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When Mr. Disraeli (a former British Prime Minister) spoke these words in the 19th Century, I doubt he had ACUIA in mind. However, change has certainly been a well, constant, during my year and half tenure as Board Chair.

Among other things, we had a change of association management firms just after the Annual Conference in Boston last summer. Well, we’re about to have another one.

As of August 1st, Bacino & Associates took over the day-to-day chores of managing your association. The Board is excited about this for a few reasons. Company founder Geoff Bacino has tremendous experience in our industry. He is a two-time Presidential appointee, including serving time on the NCUA Board. Geoff also co-founded the National Association of State Chartered Credit Unions.

Associate Jonathan Lindley, with whom I will be dealing closely, has worked extensively in the financial services industry, including time as a bank president. He has also held senior positions at the Association of Financial Services Holding Companies, the National Savings and Loan League, the Credit Union National Association and the National Association of State Credit Union Supervisors.

We feel that the experience these two gentlemen have can only make our association more progressive. One frustration I have had in the past is that more people do not know about ACUIA. In my many dealings with Geoff over the past few months, I have no doubt that he will work tirelessly to get our name out there.

Even without this change, it was time to look ahead, and move forward. It has become increasingly obvious over the past two years the status quo was no longer going to be good enough for ACUIA.

Each autumn, the Board convenes for a few days of strategic planning. One of the dangers of such gatherings is that lots of good stuff is said during these brainstorming sessions...then everything is forgotten by the time we all get back to the grind of our day jobs.

While, admittedly, we have fallen prey to this at times, we usually do a pretty good job of following up on items in the minutes of these meetings. This will continue.

I believe the combination of the Board looking for ways to improve, along with the closeness Bacino & Associates has to our industry gives us a great starting point from which to explore these options.

And, although all of you will not be along for the ride at our September meeting, your thoughts are of course welcome. My contact information is listed on the Board of Directors page. Let me hear from you. I promise any suggestions received will be put on the agenda for September.

Before closing out this column, I want to also thank all those responsible for making the aforementioned Minneapolis conference a successful one. One of the by-products of being ACUIA Chairman is that I am usually the recipient of any complaints. As I walked around at the hotel talking to participants and vendors, the feedback I received was overwhelmingly positive. This is a credit to the hard work of the conference committee, as well as Applied Measurement Professionals (AMP), our previous association management company. Plans are already underway for next year's conference in Austin, Texas. Board member Dana McCranie will be heading up the conference committee for that event (but I haven't told her yet, so please keep it to yourself). ★

"CHANGE IS INEVITABLE; CHANGE IS CONSTANT."  
-BENJAMIN DISRAELI

"ALL CHANGE IS NOT GROWTH, AS ALL MOVEMENT IS NOT FORWARD"  
-ELLEN GLASGOW

For our meeting this fall I am going to have a wide-open agenda. Anything and everything is on the table. Not that there’s anything wrong with what we’re doing, but I see no reason to believe we can’t do more. We just celebrated our 20th anniversary conference in Minneapolis, and while that is a great milestone, no one was saying we should be doing things exactly the same we did back then. But, we are not just looking to change for the sake of changing.
Looking back on 20 years in ACUIA, there are memories vividly, proudly, and fondly remembered, and other events that I’ve conveniently forgotten! For me, the richest ACUIA experiences came from the great and sometimes colorful internal auditors that I have met over the last two decades. Many are no longer active in ACUIA, but all will never be forgotten.
A Little History

In the summer of 1988 I attended a seminar hosted by our state regulator. Three other credit union internal auditors were also in attendance. To rephrase Groucho, just like fruit flies like a banana, auditors like other auditors. We had a great time talking about internal auditing. I wondered if there were other credit union internal auditors in our state, and if so, would they also like to get together once in awhile? After the meeting, I asked my CEO and board of directors for permission to seek out other credit unions to establish an internal audit organization. They gave me the go-ahead. I “manually” copied addresses from a directory of credit unions in Minnesota and Wisconsin and sent invitations to a meeting in Eau Claire.

In May 1989 employees from six Wisconsin credit unions and two Minnesota credit unions attended our organizational meeting. Officers were elected, and we named ourselves the “Association of Credit Union Internal Auditors.” We incorporated as a nonprofit organization. However, Wisconsin law did not allow the use of the words “credit union” in a corporation without permission from the credit union regulator at that time. We applied to the Wisconsin Commissioner of Credit Unions for use of the words and they approved our request.

Over time we received some local and national publicity and subsequently grew beyond our two states. The Wisconsin State League carried a short article on our organization’s activities in their monthly newsletter. Later, I was interviewed for commentaries in the Credit Union Times and The Credit Union Accountant. The publicity generated interest and soon credit unions from other parts of the country began to call me.

The original intention was to recruit members only from the Midwest. It became readily apparent that there was a need for our organization in other parts of the country. We divided the country into regions, assigned regional directors, and turned our attention toward establishing a national organization. In 1990, we had seventeen credit union members and hosted our first local meeting at IBM Mid America Employees FCU (now Think Bank) in Rochester, Minnesota.

In the spring of 1991 we asked ourselves; why not hold an annual conference? We picked Bloomington, Minnesota because NWA Credit Union (now Wings Financial CU) could get us room rates at the Holiday Inn for $38 a night. Since our credit unions had generously supported us financially in the administration of ACUIA, initially we weren’t going to charge a fee for participants to attend the conference! After further thought, we questioned if participants would be suspicious of a “free” conference. With little thought about conference expenses, we decided on a registration fee of $115.

We mailed brochures to all credit unions over $100 million in assets and engaged speakers through various referrals. A bus was chartered and a cruise on the St. Croix River was added at the last minute as a social event for attendees. To our astonishment, we had 75 participants from all over the country. We hosted a reception in one of the suites at the hotel where we brought in food and beverages. The conference had great speakers and received high marks by participants. We were delighted and patted ourselves on the back for our “exceptional” conference planning!

Early on board members were expected to take minutes and do the accounting. I remember taking minutes on Washington Hilton Hotel napkins and buying our first accounting software. Later we hired a part-time bookkeeper and then moved to a professional organization to handle the affairs of ACUIA. We even fired this professional association group due to the “non-existent and poor” internal control practices!

Reminiscences

Annual conferences have been held all across the country and even in Canada. My participation in these conferences has provided many “first times” in my life:

- Meeting NCUA’s chairman of the board
- Being entertained by dueling piano players
- Getting lost in East Saint Louis
- Touring the Naval yards in San Diego
- Exploring Louisiana’s plantations
- Visiting the Alamo in San Antonio
- Tasting my first (and last!) jello shot
- Riding the “L”
- Witnessing an ACUIA member mistaken for a member of the Rolling Stones

Many auditors have come and gone: some moved to other industries, others to other positions within their credit unions, and some even became CFOs and CEOs. I like to think that their backgrounds as auditors and their participation in ACUIA helped them to become better employees in their new positions.

My Perspective

I like this quote from Jim Blaine, CEO of State Employees Credit Union. An auditor should be someone who:

- Isn’t surprised when they turn over a rock and don’t find a snake
- Isn’t disappointed when they turn over a rock and find a snake
- Isn’t afraid to turn over rocks
- Should always tell the truth

He also stated that telling the truth takes discipline and courage.

Over the years I believe the credit union internal auditing profession has become more visible and valuable to our industries and I know that ACUIA has aided this recognition. We are the “line in the sand” responsible for telling our credit unions things that they sometimes don’t want to hear. Life is a slippery slope; it takes a person of character to know what line not to cross. Internal auditors must be that person of character.

Over the years when I have been ignored or dismissed for audit reports and recommendations that I have made, I can
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look back with pride to the positive changes that were directly or indirectly a result of my audits. It’s been my experience that internal auditing accomplishments aren’t always accepted or recognized, but sometimes knowing is enough.

**Cha-Cha-Cha Changes and Rock Stars**

Internal auditors are the new “rock stars” of the business world, and, according to Business Week, we’ve “never looked sexier.” Internal Auditor (August 2006).

I’m proud of the accomplishments of ACUIA to improve the professional skills of our members and promote internal auditing to our credit union industry. With the professional changes that were in reaction to the aftermath of corporate upheavals, who could possibly have predicted the quote from the “Internal Auditor” magazine? Some of this rock star persona must have rubbed off when the Rolling Stones stayed in the in the same Pittsburgh hotel where our 1994 conference was held!

To stay relevant, ACUIA has had to respond to changes in our profession, environment, economy, and industry. I firmly believe and preach to my staff that we all need to “invest in ourselves” to remain viable and credible. ACUIA provides that investment not only with the speakers that present the information and training but also through networking with our peers.

Our very first 1991 conference included sessions on Preventing Fraud in Credit Unions, Risk Assessment, The Role and Responsibility of the CU Internal Auditor, Audit Report Writing for the 90s, and “Disaster Recovery. All are pertinent topics for today, but with very different kinds of risk.

Likewise, change is needed and required from time to time for ACUIA as an organization. I predict that with some developments that are in the works we will see a new awakening of our organization at a national level.

**A Wish For You**

I wish that your participation in ACUIA mirrors my experiences. When your job causes you to feel:

*Disappointed* may you find support

*Disheartened* may you find confidence

*Confused* may you find answers

*Worried* may you find courage

In my internal auditing career I’ve done more things the “hard way” than I have the “smart way.” May the great group of auditors in ACUIA help you do things the “smart way.”

- TERRY
Like many of you over the Memorial Day holidays, we were invited to a party for some fun in the sun. As I visited with people that I knew and some I had just met, I began asking a simple question (or so I thought), “How much of an allowance do you pay your child?” The answers were as varied as the landscapes across the globe. Answers ranged from, “An allowance? Are you kidding me?” to “$50 per month.” (I wish that guy would have been my dad when I was growing up.) One mom actually said, “Rule #5 from Alcatraz.” Later that evening while surfing the internet, I located rule #5 which states, “You are entitled to food, clothing, shelter, and medical attention. Anything else is a privilege.” (I’m glad she was not my mom growing up.)

At the age of 3, we started paying our son an allowance for cleaning his room and various other chores around the house. Not only did this help him in learning to count but to learn the value of money. Of his allowance, 10% was given to our church; of the remaining, half went to savings and half went to spending. When he wanted to purchase a toy, my wife and I would take him to the store (his coin bag in hand) and he would pick out the toy and pay for it himself. I was amazed at the store clerks’ comments on what a great lesson we were teaching our son. My friend would allow his son to purchase a toy even though he knew it would break in a few days. He said that when his son would complain about the broken toy, he would say, “I am sorry, but you made the decision to spend your money and that is what you chose to buy.” I see his son going to law school and working for the Consumer Product Safety Commission.

As our son grew older, we increased the amount of payment based on the chores that were performed. When jobs were not performed, we would discuss the importance of work ethics and tell him the next time a chore was not completed, he would lose a portion of his allowance. As a parent, it was very difficult not to pay his allowance when his chores were not completed; however, he soon learned that he would only be paid if all chores were completed.

We opened a savings account with the Credit Union and I deposited his money for him. My only regret in making his deposits for him was that he was unable to experience the deposit process. However, I showed him that his deposit was made, and we explained compound interest and taught him how his money would continue to grow. We had discussions regarding the saving of money to make purchases instead of using a credit card. On one occasion, we went to dinner and the meal was paid for with a credit card. The following month when the credit card statement arrived, we discussed the dinner from the previous month and how it was now time to pay for the meal. He said, “Wow that was a long time ago.” Take the opportunity to explain needs versus wants. They will quickly learn the difference.

A few years ago, we took our son shopping for sneakers. I told him that I would give him a dollar limit and any money spent over the limit he could pay out of his spending money. His first question, “If I spend under the limit, do I get to keep the difference?” They are
always thinking, even when you think they are not. Of course, I told him he could not have the difference.

As many of you have, we have discussed with friends and family members ways to teach children good spending habits. Here are the methods that we have lived by. Some have been successful; others are still a work in progress.

My son is now 14. Recently I was late for work and did not have the opportunity to use the ATM the previous day. I asked him if I could borrow $10. His first question was, “When can you pay me back and how much interest will I earn?” They are always thinking.

Back to the original question and why the article was written in the first place. How much of an allowance do you pay your child? How much allowance do we pay? We pay somewhere between Alcatraz rule #5 and $50 per month!

Steve Campbell is an internal auditor at American Airlines Federal Credit Union. He has previously served as a loan specialist and asset manager with the FSLIC/FDIC, a branch manager with a savings and loan, and a state bank examiner.

1. Introduce your children to money early. This will help teach them how to count and the value of a dollar.

2. Lead by example. Explain why we chose the payment method that we did.

3. Open a savings account. If possible, let the children make the deposit so that they can see their money grow.

4. Pay an allowance and set a budget for saving, spending, and charitable contributions. Let them save and spend their money as they choose, even if they are not making wise purchases.

5. Pay extra for odd jobs around the house. We occasionally offer our son extra money if he performs a particular task. Sometimes he says “no.” Weeks later when the “hot” toy hit the market and he was upset because he did not have the funds to make the purchase, we reminded him that he declined the opportunity to earn extra money.

6. Promote charitable giving. Helping others in need is the best satisfaction that one can achieve when spending money.

7. Don’t be afraid to say no. Teach children to set goals. By saving money, they can purchase large ticket items. Our son has purchased his own Wii and recently his own telephone. It took a long time to save, but the reward was well worth the effort.

“Introduce your children to money early. This will help teach them how to count and the value of a dollar.”

TIPS
“You’ve got to be kidding me…air conditioning out AGAIN!?!?”

Carl Woodward’s car was creeping up on 200,000 miles and had seen better days. For that matter, so had Carl. He was late for his noon audit meeting at the First Citizens Credit Union Southtowne branch and this latest setback, combined with the unseasonably warm spring weather, would not help matters. “Who schedules these things on a Friday!??!” he cursed his superiors.

He maneuvered his beat-up Nissan Sentra, his companion for better or worse, though these days it seemed like just worse, into the branch parking lot.

As he sat waiting for the meeting to begin, he decided he’d better make use of his time and check his email. He pulled out his cell phone and thought to sneak a peek at the local news website to read the box scores from the previous night’s baseball action. But as the front page loaded, something caught his eye, a simple headline that read, “Local Man Arrested for Multi-Million Dollar Fraud.” Always interested in anything to do with his line of work, Carl clicked on the link. His blood ran cold as he focused on the name in the first line of the story, “Arnold Talbot, 46, was arrested today on three counts of fraud and embezzlement from his employer…”

His mind raced. He knew that name. Arnold Talbot worked for First Citizens until he was terminated just over two years ago. It couldn’t be, he thought. Quickly, he stepped out and called his colleague and IT director at the credit union.

“Brody here,” came the reply.

“Mark! Check the front page of The Examiner Online!”

“Mom, is that you?”

“Just check it!”

He heard the rattle of keys and then silence. “This is bad. This is really bad.” More silence. When he spoke again, his voice sounded considerably less tense, “Says here he used G/L suspense accounts. We do reconciliations regularly on those. We would have found something by now if he had stolen from us.”

“Let’s hope so,” Carl chimed in. He hung up. But Mark’s reassurances rang hollow. Something didn’t feel right.

He strolled in the next Monday, sleepy eyed, with one foot firmly planted in Sunday. He checked his email. There, in bold, was a
guess I better get moving. You keep searching will take forever,”
planned for the next six months. That’s why we’ve just scratched the surface.”

His head was pounding after searching through G/L entries for the previous 3 hours. He was no closer to solving the case of the missing entries than he was before. He tried searching for all entries made by Talbot. Nothing. He tried searching by matching amounts. Nada. He scanned member share entries several days prior to and several days after the suspicious transactions. Still not a sign of what Talbot had done to hide the bogus transactions. He berated his own sloth. Think, man! What would I do to hide this if I were him?

To avoid detection, he probably would have used G/L accounts with large balances. He probably would have used income statement accounts, because they were analyzed but not reconciled. And he probably would have broken the entries up into smaller entries. I’m missing the big picture, he thought. He decided to download the entire G/L history and let his computer do the heavy lifting. Thank The Maker for the 1.2 million row allowance upgrade in Excel 2007!

Using Excel pivot tables, Carl was able to better summarize and filter the data by G/L transaction group, rather than by account or individual journal entry. Immediately, he found what he was looking for. The month following the suspicious transactions, he noticed several credit entries to member shares, which wasn’t unusual in and of itself, but the corresponding debits were to various interest income accounts. What’s more, some groups contained as many as 50 individual debits and credits, many to the same G/L accounts. These entries were tagged as system-generated batch postings, but they appeared to be grouped with legitimate manual entries. But the totals still didn’t match the suspicious transaction amounts. He kept digging, becoming more astonished with each finding.

By the end of the afternoon, he had found 38 journal entry groups that were suspicious, including about $150,000 in deleted transactions on his personal account and over $380,000 in false credits added to his personal account. By grouping journal entry groups that were chronologically close, Carl was able to tie the amounts back to the suspicious transactions. Then, using Excel’s powerful MATCH function to compare the transaction journal with the backup files that Mark had supplied, he was able to confirm their worst suspicions: using his unique system access, Arnold Talbot had embezzled over $500,000 from First Citizens Credit Union over a ten-month period.

“So how did we miss this? What could we have done differently?” Mark inquired as Carl settled into his seat after presenting his findings.

“Well, for starters, we should have monitored his system access more closely. One person should not have that kind of access,” Carl mused. “Also, we probably should have dug deeper on those transactions when we first looked at them. Since we were unclear on his access, we didn’t know he could alter the system end-of-day reports. Of course, bad we just noticed that the transaction number was a duplicate, we would have caught him before the fraud spiraled out of control. But I didn’t even think to look for that. He was a trusted employee.”

“We trusted, but we didn’t verify deep enough. I should restrict unsupervised access to the server room, too,” Mark commented.

“I agree. I think we’ve also got to change how we review G/L entries. We ignored system-generated batch entries and focused only on high-dollar journal entries. He knew that’s what we were looking,” Carl responded.

“Now which one of us is going to tell the CFO?” Mark questioned with a wry smile on his face.

“I suppose that should be me,” Carl said, as he rose to leave. “Although I think I’d rather drive through the Mohave without my air conditioning fixed!” ★
In last quarter’s article, I talked about the International Standards for the Professional Practice of Internal Auditing (Standards) Performance Standard 2010 which states that internal audit must develop risk-based plans to determine the priorities of the internal audit activity. Practice Advisory 2010-2 gives internal auditors advice on incorporating the credit union’s risk management process in internal audit planning.
**Enterprise Risk Management**

Risk management is credit union management’s job. For a discussion of risk management, I recommend the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management – Integrated Framework (Framework). According to the Framework, credit union management has to determine how much uncertainty to accept as it strives to grow member value. Uncertainty includes both risks and opportunities.

According to the Framework, Enterprise Risk Management (ERM) is applied in strategy settings and across the credit union. Think of it as business continuity planning for the strategic plan.

ERM relates to managing risk that is strategic in nature and relevant to ALL the credit union functions. ERM is a proactive, thinking-ahead exercise.

**Risk Assessments**

ERM is NOT the same as risk assessments. The best analogy I have heard regarding risk assessments and ERM came from Crowe Horwath at an ACUIA regional meeting. Crowe Horwath said to think of risk assessments as being rooms in a house – the lending function risk assessment, the operations function risk assessment, the BSA risk assessment etc. ERM is the roof over the entire house, or the glue that holds all the functions together.

PA 2010-2 refers to risk assessments below the level of the strategic ERM as risk registers. Risk assessment is the same process, however the risks are related to a specific function rather than strategy.

**Internal Audit’s Role**

Controls are actions credit union management takes to manage risk. Internal Auditors audit the controls and assure management that the controls are working as management intended (or not working in some cases).

Two basic risks are inherent risk and residual risk. Inherent risk is the amount of risk before there are any controls to mitigate the risk. For instance, credit risk is the risk that a borrower will not pay back a loan. That is an inherent risk. However, the credit union will apply controls to mitigate that risk such as obtaining a credit report and pay stubs and training loan officers. Do those controls eliminate all credit risk? No. Residual risk is the amount of risk left over after controls are implemented. You can’t eliminate credit risk without eliminating the credit union’s ability to make loans, so there has to be some residual risk. Credit union management has to decide how much residual risk it is willing to assume.

Internal Audit has to identify the key controls that reduce significant inherent risk down to management’s allowable residual risk, and audit those controls. Also, Internal Audit should identify and audit any control that mitigates a large number of risks (e.g. system access controls). Internal audit should be auditing controls that are important to the credit union achieving its business strategy.

**Centralized Risk Management**

Ideally, the credit union will have a centralized risk management function that continually reviews risks and controls and updates the controls for the
credit union's changing risk tolerance. It used to be that risk management was an intuitive, decentralized, informal and undocumented aspect of management. However, in today's world risk management is required to be systematic, clearly documented, and encompass the entire credit union.

**Internal Audit Planning**

If the credit union has a documented risk management process, the Internal Auditor should incorporate management's risk management process into Internal Audit planning. In this case, Internal Audit should look at management's documented inherent risks, the relevant controls and the amount of residual risk. Internal Audit assesses the risk in each area in order to prioritize what areas to audit. Internal Audit's priority should be where there is the greatest risk – either inherent risk or residual risk – and the key controls.

Also, the credit union's risk management documents can be used to plan specific audits by determining where scarce resources would best be used. Internal Audit should identify any risks that have not been documented and assessed. In some cases, Internal Audit may not be qualified to review every risk category (e.g. IT). In this case, Internal Audit should engage a vendor to review the risks.

According to PA 2010-2, the internal audit charter normally requires the Internal Auditor to focus on areas of high risk. My charter does not state that requirement, but I've noted the issue for a future charter update. Also, Internal Audit should focus on the control systems on which the credit union is most reliant.

**Unacceptable Risk**

Should internal audit decide what is acceptable or unacceptable residual risk for the credit union? No, risk tolerance is for management to decide. However, if Internal Audit thinks there is unacceptable residual risk in an area, Internal Audit should thoroughly research the issues involved and then address the risk with management. The cost of the control should not outweigh the benefits.

**Developing Control Systems**

Should a credit union internal auditor help develop the control system? According to the Standards, that is an acceptable consulting activity for internal auditors. However, if that is the case, can the internal auditor objectively perform a control review to evaluate the sufficiency and effectiveness of the controls?

**Adding Value**

According to PA 2010-2, the credit union internal auditor should look for opportunities to identify controls that inefficiently reduce risk. Management will welcome any audit report that has recommendations to get rid of unnecessary logs, excessive segregation of duties, redundant procedures, or jumping though hoops. ★
MEMBER SPOTLIGHT  by Tabitha Ernst-Chadwick

Tannia Weaver

I’m excited for everyone to get to know Tannia Weaver, Internal Auditor from Sun State FCU.

Tell us all about yourself – hometown, hobbies, volunteer work, family, etc.  I was born and raised in Columbus, Georgia. When I first meet people and tell them I am from Columbus, they automatically assume Columbus, Ohio. Many people aren’t familiar with my Columbus - the third largest city in Georgia. A little background on my hometown - Columbus is considered a Rivertown because it sits on the Chattahoochee River. Today, the river is home to the 15-mile trail known as the Chattahoochee RiverWalk. The RiverWalk provides an excellent facility to bike, in-line skate, or jog. Columbus is a vibrant and growing community of 250,000 people. Besides being the home of the best Army Installation in the world at Fort Benning, Columbus is the corporate headquarters of many of the United States’ leading companies such as AFLAC Insurance, Carmike Cinemas, Char-Broil, TSYS, and Tom’s Snack Foods.

I enjoy reading, writing, traveling, volunteering with my sorority Delta Sigma Theta Sorority, Inc., and cooking. My ultimate dream is to publish a cookbook. In preparation for this, I conduct what I call food research. This involves creating new dishes and inviting friends over for dinner to sample them. Over the years I have created over 35 original recipes that I plan to publish. My specialty is Shrimp Creole.

How about your educational and professional background? How did you get into auditing? I received my Bachelor of Science degree in Accounting in 1995 from Albany State University in Albany, Georgia, and my M.B.A. from Troy University in 1998.

After I graduated college, I found it hard to get a job in accounting because I lacked experience. For almost two years after obtaining my undergraduate degree, I worked as a customer service representative at Wal-Mart. During this time I started the M.B.A. program at Troy University. About a year into the master’s program, I obtained a job as a Full Service Banker. This position was inside of a Supermarket. The job duties of a full service banker involved being a Teller, CSR (Customer Service Representative), and Loan Officer. This bank is owned by a bank holding company that owned 37 banks in Georgia, Florida, Alabama, and South Carolina.

After I completed the master’s program I started looking for new opportunities. During this time a position as a Staff Auditor at the holding company became available and I applied for it. That’s how my career in auditing started. I’ve been in auditing for 7 years. I am currently studying for the CIA certification. Once I have obtained the CIA certification, I also plan to complete the CPA certification.

What do you know now that you wish you would have known coming into the industry? Before coming into the auditing industry I wish
Over the years you’ve been involved in auditing, how has the industry changed? The traditional approach to completing the audit function is continuously evolving. In response to the changing times, audit departments these days are placing more emphasis on risks. In the past audit managers were charged with the task of developing an audit plan and schedule and completing it accordingly. The days where an audit plan is set in stone are slowly going away. Auditors are now providing a service to management that provides them with assurance that their business risks are being managed effectively and efficiently. The use of automated workpapers is another way the industry has evolved since I first entered the field. I have to say I personally like paper so this has been very hard for me to embrace, but I am slowly coming around.

What are the major challenges you feel the industry faces today and how can internal auditors overcome those challenges? The biggest challenge is keeping up with all the new regulatory changes. These new changes are largely due to the economic state of our country. In order to keep up with all the changes and my credit union’s response to them, I find myself attending every compliance meeting and strategic planning meetings. I also find that webinars are a helpful tool when it comes to staying on top of regulatory changes.

What advice would you give to a new auditor just entering the field? I would tell a new auditor to be prepared to keep up with the emerging trends to ensure that the companies they work for maintain a high standard in their business processes. I would also advise new auditors to continue to expand their technical, analytical, and presentation skills. All three attributes are very important parts of your everyday duties.

Share a little bit of your ACUIA history. How long have you been a member? What aspects of the association benefit you most? I have been a member of ACUIA a little over six months now. I find the listserv very valuable. This group has a lot of great people involved that have a wealth of knowledge that they don’t mind sharing.
Ooooooooh Mr. Grant! As Mary Tyler Moore would say, and I could almost hear her say it as I passed by her statue on Nicollet Mall on the way to the Hyatt Regency.

Well we all arrived in Minneapolis to celebrate the 20th Anniversary of the Association. There were a good number of new attendees this year. The welcome reception Tuesday evening was based on a state fair theme. No pie eating contests but plenty of french fries, pop-corn, other goodies, and of course your favorite beverages of choice. Region 6 beat out Region 5 in the Regional T-shirt contest. Region 6 had the most members wearing Regional T-shirts.

Afterwards some of us head to Spike’s in the hotel to continue our networking over a few more beverages. Networking is one of the most valuable benefits of the conference.

On Wednesday evening the sports fans in the group head out to the new Target Field to see the Minnesota Twins take on the Colorado Rockies. Everyone raved about the new stadium. Does anyone remember what city the Twins came from and what they were called before they were the Twins?

Some of the non-sports fans took part in the St. Paul Notorious Past Tour and Dinner. St. Paul was a favorite hangout for some notorious criminals during Prohibition.

On Thursday evening we all braved the weather (forecast of rain, thunderstorms and hail) and set sail on the Anson Northrup for a dinner cruise on the Mississippi and a little gambling. The weather held out and it was a pleasant evening. A lot of folks wore their newly acquired 20th anniversary T-shirts on the cruise. There were some big winners and no big losers since they were playing with monopoly money. We arrived back at the hotel just in time to catch the end of game seven of the NBA championship. Some Celtic fans were spotted in Spike’s after the game drowning their sorrows.

Make your calendars for next June when we hope to see you all in Austin for the 21st annual conference.
IMAGES FROM THE ANNUAL CONFERENCE IN MINNEAPOLIS
ACUIA CATCHES A TWINS GAME
After the conference I asked some of our ACUIA friends about the city and the conference. I asked them to complete the sentence, and here is what they had to say:

**The coolest thing I saw in Minneapolis was…**

...The Pedal Pub. Yep, a pub on wheels that was actually motored by the patrons!
- Tabitha Ernst-Chadwick

...seeing Steve Cropper (of the Blues Brothers Band and Booker T & The MGs) at the restaurant I was at.
- Sam Capuano

...the Mississippi River.
- Jill Chase

**The best thing about Minneapolis was…**

...the great choice of food, including a Walleye sandwich.
- Michael Holmes

...Target Field
- Warren Whiteoak

...spending the days exploring the city with Daddy instead of going to daycare.
- Maia Chadwick (Tabitha’s daughter)

**The weirdest thing I saw in Minneapolis was…**

...Not sure if you would classify this as weird....but I have never seen so many young target workers. It made me feel really old and there were just swarms of them toting their target lunch bags.
- Lisa Olsen

...the 2 adults leaving a men’s room stall together at Borders.
- Sam Capuano

...an old man dancing by himself, embracing ‘an invisible partner’, while a band played “Unchained Melody” (from the movie “Ghost”).
- Claudia Rodriguez

**I wish I had…**

...known that the Dead Sea Scrolls were being exhibited at one of the museums in town while we were there.
- Sam Capuano

...seen Mr. Grant and Mary Tyler Moore
- Warren Whiteoak

...been able to stay the weekend to attend a live performance of “A Prairie Home Companion”
- Jay Bowman

...more time to enjoy the city. With all of the group activities and networking during the conference, we were always on the go and didn’t really get a chance to take in all that Minneapolis had to offer.
- John Gallagher

....won something!
- Claudia Rodriguez

...given Terry McEachern the standing ovation she deserved during the Annual Meeting.
- Tabitha Ernst-Chadwick

...more time to explore the city.
- Jill Chase

**I thought the conference was…**

...a good way to network with my peers in the credit union industry.
- Michael Holmes

...nostalgic for me because of how quickly time does pass when considering it was only my 10th and many attendees have experienced twice that many.
- Rick Woods

...a great success: good speakers with timely, relevant information
- Jay Bowman

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QUOTES by Tabitha Ernst-Chadwick, CIA, LRP, CTGA, CUCE

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The smartest thing I did in Minneapolis was...

...not using the men’s room stall at Borders which the aforementioned 2 adults used.  
-Sam Capuano

My favorite part of the conference was...

...Rayleen Pimie’s “The Tangled Web Of Lies” presentation, along with the 20-year anniversary slide show.  
-Sam Capuano

...seeing familiar faces and catching up on what happened in the last year. My second favorite was the look on Sam’s face when he figured out he could drink beer in the stands at Target Field.  
-Jill Chase

...BLESHER HEARRRRRRRT!  
-April N. Carter

...the Networking  
-Warren Whiteoak

...renewing old friendships and meeting new ACUIA members and attendees for the first time  
-Jay Bowman

...being able to print off the session handouts at the conference and not having to lug around a big binder full of paper for three days, not to mention finding the room to pack it in my luggage.  
-John Gallagher

...attempting to ignore my co-worker’s ‘best vacation’ story without feeling bad about it and meeting a Mr. Bean lookalike.  
-Claudia Rodriguez

I was disappointed with...

...the MALL OF AMERICA....Was ready to shop but stores were not that attractive...  
-April N. Carter

I enjoyed...

...the session “Auditing IT for the Non-IT Auditor” presented by Catherine Bruder. She presented a lot of relevant information as well as provided websites to incorporate IT audits.  
-April N. Carter

Minneapolis is...

...a big city with a small town feel  
-Warren Whiteoak

...lots of fun. The conference was terrific. I learned lots and met some great people.  
-Jill Chase

...nicer, friendlier, cleaner & greener than I had expected.  
-Michael Holmes

...artsy, interesting, and alive. The Dr Seuss art exhibit at a gallery down the street from the hotel rocked. The conference was full of diverse presentations (and people!)  
-Sam Capuano
Internal controls are often misunderstood in organizations and viewed as inefficient obstacles rather than protections for credit union insiders, assets, and members.

In 2009, Royal Credit Union’s Internal Audit department created a monthly series of emails titled “Why do we do that?” to educate Staff, Management, Board and Audit Committee Members about internal controls that are in place at our credit union.

All emails include the control objectives for the process, why the control is important, and what action the employee should take to ensure the control is adhered to. At the end of each email employees are encouraged to submit ideas for future email subject matter.

Topics have included:
- Night Deposit Process Controls
- Security Access Rights and Key Controls
- Information Technology Access Rights and Privileges
- Code of Ethics Policy
- Securing Confidential Information

Listed below are two examples of internal control emails that have been sent to staff, Board Members, and Audit Committee Members:

**Why Does RCU Expect Employees to Take Training Courses?**

You probably do not think of training as an internal control, but it is. Training meets the internal control objectives of:
1. Effective and efficient operations
2. Accuracy of information
3. Compliance with laws and regulations

Training allows employees to:
- Improve skill sets
- Understand new processes
- Learn new ideas to implement job efficiencies
- Reduce errors
- Cross train to cover absences
- Keep informed about regulatory compliance changes

Most importantly, training is an investment you make in yourself and could lead to great opportunities down the road.

**What should you do?**
- Take advantage of training opportunities
- View training as a job enhancement
- Look for ways to improve your job performance
- Seek out training opportunities and share with your supervisor.
We encourage employees to report violations of Royal Credit Union’s Code of Ethics policy to their immediate supervisor or their supervisor’s manager. However, there may be situations where employees feel there is risk of retaliatory action to them if they use this method or the violation may even involve their supervisor or manager.

To alleviate this problem, our credit union has rented a separate Post Office box that only two employees of the Internal Audit department can access. In 2009 we created business cards to give to Staff, Management, Board members, and Audit Committee members to remind them of their responsibility to report unethical behavior.

Our Human Resource area gives the cards to all new employees when they review the Code of Ethics and our department hands out cards during branch audits and to employees throughout our headquarters. We intend to give all insiders business cards annually to remind them of their responsibility to report unethical behavior.

This is what the cards look like:
Region 1 April 2010 meeting:

Region 1 met at iQ Credit Union in Vancouver, WA on April 30th. There were 22 members in attendance. We had a one-day meeting that consisted of three speakers, four topics, and a roundtable discussion session.

We began our day with a discussion on “Managing 2010 Regulatory Changes” with Dan Huston, Partner, IA and Regulatory Compliance, Moss Adams. We reviewed RESPA to FACTA to Flood Insurance; we even touched on the new BSA manual. As always, Dan is able to present a lot of material in a memorable fashion so our members walk away feeling like they have their hands around more of the changes.

Michael Meline, Senior Consultant with E3 Technology, discussed two topics. The first was regarding “First Organizations.” This project is a coalition of regional partnerships that have been formed within the financial sector to focus on Homeland Security and emergency management issues. The second part of his presentation was on conducting a risk assessment of the Business Continuity Plan (BCP). Mr. Meline provided a spreadsheet outlining the steps for performing a risk assessment and performed a mock scenario which was not only enlightening but entertaining as well.

Our third speaker was Nancy Young, Senior Manager, Moss Adams. This lively and interesting presentation outlined current information regarding the types of internal fraud, characteristics of a fraudster, fighting and preventing fraud, fraud statistics and internal control concepts and components.

Thank you to iQ Credit Union for hosting our meeting and to our speakers for making it a success.

Our next meeting is set for September 30, 2009. If you are interested in attending, please email Julie Wilson at juliew@iqcu.com.

Larae Jensen, Internal Auditor, Salal Credit Union
Julie Wilson, Director Internal Audit, iQ Credit Union
DeLeon & Stang has served credit unions for over 25 years. We pride ourselves on an intricate knowledge of the specific issues that credit unions face on a daily basis. Our CPAs can provide you insights to your most complex challenges and, in the process, eliminate your headaches and risks. In the end, DeLeon & Stang provides solutions to help credit unions achieve longevity and prosperity through increased profitability and confidence in the marketplace.

For a complete listing of our credit union services, please call 301-948-9825.

REGION 6

Director Lora Worthy, CUCE
Internal Audit Manager, Marine FCU
lworthy@marinefederal.org

Well, our meeting date is fast approaching and it is already time to register. The 2 ½ day meeting consists of a speaker line-up that includes a few familiar favorites as well as some new fresh faces. Check out page 28 for more details. These last few months proved to be challenging, but will have a successful and exciting outcome.

Roger Holcomb, the Chapter Coordinator of the Carolina Chapter, has sent out information about the second chapter meeting due to be held on the evening of September 21st. If you are a credit union auditor or supervisory committee member, new member or non-member, and are interested in attending our next chapter meeting or need more information, please contact the chapter coordinator at Roger.Holcomb@Sharonview.org.
REGION 3

Dates: SEPTEMBER 22-24 2010  (Ends at noon of the 24th)

Place: PENTON BUILDING
1300 E 9th Street
CLEVELAND, OHIO

Cost: ACUIA Member $139
  Non-Member $159

Hotels: Penton Building is connected to Crowne Plaza. ACUIA has negotiated a $139/night price at the Hyatt Regency at the Arcade which is 4 blocks way from the Penton Building, and the Hampton Inn is 2 blocks away.

CPE Credits: 16.8

Educational Sessions include:
• Vulnerability Assessments and Penetration Testing by Scott Sturkie, CUDefense
• Audit/Supervisory Committee Governance by Eileen Iles, Crowe Horwath
• Email Encryption: Ensuring Compliance and Privacy by Zix Corporation
• Bank Secrecy Act by Robert Rutkowski of Weltman, Weinberg and Reis Co., L.P.A.
• Compliance Hot Topics by Bonnie Gall, Risk Management, Century FCU
• Internal Auditing from A-Z, Pat Richey, Director Internal Audit, Finance Center FCU
• Avoiding and Understanding Robbery, Alvin Clar
• For the first 30 persons who register, a tour of the Federal Reserve Bank and FRB presentation on Red Flags/ Emerging Trends in Credit Unions
• Fair Value and Post-Merger Implications Accounting and Auditing, Bob Parks, Doeren Mayhew
• Regulatory Change Impact on the Bottom Line, Bob Parks, Doeren Mayhew

Suggested Optional Events (on your own):
• Wednesday: Rock and Roll Hall of Fame
• Thursday: Cleveland Indians vs. Kansas City

REGION 6

Dates: SEPTEMBER 22-24 2010
2 1/2 Day Meeting

Host: SOUTH CAROLINA FEDERAL CREDIT UNION
2175 Credit Union Lane
NORTH CHARLESTON, SC 29406

Hotels:
Hyatt Place – located off International Blvd- 3.8 miles from meeting location.
Group Rate $109 - To register use group code- G-ACUI

Educational Sessions include:
• Vendor Management by Bonnie Karst Cuiffo, South Carolina FCU
• Allowance accounts, Repressions and TDR's by Dan Moulton, Orth, Chackler, Murnane & Co.Round Table Discussion- Bonnie Karst Ciuffo, Facilitator
• BSA - What's New - Harvey L. Johnson, WittMares, CPA
• Technology Compliance Hot Buttons by Jay Bowman, Accume Partners
• Bankruptcy and UCC by Frank Drake, Smith Debnam Naron Drake Sintsing & Myers, LLP
• Audit Report Writing by Sam Capuano, Sunmark FCU
• Using the IIA framework to develop a professional strategic plan, Tom Richardson, IIAIT Security by Bruce Smalley, CU Defense
• Emerging threats and a Credit Union Response - by Bruce Smalley, CU Defense
• Modern Day Bank Robbery by Chris Stoneking, FBI North Charleston Office

Suggested Optional Events:
• Wednesday: Spirit Line Dinner Cruise, 3 hour dinner cruise, Cost: $49.75 - $55.49 for a group of 15 or more. For additional details (menu, time, etc.) contact lworthy@marinefederal.org
• Ghost Tours, Plantation Tours, Carriage Rides (on your own)
Benefactor Level ($5,000)

DOEREN MAYHEW
Certified Public Accountants and Consultants
Financial Institutions Group

Sponsor Level ($4,000)

MOSS-ADAMS LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

Supporter Level ($4,000)

LarsonAllen LLP
CPAs, Consultants & Advisors

Nearman Maynard-Vallez
Certified Public Accountants

Ferrin & Company, LLC
CERTIFIED PUBLIC ACCOUNTANTS

ACUIA Select will give you exposure to the most qualified decision makers in this field, differentiating your company from others and significantly enhancing your visibility. If you have questions about joining ACUIA Select, please contact the Executive Office at (703) 535-5757.
Barbara Franco has enhanced and promoted the internal audit function within our credit union by successfully fostering a strong partnership with management and staff.

The Internal Audit Department is viewed as an integral function of GECU that consults with all departments in adding value to the continuous improvement of GECU’s operations. Barbara has clearly redefined GECU’s Internal Audit Department. She has successfully extinguished the negative connotations as a department “out to get others” and has transformed the department into an actively sought partner that helps establish good solid internal controls and check points for major projects to get off the ground. Those who know Barbara are very appreciative of her genuine honesty and integrity.

Barbara’s 22 years of audit experience have enabled her to assist other credit unions in developing their internal audit function in various ways. She participated as a volunteer in a Quality Assurance Review (QAR) at Redstone Credit Union and is scheduled to conduct another QAR at Desert Schools Federal Credit Union. She has coordinated meetings with staff from local credit unions so that information, knowledge and ideas can be shared amongst their department staffs, as well.

Ms. Franco has contributed to the promotion of ACUIA by volunteering for the ACUIA conference committee from 2008 through 2010 and was conference chair in 2009. Barbara was also a member of the ACUIA audit guide committee in 2006. She has been on the board of ACUIA since 2007 and is currently serving as ACUIA Treasurer. Barbara believes so strongly in ACUIA that she rotates sending four members of her staff to the Annual ACUIA Conference and at least two to the Region 4 Meeting.

Barbara is actively involved and has contributed to many professional, civic and community organizations. She was a 1998-1999 YWCA Reach Award nominee. She was a member of the Finance and Accounting Advisory board for El Paso Community College in 2003. Barbara is Past President of the El Paso Institute of Internal Auditors (IIA). She served as an active board member in the capacities of Secretary and Vice President and was the 2008 President for the local chapter. Barbara received the 2008-2009 Flame of Appreciation Award from the IIA. Barbara has been the treasurer of the El Paso Police Foundation since 2004. She has worked with the Girl Scouts of America for over thirty years, as a troop leader and service unit treasurer. Barbara has been a board member of the El Paso Humane Society since 2009. She has taught first Holy Communion classes at her church for over six years. She has presented on various accounting topics for El Paso Community College, University of Texas at El Paso IIA Beta Accounting Society and other Financial Training seminars. Barbara attends many functions as a representative of GECU promoting the credit union philosophy. As an active mother of four children, Barbara was a member of the booster clubs for the Montwood High School swim team and band.

Barbara Franco is a CIA and CPA and is also QAR certified. She believes so strongly in professional development and education that she has encouraged her staff in the certification process. Since her arrival at GECU six years ago, four of her staff members have become Certified Fraud Examiners, one is a Certified Information Systems Auditor and four members of her staff are at different stages of becoming Certified Internal Auditors.

As you can clearly see, Barbara Franco’s outstanding service to the Internal Audit profession, Credit Union Philosophy and her dynamic community leadership warrants Barbara Franco as the 2010 ACUIA Terry McEachern Internal Auditor of the Year. ★

Julie Bustillos
Internal Audit Manager
Membership Application
January 1, 2011 – December 31, 2011

For additional memberships, make copies of this application; go to the website at www.acuia.org to download the form or to apply online.

Source: AR0210

Credit Union Information

Credit Union: ______________________________________
Credit Union CEO: _________________________________
Address: _________________________________________
State: ________________ ZIP: __________________
Country: __________________________________________
Website: _____________________________________

Membership Options

Regular (Internal Auditor)
- $200 One Internal Auditor Member
- $300 Two or Three Internal Auditor Members
- $400 Four Internal Auditor Members

Supervisory/Audit Committee
- $100 per Supervisory/Audit Member

Primary Member Information

Privacy Information: Do not include my name in the ACUIA Directory

First Name: ________________________  Last Name: _______________________  Suffix: ________________
Title: _____________________________  Phone Number: ____________________  Extension: ________________
Fax Number*: ______________________  Email address*: ____________________

2nd Member Information

Privacy Information: Do not include my name in the ACUIA Directory

First Name: ________________________  Last Name: _______________________  Suffix: ________________
Title: _____________________________  Phone Number: ____________________  Extension: ________________
Fax Number*: ______________________  Email address*: ____________________

3rd Member Information

Privacy Information: Do not include my name in the ACUIA Directory

First Name: ________________________  Last Name: _______________________  Suffix: ________________
Title: _____________________________  Phone Number: ____________________  Extension: ________________
Fax Number*: ______________________  Email address*: ____________________

4th Member Information

Privacy Information: Do not include my name in the ACUIA Directory

First Name: ________________________  Last Name: _______________________  Suffix: ________________
Title: _____________________________  Phone Number: ____________________  Extension: ________________
Fax Number*: ______________________  Email address*: ____________________

*Fax and/or email will be used for member communications.

Payment Information

Payments to ACUIA are not deductible as charitable contributions for federal income tax purposes. However, they may be deductible under other provisions of the Internal Revenue Code. Federal Tax ID # 39-1666875

- Credit Card (Circle One)
- Check or Money Order Enclosed #:

VISA     MasterCard     Discover

Card Number: ____________________________________ Expiration Date: ____________ Security Number: __________
(3 – 4 digit number on back)
Cardholder Name: _______________________________ Cardholder Address: _________________________________
Authorized Signature: ____________________________ Date: __________________

The Association of Credit Union Internal Auditors (ACUIA) collects credit card information to make it easier for you to sign up for membership, as well as pay for other services. ACUIA does not use or share credit card information for any other purpose. We retain such information as is needed for standard accounting record-keeping requirements. Every step is taken to protect the loss, misuse, and alteration of the information under our control. If you prefer, please use a check or money order to make any necessary payments. Payments to ACUIA are not deductible as charitable contributions for federal income tax purposes. However, they may be deductible under other provisions of the Internal Revenue Code.
Happy 20th Anniversary ACUIA!

Doeren Mayhew congratulates the Association of Credit Union Internal Auditors on its two decades of providing exceptional service to the credit union industry.

We are proud to be an Associate Member and Benefactor Sponsor!

Wishing you many more years of continued success!