



ACUIA Region 4 Meeting

August 25-26, 2011

Hyatt Place San Antonio/Riverwalk
601 South St. Mary's Street
San Antonio, Texas 78205

Agenda

Thursday, August 25 8:00 am – 4:30 pm
Continental Breakfast, Lunch, and Breaks included

Friday, August 26 8:00 am – 4:15 pm
Continental Breakfast, Lunch, and Breaks included

Who Should Attend

Internal Auditors
Supervisory/Audit Committee Members
CEOs
Board Members

ACUIA members from all regions welcomed!

Sessions

IT Auditing - Credit Unions Beware of New IT Predators
Catherine W. Bruder, Doeren Mayhew

Information technology is the foundation for credit unions to provide the next best service opportunity to their members, BUT it also poses risks. Social networking, malware, smartphone mobile banking, each new delivery channel has predators looking for a vulnerability in the technology to put credit unions and their member's data in jeopardy. This workshop will discuss various risks associated with the new technology and how you can assess that risk. We will focus on real world exposures and best practices for your organization.

Catherine W. Bruder, CPA, CITP, CISA, CISM, CTGA, MSPA is the Director of Audit and Information Technology Assurance at Doeren Mayhew. She has over twenty-two years of experience providing audit and information technology assurance services. She evaluates and designs internal control processes and system management designs for financial institutions, service organizations, health care insurers, technology vendors and manufacturers. She has designed audit programs to comply with Federal Financial Institutions Examination Council, Sarbanes-Oxley Section 404, Model Audit Rule for Health Care Insurers, Health Insurance Portability and Accountability Act (HIPAA), Gramm-Leach-Bliley Act of 1999, and various regulatory standards. Catherine is also experienced providing internal and external vulnerability assessments, penetration testing, information technology general controls reviews, Sarbanes-Oxley Section 404 compliance assessments, Model Audit Rule assessments and SSAE 16 engagements (formerly SAS 70 – Reports of Third Party Service Providers). Catherine is a current member of the American Institute of Certified Public Accountants (AICPA) - Information Technology Executive Committee and a former member of the AICPA Risk Assessment Task Force. She has published several articles on information security and internal controls and is a contributor to the AICPA Audit Guide “Assessing and Responding to Audit Risk in a Financial Statement Audit”.

Third Party Due Diligence

Catherine W. Bruder, Doeren Mayhew (see above)

For those of you who need to understand the security, availability, processing integrity, confidentiality or privacy internal controls at your vendors – this is the session for you! With the changes resulting from SAS 70 being replaced by SSAE No. 16, *Reporting on Controls at a Service Organization*, there are new reporting options available.

Learn about SOC 1, SOC 2 and SOC 3 reports and the relevance to your credit union. We will explain the controls addressed in each type of report, the contents of a Type 1 or Type 2 report, and who those reports affect.

What other types of information should be incorporated into your due diligence? How do you manage third-party risk? What are the examiners expecting? Come talk about what you are doing and what others are doing to manage third party vendors.

Commercial Loan Auditing: Essential Skills for Internal Auditors

Robin D. Hoag, Doeren Mayhew

Credit Unions face significant challenges when originating or participating in commercial loans. Adequate commercial lending expertise is needed to maintain a desired level of asset quality. This session will address the demands that internal auditors face when evaluating and monitoring commercial loan portfolios. The session will look at the basics of loan underwriting, cover workout loans, provide guidance on risk rating loans, cover commercial OREOs, review lender due diligence to prevent fraud, and include internal control guidelines.

Objectives:

- ❖ Understand the basics of commercial loan underwriting and discuss the many types of commercial loans.

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- ❖ Review loan workout arrangements and understand how to analyze repayment capacity, to evaluate guarantees and assess collateral value.
 - ❖ Provide an overview of risk rating commercial loans and review the regulatory definitions for adversely classified assets.
 - ❖ Recognize how commercial OREO property requires more scrutiny, management support, and evaluation.
 - ❖ Discuss how lender due diligence can deter fraud.
 - ❖ Review internal control practices to ensure portfolio performance, credit quality, collectability, and collateral sufficiency.

***Robin D. Hoag, CPA, CMC**, is the Senior Director of the Financial Institutions Group at Doeren Mayhew. During the past 34 years, Robin has developed a national reputation as a credit union expert, working with more than 250 credit unions, ranging in size from \$50 million to over \$3 billion. His is an audit director, management consultant, and national speaker on credit union issues. His experience includes credit unions, community banks, mortgage banks, trust banks and Credit Union Service Organizations (CUSOs). His expertise covers a wide variety of areas, including audit and internal control systems, mergers and consolidations, forensics and fraud, and credit union risk management, and is a nationally-published author on audit systems. Throughout his career, mergers and consolidations have been a consistent focus, developing his technical, strategic, and operational knowledge with over thirty (30) mergers and acquisitions completed. In addition, Robin's accounting and compliance experience includes requirements of the NCUA, various state regulations, Office of Thrift Supervision, Office Comptroller of the Currency, and Federal Deposit Insurance Corporation. Robin is a member of the AICPA, ACUIA, NACUSAC, Institute of Management Consultants (IMC), and CUES' Financial Supplier Forum, and an alumnus of the AICPA's Credit Unions Committee. Robin is a frequently sought-after speaker for numerous credit union organizations, including the ACUIA, AICPA, NACUSAC, CUNA, CUES, state leagues, and to NCUA examiners.*

NCUA Material Loss Reviews and IG reports: How lessons learned from analyzing recent CU losses can be integrated into CU IA plans

Joseph D'Ambra, Jr., NCUA

This session covers the IG Capping report, lessons learned, things to watch out for (red flags), etc. We will discuss: (1) management's inability or unwillingness to develop and implement adequate internal and system controls and oversight processes resulting in fraud, and (2) absence of adequate strategic planning, concentration limits, putting on the brakes, etc. when there is rapid, significant growth in loan and investment programs.

***Joseph D'Ambra, Jr. (Joe)** started his NCUA career in 1988 as an examiner in the Houston/Galveston, Texas area. He has held several positions with NCUA including stints as a Special Actions Analyst and Senior Supervision Analyst in the Austin Regional Office, Corporate Credit Union Examiner and Program Specialist with the Office of Corporate Credit Unions, and Supervisory Examiner in the Washington DC area. Joe is currently the NCUA Supervisory Examiner for South Texas charged with oversight of state and federal charters with assets ranging from \$800 thousand to \$6.5 billion. Joe is married to Kim, the EVP of a San Antonio based federal credit union, and has five children.*

ERM Fundamentals

Alan White, Vital Insight

Enterprise Risk Management has become a hot topic for credit unions as regulators, boards of directors, and supervisory committees demand more information about risk and the actions of management to manage it. The current economic environment has served to heighten awareness of risk management and the need to develop better measurements and reporting. But ERM can seem intimidating, and many credit unions struggle to get started. This session will provide guidance, sample deliverables, and resources that can be used to get the program underway and to demonstrate the value of the program to important stakeholders.

Attendees can expect to:

- ❖ Gain an overview of the industry data, trends and regulatory changes that are creating the need for conducting risk assessments and implementing ERM
- ❖ Learn how an ERM program can be designed to manage credit, portfolio, liquidity, operations, strategic, accounting, and technology risks.
- ❖ Develop a plan for integrating the ERM program with internal audit

Alan White is President & CEO of Vital Insight, a leading provider of Governance, Risk, and Compliance (GRC) software solutions. A former executive in Ernst & Young's Technology Risk and Security Services practice, Alan has conducted well over 100 information security, project management, systems development, and business continuity risk assessment and controls analysis projects. His client experiences spans the financial services, insurance, and high tech industries.

Prior to Ernst & Young, he served as an executive in Arthur Andersen's Technology Risk Services practice, where he held local leadership responsibilities for the firm's Business Systems Risk Services practice in the Washington, DC area. He holds a Bachelor of Science degree from Carnegie Mellon University, an MBA from the University of Texas. Alan is a frequent speaker at industry and association events including CUES, IIA, CUNA, ACUIA, CUIAA, NAFCU, and CUISPA.

Fraud through Weaknesses in User Access

Patrick McCollough, Arkansas Federal Credit Union

The course takes a look at internal fraud that occurred due to weaknesses in user access in the company's user access. These two fraud cases will be reviewed to learn the weaknesses that existed to allow the fraud. This session will also look at the controls that are necessary to overcome these weaknesses. This session will also explain what an auditor should be looking for in reviewing user access.

Patrick McCollough, CPA has been the Assistant Vice President/Director of Internal Audit for the Arkansas Federal Credit Union with assets of over \$780 million since February 2008. He graduated from the University of Central Arkansas in 1985 with a Bachelor's of Business Administration degree with a major in Accounting and a minor in Information Technology (of course, Information Technology in 1985 looked nothing like it does now). Patrick achieved his CPA certification in October 1989. He also achieved separate bank audit and compliance certifications in his former life as a bank internal auditor. Patrick has been performing internal audit for 17 years with 13½ of those years coming in financial institutions. Prior to coming to the credit union, he worked for a six bank

holding company for 11 years in the capacity of the Audit Manager for one of the banks and then the IT auditor for all six banks for the last three years. He has had extensive work in information technology including helping all six banks develop detailed information security programs and guiding the banks through the development of the many risk assessments that the regulators have required. He also performed compliance and information security training for one of the institutions under the holding company. He has had to work closely with IT regulatory examiners on a regular basis including having to take his “audit hat” off for six months so that he could lead one of the banks out of a regulatory Board Resolution order for Information Technology. He has had experience in investigation of fraud cases including one that was due to weaknesses in system access throughout the institution which caused a loss of over \$120,000 to the institution. Because of this, Patrick is a big advocate of regular user access controls and reviews.

Ethics – “Behavior or Belief?”

Joe E. Curiel, Jr., Alamo Colleges Police Department

This presentation will explore and briefly discuss the complex world of Ethics with emphasis placed on the emotions, decisions, choices, behaviors, beliefs, and feelings associated with the Ethical Mindset of people. Topics include: defining Ethics, The Ethical Connection, Fiduciary Responsibilities, and case studies illustrating “Behavior or Belief.”

Joe E. Curiel, Jr., MPA, CFE, PI has over thirty-five years of security and law enforcement experience to include white-collar criminal investigations and homeland security. He is currently the Deputy Chief of Police for the Alamo Colleges Police Department in San Antonio, Texas. Some of his responsibilities include the safety and security of ten college campuses covering eight counties, and the management and supervision of the Police Department in the absence of the Chief of Police. The Criminal Investigations Division, Internal Affairs, Training, Evidence/Property, Executive Protection, and Communications/Dispatch Division are under his command. Prior to joining the Alamo Colleges, he was the Senior Security Criminal Investigator for the Bexar County Criminal District Attorney’s Office where he was responsible for assisting with and investigating high-profile cases involving white-collar crime, money laundering, political corruption, bribery, misapplication of fiduciary property, elderly fraud, and homeland security/terrorism related issues. Joe has conducted various fraud awareness and investigations training to law enforcement agencies, businesses, financial institutions, colleges, and local communities. Joe is licensed by the Texas Commission on Law Enforcement Officer Standards and Education (TCLEOSE) as a Master Peace Officer and Police Instructor to include, licensed by the Texas Department of Public Safety Security Bureau as a Security Manager and Private Investigator for the State of Texas. Joe earned a Master of Arts Degree in Public Administration; served in the United States Air Force as a Security Policeman and earned the U.S. Army Ranger Tab. Joe is a Certified Fraud Examiner and is currently the President of the Association of Certified Fraud Examiners, San Antonio Chapter.

Fraud - Praeteritus, Tendo, and Quod Posterus (Past, Present, and Future)

James Peters, San Antonio Federal Credit Union

This presentation includes a brief history of fraud in the “ancient” past, evolution of fraud into the present, and where it will subsequently transcend. Actual and interesting cases and examples will be

shared along with a little humor and magic to illustrate how “slick” the fraudsters are. The presentation will conclude with what “can” or “will” we do about fraud. Brief outline is as follows:

- I. Introduction
- II. Ancient Fraud (*Praeteritus*)
- III. 19th and 20th Century Fraud (*Tendo*)
 - A. Frauds
 - B. Scams
 - C. Trends
- IV. Definition / Elements of Fraud / Costs
- V. Futuristic Fraud (*Posterius*)
- VI. What Will We Do About It?

James [Jim] M. Peters, CPA, CIA, CFE is the Senior Vice President / Director of Internal Audit at San Antonio Federal Credit Union. He carries over 39 years of auditing experience. Jim received his BBA in Accounting/Finance and his MBA in Finance from St. Mary's University. He is a Certified Public Accountant, Certified Internal Auditor, and a Certified Fraud Examiner. He also served in the U.S. Army Reserves – Field Artillery. Over the years, Jim has shared his professional knowledge and expertise by presenting to various organizations including: Association of Credit Union Internal Auditors [ACUIA] (both regional and national meetings), Texas Credit Union League [TCUL], San Antonio Chapter of Credit Unions, SA Chapter of CFEs, TSCPAs, SA Chapter of CPAs, SA Chapter of IIAs, Texas Bar Association (State Conference), and UTSA Accounting Club. Jim has done some extensive training and reading as a fraud investigator including, but not limited to, psychology, sociology, criminology, behavioral traits, interviewing, deception analysis, and more. His hobbies include: credit union volunteer work, special olympics, United Way, coaching basketball and volleyball, diving, and a little bit of magic!

GENERAL INFORMATION

Meeting Cost

Cost for the two-day meeting is \$149.00

CPE

CPE Credits Available – 14.4

Meeting Location

Hyatt Place San Antonio/Riverwalk
601 South St. Mary's Street
San Antonio, Texas 78205
Phone 210-227-6854
Fax 210-227-1247
HyattPlaceSanAntonioRiverwalk.com

A special group rate of **\$129.00** per night is available if booked by **August 2, 2011**. Please mention **ACUIA** to obtain the group rate.

Hotel is approximately a 20 minute drive from the airport. Taxi fare from the airport to the hotel is an estimated \$25.00 each way. Round-trip shuttle fares are approximately \$32.00. Parking at the hotel is complimentary.

Attire

Attire for this educational meeting is business casual. As with most events, the temperature in different meeting rooms tends to vary. We recommend that you dress in layers to accommodate the variance in temperatures.