

President's Notes

by Brent L. Rumbley, CFE, CPA, CISA



“This conference is the best there is.” As indicated in this statement taken from an attendee of this year’s fraud conference, our 10th Annual Fraud Conference was once again a huge success. Somehow, the conference committee finds a way to make this most sought after local training better every year. It is a big challenge, but they make it happen year after year. I don’t know how they’ll do it next year, but I’m sure they will.

I’d like to take this opportunity to thank those on the conference committee. There are many little details that have to take place in order to pull off such a successful conference, and it wouldn’t have been possible without them. Their names are published elsewhere in this newsletter.

In previous newsletters, I’ve encouraged you to think about getting involved in chapter leadership. Well, it is now time to elect officers and board members for next year. I’ve asked Bob McCloud to chair a nominating committee, so please contact Bob at 747-5210 if you’re interested in a leadership position next year. At the May 25th luncheon, Bob will announce the new slate of officers and board members. They will then be sworn in at the June social.

Don’t forget about our contest to win a trip to the national ACFE conference in Las Vegas this year. The contest will end at the last luncheon in May, and we will announce

the winner at the June social. Details of the contest can be found elsewhere in this newsletter.

Our next luncheon will be April 27, so please mark your calendar and send your reservation to Doreen Zientar no later than Tuesday, April 25, at 9:30 a.m. Doreen can be reached at 882-7179 or by email at dzientar@deloitte.com.

In this issue:

Member Profile	1
February Meeting Minutes	2
Conference Committee	2
April Speakers	3
Don’t Go Back to Square One	3
National Conference Contest Points	5
News from National	5
Officers and Contacts	6
Directions to Scarritt-Bennett	6
Meetings & Events	6

Member Profile

Bob McCloud, CFE

I was born in Middlesboro, Kentucky and grew up in many places including Michigan and Tennessee. My dad worked for Sinclair and ARCO oil companies as a retail manager. I was in eight different schools from the first through the eighth grade. After graduating



Member Profile (Continued)

Bob McCloud, CFE

from Hillwood High School in Nashville, I attended The University of Tennessee at Martin. I was on the wrestling team and met my wife, Suzanne, at Martin at the beginning of my junior year.

I came back to Nashville and worked and went to school at night. I was fortunate to land a position with a corporate office Gulf and Western Natural Resources Group that paid for all of my remaining college expenses. I put my wife through college at George Peabody College for Teachers at Vanderbilt while completing my accounting degree and working toward an MBA. After college, I worked mainly in corporate offices of firms in Nashville for about ten years. I worked in various positions and even had a small business for a short time.

Upon planning for a family I was able to land a job with Comptroller's Office with State Audit. I work in the Medicaid Section. My wife and I have two boys, one a teenager and the other married and along with his wife, Erin, are expecting a girl this coming August. We have been involved in many activities including church, scouts, The YMCA, Red Caboose Park, and out door groups.

I have been a CFE for over ten years. I have been associated and served with the Middle Tennessee Chapter in several positions, including Vice-President, President, board member, and conference committee member. Being associated with the chapter has been an honor and a lot of fun. The people make this chapter and we all should be proud of our diverse backgrounds. I look forward to our meetings and hope to see you on April 27th!

February Meeting Minutes

The Middle Tennessee Chapter, Association of Certified Fraud Examiners met jointly with the Nashville Area Chapter of the IIA on February 23, 2006. CFE Chapter President Brent Rumbley called the meeting to order, then welcomed the IIA members. Fred Pasteur presented Paul Fimano



with his framed CFE certificate. Brent then recognized Max Jordan as a recipient of the "Excellence in Law Enforcement" award.

Brent went on to announce that there were only about five or ten more seats left for the Tenth Annual Fraud Conference. Brent also announced that the Nashville Area Chapter, Association of Government Accountants (AGA) would be hosting its Regional Professional Development Conference on March 16 and 17, 2006. He then reminded ACFE members of the contest the chapter conducts to send the member with the most points to the National Fraud Conference, to be held this year in Las Vegas.

Brent then introduced Kim Phegley, President of the Nashville Area Chapter, IIA, who made the announcements for the IIA chapter. Rene Brison introduced the speaker, William Bright, CFE, JD, from the Division of Municipal Audit. Following Mr. Bright's presentation on preparing cases for prosecution, Brent asked him to draw names for door prizes. Ray Mettetal won the \$25 door prize, and Rhonda Coleman, Paul Fimano, Nathan Abbott, Susan Moore, Jay Moeck, James Harvey, and Mike Cole won various other door prizes.

Kim Phegley presented the IIA door prize, and Brent adjourned the meeting.

Conference Committee

Many thanks to the members of the Conference Committee who worked hard to make the Tenth Annual Fraud Conference such a success. Those members are listed below.

Bob Cleland
Dennis Dycus
Ron Hickman
Don Johnson
Hellens Kruszynski
Sharon Matheny
Tom Mathis
Bob McCloud
Fred Pasteur
Beth Pendergrass
Daniel Porter
Brent Rumbley

April Speakers

Connie Glover, CPA

Connie is a Vice President with the HCA Internal Audit Department. She is responsible for the Revenue Cycle area which includes Patient Account Services audits, A/R valuation projects and the oversight of the department's anti-fraud testwork. Connie has been with HCA since 1995. Prior to joining the company, she worked on the HCA audit for six years with the external auditing firm Ernst & Young.



R. Lee Nelson, CFE

Lee is a Director with HCA Internal Audit and has 10 years of experience with the department. Prior to moving to Internal Audit he spent 10 years within HCA's information systems department in the software development and operations areas. He is currently responsible for system reporting and development in Internal Audit, and his article entitled "Stepping Into Continuous Audit" was published in the April 2004 edition of *Internal Auditor Magazine*.

Emily Ellison, CPA, CFE

Emily is a Senior Manager with the HCA Internal Audit Department. She is responsible for Sarbanes-Oxley project management and the department's anti-fraud initiatives and testwork. She has been with the Internal Audit department six years.

The group's presentation will provide information on HCA's anti-fraud program, highlighting specific tools and procedures that have been implemented into our audit process to assist with fraud detection, particularly in the area of accounts payable.



Don't Go Back to Square One

by Paul Fimano

It's late Friday afternoon. The director comes to you with a high priority task for the CEO. You are informed this is needed for a Monday morning meeting at the CEO's office. You look out the window and see it's already dark and your staff has left for the weekend. You look at the task request and respond, "Can do!" As your boss walks away, your smile fades and you are asking yourself, "why did I just say that?" I don't want to work all weekend. But, I don't have to work all weekend. I have an ace up my sleeve.

As the manager of an information systems group, I emphasized the need for good documentation and repeatable processes. I knew we had answered my boss's questions before. All I had to do was find the documentation, read it and follow the steps. This could help to turn the "Can do" response into reality, avoid re-inventing the wheel and get me some weekend time off.

The practice of requiring good documentation and the use of repeatable processes is called a methodology. Webster defines a methodology as a system of methods and principles used in a specific branch of knowledge. It should be reliable and repeatable. From a user's perspective it should be well documented and easy to use. From a manager's perspective it should produce results that are timely and verifiable.

There are several methodologies being used. A poll conducted by KDnuggets indicated one used more than others. This is the CRISP-DM. This methodology has a cyclical component which highlights the possibility of improvement each time that it's applied to a particular project. Each pass through the methodology involves six phases. The sequences of the phases are flexible. Users are encouraged to move back and forth between the phases and each phase of the methodology benefits from the previous one (<http://www.kenningresearch.com/crispdm.htm>).

For a methodology to be useful it must be adapted to the environment of its intended use. Below follows a brief outline of the phases of the CRISP-DM methodology adapted to fit the need of an entity:

Don't Go Back to Square One (Continued)

by Paul Fimano

Business Understanding

This first phase focuses on understanding the expectations of the business user, then translating this understanding into the business question to be answered. The first step is a preliminary plan to address the business question and meet the expectations of the business user. This understanding includes an agreement on validation, presentation, and documentation processes.

Data Understanding

The second phase focuses on looking at the initial data to discover first insights into the data or to detect interesting subsets to form a hypothesis for unknown information of interest. Any data quality issues should be discussed with the business user.

Data Preparation

The third phase focuses on collecting and formulating the data to be used from the initial data set. This phase is benefited by exploring the knowledge of past projects. Tasks include selecting the final data to be used for analysis, describing the decisions and actions taken to address the data quality problems reported during the data understanding phase, deriving new data as a result of calculations or the combining of multiple data elements into one data element, and reformatting of the data for future use.

Modeling

The fourth phase focuses on techniques used to model the results of the data preparation phase. Modeling is an art and selection of a "right for the task" approach. This will increase the probability for success. To ensure the "right" choice, the following three factors should be considered: (a) understanding of the business processes associated to the modeling task, (b) characteristics and constraints or limitations of the modeling environment selected for the project, (c) intended use of the model after it is completed. The final outcome should assist the user in getting some insight into why a certain modeling technique and certain parameter settings lead to the results obtained.

Evaluation

The fifth phase focuses on a thorough evaluation of what you have done so far along with some possible adjustments. Before proceeding to the final phase of the methodology, steps to shape the data to the user's expectations, preliminary presentation of results, and the formal walkthrough need to be finalized. A formal review process will help ensure the reliability and repeatability of results obtained.

Deployment

This final phase focuses on tasks needed to complete the cyclical part of this methodology. Documentation is approved, final presentation tasks are completed, possible process improvement actions for a possible next go-around of the project are documented, and any clean-up and/or maintenance tasks are completed. This phase concludes with the presentation of findings and signed-off of the results from the business user.

The adapted methodology above can assist in tasks associated to:

- Fraud and abuse data analysis and data mining
- Information system audits
- Internal audits
- External audits
- Tasks associated to data or information collection

Because my staff followed a methodology and I knew where the project folders were kept, I was able to find the previous iteration of the project. I was confident I could provide the data for the Monday morning meeting in a matter of hours and not days. If I had been unable to find the previous version, I could have used another project in which the processes were similar and adapt it to my current project. This keeps me from having to go back to square one on every project.

While the above Friday afternoon scenario maybe a little exaggerated, the facts are when you follow a sound methodology you can save yourself time and be confident your results will be consistent across iterations. This could be the difference in having either a good or bad day at the CEO's office or in the boss's office.

Annual Conference Contest Point System

The 17th Annual ACFE Fraud Conference is scheduled to be held at the Venetian Las Vegas, NV, July 9-14, 2006. Once again, the Middle Tennessee Chapter will hold its annual contest to win an all-expense paid trip to the conference. You can earn points to compete for the trip according to the following schedule. Please remember that each member is responsible for accumulating his or her points and submitting the total number and the accompanying documentation at the conclusion of the contest.

<u>Category</u>	<u>Points</u>
Attending Monthly Chapter Meeting	1 point per meeting
Publish Article in Chapter Newsletter	2 points
Sponsoring a New Member	2 points per new member
Publish member profile in Chapter Newsletter	1 point
Contribution to "Been There, Said That, Done That"	1 point per contribution per Month
Publication of Case Results	2 points
Participating as a speaker in the Chapter Speaker's Bureau	2 points per engagement
Publication of an article in the Association's <i>Fraud Magazine</i>	3 points
Attending the Chapter's 10 th Annual Conference	2 points
Service on Chapter Committee	2 points

New ACFE Online Courses Added

The ACFE announced the successful debut of the first in a series of new learning opportunities for anti-fraud professionals. On March 30, 2006, Financial Analysis for Non-Experts was offered live as the first ACFE Online Learning course, with two additional courses upcoming: Practice Management: Malpractice Insurance (May 18, 2006) and Know Your Customer Programs (June 29, 2006). Courses are also available in archived form after being conducted live.

"We had a terrific first session, and plan to have many more in the future," said Kevin Taparauskas, ACFE Director of Events. "Webinars are a great way for ACFE members to take advantage of our educational opportunities without having to leave the office. "

A survey of participants showed overwhelming satisfaction with the first ACFE Online Learning course. High marks were given for convenience, organization, applicability and a strong speaker. A vast majority (more than 90 percent) noted that they would recommend the course to colleagues; and participants overwhelmingly said they would consider participating in another Online Learning course (96 percent).

To register for an ACFE Online Learning Course, or to purchase an archived course, visit:

<http://webinars.acfe.com/>

The Examiner

April 2006

Page 6

Chapter Officers and Board Members:

President	Brent L. Rumbley, CFE, CPA, CISA	747-5298	brent.rumbley@state.tn.us
Vice President	Fred Pasteur, CFE	741-5518	fred.pasteur@state.tn.us
Past President	Daniel Porter, CFE	741-1651	daniel.porter@state.tn.us
President Emeritus	Dennis Dycus, CPA, CFE	401-7871	dennis.dycus@state.tn.us
Treasurer	Don Johnson	253-2164	don.johnson@state.tn.us
Secretary	Beth Pendergrass, CFE, CISA, CGFM	747-5294	beth.pendergrass@state.tn.us
Training Director	Hellens Kruszynski, CFE	401-7909	hellens.kruszynski@state.tn.us
Member at Large	Bob Cleland	726-7969	bcleland@lecg.com
Member at Large	Sharon Matheny	744-4326	sharon.matheny@state.tn.us
Member at Large	Tom Mathis	425-2468	mathist@dynpsc.org

Committees

Website	Lew Robbins, CPA	747-5325	lewis.robbs@state.tn.us
Library	Hellens Kruszynski, CFE	401-7909	hellens.kruszynski@state.tn.us
Academic/ Public Relations	Ron Hickman, CPA, CFE	532-7098	
Newsletter	Beth Pendergrass, CFE, CISA, CGFM	747-5294	beth.pendergrass@state.tn.us
Hospitality	Doreen Zientar, CIA	882-7179	dzientar@deloitte.com
Outreach	Fred Pasteur, CFE	741-5518	fred.pasteur@state.tn.us
Job Placement	Herman Statum, CFE, CPA	377-4977	hstatum@deloitte.com
Historic	Hal Wilson, CFE, CPA	898-2367	ProfDebit@juno.com

Important Meeting Information

Luncheons are \$8.00 for members who make their reservations by 9:30 a.m. on the Tuesday prior to the luncheon. For members making their reservations after that time on Tuesday, until Thursday morning, and for members who make a reservation but do not attend or call to cancel, the cost is \$12.00. Scarritt-Bennett Center charges us \$16.00 for meals when no reservation is made. Therefore, for individuals who attend without making a reservation, the cost is \$16.00. First-time guests eat free. After a guest's first visit, he or she will be charged \$12.00 for the lunch, provided he or she makes a reservation. Without a reservation, the lunch is \$16.00. Scarritt-Bennett provides excellent meals and plenty of free parking. For reservation contact Doreen Zientar at 882-7179 or by email at: dzientar@deloitte.com.

Luncheon Dates

(Luncheon time: 11:30)

April 27, 2006
May 25, 2006
June Social, TBA

Directions to our Luncheon at the Scarritt-Bennett Center

From Downtown: Take West End Avenue south to 19th Ave. Turn left on 19th and drive to Division Street. Turn left on Division for about 100 feet, then turn back to the right on 19th Ave. Follow 19th Avenue to Grand Ave., turn left on Grand, turn right from Grand onto 18th Avenue. You will find two entrances to Scarritt-Bennett parking lots on the right just after you turn onto 18th Ave. We will be meeting in the Bennett Building in the Raintree Room on the 2nd floor. The Bennett Bldg. is about the same distance from either parking lot, toward the 19th Ave. side of the campus. Feel free to arrive early and get acquainted with the facility. If you are traveling from the south side of town, travel north on West End to 19th Ave. (You will pass the street that you used to turn on to go to the University Club.) Turn right on 19th Avenue and go to Division Street. Follow the rest of the directions from above. Visit www.scarrittbennett.org to see a map of their campus.

Middle Tennessee Chapter Email:

info@middletennesseecfe.org

Association of Certified Website: www.middletennesseecfe.org

Fraud Examiners

P.O. Box 198361

Nashville, TN 37219

Association Headquarters:

The Gregory Building

716 West Avenue

Austin, TX 78701

Email: acfe@cfnenet.com

Website: www.cfnenet.com

800-245-3321

512-478-9070

Fax: 512-478-9297