

President's Message



Hello, all:

You should have received my note a couple of weeks ago that the Chapter is going to substantially revise its practices. For the last decade, we have been proud to host monthly luncheon meetings. Many of you have been able to accumulate many hours of CPE by attending those meetings.

However, business practices change. Currently, many employees work a substantial amount of time at home. As a result, it was infeasible for them to travel to San Francisco for a one-hour luncheon meeting without devoting a good portion of the day to travel. The Chapter has bowed to the inevitable.

We have discontinued our monthly meetings. Instead, we will try to hold quarterly 4-hour training sessions. We will present the first one on June 18th, from 10:00 a.m. to 2:00 p.m. We will serve lunch during the session. Lunch will take up just 30 minutes, from 11:45 to 12:15. That way, we can still qualify for 4 hours of CPE (each hour of CPE is defined as 50 minutes of training time).

This session will include two topics, each qualifying for two hours of CPE. Justine Lazaro, Senior Policy Analyst at GAO will discuss Avoiding Bias in Audits. Certainly all auditors should have an interest in that subject. Chuck Hester (you all know him) will then discuss the changes in the new Yellow Book. He recently held an 8-hour training day devoted to the new Government Audit Standards, but many of you were unable to attend that class. This is your opportunity to be sure that you are ready for the new standards when they become mandatory. A separate announcement in this newsletter will provide you with more information about the quarterly training.

We will charge our members \$50 to attend the four-hour sessions and non-members \$60. We have made the fee a little less than half of the full-day training classes because they will include two or three different topics as opposed eight hours on a single topic. Lunch will be included. We doubt that many of you are able to earn four hours of CPE that inexpensively anywhere else, so we hope to see many of you at the quarterly sessions.

We will be very interested to receive your thoughts about this change. Please send your reactions to me or to any of the other Board members. We want to provide our members with a valuable resource.

See you in June,

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May 2019 Issue

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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. Recently, we have had a number of instances of people registering for a meeting or training session and then not showing up. This costs the Chapter, as we order and pay for lunch and coffee for the non-attendees. We do not wish to have to penalize no-shows, but we may have to if this continues. If you cannot attend, please let us know as soon as possible.

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.

Quarterly Meeting

In Person Training | Four Hour CPE

Tuesday June 18, 2019 | 10:00 am – 2:00 pm
San Francisco, CA

Presenter: **Avoiding Bias in Audits** - Justine Lazaro, Senior Policy Analyst with GAO
Yellow Book Changes - 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 beverages). The fee for this course is **\$50 for AGA Members, \$60 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 14th. Recently, we have had a number of instances of people registering for a meeting or training session and then not showing up. This costs the Chapter, as we order and pay for lunch and coffee for the non-attendees. We do not wish to have to penalize no-shows, but we may have to if this continues. If you cannot attend, please let us know as soon as possible.

About the Presenters:

Justine Lazaro:

Justine is currently a Senior Policy Analyst in the Government Accountability Office (GAO)'s International Affairs and Trade Team. She recently led a multidisciplinary team's audit of U.S. democracy assistance worldwide and is now leading a review of an international trade and national security program. She has also significantly contributed to GAO's audit work on issues including combatting human trafficking, aid to Syria, and information sharing among the intelligence community.

Justine is passionate about Diversity and Inclusion (D&I) and has facilitated numerous sessions to help GAO and other entities recruit and retain a diverse talent pool and minimize the effects of unconscious bias. She is a certified D&I facilitator and serves as adjunct faculty for GAO's Learning Center.

Justine obtained a Bachelor of Arts in Psychology and Interdisciplinary Studies with an emphasis in organizational behavior from the University of California, Berkeley in 2007 and a Master's in Public Policy from the Goldman School of Public Policy at the University of California, Berkeley in 2009. She is a Public Policy and International Affairs Fellow and a National Pacific American Leadership Institute Fellow. In her spare time, she enjoys traveling and exploring with her husband and two toddlers.

Chuck Hester:

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.

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AGA PDT 2019

In Person or Virtual Training | 24 Hour CPE

Sunday July 21st, 2019 – Wednesday July 24th, 2019

Hyatt Regency New Orleans – 601 Loyola Ave. New Orleans, LA 70113

Cost:	AGA member	Online	Email/mail
	Early (by June 21)	\$875	\$900
	Standard (after June 21)	\$975	\$1,000
	Nonmember	Online	Email/mail
	Early (by June 21)	\$1075	\$1,100
	Standard (after June 21)	\$1175	\$1,200

Program level: Intermediate

Prerequisite: This program is suitable for participants who are at least mid-level within an organization; have knowledge, skills and ability commensurate with that level; and have operational and/or supervisory responsibilities.

Advance preparation: None required

Delivery method: group live (in-person participant) or group Internet-based (virtual participant)

Learning objective: Taken as a whole, the learning objectives are to be a thoughtful, reflective process that addresses each participant's current and future professional plans, current knowledge and skills level and desired or required additional competence to achieve future work opportunities and/or professional responsibilities.

How to register

Online registration process

[attend in person in New Orleans](#)

[attend virtually from your home or office](#)

Credit Cards Only. Transactions secured by GeoTrust Inc.

Email/mail registration process

[attend in person in New Orleans](#)

[attend virtually from your home or office](#)

Email: Credit cards and purchase orders only.

Mail: All payment types.

Mail completed registration form with payment to:

AGA — 2019 PDT
2208 Mount Vernon Avenue
Alexandria, VA 22301-1314

Payment must accompany the registration form. Training registration will not be processed until full payment or a copy of the purchase order is received. Only U.S. dollars are accepted. Issued POs must be paid before the cancellation date for the registration to be valid. Phone or fax registrations are not accepted.

[For more information, see the PDT page on the AGA website.](#)

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. Recently, we have had a number of instances of people registering for a meeting or training session and then not showing up. This costs the Chapter, as we order and pay for lunch and coffee for the non-attendees. We do not wish to have to penalize no-shows, but we may have to if this continues. If you cannot attend, please let us know as soon as possible.

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 until 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.