

# CONNECTED



AN ELECTRONIC REPORT FROM THE CUNA TECHNOLOGY COUNCIL

## MESSAGE FROM THE CHAIR



As we enter a new year of growth and development for CUNA Technology Council members, I would like to encourage you to spread the word of the many benefits of Council membership among your professional col-

leagues. CTC has evolved into a multifaceted organization that offers a wide range of resources to credit union technology professionals.

Our network is being recognized as the industry's leading voice for credit union technology. We summarized the Top Emerging Technology Trends in the November 2003 issue of *Connected*. These trends were published in the December 2003 issue of Credit Union magazine and we are being asked to present our findings at various credit union conferences over the next several months. We would not be receiving this recognition were it not for the collective wisdom of our network.

Our Council offers other benefits to members as well: white papers are accessible on our website at [www.cunatechnologycouncil.org](http://www.cunatechnologycouncil.org); this newsletter for which you are encouraged to submit story leads; and our listserv, used more every day by our members. You may have seen recent listserv topics such as the ATM survey, patch management in response to NCUA Letter 03-14-CU; remote access; POS receipt printers, PC installs, online banking vendors, and other important subjects. Thanks to all the members who have made such postings and to the many more who

have replied with their insights.

Look for a number of white papers on critical subjects this year including success factors in e-channels; HR1474 – Check 21 – and how it affects credit unions; benefits of a layered approach to network protection – firewalls, intrusion protection and anti-virus; and the potential of wireless and broadband.

If you are aware of communication links such as user group newsletters, league newsletters, or other industry IT groups where information can be placed out about the benefits of CTC membership, please contact me so that we can extend an invitation to all qualified individuals to join us.

A very important benefit of Council membership is the Annual CTC Summit, available to members at a discounted price. Save the dates for this year's event in Baltimore, Maryland, August 25-28. You'll find more information and updates about the conference on the council website. We are organizing sessions on "Hands On Hacking"; information about how to write security plans; the future of e-mail and spam; a roundtable discussion on progressing from the position of CIO to CEO; business continuity; and many other relevant topics.

Your executive committee works very hard to identify timely subjects that will be of interest to a broad cross-section of Council members, and reaction to the agenda for our annual event demonstrates that the committee does an excellent job. Because we are all technology professionals, we can identify areas that strike a chord in others in the profession. We also ask for input from all participants, through annual conference evaluations. We know that this conference is only as strong as the timeliness and interest in the topics we choose to present.

I am equally impressed with the open shar-

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ing of ideas among those present at the conference. One would be hard pressed to find another group as willing to cooperate with peers as members of the CUNA Technology Council. A challenge for one member is a challenge for all, and participants are eager to address the problems and opportunities being confronted by fellow members. We know that a

problem solved by one member today is a problem others among us will not face tomorrow. The easy, willing access we develop at events such as this helps us all to work smarter in the future. ♦

*Jim Morrell*  
VP Information Systems  
iQ CU

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## RECOGNITION

### Council Presents BAI Award to US Biometrics

US Biometrics received the CTC's Best of Show Award at the 2003 Bank Administration Institute (BAI) Retail Delivery Conference and Expo in New Orleans.

Dan Kinne, Council executive committee member and vice president of information technology for Silver State Schools CU in Las Vegas, the company caught the council's attention with its CheckQ system.

The Naperville, Ill., company provides biometric technology software that helps credit unions prevent fraud, rather than react to it.

CheckQ is a fingerprint recognition system that reads current or potential members' fingerprints and compares them to a national

shared database. This database contains information about check and other transactions that may be fraudulent.

Credit unions also can use US Biometrics' offering to control access internally.

The award recognizes a company at the BAI's Retail Delivery Conference that has shown extraordinary commitment to credit union technology, with appeal to a wide range of credit unions as well as affordability.

Other Best of Show finalists included Accucast, QBT, Wincor Nixdorf, Experion, Aurum Technologies, Prognosis, SERSynergy, Ember Heatshield and Raddon Financial Group. ♦

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## BEST PRACTICES AWARDS

### Tech Council Seeks Best Practices in New Areas

The CUNA Technology Council is accepting nominations in four revised categories for this year's best practices awards.

The awards recognize outstanding approaches to technology challenges with potential for universal application across the credit union movement.

Winners will be chosen in the following four categories:

1. Technology infrastructure: How an infrastructure change or new product/technology improved members' and/or users' use of the applications or technology services or products;
2. Information security/privacy: Technical



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and/or procedural processes that are in place to minimize both internal and external unauthorized access;

3. Hi Low Award (High value, low cost technology products/services): A high return on investment that was achieved with a small amount of money for innovative technology products and services; and
4. Miscellaneous: Any technology success story that does not fit into one of the other categories such as applications,

member/user services and more.

Winners will be chosen based on strategy, process, application and results. There are no asset-size restrictions within the categories.

Deadline for entries is June 30, and the winners must attend the ninth annual CUNA Technology Council Summit Aug. 25-28 in Baltimore. ♦

*For more information, call Debbie Bergenske, Council administrator, at 800-356-9655, ext. 4357.*

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## REGULATION

### U.S. Presses Business on Technology Security

Federal officials are insisting that private industry make progress in voluntarily complying with the Bush administration's national cybersecurity plan or face new legislation requiring compliance, says John Markoff writing in the *New York Times*. The alternative

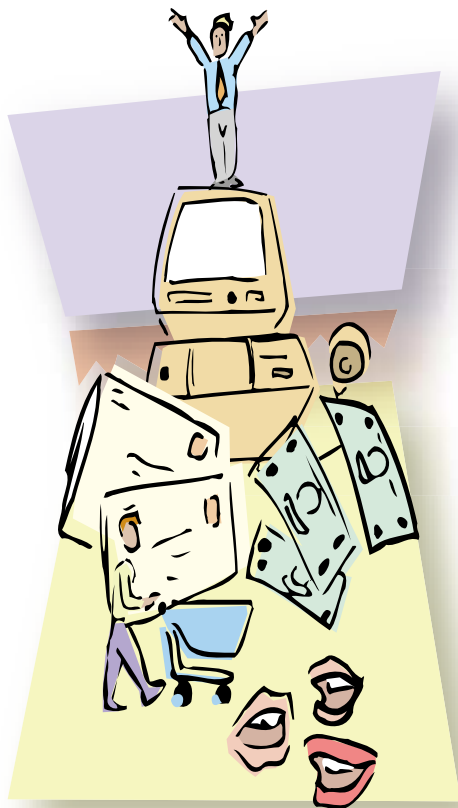
could be new legislation to impose security measures on business.

Although the administration issued the National Strategy for Secure Cyberspace in 2002, efforts to improve the security of computer networks have been slow. Federal spending to improve computer and network infrastructure security has taken longer than expected. Industry executives say the administration's message had been unambiguous.

"There's already lots of legislation," said F. William Conner, CEO of Entrust Inc., a Dallas computer security company and a co-chairman of one of five committees established to pursue specific industry computer security objectives. "Clearly the message is that if private enterprise doesn't start embracing this, more is to follow."

No major cyberattack has yet occurred, but the administration warns that such an event is inevitable. Tom Ridge, secretary of the Department of Homeland Security, reports that a simulated cyberattack was conducted in October. The attack, set up by computer security researchers at Dartmouth College, was intended to assess national preparedness.

"On the whole we gave ourselves a pretty good grade," Ridge says. He notes, however, that the cyberwar game revealed some weaknesses in communications among government agencies. He cites the department's Computer Emergency Response Team, formed in March, as evidence of progress in creating the infrastructure for warning the public about potential cyberthreats. ♦



## TECHNOLOGY ENVIRONMENT

### Good, Bad and Ugly in the Technology World

What did the technology industry's designers, manufacturers, and vendors do to earn our respect – or our ire – last year? That's the question David Pogue ponders in a recent column in the *New York Times*. Here are Pogue's nominations for the good, the bad, and the ugly in technology for the past twelve months:

**BAD:** RealAudio – the world's most mercenary, obnoxious, relentlessly tacky software. At this moment, its icon may be blinking in your system tray, popping up to say: "YOUR PLAYER IS OUT OF DATE. UPDATE NOW FREE." Free? When you click the notice, it takes you to a Web site where you're asked to pay \$10 a month for a subscription version. What part of "free" don't they understand?

**GOOD:** Shareware authors. They're out there writing free or cheap programs that fill in the gaps, pave over the potholes and add turbo to the charge of computers and palmtops. They're the spice of high-tech life.

**UGLY:** Companies that packages products in hard, clear vacuum-formed plastic designed to hang on hooks in retail stores. You can't tear the stuff, you can't cut it, you can't stab it. In fact, nothing short of a chain saw will open these things, but you don't find that out until you've ruined two pairs of scissors and bent your best steak knife.

**GOOD:** Apple, which seems to put as much effort into designing the packaging as it does designing what's inside of it.

**BAD:** Cell phone companies. For rounding calls up to the nearest minute, for billing each call from the instant you press Send, for not giving automatic credit for calls dropped because of bad reception, for resetting the two-year contract when you try to adjust your billing plan, for collecting an F.C.C. line charge that does not in fact go to the F.C.C. and most suspicious of all, for sneaking in a contract clause that says you agree never to join a class-action lawsuit.

**GOOD:** Vonage, the best-known purveyor of phone-calls-over-the-Internet software. This company has inspired the megalithic "real" phone companies to jostle for room on the voice-over-Internet bandwagon. Competition is good. Change is good. Saving money is good.

**UGLY:** Talking E-Mail System for Dummies and any other hardware-software kits that require you to type in a serial number during installation. Note to

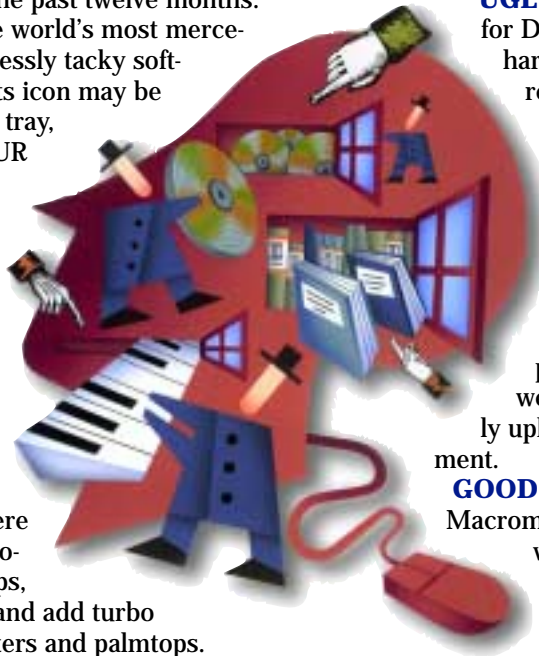
manufacturer: If your product includes a hardware piece, you can pretty much skip the copy protection. Last time I checked, file-swapping Web sites like Kazaa weren't teeming with illegally uploaded pieces of equipment.

**GOOD:** Microsoft, Adobe, Macromedia and anyone else whose type-in-the-serial-number routine at least saves you the effort of having to click inside each little box before typing

the next clump of numbers. When you fill up the first box, the insertion point jumps automatically to the next one, ready for the next digits.

**BAD:** Computer magazines that fill each issue with those infuriating blow-in subscription cards that fall out all over your carpet. The ridiculous part is blowing these cards into magazines going out to people who already subscribe. Hello? Earth to publisher?

**GOOD:** PC World, a magazine that's unafraid to bite the hand that feeds it. In February it cited several high-profile mail-order companies (and PC World advertisers) for bait-and-switch tactics and price gouging. In December, its "Best and Worst Manufacturers" reliability chart gave poor ratings to several of its advertisers. And PC World can be so critical of Microsoft, there's actually a monthly column about bugs in Windows. ♦



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## BOOK REVIEW

### *Open Innovation:*

The New Imperative for Creating and Profiting from Technology by *Henry Chesbrough*

The great corporate research departments at companies like Bell Labs, IBM, and Xerox were once the motor of American industry. But that may be changing, according to this probing academic study of corporate technological innovation.

Chesbrough, an assistant professor at the Harvard Business School, argues that the old “closed innovation” model – vertically integrated research and development departments that develop technology in-house for the sole use of their corporate parent – is becoming obsolete in an age of mobile scientific workers, ubiquitous high tech startups and a growing extra-corporate research establishment at university labs.

Modern technology powerhouses like Cisco and Microsoft do little of their own basic

research, he reports. Instead, they have dropped the “do-it-all-yourself” approach and pioneered a new model of “open innovation,” in which companies import ideas from outside and allow their own innovations enter the wider marketplace.

Drawing on case studies of companies like Lucent and Intel, Chesbrough suggests that companies make themselves more permeable to the flow of knowledge through such strategies as hiring professors and grad students as summer consultants, sponsoring university research, investing in and partnering with high tech startups and venture capitalists, and disseminating their own innovations through spin-off companies or even by publishing in the public domain.

Chesbrough’s sophisticated but highly readable discussion of these complex issues will give managers much food for thought. ♦



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## SECURITY

### ID Thieves Find Gold in Dumpsters

The Federal Trade Commission estimates that identity theft costs nearly \$53 billion annually. Some seven million people were victimized in 2002. Little is known about how identity theft perpetrators operate. It’s a popular perception that most identity theft happens on the Internet, but low-tech methods of getting people’s personal information are far more effective.

For the aspiring identity thief, a dumpster can be a gold mine – full of documents dis-

carded by hospitals, accounting firms and law firms. If that doesn’t work, there are other ready sources. “Theft from mail is also a very common

mechanism for getting this stuff,” explained Jonathan J. Rusch special counsel for fraud prevention at the Department of Justice. “Even one handful of mail can yield lots of valuable information to an identity thief.”

Some identity thieves do go straight to the Internet, hacking into databases or using “phisher sites” – phony Web pages that mimic real banking and e-commerce sites to entice victims to



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hand over sensitive information. But those cases remain the exception. For the most part, obtaining dates of birth and Social Security numbers still begins offline, often in the trash.

The digital dimension comes into play later. After harvesting information from a dumpster, the thief visits a credit clearinghouse online and applies for credit in the person's name. He enters the person's existing address, and when asked whether the victim has moved in the past two years, he types in a new address, a temporary mailbox rented for the occasion.

This type of crime is far more devastating than garden-variety identity theft. If someone steals a credit-card number and racks up charges, the card is canceled and the victim walks away chastened but unscathed. If the identity thief borrows the victim's Social Security number and obtains credit in the victim's name without his knowledge, that's another matter altogether. The Federal Trade Commission says it takes 26 percent of victims between one and five months to realize the imposture. Another 12 percent do not learn for at least six months.

One expert says that fewer than 1 in 700 acts of identity theft end with the conviction of the

offender. That makes identity theft a very lucrative, low-risk crime.

Steps have been taken to protect consumers from identity theft, but too often they fall short. The Financial Services Modernization Act of 1999 required that financial-service companies safeguard information, but the law does not apply to hospitals or universities, for example. Yet even if every business in the country never threw away a single scrap of paper, thieves would still be able to steal Social Security numbers using inside contacts. Some gangs of identity thieves have relied on cleaning crews and temps with easy access to sensitive information.

The incidence of identity theft is skyrocketing: the number of complaints received by the F.T.C. has nearly doubled every year over the past three years. Worse, the identity thieves are becoming more and more technologically savvy. In one well-publicized case, an identity thief based in Chicago set up a fake Web site and sent e-mail messages to users of Microsoft's MSN Internet service, asking them to visit the page and update their account information — including, of course, their credit-card numbers. ♦

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## ONLINE FINANCE

### Looking for Big Ideas in Payment Systems

The payments industry recently is looking for ways to excite the public imagination. That's a tall order. The next big thing, according to the January 12 issue of *The Point for Credit Union Advice and Research*, could be micropayments on the Web. Biometrics is

another long-running payments idea that has garnered attention but not a lot of actual usage.

There's also talk of mobile payments. In Asia, Visa says it has successfully been testing the use of cellular telephones to make payments.

While futurists are busy theorizing on these potential new

systems, the card industry has been putting together some intriguing deals. And some solid transaction numbers released recently demonstrate why this business has a future.

The decline of paper payments continued with the Federal Reserve Board reporting that check volume through August 2003 was down 4.8% compared with the same period a year ago. Meanwhile, transactions routed through the automated clearing house (ACH) were up 13.2%. The numbers were driven by consumers switching to online bill payment and debit cards.

In October, American Express Co. announced it would issue a plastic card in addition to its trademark paper traveler's checks. TravelFunds, a reloadable prepaid card for travelers, is available in dollars, euros and British pounds, and can be used wherever AmEx cards are accepted.

Other new markets that seemed to finally



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crack open this year were the \$110 billion quick-service restaurant field and the \$6.5 billion movie-ticket business. Another promising space is healthcare payments. According to

federal statistics, personal health care was worth \$519 billion last year. Government or insurance companies pay more than two-thirds of that. ♦

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## HEARD IT ON THE LISTSERV

The CUNA Technology Council listserv has been enhanced, and now features a user-friendly format to help you communicate with your colleagues. An upgrade of listserv software offers increased functionality and new features, including the ability to view the messages in a message board/forums environment, a search function for searching the message archive, control of account settings, and a conference tool for live communication among users.

The listserv is an excellent resource through which to obtain advice and on pending issues, and to network with fellow members. Following is a digest of some of the subjects recently discussed by members. Check it out for yourself for a more complete review of comments and suggestions at

[http://www.cunatechnologycouncil.org/newlist\\_launch.html](http://www.cunatechnologycouncil.org/newlist_launch.html).

### Equipment disposal

A member raises the question of how to dispose of PCs. She questions whether it might be better to lease instead of buy this equipment, to make disposal easier. She asks for disposal options and PC replacement strategies.

One respondent reports that the credit union's purchased PCs are formatted and sold to employees. The proceeds go to charity. "Once we've sold all we can," the member says, "we sell outside the credit union, then donate to worthy groups. School programs in the area usually end up with the remaining equipment."

In another community, a donation facility takes used PCs and most components. The credit union removes the hard drives and disposes of them separately with its paper shredding company. Everything else goes to the donation facility.

A third credit union places new PCs in areas with the highest utilization, but also struggles with the disposal problem. "With all the tools available to retrieve and restore data," the member says, "it is virtually impossible to permanently remove data."

### Laptop recommendations

A Council member reports that his credit union has a financial planning area that spends a lot of time on the road. They have been using IBM Thinkpads with docking stations. It is time for new units and we need to decide between Compaq (\$300 less) or IBM Thinkpads. The users believe Thinkpads will withstand abuse better." The member asks for ideas and recommendations to help make an enlightened decision.

This inquiry garnered 22 responses, providing an excellent research resource for anyone facing a similar situation.

### PC Policy

A Council member asks for feedback on credit union policies regarding PC installs. "Do you have to remove (hide) Games and Paint from the staff," she asks, "or is it handled individually with staff that are found using these programs."

This in response: "We buy all of our computers in one batch when it is time to replace them and do a basic install of the OS and core applications that each workstation will need on one hard drive. We then provide the hard drive to our vendor. They "ghost" all new PCs to be the same install before they deliver them. All we have to do is change the IP address and computer name before we deploy it. This gives us an advantage in trouble-shooting, because all hardware and software at each workstation on our network is exactly the same. We don't have to worry about asking questions about the hardware, OS or software application being used." ♦

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## RESOURCES

### BITS Updated Outsourcing Risk Guide Available

The Banking Industry Technology Secretariat (BITS) *BITS IT Service Provider Expectations Matrix* on managing outsourcing risks gives service providers an outline with which to document their practices, processes and controls in relation to the financial services industry and regulatory requirements. The most recently updated version was released in January of 2004.

BITS, the technology arm of the Financial Services Roundtable, developed the 33-page chart/publication through the BITS IT (Information Technology) Service Providers Working Group. While the specific controls and requirements will vary with the risk and nature of the outsourced service, the expectations provide a template for the information financial institutions need in order to understand and manage risk.

The *Expectations Matrix* builds upon the 2003 BITS Framework for *Managing Technology Risk for Information Technology (IT) Service Provider Relationships (Framework)* – designed to provide guidelines for control, design and management practices where IT services are under consideration for outsourcing or have already been outsourced – to create a high-

level set of industry expectations for service provider operations.

Areas covered are information, organizational, physical and environmental, and personnel security; asset classification and control; communications and operations management; access control; systems development and maintenance; business continuity management; and compliance with legal/regulatory requirements. More information is available on the CUNA web site analysis area at [www.cuna.org/reg\\_advocacy/member/analysis/bits\\_020404.html](http://www.cuna.org/reg_advocacy/member/analysis/bits_020404.html).

BITS was created in 1996 to foster the growth and development of electronic financial services and e-commerce for the benefit of financial institutions and their customers. A nonprofit industry consortium that shares membership with The Financial Services Roundtable, BITS seeks to sustain consumer confidence and trust by ensuring the security, privacy and integrity of financial transactions. BITS works as a strategic brain trust to provide intellectual capital and address emerging issues where financial services, technology and commerce intersect. For more information about BITS, go to [www.bitsinfo.org](http://www.bitsinfo.org). ♦

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## WELCOME NEW MEMBERS

The CUNA Technology Council has added 19 new members. By joining their colleagues in the Council, they demonstrate their commitment to developing superior skills. They also

join us in networking for the free exchange of ideas and improving the overall effectiveness of their credit union's IT operations.

**Michael Wise**  
Information Systems Manager  
Arizona Media CU  
Phoenix, AZ

**Chris Wenzel**  
Network/Telecommunication  
s Manager  
Xerox FCU  
El Segundo, CA

**Peggy Yenny**  
VP – Information Technology  
Bay Gulf CU  
Tampa, FL

**Thomas Gessel**  
SVP-Information Technology  
TruWest CU  
Scottsdale, AZ

**Lisa James**  
IT Manager  
Dept. of Commerce FCU  
Washington, DC

**Robert S. Moore, Jr.**  
VP Information Technology  
CDC FCU  
Atlanta, GA

**Theresa Berezansky**  
VP Marketing/IS  
Transportation FCU  
Washington, DC

**Richard Halstead**  
IT Manager  
Grafton Suburban CU  
North Grafton, MA

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**Jon Hallberg**  
Network Telecom Manager  
US FCU  
Burnsville, MN

**Byron L. Brakhage**  
EVP/CIO  
Tinker FCU  
Oklahoma City, OK

**Kelley Ferguson**  
Network Manager  
Numerica CU  
Spokane, WA

**W. David Boden**  
VP – Technology  
HiWay FCU  
St. Paul, MN

**Monique M. Rioux**  
AVP – Information  
Technology  
CU Central Falls  
Central Falls, RI

**Sherrie Arruda**  
IS Manager  
Numerica CU  
Spokane, WA

**John F. Jameson**  
Controller/Chief Information  
Consultant  
Allegacy FCU  
Winston Salem, NC

**Diana Briggs**  
Information Services Manager  
Seattle Metropolitan CU  
Seattle, WA

**Todd Proulx**  
AVP – DP Relations  
CUNA Mutual Insurance  
Society  
Madison, WI

**Steele Hendrix**  
Chief Technology Officer  
Cumorah CU  
Las Vegas, NV

**Jim Hunt**  
Network Administrator  
Seattle Metropolitan CU  
Seattle, WA



*CUNA Technology Council Connected* is a web-based newsletter published four times per year. Send news and CTC information to: Cheryl Sorenson, manager, e-mail: csorenson@cuna.coop, phone: 800-356-9655, ext. 4393, fax: 608-231-4061.

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