

"An investment in knowledge always pays the best interest."
- Benjamin Franklin

OUR SPONSORS

A Message From Our President



As we wind down our 2022 events calendar, I wanted to give my sincerest thank you to our membership. You made our final two in-person events for 2022 great successes. The LI Chapter membership confirmed what I believed all along – your unwavering support throughout the COVID pandemic would only get stronger as we leaped back into in-person events.

With over 100 attendees at our April 2022 panel discussion, folks came early and lingered late for the chance to see friends and colleagues that they hadn't in almost two years. Special thanks to our panelists: Louise Duchi from Bank of America, Christopher Hilton from The First National Bank of Long Island and Keith Lawlor from TD Bank. Our panelists are all volunteers, and they spent considerable personal time preparing for our morning discussion. Superlative feedback on the event reflects the preparatory work invested by each of our panelists. Special thanks also to our own Rick Romano for moderating and coordinating the event as he's done annually for a very long time.

Our May 2022 Young Professionals and June 2022 RMA Networking events at Caracara Mexican Grill and Rare650, respectively, were also well-attended and served as great send-offs into the summer break. Special thanks to our Young Professionals, led by Roger Rose and Alison Burke, for organizing those events.

Wishing everyone a wonderful summer. Our local business community remains vibrant as evidenced by your continued support of our chapter. We will see you again soon.

Sincerely,

Michael Heller



Middleton Environmental Inc.
Environmental Consultants and Engineers





**SAVE
THE
DATE**

October 21, 2022

Annual Sponsorships Still Available

For information regarding Sponsorship please contact:

Neil Seiden at neil.seiden@assetenhancement.com
or call 516-767-0100

RMA Scholarships

James T. McCarthy Scholarship - \$2,500

Dr. Pearl Kamer Scholarship - \$2,500

Patrick M. Demery Bankers' Lifetime Achievement Award - \$1,500

Application deadline: May 1, 2023

Eligibility:

Bankers and students interested in pursuing their education and career in the area of banking, commercial lending or credit risk management. You must be enrolled at an accredited college, pursuing a pertinent degree program.

Application package must include the following:

- College transcript and evidence of current enrollment at an accredited college
- Essay from applicant stating:
 - Why you have chosen or are interested in a career in banking
 - Your career goals and how this scholarship will help you meet your goals
- Employment history and current job description, if applicable
- Extracurricular activities, community service
- List of leadership positions, honors and awards
- Letter of recommendation from your current employer or professor

Note: Incomplete application packages will be disqualified.

Applications will be reviewed by the
Scholarship Committee of the
Long Island Chapter of Risk Management Association.

Forward questions or your completed application package to:

Bonnie Dougherty, Senior Vice President

Valley National Bank

BDougherty@valley.com

Join. Engage. Lead

Adapting Controls in Today's Disruptive Market



Anthony D'Agostino, CPA
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Staff reductions and procedural changes brought on by the COVID-19 crisis were originally considered temporary measures to comply with social distancing mandates and offset the financial impact of the pandemic. But as inflation and global supply chain challenges continue to put pressure on management teams to identify cost savings, these historically low staff levels may linger much longer than anticipated.

Workforce and operational changes have forced businesses to eliminate some segregation of duties, create procedural shortcuts and compromise on other internal controls. In this environment, more opportunities for fraud and risk are created along an already-strained supply chain.

Areas of Increased Risk

The risks of these workforce compromises can be seen most clearly in the purchasing and finance departments.

For example, in a typical expenditure cycle within a manufacturing company, there are expenditures for production materials and labor as well as normal operating expenditures, which require a manager or VP's approval, depending on the amount. A PO then gets created, reviewed and sent to the vendor.

Upon receipt, employees in receiving inspect the item, match it to the purchase order and record the receipt. In accounts payable, the processor will match the invoice from the vendor with the receiver and PO and create a check. The check may require two signatures and is sent to the vendor.

In today's environment of staffing cutbacks amid ongoing pressure to achieve revenue goals or customer needs, the same employee who processes the payment may also be involved in purchasing and creating the PO. Or they may be empowered to modify the PO as needed to be able to process the invoice.

The employee processing the accounts payable may also have access to upload the positive pay file to the bank, or to create a new vendor in the system when the purchasing group is not available for a fast turnaround. The person that processes the accounts payable may also be able to arrange a wire transfer or ACH at the bank site or be asked to perform the monthly bank reconciliation.

Another common compromise being made today is the elimination of formal vendor performance evaluations. This often results in sub-standard materials received, causing production interruptions or customer dissatisfaction.

This high-pressure, understaffed environment also lessens the focus on maintaining alternative sources of supplies, migrating the company toward single source suppliers and creating a dependency in the supply chain.

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Strategies to Minimize the Risk

There are three major steps management can take to address and mitigate the risks of a reduced workforce:

- Focus on segregating certain key responsibilities
- Create operational reporting that will provide visibility into any unusual transactions
- Focus on eliminating dependency on certain vendors and driving quality at the source

Segregate Key Responsibilities

While some de-segregation of duties may be impossible to avoid in the current climate, there are some duties that should never be performed by the same individuals.

An executive signing checks or executing electronic disbursements should not have the ability to enter transactions into the general ledger or sub-ledgers. An executive outside of the cash receipts and cash disbursements processes should be the person to physically receive bank statements and review bank reconciliations.

Employees involved in setting up vendors and purchase orders should not have any transaction capabilities within accounts payable. Employees that process accounts payable should not have the ability to modify purchase transactions or create vendors. They should also be separated from the processing of bank transactions.

The employee that reconciles bank statements should not have the ability to post journal entries or any cash receipt or cash disbursement transactions.

Create Operational Reporting

Each month, purchase orders (commitments) should be summarized and reports prepared that:

- List out the new commitments created that month
- List out open commitments at month end
- Provide visibility to year-over-year comparisons by item purchased and by vendor in total
- Provide visibility to price changes compared to previous purchases of the same item
- Provide visibility into key performance measures (i.e., changes in lead times, quality, on-time delivery, cost reductions)

Cash disbursements should be listed in terms of vendors and amounts, with year-over-year comparisons. Check number control should be documented with each batch of checks that are uploaded to the bank's positive pay function to ensure check numbers are not skipped.

Positive pay exceptions that are approved at the bank site should be documented and reported on. Bank reconciliations should be posted for management review.

Eliminate Dependency and Drive Quality at the Source

The Purchasing department needs to continue its formal supplier evaluations and take steps to line up alternative sources of supplies that are domestic, providing the company with flexibility and eliminating dependency.

Arrange source inspections and get to know your supplier's dependencies as well. Work proactively and regularly with your suppliers to smooth out supply chain challenges.

Purchasing for today's customer needs along a weakened supply chain is bound to keep you focused on long-term "cost reduction" tactics. This in turn will create an inevitable need for compromise, including within your workforce. Focusing on these back-to-basics strategies will ensure you are not compromising in ways that could cause irreparable harm to your business's bottom line.

New York Department of Financial Services Updates Cybersecurity Requirements for Financial Services



John Romano
Christopher J. Tait
Russell Sommers
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On July 29, 2022, the New York Department of Financial Services (NYDFS) released Draft Amendments to its Part 500 Cybersecurity Rules. Here are the quick takeaways:

- Creation of a category of covered “Class A” entities, including those with 2,000 or more employees or over one billion dollars in revenue.
- New compliance obligations for these Class A covered entities include:
 1. annual independent audits of the company’s cyber program,
 2. weekly vulnerability scanning with reporting of material identified gaps to management and the board,
 3. the implementation of a security incident and event incident management (SIEM) solution coupled with endpoint detection/alerting, and
 4. the implementation of a password vaulting solution including automated blocking of commonly used passwords were added.
- The proposed amendment adds clarity to the requirements for risk assessments, asset management, access control, several layers of information security governance (CISO, BoD), required policies, procedures and plans, testing of organizational response plans and updated protocols for correspondence with the Superintendent (certifications and event notification).
- The pre-proposal comment period ends August 8, 2022 with the official publishing and 60 day comment period likely in the near future.

Those with exposure to the NYDFS Cyber Law should begin assessing how these proposed changes will impact their organization to better align their cyber program with these new requirements. Baker Tilly’s cybersecurity and regulatory specialists can help you navigate what the new amendments, if adopted, may mean for your organization and how to prepare.

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