



# Capitol Topics

## May 2012

### PRESIDENT'S MESSAGE

Hello and goodbye,

It has been wonderful to serve as your AGA President for the 2012 year. As we prepare for the summer hiatus and the upcoming year, I can appreciate the goals we have accomplished as a chapter. The Chapter and several members have been nominated for various National awards. We are poised to take the Gold Chapter Award and are striving for Platinum.

We have implemented audio conferences as a way to increase the availability of CPE events while keeping the costs down. The most significant accomplishment is our member outreach and engagement. We have had wonderful member turnout this year that we had to turn people away in some CPE events! We have already started looking for larger venues to host lunches and audio conferences in the coming program year.

These are things we should all be proud of. I am very thankful for the hard work of our dedicated (volunteer) Executive Committee Chairs. Without their thoughtfulness, dedication, and tireless efforts, we would not have been able to accomplish as much as we have. If you'd like to be a part of this distinctive group of individuals, please contact me at [Mara.Ash@BAFSolutions.com](mailto:Mara.Ash@BAFSolutions.com) or Paul at [paul.morris@dfps.state.tx.us](mailto:paul.morris@dfps.state.tx.us).

I hope to see you all at the final CPE Event of the year! Have a great summer...

I. Mara Ash, CIA, CGAP  
President,  
AGA Austin Chapter

### UPCOMING AUDIO CONFERENCES

- Major Challenges to the Public Sector Auditing Profession
- Find Strength in Numbers: Sampling Techniques to Improve Financial Audit, Control, and Program Performance

Date: Thursday, May 10, 2012  
Time: 8:30 am - 12:15 pm (Registration begins at 8:00 am)  
Place: ERS Board Room  
200 East 18th Street  
CPE Credit: 4 hours  
Registration: Eddie Chan at [eddie.chan@ers.state.tx.us](mailto:eddie.chan@ers.state.tx.us)

Free parking available on the top level of parking garage B located at 16th and San Jacinto (next to Scholz's Garden).

### EXECUTIVE COMMITTEE

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## MEMBERSHIP

### ELECTION RESULTS

Please join us in congratulating the following members who were elected as the Executive Committee for the 2012-2013 program year in our April luncheon meeting. Paul Morris, our Chapter President for the upcoming program year, is excited about having them on board and looks forward to working with them to make the chapter successful.

President Elect: Priscilla Suggs  
Treasurer: Mari Queller  
Secretary: Autumn Bellfield

### NEW MEMBER

Please join us in welcoming Michael Moore from the Department of Veteran Affairs who joined our chapter in April 2012.

### ANNIVERSARY

Congratulations! The following members reached their one year anniversary in April 2012:

Bernard Ndoping Angandje  
Jose M. Saucedo



## COMMUNITY SERVICE

### THANK YOU

The Austin AGA Chapter is excited to report that we have exceeded the number of volunteer hours that are required for Community Service for the 2011-2012 year. We want to thank everyone who helped make this year a success! A special thank you goes out to Kristen Gonzales-Cedillo and Bernard Ndoping-Angandje who have volunteered at various non-profits outside AGA planned events.

If you are planning to volunteer for any community services or charitable events during the summer, please remember to notify Lynda Baker at [bright\\_summy\\_disp@yahoo.com](mailto:bright_summy_disp@yahoo.com). She will report our community service recognition points to the AGA National Office accordingly.



## TREASURER'S REPORT

### FOR THE MONTH ENDED MARCH 31, 2012

Beginning cash balance per book	\$8,770.06
Plus: Revenues	
Luncheon and audio conferences	1,022.11
Member renewal incorrectly remitted to our Chapter (Refunded to National Office In April)	125.00
Dividend	0.61
Total Revenues	<u>1,147.72</u>
Funds Available	9,917.78
Less: Expenditures	
Luncheon	623.65
Refund of member dues to National Office	1,030.00
CGFM scholarship to Eric Cruz	85.00
Center for Child Protection Golf Classic	250.00
Total Expenditures	<u>1,988.65</u>
Ending cash balance per book	7,929.13
Adjustments:	
Outstanding checks	-
Ending cash balance per bank statement	<u><u>\$7,929.13</u></u>

For more details, please visit our website at <http://www.agaaustin.org/TReports.html>



## HIGHLIGHTS OF MEETING MINUTES

### LUNCHEON MEETING ON MARCH 8, 2012

#### Regular Business

- A \$250 scholarship was awarded by raffle at the end of the meeting. The winner was Eric Cruz from the Employees Retirement System.
- The speaker at the April event will be Doug Wilson, Office of Inspector General at the Health and Human Services Commission. Depending on the response to the registration flyer, the Chapter may move the meeting to a venue that can accommodate a larger audience.

#### Program Speaker

Oswaldo "Ozzie" Alaniz, is the Supervisory Special Agent in the White Collar Crime program of the San Antonio

district office of the Federal Bureau of Investigation (FBI). Ozzie graduated from New Mexico State University in 1986 with a Bachelors of Business Administration in Finance. He is a member of the Naval Reserve and also a graduate of the Department of Defense Polygraph Institute.

Ozzie was previously employed at British Petroleum and served as an Officer in the U.S. Naval Reserve. He has served in the San Juan, El Paso, San Diego and San Antonio Field Offices of the FBI. During these assignments, Ozzie investigated white collar crime, violent crime, drug trafficking, and public corruption matters. He has also served as Assistant Legal Attache at the U.S. Embassy in Bogota, Colombia. The presentation covered the following topics:

### *Trends in White Collar Crime*

Nationally, corporate fraud is by far the most prevalent. In the San Antonio district, health care fraud (both the Medicare and Medicaid programs) is the number one white collar crime.

### *Types of Fraud*

Medicare and Medicaid Fraud have been on the rise in recent years in the following areas:

- Home health care
- Long-term care and assisted living facilities
- Durable medical equipment
- Fraudulent billings and medically unnecessary services
- Pharmacy
- Ancillary Services

### *Why and how does fraud occur?*

Greed is the number one reason that fraud occurs. The "Fraud Triangle" theory states that three things must be present for fraud to occur:

- Motive/pressure – the need for committing the fraud – "I need the money", etc.
- Rationalization – the mind set that justifies the person to commit fraud – "I didn't get a raise this year";
- Opportunity – the situation that enables the fraud to occur – often when internal controls are weak or non-existent, no separation of duties, no oversight

### *Fraud Detection*

FBI initiatives in fraud detection include:

- Corporate Fraud Response Team

- Operation Broken Trust – a multi-agency national initiative which coordinated the efforts of government agencies against various securities fraud threats
- Community Outreach

*On a final note...*

It is very interesting to note that an unbelievable number of fraud tipsters are ex-spouses and upset girlfriends!

For more of the minutes, please visit our website at <http://www.agaustin.org/LunchMinutes.html>



Oswaldo "Ozzie" Alaniz (right), the speaker for the March luncheon meeting and Eric Cruz (left), the winner of the CGFM scholarship.

## RESEARCH



### THE ITERATIVE NATURE OF CONTROL EVALUATION

It is time to trim the roses. We just moved into a new house where the roses had not been pruned in years – maybe a decade. One absolutely beautiful light pink rose bush is right outside my office window and

I started in on trimming it one afternoon thinking I'd make quick work of it. It was so entangled, bloated, and thorny that I thought about pulling out the electric hedge trimmer. But you aren't supposed to use a hedge trimmer to prune roses; roses need to be pruned thoughtfully at the bud or at a fork in the branch.

So I started in with round one of trimming – and almost filled up an entire City of Austin trash can with the thorny branches. Then I stepped back and saw that my pruning had left it misshapen and still full of dead limbs. Only after the second round did I realize that this bush was in actuality three bushes all planted closely together.

The next morning I went out and pruned a few more branches that I still felt were too long. I only have eight more rose bushes to go (!).

Evaluating internal controls are a lot like trimming the rose bush. Usually, you discover something you aren't expecting. And you can't approach them once and be done. As a matter of fact, I think controls have to be approached at least three times: once just to get a general understanding, next to evaluate controls related to the inherent risks you identified, and finally to test key controls.

### The tweaked steps of conducting an audit

Over the years, I have refined the steps of conducting an audit for teaching purposes. I err on the side of summarizing concepts so that my students don't get too bogged down in the minutia and keep their eyes on the big picture. But as I summarized I obscured the iterative nature of control work – so I am reversing that generalization and getting pretty granular here. This step-by-step process isn't the only way to do it... obviously! But hang in with me and maybe you can get on board with some of it:

1. Receive vague audit assignment
2. Gain a general understanding of the audit subject and general control structure
3. Choose relevant criteria to evaluate the subject matter against
4. Break the audit subject into pieces
5. Evaluate inherent risk for each of the pieces
6. Refine objective and define sub-objectives
7. Evaluate controls for each objective and sub-

objective and determine key controls

8. Design relevant tests – including substantive and control tests
9. Allocate resources to the endeavor
10. Formalize the audit program
11. Perform substantive and control tests
12. Write findings
13. Conclude against objectives
14. Finalize report

Yes, yes. There is a lot more to it and auditing isn't linear – but it does illustrate the iterative nature of control work. Look how many times in that process I mentioned controls. Step #2, Step #7, Step #8, Step #11. Prune, evaluate, prune, evaluate – over and over and over.

### Everyone who creates iterates

In early March, I attended SXSW Educational conference, where the buzz surrounded gamify-ing your content. In other words, if you want young folks to learn, you might consider turning your contents into a video game.

The game developers used the word 'iterative' like it was going out of style. They talked about their original design, the need to tweak, get user feedback, tweak again, get more user feedback, reevaluate, tweak, bla bla bla. They realized they were never going to completely perfect their game, but at some point they had to publish it.

Audits are also iterative and if you don't watch out, control work can consume your entire audit budget. You can easily end up on bunny trails that have nothing to do with your audit objective.

Auditors call the pursuit of errant bunnies "scope creep" – auditees call it a witch-hunt. Those of you with lots of audit experience know that you can find something critical to say everywhere you look – easy pickin's as they say. But we don't want to spend all year victimizing the client for any old random thing that comes up... or do you?

Please [click here](#) to read more about this article.

- Leita Hart-Fanta, CPA, CGFM  
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