

DERBY CITY DISCLOSURES



LOUISVILLE IIA CHAPTER

January, 2005

PRESIDENT'S MESSAGE

Dear Members,

Happy New Year! I hope that everyone had a wonderful holiday!

We had a great turnout at our December meeting. Special thanks to our own Jodi Renn and Kevin Field for speaking to us! This month, Norm Williams of Williams Financial Investigations talks to us about how to detect fraud. With Norm's background and experiences, this will be a very interesting presentation that you will not want to miss.

There is still time to register for the January 13-14 seminar presented by Mark Nigrini on how to use Microsoft Access in auditing. You can register for one day or both days. The first day will be a discussion of how to use Microsoft Access in auditing, including continuous monitoring and data analysis. The second day will provide hands-on examples of using Access. Don't forget to bring your laptop this day! You do not need previous Access experience for either day. Please see the attached flyer for more information.

We will be holding a joint seminar with the Central Kentucky Chapter on March 7. This seminar will be a very interesting seminar as Walter Palmer will be presenting Interview and Interrogation Techniques. Be watching for more details.

See you at the January meeting!

Heather DiEnno
Chapter President

NEXT MEETING:

Tuesday, January 11, 2005

at the **Bristol Downtown**

Detecting Fraud

See page 2 for details

JANUARY MONTHLY MEETING

Detecting Fraud

Norm Williams
Williams Financial Investigations

Tuesday, January 11, 2005
12:00 noon, 11:30 registration

1 CPE hour
(certificates available upon request)

Bristol Bar & Grille Downtown
614 West Main Street
(parking will NOT be validated)

Cost: \$20.00
Use PayPal at www.iialou.org or remit at meeting

RSVP by THURSDAY, January 6, 2005

Carrie Ramsey
Office: 627-4738 Fax: 217-2447
Carrie.ramsey@lgeenergy.com

Menu selections:

BIBB & STILTON
*with mandarin oranges, spiced walnuts with
Balsamic vinaigrette.*

GRILLED FISH SANDWICH
*grilled grouper on an onion bun with tartar
sauce. Served with slaw.*

THERESA'S SWEET CHILI LINGUINI
*pasta tossed with cream and Thai chili sauce
topped with blackened chicken strips.*

About Norm . . .

Norm Williams served as a Special Agent in the Criminal Investigation Division, Internal Revenue Service, United States Treasury, for 26 years. He was also the front line Supervisory Special Agent in Lexington, Kentucky, supervising the conduct of all investigations by a group of Special Agents and support personnel.

Upon retirement from the Treasury in 1999, Norm formed Williams Financial Investigations, LLC, (WFI), an investigative and consulting firm in Lexington specializing in financial investigations. As the principal in WFI, Norm has drawn upon the skills he developed as a Special Agent and has been extremely successful in representing corporate, legal and individual clients. WFI's operating successes have encompassed identifying concealed assets, recovering embezzled funds, interviewing challenging witnesses and obtaining significant information through high-tech Internet inquiries. WFI's largest case involved fraud of more than \$100 million.

PayPal is a quick and simple way to pay for monthly IIA meetings. From the chapter web site (www.iialou.org), go to the meeting and seminar schedule page. Click the "pay now" button for the meeting you wish to pay for. If you already have a "PayPal" account, simply verify the amount, enter your log-in and password. *If you don't already have a "PayPal" account*, you will need to fill in the information for new members (similar to other e-commerce web sites such as Amazon). Once you have completed the transaction, you will be sent an e-mail receipt by PayPal and be returned to the Louisville IIA web site. The local chapter also receives an e-mail that tells us you have paid. You will **still need to contact Carrie Ramsey** with your menu choice. All information is exchanged via HTTPS protocol (secure and encrypted) and remains with PayPal.

CHAPTER NEWS

Visit www.ialou.org for more details!!

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WELCOME NEW MEMBERS

We have one new member this month, Ray Pryor of YUM Brands, Inc. Please welcome him when you see him.

DATA ANALYSIS SEMINAR

A two day seminar, will be hosted by the Louisville IIA Chapter on Thursday and Friday, January 13 and 14, 2005. "Access Unleashed" will be presented by Mark Nigrini, Ph.D. see pages 6 through 9 for more details. Register by January 7 for this exciting seminar at www.ialou.org or call Carrie Ramsey at carrie.ramsey@lgeenergy.com, or at 502-627-4738.

2005 CISA EXAM AND STUDY REVIEW

ISACA will administer the 2005 CISA exam on Saturday, June 11. The 200 multiple-choice exam will be held in one four-hour session.

In addition, the Kentuckiana ISACA Chapter is considering conducting a CISA study review session one weekend in March. See page 10 for more details.

MONTHLY MEETING REMINDER

Please remember to RSVP to Carrie Ramsey for any monthly meetings you will be attending. **BUT**, if you register to attend the monthly chapter meeting and later decide you need to cancel your reservation please contact Carrie Ramsey by noon on the THURSDAY prior to the meeting. The chapter is charged for the number of lunches submitted to the Bristol regardless of the number of individuals that actually attend.

SUGGESTIONS?

We are constantly working on ways to improve your chapter of the IIA. If you have ideas of how your chapter can enhance your career or experience with the IIA, please contact any of the officers listed on the side of this page. We welcome any comments or suggestions to better serve you and your needs.

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NATIONAL NEWS

Visit www.theiia.org for more details!

Headlines from www.theiia.com . . .

Handy tools for finding information on The IIA's site

The IIA's Web site provides a wealth of information about internal auditing. Use the [search](#) and [site map](#) functions located in the upper left-hand corner of the home page to find specific information on everything from the *Standards* and research reports to seminars and certifications.

IIA Research Foundation grants students Barrett Award

Doctoral students [Richard Clune](#) of the Weatherhead School of Management at Case Western Reserve University and [Anelia Grigorova](#) of the University of Economics in Bulgaria were selected by The IIA Research Foundation to receive the Michael J. Barrett Doctoral Dissertation Award. The grants will fund internal audit research projects.

Strong information security requires a game plan

Risk management, technology, and a strong culture can help organizations produce a winning information security game plan, according to the latest [IT Audit](#). The Dec. 15 issue also covers [Windows Active Directory Groups](#), [radio-frequency identification](#), and the latest IT news.

Internal auditing is growing stronger, says Betty McPhilimy

IIA Chairman Betty McPhilimy, CIA, talks about recent events that have placed a renewed spotlight on the role of internal auditing in the November 2004 issue of *The CPA Journal*. She was interviewed by IIA Academic Relations Committee Member Don Tidrick.

Late IIA president honored at ceremony

Friends, family, and colleagues of the late Bill Bishop recently gathered at IIA global headquarters in Altamonte Springs, Fla., to acknowledge Bishop's lifelong dedication to the profession and his achievements as IIA president from 1992 to 2004. Officials also dedicated The IIA's global headquarters building in Bishop's name and announced the formation of The William G. Bishop III, CIA, Memorial Fund.

ADVERTISEMENT POLICY

FREE recruiting advertisements are available on the local IIA Chapter website and in the monthly newsletter! Any employer is eligible for free advertising IF at least one employee is a member of the Institute of Internal Auditors, Louisville Chapter. Executive Search Firms will be charged a nominal fee of \$50 for ½ page advertisement and one month of posting open positions on our webpage. Payment must be received prior to advertising / posting. For more information, contact the IIA Louisville Chapter President at president@iialou.org or Secretary at secretary@iialou.org.

NATIONAL CALENDAR

JANUARY, 2005

17 – 21
Seminars,
Miami, FL

24 – 28
Seminars.
Phoenix, AZ

FEBRUARY, 2005

14 – 18
Seminars,
New Orleans, LA

21 – 25
Seminars.
San Diego, CA

2004 – 2005 MEETING SCHEDULE

Louisville Chapter

1/11/05	Detecting Fraud Norm Williams Williams Financial Investigations	3/8/05	Forensic Accounting Tim Snoddy Snoddy Consulting
1/13-14	Seminar – Access Unleashed Mark Nigrini, Ph.D.	4/12/05	Economics of Baseball Anthony Ward – Comptroller, Cincinnati Reds
2/8/05	Privacy Act Mike Cook The Cook Group	5/13/05 friday noon	Auditing the Gaming Industry Brian Johnson – Churchill Downs <i>at The Turf Club, Churchill Downs</i>
3/7/05	Seminar w/ Central KY Chapter Interview & Interrogation Techniques Walter Palmer		

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Bring your career to life with **Kindred Healthcare**, a leading long-term healthcare provider committed to delivering the highest levels of quality and service for our patients, residents, customers and employees.

In our corporate office in **Louisville, Kentucky**, you'll earn a competitive salary, while enjoying a comprehensive benefit plan including a 401(k). Our modern corporate headquarters includes an on-site fitness center, full-scale cafeteria, beautiful courtyard, next door childcare and state-of-the-art hardware and software provided to all employees.

We are recruiting the following positions in our Corporate Audit Department:

Internal Auditor - This position is responsible for performing financial and internal control audits of the company's nursing centers, pharmacies, hospitals, hospital cost reports, and/or corporate office operations. The position requires up to 20% travel to our facilities that are located nationwide. A minimum of two years of internal auditing, public accounting, or Medicare/Medicaid cost reporting experience is necessary. A Bachelor's Degree in Accounting or Finance is required. A CPA and/or CIA certification is a plus.

2 Information Systems Auditors - Major Tasks, Duties and Responsibilities include planning, conducting, and reporting on comprehensive business process and IT business system audits; develop an audit plan for each audit project and reviews with audit management the objectives, risks/exposures, and scope; determine the scope of the audit on all jobs to which assigned; expands or decreases the audit tests commensurate with the audit findings; understand and coordinate IT audit requirements to address general controls (e.g., operating system and networking environment risks). A BS/BA degree in Information Systems, Accounting, or other related field; A Master's degree or other appropriate advanced education is desirable. A minimum of 1-2 years of demonstrated work experience in related fields. Professional certification (i.e. MCSE, CPA, CISA, MBA, CIA, CISSP) highly desirable.

These positions are excellent opportunities to gain valuable operational experience and to develop expertise in a department filled with career enhancement opportunities. Successful candidates for these positions will be dynamic, self-motivated individuals who think creatively and are able to thrive in a challenging work environment that rewards performance.

If you or someone you know would be interested in these opportunities with Kindred, please contact us at the following address:

KINDRED HEALTHCARE, INC. –
ATTN: MS. TERRI MONTGOMERY
680 SOUTH FOURTH AVENUE
LOUISVILLE, KY 40202

Fax: (502) 596-4722 or Email to Terri.Montgomery@KindredHealthcare.com



THE LOUISVILLE CHAPTER OF THE INSTITUTE OF INTERNAL AUDITORS

The Louisville Chapter of the IIA is proud to present

Access Unleashed:

Using the powerful data analysis functions of Microsoft Access for value-added audit findings and Continuous Monitoring techniques

Presented by

Mark Nigrini, Ph.D.

When: January 13 and 14, 2005
8:00-4:30

Where: LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Cost: \$150 each day (\$300 both days) IIA/ISACA members
\$175 each day (\$350 both days) non-members
Cost includes 7 hours CPE each day, study materials (including Dr. Nigrini's book "Using Microsoft® Access for Data Analysis and Interrogation", a \$70 value!) breakfast, and lunch

Sign up for one day or both days!

DAY 1

The first day session covers the material that would be of most interest to corporate management, audit management, external auditors, and internal auditors that wish to use data analysis as a powerful audit tool. The first day session is therefore of interest to those persons that would actively do or supervise the data analysis work.

DAY 2

The second day session is a **hands-on** session in which we will review Microsoft Access and perform some of the data analysis work in a hands-on environment. The second day will also address the complications that will arise in doing the work such as data import issues, formulating queries, and documenting and reporting results. Documentation, data sets, and templates will be provided for both days. Bring your laptop!

You do *NOT* need Microsoft Access experience to attend!

***HURRY!* Space is limited!**

Register by January 7, 2005 at www.iialou.org and click on "Meetings/Seminars", or contact Carrie Ramsey by email at carrie.ramsey@lgeenergy.com or by phone at 502.627.4738

Do you want:

- To know how a mathematical finding can help you uncover fraud and other irregularities?
- To learn about the architecture of Microsoft Access and to find out how this can be your data interrogation tool for large data sets?
- State-of-the-art data analysis technologies in your audit reviews?
- Value-added activities that management will rave about?
- To learn about the three-D approaches to Continuous Monitoring?
- Hands-on experience with real data and real results?

Here is your opportunity to learn more about:

- Benford's Law (It's a secret law of numbers)
- Innovative data analysis techniques for both revenues and payments
- How Microsoft Access can be used as a rigorous data analysis tool
- The state of the art on Continuous Monitoring with a tie in to Sarbanes-Oxley 404

Do you need to buy software to do all of the above?

- No! If you have Microsoft Access then your software is just a double-click away.
- One of the three-D approaches to Continuous Monitoring (Discriminant Analysis) will require the purchase of statistical software. Seminar will reveal a low-cost solution for this specific application.

Outline:

- Describe Benford's Law and how auditors can use this as a powerful analytical procedures test
- Discussion of fourteen data analysis tests (in a case study format) with tips, hints, and notes for auditors, with demonstrations of some of the tests in Microsoft Access on the first-day
- Continuous Monitoring session:
 - ⇒ Review section 404 of the Sarbanes-Oxley Act
 - ⇒ Review an application of using Discriminant Analysis in Continuous Monitoring for fraud. Discuss the software available for this task.
 - ⇒ Review three examples of Detection formulas in Continuous Monitoring for fraud.
 - ⇒ Review Benford's Law and show how the Digit and Number patterns can be used in Continuous Monitoring
- Demo of two proactive fraud detection techniques in practice (free software available from Texas SAO)
- Review of the architecture of MS Access and the elements of good database design
- Review the elements of Access designed specifically for data analysis
- Hands-on data interrogation work using real corporate data, government data, and Nigrini's templates.

Note: You don't need Access experience! Each attendee will be given a copy of Mark's book: *"Using Microsoft® Access for Data Analysis and Interrogation"*. The book includes data sets and Excel templates so that the tests in the book can be practiced on your own computer. (The retail-selling price for this book \$70!

To learn more for this book, please visit

http://www.nigrini.com/data_analysis_books/data_analysis_using_access.htm.)

Second-Day Note: The second day will include data sets, templates, and documentation showing how to perform Continuous Monitoring tests in Microsoft Access.

FIRST-DAY (JANUARY 13, 2005)

Morning session (8:30am to 12:00 noon):

Introduction and Benford's Law introduction

Benford's Law and authentic data (census, purchasing cards, retailer)

Benford's Law and fraudulent data (payroll data, sales data,

Benford's Law and California election data (the election for governor in 2003)

Tax return data (including a look at the Clinton tax returns)

Case study demonstrating seven data analysis tests using data from a real California company:

- 🔔 Data Profile
- 🔔 Basic Digit Tests
- 🔔 Number Duplication test
- 🔔 Largest subsets
- 🔔 Relative Size Factor
- 🔔 Same-Same-Same, and
- 🔔 Same-Same-Different

Continuous Monitoring session:

- ⇒ **Review internal control principles and section 404 of the Sarbanes-Oxley Act**
- ⇒ **Review an application of using Discriminant Analysis in Continuous Monitoring for fraud. Discuss the software available for this task.**
- ⇒ **Review three examples of Detection formulas in Continuous Monitoring for fraud.**
- ⇒ **Review the use of Digit and Number patterns in Continuous Monitoring**
- ⇒ **Review of two proactive fraud detection techniques in practice (free software available from Texas SAO)**

Afternoon session (1:00pm to 4:30pm):

Earnings manipulation short session: Analysis of Earnings Reports and published Enron numbers

Continuation of California case study

Review of the functionality of Access and its ability for fraud detection auditing:

- 🔔 Architecture of Microsoft Access (Tables, Queries, Forms, Reports, etc.)
 - 🔔 Features of Access facilitating Data Analysis
 - 🔔 Types of Queries
 - 🔔 Importing data into Access
- ✂ Demonstration of four data analysis tests in Microsoft Access (see morning session)

Review of using three innovative statistical techniques that are known and available to statisticians but that have not yet been used in auditing as analytical procedures and to detect anomalies and fraud. Hint: One of these techniques is time-series analysis.

Conclusion:

- 🔔 Benford's Law and the "Da Vinci Code"

SECOND-DAY (JANUARY 14, 2005)

Topics to be covered include:

A more detailed review of the Architecture of Access with a view to designing data analysis routines that can be used by others in your audit environment. In these situations the system needs to be menu driven.

Importing data into Access.

Importing data “with problems” into Access. Examples of problems include blank fields, characters such as ‘---’ used to denote zeroes, and data that is in an Excel spreadsheet format that needs to be converted to a database format through the use of Make-Table and Append or Delete queries.

Running the basic digital analysis tests (data profile, basic digit tests, and number duplication test) in Access and exporting the results to Excel for graphs and presentation.

Advanced work on the above using a Union query.

Running selected advanced digital analysis tests in Access and presenting the results to audit management and documenting the tests run. Seminar will cover innovative techniques such as reporting the Top Values.

Using correlation and a powerful data interrogation procedure with a hands-on exercise on election data that requires such an analysis and the presentation of the results.

Speaker Bio



Mark J. Nigrini, Ph.D. is on the faculty at Saint Michael's College in Burlington, Vermont where he teaches managerial accounting and auditing courses. He was formerly on the faculty at the Cox School of Business at Southern Methodist University. His current line of research addresses continuous monitoring technologies and the detection of earnings manipulation.

In 1995 his data analysis work was publicized in The Wall Street Journal, Canadian Business, Technology in Government, Contingencies, The Globe and Mail, and CA Magazine, among others. His work has also been written about in publications such as The Financial Times, The New York Times, Der Spiegel, Business Week, Dallas Morning News, Philadelphia Inquirer, The Journal of Accountancy, and USA Today. He has presented numerous academic seminars and professional seminars for accountants in North America and abroad. He has published papers on Digital Analysis in academic journals such as The Journal of the American Taxation Association, Auditing: A Journal of Practice and Theory, The Journal of Accounting Education, and The Review of Accounting and Finance (forthcoming) and in practitioner journals such as Internal Auditor, Journal of Accountancy, IT Audit Forum, The White Paper, and IEEE Potentials. Mark has also written four web-based seminars for the IIA's web-based seminars at www.auditlearning.org.

Mark J. Nigrini is the author of “*Digital Analysis Using Benford's Law: Tests and Statistics for Auditors*” and “*Using Microsoft Access for Data Analysis and Interrogation*”. To learn more about Mark and his books, visit his website at <http://www.nigrini.com/>

CISA REVIEW

(continued from page 3)

Once again in 2005, the Kentuckiana ISACA Chapter is considering conducting a CISA study review session in a weekend blitz. The possible dates for this course are March 5-6, March 12-13, March 19-20, or March 26-27. If you are planning to take the CISA exam and are interested in the study review, please contact Lisa Buckner (lisa.buckner@lgeenergy.com or (502) 627-3139) by January 14, 2004 with your date preferences. Provided enough interest is generated, dates and locations will be determined. Registration materials and additional information can be obtained from Lisa, as well.

CISA EXAM

The Information Systems Audit and Control Association's (ISACA) Certified Information Systems Auditor (CISA) is one of the oldest (around since 1978), biggest (over 30,000 certified CISAs around the world), and best-known certifications around.

CISAs specialize in numerous topic areas related to systems audit and information security, including:

- The information systems audit process
- Management, planning and organization of information systems
- Analysis and review of technical infrastructure and operational practices
- Protection of information assets
- Disaster recovery and business continuity planning and implementation
- Development, acquisition, implementation and planning of business application systems
- Evaluation of business processes and risk management practices

ISACA will administer the 2005 CISA examination **Saturday, June 11**. Composed of 200 multiple-choice questions, the exam will be held in one four-hour session. The 2005 exam fee is \$385 for members and \$505 for nonmembers. **A \$50 discount is applied for registration by February 2. The registration deadline is March 30. All candidates can save \$35 on the registration fee if they register for the exam online at www.isaca.org/examreq.**

For more information on this program, plus pointers to information about requirements, training materials, practice exams, and more, please visit www.isaca.org/cisa.htm (the certification FAQ on the site is particularly helpful).