

ASSOCIATION of GOVERNMENT ACCOUNTANTS

WASHINGTON CHAPTER NEWSLETTER

March 1991

About Our Speaker This Month



In December, 1990, **Charles T. Hagel** was named President and Chief Executive Officer of the Private Sector Council (PSC). The PSC is a privately-funded, non-profit organization whose mission is to assist the federal government through a cooperative effort of the public and private sectors in helping improve the government's management and productivity. Mr. Hagel succeeds the late William G. Onsted.

As PSC's chief executive, Mr. Hagel is responsible for the efforts of the organization, created in 1983 to develop a partnership between private sector companies, trade associations and federal government agencies and departments to improve government efficiency. He steps in to direct PSC projects in progress with the U.S. Departments of Agriculture, Commerce, Defense, Housing and Urban Development, State, Treasury, Veterans Affairs, the Small Business Administration, and U.S. Postal Service.

During his varied career, Mr. Hagel served as Deputy Director and Chief Operating Officer of the 1990 Economic Summit of Industrialized Nations held in July in Houston, Texas. He is the immediate past President and Chief Executive Officer of World USO where he received the Secretary of Defense's Medal for Outstanding Civic Achievement. He was a Co-Founder, Director, and Executive Vice President of VANGUARD Cellular Systems, Inc., a publicly traded corporation, and Co-Founder and Chairman of Communications Corporation International, LTD, a subsidiary of VANGUARD. In 1981 President Reagan nominated Mr. Hagel to serve as Deputy Administrator of the Veterans Administration, a nomination which was confirmed by the U.S. Senate. He served as Director of Government Affairs for Firestone Tire & Rubber Company, was a top Congressional Assistant, and is a highly decorated Vietnam veteran.

A graduate of the University of Nebraska at Omaha, Mr. Hagel received that institution's Distinguished Alumni Award in 1989. He and his wife, and their daughter, reside in McLean, Virginia.

March 7, 1991

WASHINGTON CHAPTER LUNCHEON MEETING TO FEATURE

Charles T. Hagel

*President and CEO of the
Private Sector Council*

*"Financial Management is
People Management"*

TOUCHDOWN CLUB

2000 L Street, N.W.
(Near Farragut West Metro Stop)

Social Period: 11:30 a.m. (Cash Bar)
Luncheon: 12:00 noon
Menu: London Broil
Cost: \$17.00 (Members)
\$19.00 (Non-members)

Reservations Recommended
Call (703) 758-4080 Thru March 5
NON-MEMBERS WELCOME!
(Uncancelled "No-Shows" will be billed)

Next Meeting: April 4

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PRESIDENT'S MESSAGE



Joyce Shelton

Our speaker this month will be Charles Hagel, the recently appointed President and Chief Executive Officer of the Private Sector Council. The Council provides a conduit to tap the experience and expertise of private sector executives who provide advice to the government on specific problems. March is also Past President's month and we look forward to seeing our past Presidents at the luncheon. I am looking forward to joining their ranks in a few more months.

As we begin to wind down this Chapter year, we will attempt to thank all the members of the Chapter who so willingly devote their time and energy to making this Chapter a success. If we miss anyone, it is not intentional. This month we begin the process by recognizing the members of this year's VITA Program who, under Joyce Charles' able leadership, provide tax assistance to citizens who need their help. We are also recognizing the members who, under Warren Cottingham's direction, have helped make our meetings such a success.

The Association of Government Accountants' National Office has a new Executive Director, Lee Woods. Lee was Executive Vice President of the Maryland Association of Certified Public Accountants for the past 19 years. All of you will have an opportunity to meet Lee and to tour the new building on March 8. I encourage everyone to take advantage of this invitation which has been extended to our entire membership.

On February 20th, the Chapter Executive Council will be holding our monthly meeting at the National Office and we will be treated to a tour of the new building. Dick Kusserow has graciously invited the Chapter to take advantage of our proximity to the National Office and to make good use of the new building.

Our April luncheon speaker will be Marvin Phaup of the Congressional Budget Office who will be sharing his views about audited financial statements. In May our final luncheon speaker of the year will be our National President, Dick Kusserow.

Our last workshop of the year will be held on April 23 at George Washington University's Marvin Center with Beta Alpha Psi, accounting fraternity, as our cosponsor. We will be taking another look at accounting systems, including both large and small systems and subsystems.

Now is the time, if you haven't already done so, to make your plans for attending the PDC in Kansas City at the Westin Crown Center Hotel. Kansas City is a wonderful place to visit and, if you have some vacation time available, the Ozarks are one of my favorite places.

AGA WASHINGTON CHAPTER

Chapter Executive Council for 1990/1991

OFFICERS

President

Joyce Shelton, DOT, (202) 366-1306

President-Elect

Sam Mok, Treasury, (202) 377-9322

Secretary

Steve Swanson, DOT, (202) 366-5643

Treasurer

Joan Bozzonetti, DOC, (202) 377-4593

Assistant Treasurers

Yash Parekh, DOT, (202) 366-5760

Geraldine Beard, JFMIP, (202) 376-5415

Past President

Doris Chew, JFMIP, (202) 376-5415

DIRECTORS

Chapter Awards

Nancy Fleetwood, FMS, (202) 287-0318

Chapter Bylaws & Procedures

Mary Lee Mason, FMS, (202) 208-1393

Student Awards

John Cherbini, C&L, (202) 822-5640

Membership Services

Evelyn Brown, DOC, (202) 377-2679

Programs

Alvin Tucker, DOD, (703) 697-0503

Publicity & Agency Liaison

Joe Willever, OPM, (202) 606-1200

Small Business Education

Lionel Henderson, CSC, (301) 731-5300

VITA

Joyce Charles, Labor, (202) 523-5906

Education

Larry Wilson, USDA, (202) 447-8345

Budget and Finance

Patricia Dews, NARA, (202) 501-6060

CHAIRPERSONS

Chapter Recognition

Jean Bowles, State, (703) 875-6923

Small Business Education

German Guajardo, EPA, (202) 475-9507

Education

Peter Ben-Ezra, USDA, (202) 382-1174

Research

Larry Eisenhart, HHS, (202) 245-6176

Meetings

Warren Cottingham, FMS, (202) 208-2417

History

Judith Boyd, DOD, (703) 697-8281

Budget and Finance

Susan Lee, NARA, (202) 501-6080

Newsletter

Joel Dorfman, DOT, (202) 366-2135

Student Awards

Donald Richardson, PMM, (202) 467-3185

Programs

Diane Bray, DOD, (703) 697-8281

Employment Referral

Bob Loring, OPM, (202) 606-0666

Chapter Procedures

Judi Fuerstenberg, DOE, (202) 586-0140

VITA

Velma Speight, Labor, (202) 501-8825

Geraldine Jasper, Education, (301) 372-5615

Membership Services

Sue Fields, NIH, (301) 496-3417

AGA NATIONAL NEWS

New Executive Director Named

Thomas L. (Lee) Woods assumed his responsibilities as AGA's Executive Director on January 22, 1991. He comes to the Association after 19 years as Executive Vice President of the Maryland Association of CPAs. Prior to that, he was employed in corporate public affairs in Tennessee and earlier, was the number two executive at the Florida Institute of CPAs.

A graduate of the University of Florida with a B.S. degree in Journalism, he has also been a reporter and sports writer for the Miami Daily News. For 15 years, he has been a member of the national faculty teaching the AICPA's two-day "Effective Writing Workshop" for associations, financial institutions and accounting firms throughout the country. He has also authored and taught a one-day "Writing For Results" seminar.

Long active in civic and professional affairs, he is a past president of both the CPA Society Executives Association and the Maryland Society of Association Executives. He has also served on numerous AICPA committees or task forces on public relations, continuing professional education, ethics, and state legislation.

Open House!

The National Office of the Association of Government Accountants will be holding an open house for the Washington Chapter on Friday **March 8**. This is an excellent opportunity to see our new National Office building and to meet Lee Woods, the Association's new Executive Director. The open house will be held from 12:00 noon to 5:30 p.m. The National Office is located at the following address:

AGA National Office
2200 Mt. Vernon Avenue
Alexandria, Virginia 22301

AGA National's telephone number has not changed (703 684-6931).

REMAINING MEETINGS

Date	Speaker
March 7	Charles T. Hagel President & CEO of the Private Sector Council
April 4	Marvin Phaup Congressional Budget Office
May 2	Richard Kusserow , National President of AGA and Inspector General of the Department of Health and Human Services

COMMITTEE REPORTS

Financial Systems Update Seminar

An all day seminar titled "Federal Financial Management Systems Update" is scheduled for **April 23** at George Washington University's Marvin Center. The seminar will address the following issues:

- Vendors on the GSA Schedule
- Federal government user's perspective
- JFMIP Core Financial Systems Requirements
- Cross-servicing
- OMB policy on financial systems
- Treasury's Financial Management Service reviews of A-127 five year plans
- GAO viewpoint

Conference registration will be from 7:45 a.m. to 8:30 a.m. The program will be from 8:30 a.m. to 4:30 p.m. The cost will be \$120 for AGA members and \$130 for nonmembers. Look for more details in the April newsletter.

Upcoming Educational Events

- February 27- March 1 AGA Inspectors General Conference
- March 4-6 Private Sector Council program on Electronic Commerce Through EDI
- March 18 JFMIP Annual Conference
- April 23 AGA Washington Chapter Financial Systems Update
- June 24-26 AGA Professional Development Conference

Meetings Committee Report

by Warren Cottingham, Meetings Committee Chair

Thanks to the following individuals who have assisted at registration at the Washington Chapter luncheons and educational events.

- | | |
|-----------------|------------------|
| John Barckley | Shirley Hanberry |
| Karl Boettcher | Greg Hanson |
| Evelyn Brown | Karen Hershner |
| Robert Clark | Gary Hunter |
| Ronald Coats | Steve Itnyre |
| Anthony Deutsch | Mary Lee Mason |
| Kim Dustin | Dan McGrath |
| Sandy Gladysz | Brian Shaboski |

Minutes of Chapter Executive Committee Monthly Meeting

Minutes for January 17, 1991

by Steve Swanson, Chapter Secretary

Call to Order: President Joyce Shelton called the meeting to order at 12:00 noon.

Secretary's Report

Joyce Charles made a motion to approve the minutes from the December CEC meeting. The motion was seconded by Mary Lee Mason and the motion was passed by the CEC.

Treasurer's Report

Joan Bozzonetti presented the Revenue and Expense Statement and the Financial Activity Statement for the period of July 1, 1990 through December 31, 1990. Doris Chew made a motion to accept the Treasurer's Report. The motion was seconded by Joyce Charles and the motion was passed by the CEC.

Committee Reports on Activities

President's Report: Joyce Shelton asked each Board member to set a goal of recruiting at least one new member a month for the next three months. Joyce also asked each Board member to give Mary Lee Mason a written list of procedures for the office occupied by the respective Board member. These procedures will be stored on floppy disks in the WordPerfect format.

Credit Card Report: Steve Swanson stated that the credit card acceptance program was working well for the Chapter. Accepting the credit card for educational events facilitates efficient collection. Steve will present a cost/benefit report to the CEC during May 1991. The report will highlight the costs of accepting credit cards and will make a recommendation on whether to continue accepting credit cards.

Newsletter Report: Joyce Shelton asked all Board members to provide her a list of people who have volunteered their services to AGA activities. Joyce will use this list as the basis for ordering pins and mugs from National in order to recognize these individuals.

Small Business Report: German Guajardo and Lionel Henderson are stepping down as committee chairmen after this year. They are looking for successors. Board members are encouraged to call either German or Lionel with names of potential replacements.

VITA Report: Joyce Charles reported that 24 people have volunteered their services for the VITA Program. Over half of these volunteers are AGA members. Joyce made a motion to invite all 24 people to the May luncheon at no charge. The motion was seconded by Doris Chew and the motion was passed by the CEC.

Next CEC Meeting: The next meeting for the CEC is scheduled for February 20, 1991.

Adjournment: Joyce Shelton adjourned the meeting at 1:00 p.m.

Chapter Recognition Program

As of the end of December, the Washington Chapter has earned 7217 points.

VITA Update

by Joyce Charles, VITA Director

The IRS VITA training has been completed as well as the AGA VITA Orientation. The volunteers are eager about preparing tax returns for the economically disadvantaged and the elderly. AGA has 24 persons working with the program:

Tammie Addison	Allen Jackson
Edith Anderson	Geraldine Jasper
Paula Bauer	Beverly A. Kasmarzyk
Evelyn Brown	Christie Poindexter
Mary Kate B. Buckley	Virginia Robinson
Joyce Charles	Ray Sexton
Webster Coleman	Velma Speight
Edward Everitt	Coleen Spencer
Alvin Garner	Charles Sutton
Trish Greene	Godfrey Venable
Richard "Dick" Haller	Barbara Thims
Stephan Itnyre	Carol Transou

Membership

by Evelyn Brown, Director of Membership Services

The campaign slogan for the new membership year is "One-on-One in Ninety-One!" During this campaign period we would like to ask each member to get on board and bring in at least one new member. AGA would like to double its influence. This would help to strengthen the organization and give each member a louder voice as part of the professional organization for auditors and accountants in the government financial management community.

The membership campaign is running from January through March. The National office will present \$100 savings bonds to five members who bring in the most new members. Plaques will be awarded to the top five chapters with the highest percentage of new members during the campaign. President Joyce Shelton has issued a challenge to each Chapter Executive Committee member and each Agency Liaison to bring in three new members between now and the end of April 1991. This is a challenge that we have all agreed to accept and we hope that you will too. After all, it is through the efforts of all of the membership that the Association draws its strength.

The dues for membership are:

Full Member	\$55.00
Associate Member	\$28.00
Special Associate Member	\$14.00
Retired Member	\$14.00
(Plus Chapter Dues - \$7.50)	

There is available an Association of Government Accountants Washington Chapter pamphlet "A Compact Guide for the New Member". This publication provides information about the organization, including What is AGA, Why the Washington Chapter, activities, benefits, and other useful information. A copy is provided to each new member and is available to everyone.

If you need information or copies of the publication, please do not hesitate to contact me at (202) 377-2679 or Sue Fields at (301) 496-3417.

TECHNICAL TOPICS

Members of New Accounting Standards Board Named

On January 18, 1991 Secretary of the Treasury Nicholas F. Brady, Director of Management and Budget Richard G. Darman, and Comptroller General Charles A. Bowsher announced the appointment of the members of a new Federal Accounting Standards Advisory Board established to recommend accounting standards and principles for the federal government. The first meeting of the Board was held on January 25, 1991 at the General Accounting Office (GAO).

The Board comprises nine members selected from a broad range of Federal entities as well as the nonfederal community. In selecting members for the new Advisory Board, the sponsors sought nominations from a wide variety of sources and considered the individuals' professional background, experience, and expertise in Federal government accounting, financial reporting, and financial management.

The nine members will serve initial terms of two years, and are eligible for reappointment to the Board. The members are:

Elmer B. Staats, Chairman, formerly Comptroller General of the United States. More recently, he was a member of the Government Accounting Standards Board (GASB).

James L. Blum, Assistant Director for Budget Analysis at the Congressional Budget Office.

Donald H. Chapin, Assistant Comptroller General of the United States for Accounting and Financial Management.

Susan Gaffney, Acting Assistant Director for the Financial Management Division at the Office of Management and Budget.

Martin Ives, Vice Chairman of the Governmental Accounting Standards Board.

William L. Kendig, Director of Financial Management, U.S. Department of the Interior.

Gerald Murphy, Fiscal Assistant Secretary of the Treasury.

Cornelius E. Tierney, Partner in the accounting firm of Ernst and Young and National Director of the firm's public sector practice.

Alvin Tucker, Deputy Comptroller (Management Systems), Office of the Comptroller of the Department of Defense.

Ronald S. Young will serve as the Board's Staff Director. He is currently the Director of the Accounting and Auditing Standards Group in the Accounting and Financial Management Division of the GAO.

Jimme D. Brown will serve as Deputy Staff Director. He is currently Chief of the Financial Systems and Policy Branch at OMB.

AGA Leadership Conference

The Association of Government Accountants held its second annual Leadership Conference on January 10-11, 1991, in Washington, D.C. The following are some observations from the conference.

A major topic of interest at the conference was the Chief Financial Officer legislation. Members of the Congressional committee staffs responsible for the CFO Act spoke on the Act and how it will be implemented. They indicated that they will follow carefully the implementation of the Act. Some agencies will need to reorganize to meet the intent of the Act. Congress is also interested in seeing budget and accounting functions connected. **Frank Hodsoll** is a likely candidate to be nominated as the first CFO.

Jeff Steinhoff of GAO also spoke on the CFO Act. He indicated that GAO is comfortable with the SF-220 series reports as financial statements. GAO is investigating how to analyze the data on Federal financial statements (see AFMD 91-6, dated November 14, 1990). GAO's Accounting and Financial Management Division (AFMD) is being reorganized and will focus on the CFO Act. Mr. Steinhoff indicated that AFMD would be adding between 30 to 40 staff at the mid and senior levels.

Frank Hodsoll, Executive Associate Director of OMB, spoke on current financial management initiatives. The new Federal Accounting Standards Advisory Board is currently getting under way and is posting vacancy announcements to fill staff positions. The JFMIP is completing projects to develop standard financial data definitions. These definitions are expected to be issued in May, 1991. Travel system standards are expected to be issued by the JFMIP in January, 1991. OMB will be pushing to hire CFOs faster than required by the CFO Act, in order to prepare for required financial statement audits.

Ron Young, Director of the Accounting Principles and Standards Group at GAO, spoke on audited financial statements and developing Federal accounting standards. Mr. Young will serve as the Staff Director of the new Federal Accounting Standards Advisory Board. He indicated that the Board must address the following issues:

- The Board must decide whether GAO's Title II should be used as Federal accounting principles and standards in the near-term financial statement audits. The Board could suspend portions of Title II. A decision is needed by the end of March.
- The Board must develop a conceptual framework for Federal government accounting. He expects that the Board will undertake a project in this area.
- The Board should address issues related to accounting for human resources.
- The Board will need to work with OMB, which is responsible for prescribing the format of financial statements. He indicated that the current SF-220 series reports had not been found to be very useful.

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Defense Budget Seminar

On January 9, 1991, the Chapter held a seminar on **Current Topics on the Defense Budget** at the Touchdown Club. The event was cosponsored with the American Society of Military Comptrollers. The following are highlights of the seminar.

Political Changes in Eastern Europe and Ramifications in DOD

Robert Silverman, Principal Deputy Assistant Secretary of Defense for Force Management and Personnel, spoke on planned reduction in military force levels due to the significant changes taking place in Eastern Europe and the Soviet Union. He indicated plans to downsize the DoD work force significantly over the next few years. Plans include the reduction of 500,000 military and 200,000 civilians over the next five years.

Bart Toohey, Assistant Deputy Assistant Secretary of the Army for Budget, spoke on the operations and maintenance (O&M) cost structure in the Army. He noted that O&M costs are based on (1) force structure (size and readiness), and (2) infrastructure (number of installations). Mr. Toohey indicated that the U.S. Army, Europe consists of 38 communities and 858 installations. 302 of the installations are "fixed" and 556 are "variable".

Charles Nempfakos, Associate Director of Budget and Reports, Office of the Navy Comptroller, elaborated further on the challenges of resizing in DoD. He indicated that a major problem is infrastructure to support our forces. The infrastructure, such as roads and schools, is focused in Europe. Therefore defense resources cannot simply be moved. Mr. Nempfakos indicated that a dichotomy exists between (1) showing a "peace dividend" from the end of the cold war, and (2) maintaining coverage around the world. He concluded that consolidation of defense activities will not save money.

Political Changes in the Middle East and the Financial Impact of Desert Shield

Don Gessaman, Director of National Security Division at OMB, discussed the defense budget from a total Federal budget perspective. He indicated that programs such as medicare, DoD health care, and the financial institutions crisis are eating up the budget.

L. Paul Dube, Deputy Comptroller (Program/Budget) Office of the Comptroller - DoD, indicated that is difficult to estimate the costs of Desert Shield. The dimensions of Desert Shield changed tremendously in November. The budget agreement included an agreement not to count Desert Shield in the deficit.

Charles Houy, Deputy Director, Senate Appropriations Committee, indicated that the costs of Desert Shield are changing daily. Mr. Houy stated that CBO's cost estimate for FY 91 is \$12.1 billion while DoD's cost estimate is between \$30 and \$34 billion. CHAMPUS costs are soaring. Non-Desert Shield activities may be looked at for cuts. He indicated that the allies had contributed \$5 billion to date. Mr. Houy indicated that if Desert Shield costs \$30 billion and the allies contribute \$7

billion, the resulting deficit increase will strain interest rates. He stated that the differences between DoD and CBO figures will need to be resolved.

Consolidation of Accounting and Finance Centers

Al Conte, Director, Implementation Group for Consolidation of DoD Finance and Accounting Centers, discussed DoD's effort to consolidate accounting and financial functions. As the result of a Defense Management Report to Secretary Cheney and a study by the DoD Comptroller, a project was initiated to consolidate all DoD finance centers. The consolidation is expected to result in savings in the policy functions and eventually in operations, as functions are realigned.

The result has been the creation of the Defense Finance and Accounting Service. Most accounting and financial personnel from the Army, Navy, Air Force, and Defense agencies are now employees of this new organization. The new organization comprises over 10,000 employees to be paid out of the Defense Logistics Agency payroll system. Operations will be centralized out of six locations: Denver, Indianapolis, Cleveland, Kansas City, Columbus, and Crystal City. The organization will have a small headquarters at Crystal City.

The mission of the new organization is to maintain and improve customer service at a lower cost than that maintained by the services. This objective will be achieved by standardizing policies and systems. In accordance with the organization's budget, they must achieve at least \$150 million of savings by FY 1997.

Initially, employees of the new Service will continue to perform their current functions. Eventually, there will be some realignment of functions.

Mr. Conte provided the following reasons for the consolidation:

- Reduction of military pay systems from four finance centers to maybe two or three.
- Elimination of most of the 29 civilian payroll systems in DoD.
- Reduction of the amount of policy guidance. Currently, Defense has over 50,000 pages of financial management directives.
- Reduction of the number of field offices.

Management by Unit Cost

C. Ronald Hovell, Principal Deputy Assistant Secretary of the Air Force (Financial Management), spoke on management by unit cost. He addressed the issue of the "real cost" of operating. He indicated that we need to change the focus on only variable costs. He envisioned the use of surcharges for administrative services such as processing travel vouchers and ADP. Certain DoD functions, such as supply depots, have been identified for unit costing. Eventually, the finance function will be examined. Mr. Hovell also indicated that government accounting systems need to change to emphasize accrual accounting information to support cost accounting.

(Continued on page 7)

(Defense Budget Seminar continued from page 6)

"Bunnie" Smith, Deputy Director for Program Management Systems, Army, indicated that stock fund costing had resulted in inventories being viewed as costs. In unit costing, "customers" can choose to obtain the goods or services at the lowest cost, either in-house or outside the government.

Don Shycoff, Principal Deputy Comptroller, Office of Comptroller, DoD, concluded the session on unit costing. He indicated that we need a system that will ask questions such as should a commodity be stored in a warehouse or sent straight to the purchaser. He indicated that even if purchasing can be done outside of DoD, information on demand must be maintained for war situations. He indicated that unit costing has been implemented within the existing accounting systems at DoD.

*(AGA Leadership Conference continued from page 5)***Awards Gala**

The conference concluded with an awards gala Friday evening. Award winners were:

Elmer Staats Award	William E. Douglas <i>Commissioner, Financial Management Service, U.S. Department of Treasury</i>
Andy Barr Award	Harold I. Steinberg <i>National Director for Federal Services, Specialized Industry, KPMG Peat Marwick</i>
Frank Greathouse Award	Tom L. Allen <i>Utah State Auditor</i>
Legislator of the Year Award	The Honorable John Conyers The Honorable John Glenn The Honorable Frank Horton The Honorable William Roth
Public Administrator of the Year Award	The Honorable Jack Kemp <i>Secretary of the Department of Housing and Urban Development</i>
Contract Auditor of the Year Award	Susan Merrill <i>General Dynamics San Diego Resident Office Defense Contract Audit Agency</i>
Internal Auditor of the Year Award	Gary Bell <i>Internal Revenue Service</i>

Prompt Pay Changes and the Federal Bank Card Program

Editor's Note: The following was written by Joseph Zimmer, Deputy Associate Administrator, Office of Federal Procurement Policy. Mr. Zimmer is a member of the Washington Chapter.

The Federal Supply Service bank card program has been underway for about two years. Rather than to be considered a procurement vehicle, it is a payment mechanism using a worldwide credit card by authorized military and civilian personnel. It represents an expeditious way for vendors to realize payment for goods and services contracted under small purchases procedures not exceeding \$25,000. It simplifies payment procedures for agencies and reduces their potential exposure to interest penalties for late payments.

The Prompt Payment Act (P.L. 97-177) of August 1982 applies to all transactions using the bank card mode. The Prompt Payment Act Amendments of 1988 (P.L. 100-496) were implemented by an OMB Circular A-125 revision dated December 12, 1989, making certain changes to payment procedures. The revised circular can be found in the *Federal Register* - 54FR52700-52713 dated December 21, 1989. These changes include:

- Elimination of the 15 day grace period for payments. Generally payments must be made 30 days after receipt of a proper invoice unless a different period has been incorporated into the contract payment terms.
- Interest penalties will now apply to progress payments and retained amounts under construction contracts. New flowdown procedures apply to subcontracts as well, and prime contractors are liable for interest penalties when payments to a subcontractor remain unpaid for more than 14 days after receipt of the payment request. Prime contractors will be required to itemize the amounts to be paid to subcontractors.
- Penalties will be doubled beginning January 22, 1990, for a two-year period up to a maximum of \$2,500 for late interest penalties not paid. After that time, the ceiling is raised to \$5,000. The additional penalty shall not be less than \$25 regardless of the amount of the late payment interest penalty.
- Interest penalties will not continue to accrue beyond one year.
- Interest penalties will continue not to apply to payments made for financing purposes such as advance payments, progress payments based on cost, progress payments (other than for construction contracts or architect-engineer contracts) based on a percentage or stage of completion, and interim payments on cost-type contracts.
- The exclusion from the prompt payment requirements that was provided for foreign vendors outside the United States or for work performed outside the United States has been dropped. It would have violated the terms of the General Agreement on Tariffs and Trade (GATT).

THIS AND THAT

About Chapter Members

Ron Young has agreed to serve as Chair of the AGA Education and Research Foundation's education activities. Ron has also been appointed Staff Director of the newly created Federal Accounting Standards Advisory Board.

Judith Boyd has been nominated to serve as AGA National's first Treasurer. Judith has long been active in AGA, formerly serving as Washington Chapter Secretary and Treasurer, and having served on several AGA National committees.

Susan Lee has been nominated Treasurer-Elect of the AGA. Susan is a former Washington Chapter President, and has previously served on several AGA National committees.

Congratulations to the following Washington Chapter members who were appointed to serve on the Federal Government Accounting Standards Advisory Board: **Donald Chapin, William Kendig, Gerald Murphy, Neil Tierney, and Al Tucker.**

Congratulations also to **Ernie Douglas**, who was awarded the Elmer Staats Award at the AGA Leadership Conference "...for innovative management and exemplary leadership in the promotion of financial integrity of the United States government through sound money management on behalf of the public."

Other Chapter Meetings

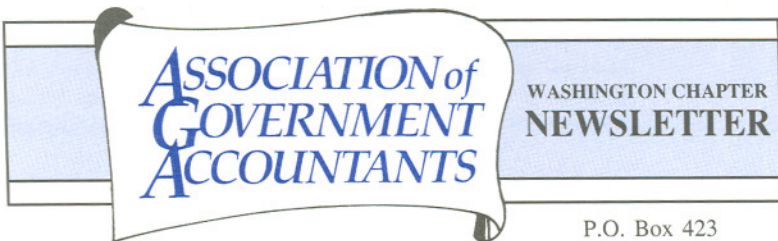
Montgomery/Prince Georges Chapter

Date and Time: March 13, 1991
5:30 p.m. (social)
6:45 p.m. (dinner)
Location: Holiday Inn, College Park
10000 Baltimore Blvd.,
College Park, Maryland
Speaker: Jim Jensen
"Office of Technology Assessment
Operations"
Cost: \$16
Reservations: Gary Fishbein (202) 366-6074

Northern Virginia Chapter

Date and Time: March 19, 1991
5:30 p.m. (social)
6:30 p.m. (dinner)
Location: Sheraton National Hotel
Columbia Pike & Washington Blvd.
Arlington, Virginia
Speaker: Harry Havens,
Assistant Comptroller General,
General Accounting Office
"The Budget Crisis"
Cost: \$18
Reservations: Andrea Walker (202) 619-3066

Note: This meeting will follow a free two hour program on "Auditing Program Results" presented by Harry Hatry of the Urban Institute.



P.O. Box 423
Washington, D.C. 20044
March 1991



FIRST CLASS MAIL