defense against both breaches and the consequences that may follow them. Critical areas for consideration include:

- Employee training regimens on security awareness, phishing, and data management.
- Network segmentation to prevent privilege escalation after a breach.
- Inventorying and managing the collection, storage, and destruction of NPPI in all forms and locations.
- Effective backup & recovery system in place to recover data from an attack.
- Strong encryption methods to store sensitive customer data in rest and in transit.
- A robust asset management program that includes vulnerability scanning of all systems and well-managed patching, monitoring, and reporting to remediate vulnerabilities in a timely manner.
- Industry-appropriate configuration management standards that ensure all systems and software conform to your security standards and don't leave weaknesses, such as unnecessary services or deprecated protocols, for attackers to exploit.
- Incident response planning that is up to date with roles and responsibilities in the event of an emergency.
- Testing and auditing information security controls, standards, and procedures.

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These are only a few high-level examples of key control areas. Your institution should have a thorough, risk-informed information security management function that defines and oversees these and many other controls.

IMPORTANCE OF AN INCIDENT RESPONSE PLAN

For most organizations, a computer security incident is a question of

“when” not “if.” This is when your preventative controls are less important, and your active detection and response capabilities are crucial.

Incident response plans are used to minimize damage and maintain trust between the organization and the individuals involved. It is critical for a financial institution to be prepared and act diligently when a breach takes place. Below, we break down what institutions should in-

clude in their incident response plan, such as:

- An outline of roles and responsibilities for the members involved.
- A detection and analysis procedure to monitor and log suspicious activity.
- Escalation procedures to investigate activity and invoke the plan as necessary.
- Response and recovery playbooks that contain steps to bring the organization back to normal operations.
- Notification procedures for internal personnel, affected individuals, and government and third-party organizations:
 - Consumers should be notified as soon as all the information regarding the incident is collected and established.
 - The longer the consumers are in the dark about the situation, the less prepared the institution appears to be.

Even the best plan can fail in the chaos of an ongoing incident. Once you’ve developed your plan, it’s equally crucial to validate its effectiveness through thorough testing exercises, including both tabletop testing and simulated breach incidents (such as purple team exercises). And ensure it is implemented in a timely manner that provides customers the notification needed to address and monitor any negative activity that could occur with their accounts.

With ever increasing financial threats posed by breaches, it’s more important than ever for institutions to have a strong and well-vetted incident response management program. ■


ABOUT THE AUTHOR



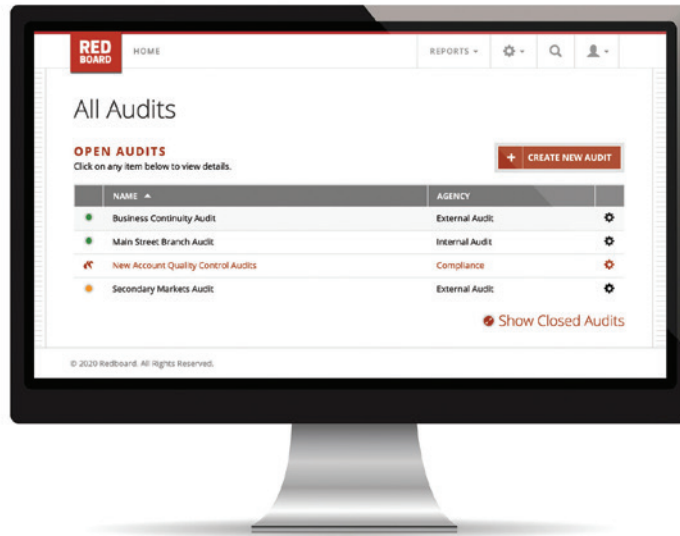
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IF I COULD

SAM CAPUANO, CBA, CRP



FOR MANY YEARS NOW, I have written an article on the upcoming NCUA Supervisory Priorities for the upcoming year. This is something we always look forward to (the Priorities, I mean, but hey, maybe the article, too.)

As I write this, a look at the NCUA website reveals that there is not yet a Letter to Credit Unions which spells out the agency's priorities for 2024.

LD CHOOSE

the 2024 NCUA Supervisory Priorities

So, why wait? Let's take a look at what the NCUA Priorities may be based on what we saw in a very busy and interesting 2023, and what lies ahead for us in 2024.

After years of false starts, the much anticipated roll out of the Allowance for Credit Losses changes became effective in January.



NOW, THIS ISN'T A TOTAL GUESS.

These supervisory priorities tend to come from a few different areas:

- 1) A reaction to any major issues from the prior year;
- 2) Upcoming regulatory changes;
- 3) Same old, same old.

There is sometimes a surprise or two to go along with what was expected.

Given all that, let's make those predictions for 2024:

CURRENT EXPECTED CREDIT LOSS (CECL)

Large bank failures notwithstanding, 2023 was the year of CECL and ACL, right? After years of false starts, the much anticipated roll out of the Allowance for Credit Losses changes became effective in January.

The aforementioned false starts gave most credit unions plenty of time to get ready. The NCUA had issued plenty of guidance in anticipation of this, and just for good measure issued two more related Letters in 2023. 23-CU-04 in April was an update to the Interagency Policy Statement on ACL. Just before year end, CU 23-12 came out alerting CU's about a technical correction on CECL transition amount as it relates to 702.703(b)(2), the CECL transition provisions.

Now that we have a year under our belt for CECL, I would expect NCUA exams to really take a deep dive on this in 2024, with a continued focus on revised Policy, ACL methodology and the status of model validations. The NCUA's CECL Resources page continues to be an excellent reference.

INTEREST RATE RISK/ LIQUIDITY RISK/ALM

The collapses of some mega banks in 2023 sent shock waves throughout the whole industry. Autopsies of these showed there was plenty of blame for the failures, including inadequate corporate governance and risk management, weak interest rate risk and liquidity practices, and even the regu-



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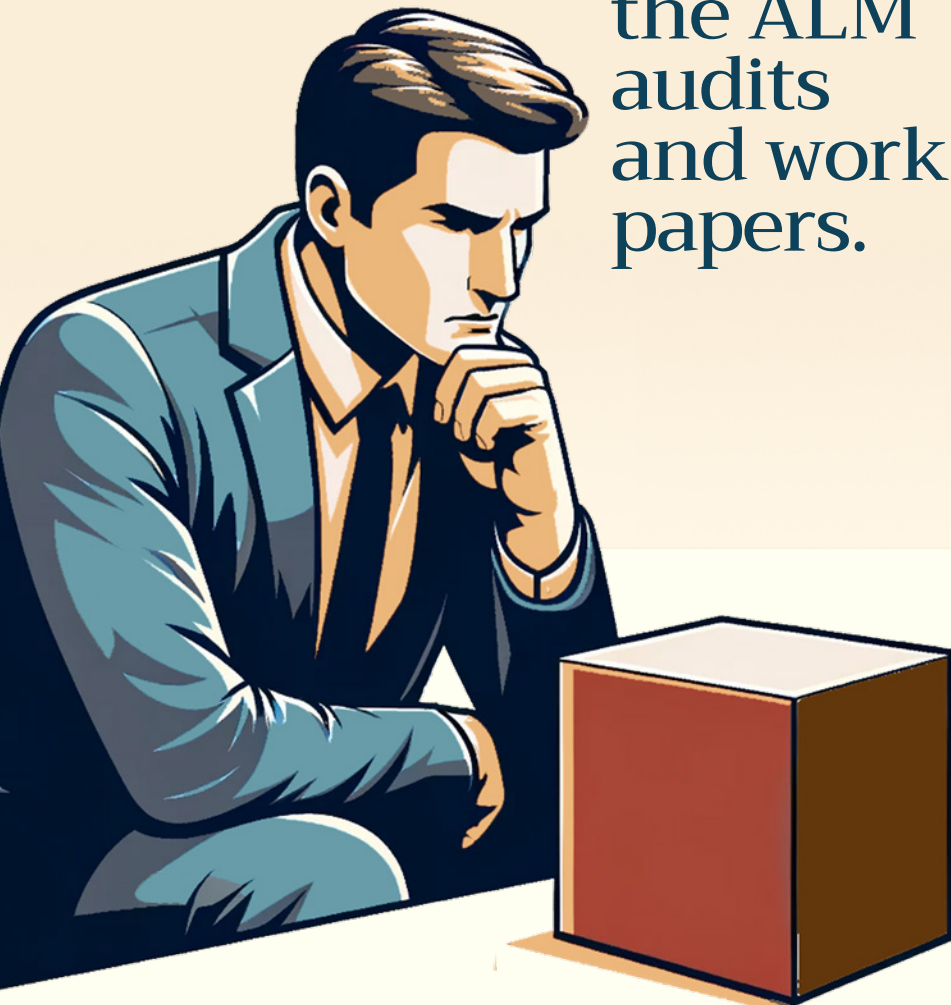
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We have already seen regulatory scrutiny of not only CUs increased, but also review of the ALM audits and work papers.



latory exams of these institutions.

As is often the case, the result will be very reactionary from a regulatory standpoint. In July, the NCUA (along with other regulatory agencies) in 23-CU-06, issued an *Addendum to the 2010 Interagency Statement on Funding and Liquidity Risk Management on the Importance of Contingency Funding Plans*.

ALM audits, always a heavy lift, may have gotten even heavier. The highly subjective subject matter makes this one that several auditors are less than comfortable with. Regulatory exams have similarly gotten much more subjective, even prior to the failures of this year. We have already seen regulatory scrutiny of not only CUs increased, but also review of the ALM audits and work papers. All of this focus makes it a good time to review your ALM Audit Programs to determine if they are including required scopes noted in the above Interagency Statement, and in the NCUA's Liquidity Risk Resources page.

BANK SECRECY ACT/ANTI-MONEY LAUNDERING

Last year, for the first time in modern memory, BSA/AML did not make the Supervisory Priority List. That doesn't mean that this area won't continue to be critical so let's get it on the 2024 List.

BSA/AML work papers (as with ALM) are always scrutinized by examiners. For that reason alone, it's going back on my list, and maybe NCUA's as well.

CYBERSECURITY

Cybersecurity will continue to be looked at by the examiners. In 2023, NCUA began using the updated Information Security Examination procedures. Last August, in 23-CU-07, cyber incident notification requirements were issued. This Letter stated that FCUs now must notify NCUA within 72 hours (if not sooner) of a cyber incident.

The Letter has some pretty good specifics as to defining cyber incidents, as well as how/what to report. Given this, and the fact that cybersecurity contin-

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ues to be a hot topic, I don't think it's a stretch to predict this to be part of the 2024 Priorities. Also, not a bad idea to include the requirements of this Letter somewhere in your audit process for 2024 and beyond. Note that state regulators are also focusing on this issue.

CREDIT RISK

Credit Risk is another no-brainer for the List. That's the easy part. The hard part is predicting what NCUA will include for 2024. In recent years, focus has gone

from COVID-related risks to high inflation's impact on the credit portfolio. While inflation has eased a bit, it hasn't gone away, and we have seen many credit unions naturally taking on more adjustable-rate loans. These and Commercial Real Estate should be expected to be continued priorities for examiners.

CONSUMER FINANCIAL PROTECTION

Like credit risk, including this as a 2024 priority isn't really a stretch.

The specifics as to what they will be looking at closely is harder to discern. Since HMDA was the topic of two Letters to Credit Union in 2023, I'll include it here as well. Also, (with the exception of overdraft programs) there hasn't been a lot of recent noise pertaining to deposit compliance, so perhaps Truth-In-Savings, along with Regulations E and CC will make the cut for 2024 as well.

FRAUD

Fraud will be the last area in my prediction list. This is always a popular one, for both the Priority List, and at conference sessions for this Association. While it's something we all have in some way shape and form in our audit programs, there's always something new. The bad guys continue to excel at it.

So, there it is. In all likelihood, by the time you read this, the actual Letters to Credit Union will be in your hands. This will allow you to marvel at my powers of prediction, or (perhaps more likely) give you the opportunity to say, "Wow, this didn't age well."

EPILOGUE

Fraud will be the last area in my prediction list. This is always a popular one, for both the Priority List, and at conference sessions for this Association. While it's something we all have in some way shape and form in our audit programs, there's always something new. The bad guys continue to excel at it. ■

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Sam Capuano, CBA, CRP, is an Internal Audit Principal at The Bonadio Group, working out of their Albany, NY and Rutland, Vermont offices. He has been a financial institution internal auditor since 1985, including 12 years as the Chief Audit Executive at Sunmark Credit Union in Albany, where he started their IA function in 2002. Capuano is a frequent contributor to the *ACUARP Quarterly*, and is a Board Emeritus of ACUARP.

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How to Think about Fraud Risks and What to Do about Them

TOM HALDIMAN
FORVIS

While fraud is commonly associated with bad guys lurking in dark corners of the web, it's often conducted by someone much closer to home. A fraudster could be the person you passed on your way to the lunchroom or a co-worker you exchanged emails with but never met. They might be running an important division of your credit union or orchestrating payments to your vendors. These are just a few of the vantage points from which fraudsters may operate within your organization. Different fraudsters present different fraud risks, and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) has produced a Fraud Risk Management Guide that provides a framework to help organizations think through these fraud risks and take steps to address them. See the summary of the five key principles from that guide on the next page.

MY WITHIN



COSO FRAUD RISK MANAGEMENT GUIDE

FRAUD RISK GOVERNANCE

This is the colloquial “tone at the top.” What tone are the board and senior management setting with respect to the risk of fraud? A well-thought-out and effectively communicated fraud risk management program lets the rest of the organization know that the risk of fraud is taken seriously at the top and should be taken seriously by all employees of the organization.

FRAUD RISK ASSESSMENT

A fraud risk assessment is where strategy meets tactics. The strategy of the fraud risk management program is executed by blending high-level considerations of potential fraud risks with detailed, tactical assessments of the controls in place to help address those fraud risks. This is a balance that must consider both the likelihood of each identified potential fraud risk, as well as the significance—or potential impact—of each fraud risk were it to occur. Where gaps in controls exist, action steps are prescribed.

FRAUD CONTROL ACTIVITY

A fraud control activity is a specific activity designed to help prevent or detect fraud. If an identified potential fraud risk is likely and has a potentially significant impact, substantial time

should be spent designing controls to help prevent that potential risk from occurring, detect that fraud should it occur, or some combination of the two. Contrast this with a potential fraud risk that is unlikely and potentially insignificant. Comparatively less time, energy, and effort would typically be used to design preventive or detective controls for this type of risk. Once designed, these controls are implemented to help mitigate the identified fraud risks.

FRAUD INVESTIGATION & CORRECTIVE ACTION

Despite an organization’s best efforts, fraud risk cannot be reduced to zero. Planning ahead for “what if” fraud does occur is a smart move to confirm proper channels of communications are defined and relationships are established to help increase the likelihood of a timely and efficient resolution.

FRAUD RISK MANAGEMENT MONITORING ACTIVITIES

This entire process should be repetitive and ongoing, either periodically or on a continuous basis. This should not be a one-and-done process, especially given the constantly changing fraud schemes, technology, and business processes of an organization.

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CONCLUSION

This framework can help your institution think about the risks of fraud, as well as take specific action steps to help address those risks. To learn more about this framework, check out COSO’s complete Fraud Risk Management Guide. ■

ABOUT THE AUTHOR



Tom Haldiman is a member of the Analytics practice unit at FORVIS, focusing on process automation and product development. His passion lies in the development of innovative solutions by leveraging technology. His experience includes managing large data analytics projects, creating new solutions to automate processes, and developing new industry-specific products. His public accounting background also includes forensic investigations, litigation support, business valuation, and financial statement audits. He is a member of the American Institute of CPAs, Association of Certified Fraud Examiners (ACFE), and Kansas City ACL User Group.

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- CostPro™ Suite** (top right)
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- Transaction Risk** (middle right)
- Compliance Risk** (middle left)
- ALM Simulation** (middle left)
- Portfolio Management** (bottom middle)
- Serving Credit Unions Since 1986** (bottom right)
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Region 1 held an in-person meeting on October 20th and had 21 attendees. The agenda featured presentations on: TRID Compliance, SOC Reports and Complementary User Entity Control Documentation, and Identity Access Management. We also had a lively roundtable discussion on topics ranging from branch audits to regulatory compliance exams to vault controls.

Region 1 thanks Hauser Jones, CliftonLarsonAllen and Moss Adams for being presenting speakers at the meeting. The next meeting will be virtual in April 2024.

The Portland/SW Washington Chapter met virtually on August 9 and discussed Audit Committee Meetings and Minutes, ATM/ATM Skimming Concerns and Branch Audits. The chapter met virtually again on November 8.



Herjit Samra
Director

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Region 2 held a virtual seminar on October 19th and had over 35 attendees. The agenda featured presentations on enterprise risk management, compliance hot topics, vendor management, AI tools, data analytics & power BI and IT auditing for non-IT Auditors. Region 2 would like to extend a huge thank-you to our presenters from The Rochdale Group, Elliot Davis, Moss Adams, Redboard, Crowe LLP and Doeren Mayhew.

A virtual meeting will be planned for the Southern California and Nevada chapter for Q4 soon. Hawaii's chapter meetings

are held each mid-quarter month on the last Wednesday at 11am HST. The next meeting for the Hawaii chapter was held on November 29th.



Robert Johnson
Director

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Region 3 held our regional meeting in-person at Kemba Credit Union on October 26-27th. Thanks to our sponsors Doeren Mayhew, Plante Moran, CLA, MossAdams, and Elliott Davis. Attendees enjoyed 10 CPEs of some great topics and a fantastic networking event hosted by Doeren Mayhew. The slide decks for all presentations and CPE links will be shared in the near future.

Finally, if you are located in Michigan, Indiana, Illinois, or Wisconsin and are interested in getting more involved with the ACUARP, we are seeking volunteers for Chapter Coordinator positions in these States. Please reach out to Rob Johnson (rjohnson@msufcu.org) and Julie Wilson (julie.wilson@iqcu.com) if you are interested in learning more about the Chapter Coordinator role.



Christine Reynolds
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The Region 4 regional meeting took place virtually November 2-3rd. Everyone enjoyed hearing presentations on a wide variety of timely topics. The Oklahoma Chapter had a virtual chapter meeting in September and welcomed the new chapter coordinator Cody Howard. The next chapter meeting was held virtually December 7th. The North Texas chapter had a meeting on October 3, with Olivia Whipple from the Audit Library presenting on Audit Program Best Practices.



Michael P. Moreau, CIA, CFE, CFS
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The Region 5 regional meeting was held on October 2 and 3rd, in Rome, NY. We heard great presentations from our vendor partners, with exceptionally active and inquisitive participants. A great deal of information was shared, along with endless networking! Many thanks to all that participated, and to Jennifer Weston and AmeriCU for hosting! The planning for the 2024 Region 5 meeting is under way!



Tammy Farmer
Director

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The Region 6 regional meeting was a success! A group of over 50 participants were hosted by PBMares and the Credit Union House of Virginia in historic downtown Richmond, VA from October 4th -6th. 9 sessions covered topics such as interest rate and liquidity management, AI, analytics, ethics, FCRA, co-sourcing and outsourcing audits, auditing IT risk assessments and commercial lending. We also had a panel of experts from Virginia Credit Union who answered questions from the attendees.

Plans are already in the works for the 2024 region 6 conference to be hosted by ACUARP vendor partner, CRI, in Birmingham, AL during early October.

We recently welcomed two new chapter coordinators. Julie Groff is the Mid-Atlantic chapter coordinator. Tia Yalledy is the South Florida coordinator.

The coordinator position for the Georgia chapter is open. Please, contact me for additional information. ■

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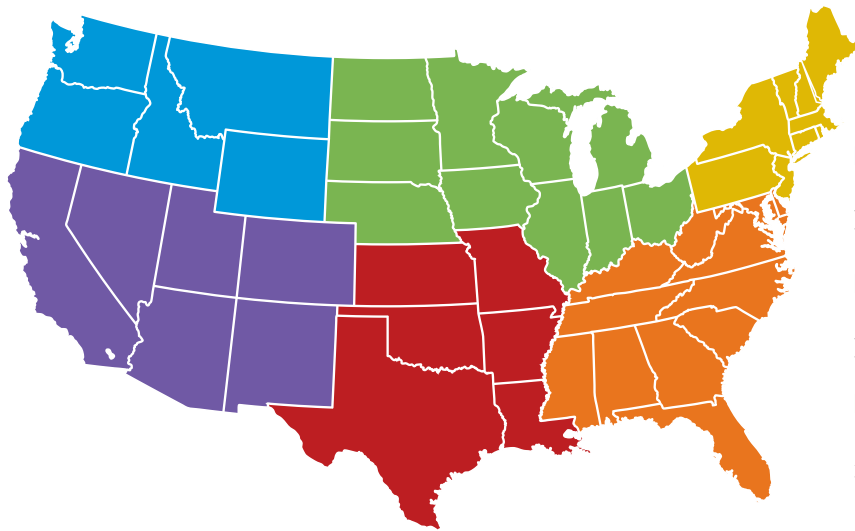


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