

President's Message



Hello, all:

Unfortunately, we had to again cancel last month's luncheon meeting because of low registration. It is clear that our membership is not interested in attending these meetings. Accordingly, I have cancelled all luncheon meetings through June.

The Chapter's Board of Directors will meet next week to discuss what we can substitute to provide more value for our members. But if any of you have suggestions, do not hesitate to reach out directly. We want to know what will work for you.

On the other hand, our full-day training sessions continue to do well. On March 25th, Chuck Hester gave a presentation on the new Yellow Book requirements. The class was well attended, and Chuck received excellent reviews.

We have more 8-hour training sessions coming up. On June 11, Chuck is scheduled to present his ever-popular Ethics and Regulatory Review class (a must-have for CPAs). And on September 24th, Bob Adachi will discuss Reducing Risk in Performance Audits. If you have an interest in either, or both, courses, I recommend that you register early. I expect them to fill up rapidly.

-Sefton

April 2019 Issue

Contents

Is Artificial Intelligence a Threat to Government Accountants and Auditors?	2-3
Regulatory Review and Ethics for California Accounting & Auditing Professionals.....	4-5
Reducing Risk in Performance Audits ...	6-7
Ethics Webinar	8
Fighting Fraud with Analytics.....	9
Job Announcements	
Bay Area Rapid Transit (BART) Inspector General – Office of the Inspector General ..	10-12

Quick Links

- [About AGA SF](#)
- [AGA Membership](#)
- [CGFM Certification](#)
- [AGA National](#)

Is Artificial Intelligence a Threat to Government Accountants and Auditors?

By Donny C. Shimamoto, CPA, CITP, CGMA

Artificial intelligence (AI) receives ample attention these days as many people contend it is one of the technologies that will cause the demise of the accounting profession. Two other predicted “culprits” are blockchain and big data. However, this contention is completely wrong.

In truth, AI will allow accountants and auditors to eliminate a lot of menial and repetitive work and focus instead on higher value tasks, such as driving analytical insights, designing more effective controls, and helping to improve the performance of the organizations served. In the government sector, this shift is especially meaningful because financial practitioners can help departments and agencies better utilize today’s limited resources to serve constituents and communities and to fulfill missions.

LEVERAGE AI WITH NON-FINANCIAL AND FINANCIAL DATA

One of the first keys to realizing the value of AI is possessing a large, broad data set from which to work and then ensuring it contains both non-financial and financial data. The non-financial data must include operational driver data as well as outcomes and impact data. Imagine, for example, a local environmental services program becomes fully automated. In this scenario, the operational drivers would include data on the number of garbage trucks deployed and number of hours worked by the truck drivers.

Outcomes and impact data would include the number of tons of trash collected. If the trucks also picked up recyclables, the dataset would contain the weight (in tons) of recyclable waste diverted to recycling plants instead of being dumped into landfills. Additional operational data might include the number of days allocated to trash pickup versus recyclables pickup; the number of tons of trash picked up each day; the scheduled holidays with no trash or recyclables pickup; population density in each area covered, etc. Entering such wide-ranging data would help government agency personnel better leverage AI to improve service and reduce cost for taxpayers.

By using AI to optimize waste pickup schedules and staffing, the agency could more readily manage the cost of providing services and, possibly, augment the total amount of waste collected in each truck run. Although traditional data analytics could probably provide the same result, the difference is that a human staffer would need to run the analysis periodically, as various data points would change. With AI in play, the ongoing optimization of scheduling over time would be automated, significantly freeing up the analyst, especially when various data points changed, such as total population or the number of homes in an area.

While such a system traditionally has been considered part of the operations domain, the data used to inform decisions that lead to change should come from accountants.

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Likewise, accountants would confirm the integrity of the analysis used to reach the numbers, and the financial manager would ensure the accuracy and completeness of the data provided to operations.

Though AI would be part of the analysis process, human accountants would still be needed to guarantee that AI is performing as expected and providing a return on the government's investment. Standards are already in place for the collection and reporting of non-financial data within government accounting. The Governmental Accounting Standards Board provides guidance in the form of the Service Efforts and Accomplishments (SEA) reporting standard. Governments currently using this standard may already have some of the base data needed to start leveraging AI. (A good example can be found in the SEA report for the City and County of Honolulu.²) The standard is well worth adopting for an area in which AI is anticipated because it helps clearly quantify the value of AI and the impact of its use on constituents.

NO WORRIES ABOUT BEING REPLACED

On September 6, 2018, the annual seminar of AGA's Hawaii Chapter included a session on "How AI is Impacting Government Accountants." Participants examined AI in depth, especially machine learning, and ways it could be used within the context of accounting and auditing. After exploring the meaning and impact of AI and what it could potentially replace, organizers polled the audience to see if the accountants had become worried about being replaced by AI. One-third of respondents were not worried at all and 40 percent were only mildly worried; so, collectively, 73 percent of these accountants were not worried about being replaced by AI.

POSITIVE IMPRESSION OF AI

The session also covered AI's overall potential in government and ways in which accountants and auditors would be able to help their organizations manage risks associated with using it. Notably, the presenters explored ways accountants could help to improve governance and to design internal controls related to AI. In addition, they discussed the work of auditors (both internal and external) and how it could be augmented (not replaced) by AI. Examples of possibilities included:

- Using AI to identify exceptions and anomalies in transaction data sets;
- Using AI's "learning" function to clear exceptions automatically, in the same way an auditor manually clears them.

Such AI applications would change the auditor's role, of course, from testing transactions to testing algorithm analysis and monitoring algorithm effectiveness. After exploring the broader implication of AI, the audience was polled again to determine individual participants' feelings about the impact AI would have on government accountants. Sixty percent reported they were excited about the changes AI would bring, and an additional seven percent said AI would significantly impact and be a boon to the profession.

TRANSCENDING AI TO PROVIDE VALUE

AI will be a boon to the government financial management profession and help to elevate the role accountants and auditors play in government work. While it will remove some of the day-to-day work on the desk, AI will allow personnel to expand on the human values and unique traits they bring to the workplace that no machine, no matter how intelligent, can offer. In this way, government accounting practitioners can transcend AI³ and continue to add value to the organizations and constituents served.

Regulatory Review and Ethics for California Accounting & Auditing Professionals

In Person Training | Eight Hour CPE

Tuesday June 11, 2019 | 8:30 am – 5:00 pm

San Francisco, CA

Presenter: Charles W. Hester, CPA/CFE/CGFM

Location: San Francisco Federal Building
90 7th Street (between Market and Mission Streets), Suite 4-400, Fourth Floor Annex

Cost: The AGA chapter will provide lunch (sandwiches and sodas) and morning coffee. The fee for this course is **\$125 for AGA Members, \$150 for non-members**

RSVP: If you would like to attend this training, please contact Chuck Hester via e-mail at CharlesHester@msn.com. Space is limited and spots will be filled on a first-come, first-served basis. If you register, and discover you cannot attend, please notify Chuck no later than June 7th.

Ethics is a cornerstone in every profession, especially for Certified Public Accountants. The public, and employers, place a significant trust in CPAs and there is inherent in that trust, the expectation that a CPA will know and understand the legal and ethical standard that apply. However, those standards are of an ever-increasing complex order and lack of understanding the ethical and legal standards can expose a CPA to risk of breach in compliance or even malpractice. This course is designed to provide CPAs with critical guidance and updated information on the current standards.

A portion of this course is designed to meet the California Board of Accountancy's requirement for two-hour of Regulatory Review. This session, approved by the Board of Accountancy and entitled *Conduct and Ethics Requirements for California Accounting and Auditing Professionals*, will provide a review that is specific to the practice of public accountancy in California, the current California Accountancy Act, and California Board of Accountancy regulations. The session will also cover historic and recent disciplinary actions taken by the California Board including highlights where the conduct of the licensee led to the discipline.

A separate portion of the course is designed to meet the four-hour ethics education requirement of the California Board of Accountancy. The ethics content includes a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting professional; and business ethics, ethical sensitivity, and consumer expectations.

The final separate two-hour portion of the course is designed to provide government auditors, accountants, and fraud specialists and/or forensic accountants, with the critical guidance and updated information on their current standards.

CPE CREDIT: Total 8.0 CPE (Continuing Professional Education)

- 2.0 Hours Regulatory Review
- 4.0 Hours General Behavioral Ethics
- 2.0 Hours Technical CPE

Objectives:

- Ensure that participant's knowledge and understanding of ethical and professional conduct standards, as well as statutory and regulatory requirements in California, is current
- Ensure that participants knowledge and understanding of ethical and conduct standards of their chosen profession is current, whether they are in public, private or government practice
- Review the current California Accountancy Act, including but not limited to the specific Articles required by the Board
- Examine current California Board of Accountancy Regulations, including but not limited to the specific Articles required by the Board
- Provide a general understanding of the types of activities that have caused other accounting and auditing professionals to be perceived as in violation of conduct and ethical standards
- Provide a general overview and update of current ethical standards for various professional organization, such as the AICPA, CalCPA, GAO, PCIE, AGA, IIA, ACFS, ACFE, IMA, and others
- Provide a reference guide of recent publications on conduct and ethics for accounting and auditing professional, including (but not limited to) copies of the California Accountancy Act and the California Accountancy Regulations
- Provide a review of disciplinary actions taken by the California Board of Accountancy and other professional organizations

Key Topics:

- The California Business and Professions Code and the California Board of Accountancy Regulations
- Codes of Professional Conduct of various professional accounting organizations
- Codes of Professional Conduct of various fraud specialist and forensic accounting organizations
- California and National case law involving public accountancy
- Duties of accounting professionals under the Sarbanes Oxley Act
- A CPAs duty when fraud is discovered
- California Board of Accountancy disciplinary actions, including highlights of historic and recent misconduct which led to licensees being discipline

About the Presenter:

Charles (Chuck) Hester, Sr. served as the Western District Inspector General and Audit Manager for the Federal Emergency Management Agency (FEMA) until his retirement on September 30, 1995. Chuck currently conducts training sessions for numerous organizations, including the Association of Government Accountants' Education and Research Foundation, and various other professional accounting and auditing organizations. In addition, Chuck has served as the Team Leader for External Peer (Quality Control) Reviews for Various national, state, and local government audit agencies.

Chuck is a member of various professional auditing and accounting organizations and has written several articles that have been published in professional journals. Chuck currently serves as member of the Qualifications Committee for the California Board of Accountancy.

Chuck is the recipient of the Faculty Excellence Award from the Graduate School. Chuck has also received numerous other awards including the Jack Birkholz Leadership Award presented by the Western Intergovernmental Audit Forum and the Education and Training Award presented by the National Association of Government Accountants.

Reducing Risk in Performance Audits

In Person Training | Eight Hour CPE

Tuesday September 24, 2019 | 8:30 am – 5:00 pm

San Francisco, CA

Presenter: Robert Adachi, Director of Forensic Audits, EPA OIG (Retired)

Location: San Francisco Federal Building

90 7th Street (between Market and Mission Streets), Suite 4-400, Fourth Floor Annex

Cost: The AGA chapter will provide lunch (sandwiches and sodas) and morning coffee. The fee for this course is **\$125 for AGA Members, \$150 for non-members**

RSVP: If you would like to attend this training, please contact Chuck Hester via e-mail at CharlesHester@msn.com. Space is limited and spots will be filled on a first-come, first-served basis. If you register, and discover you cannot attend, please notify Chuck no later than September 20th.

What keeps auditors up at night? The possibility that their work is wrong or that something was missed, otherwise known as audit risk. The Yellow Book defines audit risk as

"...the possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete, as a result of factors such as evidence that is not sufficient and/or appropriate, an inadequate audit process, or intentional omissions or misleading information due to misrepresentation or fraud."

Usually this occurs just as the audit report is being written and the audit is being completed. But what can assist the auditor during the audit to reduce the risk and lessen their fears.

The Yellow Book requires that auditors plan the audit to reduce audit risk to an appropriate level for the auditors to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors' findings and conclusions. When risk factors are identified, auditors should document the risk factors identified, the auditors' response to those risk factors individually or in combination, and the auditors' conclusions. In planning the audit, auditors should assess risks of fraud occurring that is significant within the context of the audit objectives. Fraud involves obtaining something of value through willful misrepresentation.

The class will discuss some fundamental planning steps that the auditor can perform in connection with attestations and performance audits to meet the Yellow Book requirements. We will discuss audit risk that can be used in the four types of performance audit defined in the Yellow Book. The class will also discuss some fraud detection steps that the auditor can take to reduce the audit risk.

This course will also discuss how an auditor can use either the Attestation Standards in Chapter 5 of the Yellow Book or the Performance Standards in Chapter 6 and 7 of the Yellow Book. Either set of standards can be used to achieve similar results. The main difference will be in the reporting and the level of field work needed in certain areas. We will also discuss the various reporting formats that can be used and go through examples of various audits of grants and contracts that have followed both the Attestation and Performance Audit Standards.

About the Presenter:

Robert (Bob) Adachi graduated from the University of California at Berkeley's Haas School of Business and began his Federal career with the Internal Revenue Service. Bob then joined the Environmental Protection Agency Office of the Inspector General and has been involved in every type of audit conducted within the OIG ranging from performance audit to financial audits of grantees and EPA direct contractors. He has also provided assistance to the Office of Investigations in connection with grant and contract related fraud.

Bob has been the recipient of numerous awards including:

- President's Council for Integrity and Efficiency (PCIE) Awards for Excellence
- Council of the Inspectors General on Integrity and Efficiency (CIGIE) Awards for Excellence
- EPA Gold Medals for Commendable Service to the Agency
- OIG Honor Award for Exceptional Contributions

Bob was the Director of Forensic Audits for the EPA Office of Inspector General from October 2008 till his retirement in October 2015.

Bob has also been an instructor with the CIGIE and the Association of Government Accountants (AGA) and has made presentations to various organizations including the AGA, the Association of Certified Fraud Specialists, the Northwest and Western Intergovernmental Audit Forum, as well as numerous Government conferences and training courses.

Ethics

Webinar | 2 Hour CPE

Wednesday April 10, 2019 | 11:00am – 12:50pm PST

Program Level:	Overview
Prerequisite:	None
Field of Study:	Behavioral Ethics
Cost:	Members: \$49 Non-members: \$69

This is a real-life example of fraud and the lessons that can be learned about the importance of controls, segregation of duties, system controls, processing controls, physical safeguards, controls in a time of change and the reality of the fraud triangle. In this webinar, we will cover a number of strategies to prevent fraud including fraud awareness training, ethics training, forensic analytics, internal control framework testing, goal setting, core values, fear of failure, transparency, and positive organizational behavior and how those would have affected this fraud.

Learning objectives

Participants will be able to identify:

- What was missing at ING that allowed the Fraud?
- Lack of segregation of duties (Check Retrieval)
- Lessons learned on prevention
- Importance of controls
- Physical safeguards (Checks, inventory)

Speaker

Nathan Mueller: Fraud & Ethics Awareness Speaker, Co-author of *Lessons From An \$8 Million Fraud*

Registration: [Single Attendee Registration](#)
[Single Group Registration](#)

[For more information click this link to see the training announcement on the AGA Website.](#)

Fighting Fraud with Analytics

Webinar | 1 Hour CPE

Wednesday May 25, 2019 | 11:00am – 1:50pm PST

Program Level:	Overview	
Prerequisite:	None	
Field of Study:	Auditing - Governmental (AUDG)	
Cost:	Online	Email/Mail
Members	\$49	\$74
Non-members	\$69	\$94

The field of data analytics is the next frontier in the war on fraud. As a rapidly growing field with emerging capabilities, data analytics is changing how organizations combat fraud—offering faster and easier methods to detect and respond to potential fraud. A well-considered fraud analytics strategy provides invaluable insight that can enable timely detection, avoiding the typical “pay and chase” approach to addressing fraud. And while many organizations lack the resources to develop highly sophisticated predictive analytics, there are opportunities to start small, with rules-based detection models on simple fraud use cases with abundant data sources, such as purchase cards or payroll systems.

Learning objectives:

Participants will explore the ways to build or further enhance fraud detection and prevention toolkit with cost-effective analytics tools and techniques.

Speakers

- Megan Gaillard, CGFM, Director of Audit, Palm Beach County - OIG
- Edwin Krafur, Manager, Data Analytics Division, US Postal Service/OIG

Moderator

- Linda Miller, Director, Grant Thornton LLP

Registration: [Registration Link](#)

[For more information click this link to see the training announcement on the AGA Website.](#)

Job Announcement

Bay Area Rapid Transit (BART) Inspector General – Office of the Inspector General

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

A job at the San Francisco Bay Area Rapid Transit District (BART) offers the satisfaction of providing an invaluable public service, while accomplishing your own career goals, earning highly competitive pay, and enjoying an unparalleled benefits program. BART, one of America's premier heavy rail public transit systems, has over 3,800 employees and an operating budget in excess of \$900 million annually.

Headquartered in the heart of downtown Oakland, California, BART has a service area covering the 4 county area of San Francisco, San Mateo, Alameda and Contra Costa, a total population of over 4 million people. BART's current fleet of 669 railcars allows it to achieve an average weekday ridership of over 420,000 passengers throughout its 49 stations. BART, a wonderful career opportunity.

THE POSITION

Inspector General

Plans, directs, and manages the independent oversight of all District activities and operations to ensure the effective use of District resources; ensures that the District operates efficiently, effectively, and in compliance with applicable federal and state laws; conducts independent audits and investigations; collaborates with BART's Board of Directors regarding priorities; provides reports of findings to BART's Board of Directors, the California State Legislature, and the public.

This is an executive level management classification nominated by the BART Board of Directors and appointed by the Governor to serve for an initial four-year term. The Board shall have the option to renew the term at will. This classification oversees the operations and activities of the independent Office of the Inspector General, which detects, investigates and prevents fraud, waste and abuse, and identifies opportunities for efficiencies in the administration of BART programs and operations.

The Ideal Candidate

The successful candidate will have a Bachelors degree and (8) years of (full-time equivalent) verifiable professional financial, operational, business performance, criminal or administrative investigation, audit or prosecution/defense experience which must have included at least four (4) years of management-level experience or higher. Possession of a valid certificate as a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) or possession of a Juris Doctorate (JD) from an accredited law school is desirable.

Essential Job Duties

1. Establishes an independent office that implements a programmatic process for conducting system wide inquiries / audits that are prioritized in accordance with the District's most critical needs.
2. Assumes full management responsibility for the departmental operations and activities of the Office of the Inspector General, including the examination of the operating practices of the District to identify and prevent fraud, waste, abuse, and opportunities for efficiencies and effectiveness in the administration of BART's programs and operations.
3. Ensures that BART Administration, Board of Directors, and the public are fully informed of the findings of the Office of the Inspector General.
4. Works independently to ensure that inquiries and investigations are conducted without conflicts of interest, while maintaining a professional and collaborative relationship with the Board of Directors, General Manager, other Board Appointed Officers, and District management staff to ensure that BART is utilizing its resources as efficiently and effectively as possible and providing the highest quality of service to its customers.
5. Recommends new policies or changes to existing policies after findings in an effort to promote efficiency and effectiveness in programs and operations.

6. Reviews and recommends best practices that the District should follow to maintain positive and productive relations with its employees and the collective bargaining units representing those employees.
7. Advises the BART Board of Directors, as codified in statute, on the District's conformance with federal and state laws to ensure that the District makes effective use of bridge toll and other revenue and operates efficiently and effectively.
8. Determine District-wide goals for the OIG and develop long and short-range plans to attain these goals.
9. Establishes a hotline to receive complaints; investigate complaints and proactively initiates reviews of alleged fraud, waste and/or abuse of District resources; reports to Board of Directors, California State Legislature and other authorities as appropriate.
10. Conducts, supervises and coordinates audits and investigations relating to the district's programs and operations, including, but not limited to, toll-funded programs.
11. Prepares and reviews reports of investigations and audits and distributes to Board of Directors, executive management, and other stakeholders.

Benefits

BART offers one of the most comprehensive compensation and benefits programs you will find anywhere. We pay at rates that are strongly competitive in the labor market, and complement our pay program with an outstanding benefits package. Benefits include:

- **Retirement Programs**
 - BART's pension plan is through the California Public Employees' Retirement System (CalPERS), and provides for a 2% @ 62 formula for new employees who are also new to public retirement systems. Newly hired employees who are members of CalPERS or a reciprocal retirement system will receive the "classic" retirement formula of 2% @55.
 - Deferred Compensation Plan (IRC 457) is offered.
 - BART does not contribute to Social Security. However, Medicare contributions are made.
- **Medical Benefits**
 - Benefits include CalPERS pension; excellent medical (effective January 1, 2018 current employee cost \$147.14 monthly for most plans).
- **Dental Benefits**
 - Principal Financial Group. \$2,000 per person per calendar year with no deductible. \$2,000 limit can be shared with other family members. Orthodontia—lifetime max of \$3,500 (not part of family bank).
- **Vision Benefits**
 - Vision Service Plan (VSP). Standard and enhanced plans available.
- **Vacation**
 - Three weeks of paid vacation after one year of service. Four weeks after five years of service. Five weeks after 15 years of service. Six weeks after 19 years of service.
 - Holidays
 - Nine paid statutory holidays per year
 - Five floating holidays per year
 - Vacation and holiday hours can be carried over, bought back or banked for use upon eligible termination
- **Sick Leave**
 - Twelve days per year

- **Life Insurance**
 - Up to four times annual base salary. The District provides coverage in the amount of two times base salary. Additional coverage equal to two times base salary may be purchased.
- **Disability Benefits**
 - Long and short-term disability benefits are provided at no cost to employees.
- **Other Benefits**
 - Assault Insurance
 - Bereavement Leave
 - Credit Union Membership
 - Education Assistance
 - Employee Assistance & Counseling
 - Jury and Witness Duty
 - Military Leave
 - Survivor Benefits
 - Travel Accident Insurance
 - Flexible Spending Plan
 - Free BART Transportation

HOW TO APPLY

Internal and external applicants may only apply by submitting resume and cover letter to gmoser@kapartners.com. Resumes must be complete by the closing date and time listed on the job announcement (listing closes when selection is filled).

SELECTION PROCESS

Applications will be screened to assure that minimum qualifications are met. Those applicants who meet minimum qualifications will then be referred to the hiring department for the completion of further selection processes.

The selection process for this position may include a skills/performance demonstration, a written examination, and/or an individual or panel interview.

The successful candidate must have an employment history demonstrating reliability and dependability; provide copies of certificates, diplomas or other documents as required by law, including those establishing his/her right to work in the U. S.; pass a pre-employment medical examination which is specific to the essential job functions and requirements. Pre-employment processing will also include a background check. (Does not apply to current full-time District employees unless specific job requires additional evaluations)