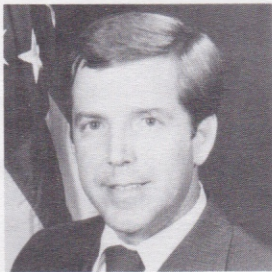


# ASSOCIATION of GOVERNMENT ACCOUNTANTS

## WASHINGTON CHAPTER NEWSLETTER

November, 1988

### About Our Speaker This Month



**Michael R. Hill** currently serves as the Treasury Department Inspector General. The Secretary of the Treasury James A. Baker, III, appointed him to the Inspector General position on April 6, 1986. Mr. Hill had been Deputy Inspector General since March 1985.

As Inspector General, Mr. Hill manages audits and investigations involving the Department's programs and operations.

Before coming to Treasury, Mr. Hill held several managerial positions from 1981 to 1985 at the National Aeronautics and Space Administration. These included Assistant Inspector General for Auditing, Acting Assistant Inspector General for Management Services, and Deputy Director of Headquarters and Special Projects.

From 1975 to 1981, Mr. Hill was an Accountant, Supervisory Auditor, and Chief of the Cost Advisory Branch at the U.S. Environmental Protection Agency office in Cincinnati. He served as Internal Auditor at the Navy Finance Center in Cleveland, Ohio, from 1973 to 1975.

Mr. Hill earned a Bachelors of Business Administration from Minot State College (1973), a Masters of Business Administration from Xavier University (1981), and is a Certified Public Accountant (CPA). He is a member of the President's Council on Integrity and Efficiency (Chairman, Communications Subcommittee); American Institute and Ohio Society of CPA's; Association of Government Accountants (National Chairman, Audit Committee, 1985-1986 and 1986-1987), (National Finance and Budget Board Member, 1984-1985 and 1985-1986); Association of Federal Investigators; and Veterans of Foreign Wars. He is married and has a son. Mr. Hill was born in Cincinnati, Ohio, on June 5, 1948.

November 3, 1988

### WASHINGTON CHAPTER LUNCHEON MEETING TO FEATURE

**Michael R. Hill**

**THE PCIE—A FORCE FOR SOUND GOVERNMENT**  
*Michael Hill will tell us how the President's Council on Integrity and Efficiency has exerted a positive influence on Government financial management.*

TOUCHDOWN CLUB  
2000 L St., N.W.

(Near Farragut West Metro Stop)

Social Period: 11:30 a.m. (Cash Bar)  
Luncheon: 12:00 p.m.  
Cost: \$15.00 (Members)  
\$17.00 (Non-members)

**Reservations Recommended**  
Call 649-4399 thru November 2nd  
**NON MEMBERS WELCOME!**

*Next Meeting: December 1st*

### IN THIS ISSUE:

	Page
President's Message.....	2
Schedule of Events.....	2
Committee Reports.....	4
— Education, Programs, Minutes, Membership, Nomination, VITA	
This and That.....	5
Technical Topics.....	6
— Credit Management, Single Audit, HHS FMFIA	



## PRESIDENT'S MESSAGE



Diane M. Bray

### Presidential Elections -- "Making the Difference"

November is a transitional month. The warm days of summer are gone. Baseball bats and fresbies have been put away. The flame of the XXIV Olympics has been extinguished. Fall is here. Thoughts turn to the cooler weather, the leaves that need to be raked, the excitement of the coming holidays, and whether the Redskins are going to the Superbowl. Presidential candidates are giving last-minute hand shakes and fiery speeches on how they will make a difference. On November 8, the world will see democracy in action. On that day, the United States will elect one of the candidates to make a difference for the next four years.

Also in November, the Association will decide who its leaders will be. Through a National Office Memorandum, the Association has requested local Chapters to nominate an individual for the National President-Elect and Regional Vice President positions. At the national level, the candidate will serve as President-Elect for 1989-1990 and will assume the office of President for 1990-1991. The candidate will shadow the National President for one year, learning the ropes and developing his/her platform and policies for the following year. At the regional level, the Vice President will represent local Chapters at the National level and will coordinate the activities of the three Capital Region Chapter.

I have appointed Doris Chew, Washington DC Chapter's President Elect, to chair the committee to nominate the two candidates. During October, she convened the committee to scrutinize carefully the potential field of candidates and nominate one for the President-Elect and one for the Regional Vice President positions. The Washington Chapter responded with two highly qualified and notable individuals. The Washington Chapter has submitted the name of Clyde McShan, Department of Agriculture for President-Elect and Fred Newton, Defense Contract Audit Agency for Regional Vice President. See the article on page 5 for more details.

During the next few months, the Washington Chapter will continue the candidate selection process. This time the selections will be for Chapter officers and directors. The Chapter will nominate candidates for President-Elect, Secretary, Treasurer, and five Director positions. Like the political parties of the country, it is difficult to identify and select the right individuals. There is much debate over who the candidates will be. Many are highly qualified; all are sure winners. Few can be chosen. This year will prove to be no different.

The qualifications for these positions are rigorous. Individuals must excel in leadership and commitment. They will work long hours planning, organizing and executing. They must be able to get the job done. However, the rewards far outweigh the costs. There is a certain satisfaction from serving in the Association. Close bonds are forged with the other leaders. Opportunities abound in advancing the professional image of accountants and Federal Government employees. Most important, is the feeling of satisfaction in making a difference and in serving in Chapter, over 1,000 members strong.

As part of her responsibility as chair of the nominating committee, Doris Chew will be identifying members to serve on her board for the next year. Doris is seeking individuals who are seasoned in AGA experience, as well as fresh new faces who can contribute new ideas and enthusiasm. If you are interested or know of someone who is interested in accepting the challenge of leadership, please contact Doris on 376-5415. I know that she would be happy to hear from you.

November is a time of elections. Whether at the White House or the Association level, it is important to vote. I urge all of you to consider carefully the candidates and go out and vote. You really do make a difference.

---

## Schedule of Upcoming Events

### Date/Activity

**November 3** - Washington Chapter Luncheon Meeting  
(See front page)

**November 9** - Montgomery/Prince George's Chapter dinner meeting  
(see Article).

**November 15** - Northern Virginia Chapter dinner meeting  
(see Article).

**November 15** - WCCMA Seminar (see Article).

**November 21/26** - Second Annual Conference on New Developments in Government Financial Management, sponsored by the International Consortium on Government Financial Management. Contact Audrey Dysland for details on 681-7439.

**December 1** - Washington Chapter Luncheon Meeting

**December 9** - Washington Chapter TGIF Seminar on "Retirement Planning"

**January 12** - Washington Chapter Luncheon Meeting

**January 13** - Washington Chapter TGIF Luncheon on "1988-1989 Federal Tax Update"

**February 2**  
Washington Chapter Luncheon Meeting

**February 15** - Washington Chapter Workshop on "Budget and Financial Management Trends and Issues"

**March 2** - Washington Chapter Luncheon Meeting

**March 17** - Washington Chapter TGIF Luncheon on "Current and Prospective Developments in Cash Management"

**April 6** - Washington Chapter Luncheon Meeting

**April 21** - TGIF Luncheon on "Retirement Planning"

**May 4** - Last Washington Chapter Luncheon Meeting for the 1988/89 Season



**AGA WASHINGTON CHAPTER  
Chapter Executive Council for 1988/1989**

**OFFICERS**

**President**

Diane Bray, DOD, 695-0839

**President-Elect**

Doris Chew, JFMIP, 376-5415

**Secretary**

Judith Boyd, DOD, 697-8281

**Treasurer**

Joel Dorfman, AY, 956-6273

**Past President**

Terry Conway, 391-0003

**DIRECTORS**

**Public Service**

John Cherbini, C&L, 822-5640

**Chapter Awards**

Roger Feldman, State, 647-7490

**Chapter Bylaws & Procedures**

Sue Fields, NIH, 496-3417

**Student Awards**

Carol Lynch, Education, 732-5610

**Membership Services**

Dan McGrath, FMS, 566-3717

**Programs**

Sam Mok, Treasury, 377-9322

**Publicity & Agency Liaison**

Joe Rothschild, HUD, 426-6493

**Employment Referral**

Joyce Shelton, DOT, 366-1306

**Education**

John Simonette, GAO, 275-5748

**Newsletter**

Anna Wilson, OPM, 632-0003

**CHAIRPERSONS**

**Chapter Recognition**

Jean Bowles, State, 875-6923

**Coop. with Prof. Institutions**

Larry Goode, AY, 956-6142

**Assistant Chairs, Public Service:**

**Small Business Education**

Lionel Henderson, CSC, 982-2133

**VITA**

Joyce Charles, Labor, 523-5906

**Assistant Chairs, Education**

Dave Holland, Interior, 343-6743

Mary Lee Mason, FMS, 535-9693

**Coop. with Educational Institutions**

Kenneth Konz, EPA, 382-4106

Ray Einhorn, Am. Univ., 885-1931

**Legislative Tracking**

Thomas Gilliland, FMS, 287-0669

**Publications**

Susan Lee, FMS, 535-9693

**Chapter Advisory Council**

Ron Lynch, AA, 862-3324

**Research**

Chuck McAndrew, Navy, 696-6896

**Meetings**

Judith Parson, OCC, 447-1721

Deatrice Russell, FMS, 535-9693

**History**

Paula Rubin, FMS, 535-9693

**Budget & Finance**

Mike Wenk, OMB, 395-3993

**Newsletter**

Bob Rogers, GrantThornton, 296-7800

John Wenstrup, Cong. Com., 224-6706

Christy Poindexter, HHS, 245-6041

**Photographer**

Chuck Zlamal, GAO, 275-9505

**MEET THE CEO**

Chapter Executive Council members who were able to stay for a few extra minutes after the last CEC meeting became subjects for Chuck Zlamal's (Chapter Photographer) camera.

**OFFICERS**



Left to right: Diane Bray, Joel Dorfman, Doris Chew, Judith Boyd

**DIRECTORS**



Left to right: John Simonette, John Cherbini, Carol Lynch, Roger Feldman, Joe Rothschild

**CHAIRPERSONS**



Centerfront: Judith Parson, Bob Rogers, Joyce Charles; Backrow: Lionel Henderson, Mike Wenk, Tom Gilliland, John Wenstrup, Chuck Zlamal, Jean Bowles

RENEW • RENEW • RENEW • RENEW • RENEW • RENEW • RENEW • RENEW •

Renewal notices were mailed in September. If you have not received yours, please notify Debbie Timmons at National Office as soon as possible ((703) 684-6931). **It is important that you send in your renewal as soon as possible since membership benefits are discontinued after two months on the delinquent list.** Our new dues year began October 1; therefore, anyone not remitting soon will be purged from our active mailing list and will cease receiving materials from AGA after the November distribution of the December newsletter.

RENEW • RENEW • RENEW • RENEW • RENEW • RENEW • RENEW • RENEW •



## COMMITTEE REPORTS

### "Retirement Planning"

#### Subject of First TGIF

The Washington Chapter's first educational event of the 1988/89 season will be held on December 9. This TGIF seminar will feature Peter R. Lynn, Partner, Government Retirement and Benefits, Inc., and Thomas Eickmeyer, Group Director of GAO's General Government Division. The emphasis of the seminar will be on the importance of retirement planning in the early years of one's career. The details of the seminar are being developed and will be available at a later date. Call John Simonette, Chairman of the Education Committee, at 275-5748.

As most of you are already aware of, the November 17 seminar on GAO's "Yellow Book" has been cancelled and is being rescheduled.

### Summary of October Meeting on Auditing the Federal Government

By Doris Chew, President-Elect

Harold Steinberg, Director of Federal Services for Peat Marwick Main & Co. spoke about the issues, requirements, benefits and the role of agencies related to the audit of financial statements for the Federal Government. He prefaced his remarks by stating that there have been many forums on the use of audited financial statements in the Federal Government. Recently, the Chief Financial Officers Council and OMB sponsored a one-day forum on this subject. Mr. Steinberg emphasized the benefits of having audited financial statements in the Federal sector, some of which include:

- Moves management in the right direction for improvement of systems and expanding communications;
- Identifies weaknesses not uncovered in the Federal Financial Managers Integrity Act reviews;
- Identifies and Manages assets and liabilities better; and
- Provides credibility for the numbers on the statements.

Mr. Steinberg is the Chair of an AICPA task force subcommittee looking at the audit of Federal financial statements. One of the problems that has been discussed is that all of the "generally accepted accounting principles" issued by FASB and GASB are not applicable to Federal financial statements. Another issue relates to the usage or the value of having audited financial statements for top management and Congress.

He discussed in detail the organizational entities that should be audited and the role of the General Accounting Office, the Federal Inspectors General, and independent public accountants in the auditing of financial statements for the Federal Government. He suggested a way to procure independent public accountants for the audits, which was used by New

York City. He concluded his remarks by stating that auditing is a great management tool, since the benefits include better systems, and more credible information. He also pointed out that management must want and support audited financial statements.

### Chapter Executive Committee (CEC) CEC Monthly Meeting September 29, 1988

By Judith S. Boyd, Chapter Secretary

#### Call to Order

At 11:55 AM Diane Bray called the meeting to order.

#### Secretary's Report

A motion to approve the prior month's Minutes, as amended to add discussion and approval of the VITA program, was passed.

The secretary with assistance from Paula Rubin, will work on AGA's annual sale of the Prentice Hall tax books. A notice will appear in the November Newsletter.

#### Treasurer's Report:

The monthly report was discussed, and a motion to approve the report, including the payment of prior year taxes, was passed. Also, the Treasurer asked for suggestions for the auditor for the prior year books.

#### Special Interest Item:

The yearly plan for the student awards, which had been referred back to the committee for further revisions based upon the suggestions made at the prior meeting, was discussed.

A question was raised as to the appropriateness of including nontraditional majors such as public administration and government. Two reasons were given for their inclusion, one, AGA's field of membership is comprised of several different disciplines, some of which do not require pure accounting majors, and two, AGA wants to emphasize upgrading the quality of the entire public service workforce.

A motion that the plan include a proviso that "subject to availability of funds, this program will be run each year" was passed. Specific budget figures for this plan were deferred until the October 27th meeting.

#### Presidential Transition Committee (PTC):

Mike Wenk stated that the National Office PTC was currently preparing 8 position papers: CFO; Financial Systems; Internal Controls; Audit Independence and Compliance; and Cash, Debt, Personnel, and Property Management. Currently, they have no resolutions for the following subjects: Revision to the Budget Process, Annual Financial Statements and Audit, Asset Sales, Procurement, and Grants. It was suggested that the State and Local Governmental Associations such as NASACT should be contacted on the Grants paper. Mike noted that the person handling this paper was Ken Winne, a grants expert. The other issue being discussed at the National Office PTC was when the papers should be handed to the candidates. It was felt that it might be more advantageous to wait until after the election.



**Other Committee Reports:**

Publicity and Agency Liaison reported that they had developed (1) a Media List for use in publicizing the upcoming events, and (2) a network of 2 people in each agency; one from the Inspector General area and one from the Budget/Comptroller/Finance area.

Membership reported that since May, the chapter has recruited 52 members.

Legislative Tracking reported that they had started the tracking and asked for CEC input regarding additional subjects to track.

Education reported on the possible conflict between National's and our chapter's Yellow Book presentations; it was decided to postpone the chapter's presentation.

Newsletter reported that the newsletter would come out slightly later because of the speaker cancellation.

Meetings expressed some concern over the possible negative impact of this delay, i.e., a possible drop in attendance.

Small Business noted that their class was ready to start and thanked John Cherbini for his administrative support.

**Next Meeting:**

The next meeting (October 27) will focus on (1) adjusting the budget that was approved in May, and (2) discussing the remaining Business Plan.

**Conclusion of the Meeting**

The president adjourned the meeting at 1:25 PM.

**NOMINATIONS FOR NATIONAL OFFICERS SUBMITTED**

By Doris Chew, President-Elect

The Nominations Committee of the Washington Chapter, chaired by Doris Chew, JFMIP, submitted the following nominations to AGA National Office:

For President-Elect:

**CLYDE McSHAN**, Director  
National Finance Center, Department of Agriculture

For Capital Region Vice President-Elect:

**FRED NEWTON**  
Deputy Director, Defense Contract Audit Agency

The Nominations Committee members are:

**Judith Boyd**, Department of Defense  
**Joseph Donlon**, Booz, Allen and Hamilton  
**Ronald Lynch**, Arthur Andersen & Co.  
**James Thomas**, Department of Education  
**Larry Wilson**, Department of Agriculture.

National nominations are due by November 6, 1988. The Committee will meet again to consider nominations for Chapter Officers and Directors. If you are interested in running for the Chapter Executive Board, please contact Doris Chew on 376-5415.

**Role of D.C. Government Employees-Emphasis in Reorganization of Membership Committee**

By Dan McGrath, Director Membership Services

Barbara Jackson has been appointed Deputy Membership Chairperson for D.C. Government Activities. In this new role, she will be mounting a massive recruiting effort within all D.C. Government agencies, and will serve as the principal focal point for handling the total spectrum of membership services for all members employed by the District. Anyone interested in assisting Barbara in this important effort can contact her on 535-1623.

The chapter is also interested in undertaking similar initiatives in other local Governments in the Washington area. Anyone interested in helping should contact me on (202) 566-3717.

Finally, everyone regardless of your employment status is encouraged to recruit one or two new members as soon as possible. I need your applications. Please call me.

**VITA VOLUNTEERS NEEDED**

The Washington Chapter will once again be participating in the Voluntary Income Tax Assistance program. For more information, look for details in the December Washington Chapter Newsletter, or call Joyce Charles, Assistant Chair for Public Service, on 523-5906.

**THIS AND THAT****ABOUT CHAPTER MEMBERS**

Congratulations to Vern Isenberg for receiving the Secretary of Agriculture's Superior Service Award in June 1988.

Marilyn Manners, who is with the Department of the Navy's Data Automation Command, has been honored by Alpha Kappa Alpha in Prince George's County, Maryland, who presented her with their Professional Development Award. In addition, Marilyn has been selected for listing in the latest edition of Who's Who in American Women. Congratulations Marilyn!

We were saddened to learn of the death on October 5 of Dan McGrath's father-in-law. Dan, as all of you know, is the Chapter's very enthusiastic Director of Membership Services. Our condolences go out to the McGrath family.

Update on Chapter member job changes:

In June 1988, Joe Donlon left Arthur Young & Company to take a position with the consulting firm of Booz - Allen & Hamilton, Inc., located in Bethesda, Maryland.

John Cherbini left GAO in May 1988 to join the consulting staff of Coopers & Lybrand.

Best of luck in your new positions.



## WCCMA SPONSORS SEMINAR AND TOUR

The Washington Corporate Cash Managers Association is sponsoring a seminar on November 15, which will feature Bill Wood, Vice President of Riggs Bank, a member of the Washington Chapter of AGA, and Past Chairman of the American Banker's Association Postal Relations Committee, David Bochovic, Vice President of Phoenix Hecht, and Ed Bach, National Accounts Representative for the U.S. Postal Service speaking on the topic "What Cash Managers should Know about the Postal Service". The seminar will be held at the Fairfax Hospital Cafetorium located at 330 Gallows Road. A tour of the Northern Virginia Postal Management Sectional Center in Merrifield, Virginia is included in the cost of the seminar. For further information or reservations contact: Peter Hohenstein on 624-5708 or Pat Montgomery, 682-6935. Fee: \$12 Members - \$16 Non-members.

---

## PRENTICE-HALL TAX BOOK

Once again, both the Holiday season and the tax book season are approaching. This year, AGA is offering the tax books at half price. Each book will sell for \$11.50, that is \$10.00 for the book and \$1.50 for the mailing. **All orders must be received no later than November 14, 1988.** To order one or more of these bestsellers, please complete the following and send it along with your check to the address below:

Paula Rubin  
P.O. Box 2652  
Kensington, Maryland 20895

Name: \_\_\_\_\_

Street: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Number of Taxbooks ordered: \_\_\_\_\_

---

## WASHINGTON SUPPORT CENTER SEEKS VOLUNTEERS

Submitted by Herb McClure, a member of the Washington Chapter

The Washington Support Center, which provides management support to not-for-profit organizations, is seeking accounting volunteers for management consulting assignments and placement on boards of directors. The Support Center will screen and diagnose not-for-profits which need financial management help, and match these organizations appropriately with AGA volunteers. The Support Center will also help negotiate a clear agreement between the organization and the volunteer. Tasks for the volunteers will commonly include: development of an accounting system, training of bookkeeping staff,

assistance in making accounting related judgments, developing budget procedures and assistance with tax forms.

If this program interests you, drop a note to The Support Center at 1410 Q Street NW, Washington, DC, 20009 and ask for information on **Accounting Assistance for Nonprofits**, or you can call (202) 462-2000 and ask for the Director of Volunteer Programs, Bill Bozman.

## Other Chapters' Meetings

- Northern Virginia Chapter:  
Date and Time: November 15 at 6:00 p.m.  
Location: Sheraton National Hotel, Columbia Pike & Washington Blvd., Arlington  
Speaker: Ronald Young, Associate Director, GAO  
Topic: "GAO's Due Process for Changing title 2"  
Cost: \$16.00  
Reservations: Andrea Walker, 245-3066
- Montgomery/Prince Georges Chapter:  
Date and Time: November 9 at 5:45 P.M. (Social)  
Location: Howard Johnson Plaza-Hotel, 8500 Annapolis Rd., New Carrollton  
Speaker & Topic: To be determined  
Cost: \$15.00  
Reservations: Gary Fishbein, 366-1404

## TECHNICAL TOPICS

### Intergovernmental Write-off Task Force Issues Report

By Kathleen M. Downs

The Intergovernmental Task Force on Write-off issued its final report on August 1, 1988 via transmittal letter signed by Treasury's Fiscal Assistant Secretary.

The report provides recommendations and guidance to agencies to aid in implementing a comprehensive debt collection and write-off process (i.e., timelines and dollar amounts for pursuing collection, development of strategies for collecting and managing debt). Serving as a supplement and backup to the guidelines on debt collection and write-off issued by the Financial Management Service (FMS) in February 1988, the report also supports the letter issued in September 1988 emphasizing the importance of writing off uncollectible debt to ensure that the SF 220.9 accurately states each agency's receivables. In addition, the report was used by the President's Council on Integrity and Efficiency in its coordinated review of guaranteed loan programs and by OMB in its revision of OMB Circular A-129.

FMS convened the task force in December 1986, charging it to identify and resolve accounting, budgeting, reporting and financial issues which prevented agencies from writing off their uncollectible debts. The task force was composed of members of FMS' Credit Administration Division, OMB, GAO, GSA, and the Departments of Agriculture and Justice. The task force identified a lack of specific guidance as the major single issue impeding write-offs and targeted the report to provide that guidance. It further expanded the focus of the report to include specific aspects of debt collection affecting write-offs.



OMB identified write-off in its August 1986 Nine Point Credit Management Plan. The agencies' failure to write-off bad debts became a vital issue in the effort to improve the Government's credit management. Over the past year, increased emphasis on writing off bad debt has resulted in an increase in write-offs of 476%, with \$10 billion of uncollectible debt written off through June of FY 1988.

The report is being printed for agency distribution. Requests for copies of the report or questions on write-off may be directed to Kathleen M. Downs, Credit Management Division, Financial Management Service, 401 14th Street, S.W., Room 418C, Washington, DC 20227; phone 287-0642

## Federal Program Managers Critical of Single Audit Reports' Usefulness

*Note: The following technical article was submitted by Janet Bonds, a member of the Washington Chapter, to summarize the results of a research project to fulfill the requirements for a Master's Degree in Public Financial Management from The American University, Washington, DC. The research report is entitled, "Evaluation of Federal Program Managers' Implementation of the Single Audit Concept and Use of Single Audit Reports as a Management Tool." The Department of Housing and Urban Development (HUD) sponsored Ms. Bonds' participation in the masters' degree program.*

The purpose of this research was to document and analyze Federal program managers' current views on the single audit concept and single audit report. The research focuses on HUD program managers. It was based on 106 managers' responses to a questionnaire distributed nationwide in 1987.

The Federal Government provides over \$100 billion a year in financial assistance to States and local governments (recipients). Federal departments and agencies rely on audits as the basic control for ensuring that recipients manage and spend their grant funds properly. Consequently, Federal program managers are the prime users of audit results. On October 4, 1984, the Congress enacted the Single Audit Act of 1984 (Public Law 98-502), which replaced narrow-focused grant-by-grant audits with single audits. The single audit focuses on a grant recipient's entire organization and is intended to serve the interests of all Federal grantors. Single audits are considered more coordinated, comprehensive and efficient than grant-by-grant audits.

The program managers' responses to the survey raised serious questions about the credibility and usefulness of single audit reports as a management tool. Survey data indicated that:

- About 68 percent of the 106 respondents did not consider the single audit process a success.
- Over 80 percent of the respondents felt that the single audit concept had not achieved most of its expected benefits.
- About 77 percent of the respondents felt that single audit reports were less useful in grantee monitoring than the grant-by-grant audits they replaced.

- At least 40 percent of the respondents felt that most of their single audit concerns prior to the 1984 enactment of the Single Audit Act remained valid in 1987.
- About 72 percent of the respondents felt that actions by parties outside their agency, primarily the Congress and OMB, were required to resolve their single audit concerns.

Almost all the respondents were interested in the Single Audit Act's implementation and felt that their role in the implementation process was very important. However, about 64 percent of the respondents felt left out of the single audit concept's development.

Currently, the General Accounting Office (GAO) is conducting a government wide review of the Single Audit Act's implementation. GAO's report, currently planned for the second quarter of 1989, should disclose whether program managers at other Federal agencies share HUD managers' single audit concerns.

### Conclusions and Recommendations

The program managers' single audit views should be disturbing to HUD; the Congress; and the Federal, State and local entities which supported the Single Audit Act. This study confirms that, at least within HUD, program managers lack confidence in single audit reports. They are not relying on the reports for monitoring grantees' use of billions of Federal dollars as the Congress intended. As a result, the Federal Government and recipients are spending a lot of time and money to obtain audits which are not fully useful. Further, recent Federal reports have identified serious audit quality problems relating to governmental audits, including single audits.

If the Single Audit Act is to be implemented as the Congress intended, the government should take immediate actions to increase Federal managers' acceptance and use of single audit reports as a management tool.

This study recommends that HUD support any future GAO recommendations which are intended to resolve program managers' single audit concerns. It also recommends more single audit training and technical assistance for HUD's program managers and other report users.

If you would like additional information, please contact Janet Bonds on 755-6344.

## Did You Know . . .

By Charles McAndrew (695-2568)

This month we are featuring the Department of Health and Human Services' (HHS) implementation of the Federal Managers' Financial Integrity Act (FMFIA) in the Public Health Service (PHS). The Act is administered by the Office of the Assistant Secretary for Health (OASH) and in each of the seven health agencies: National Institute of Health (NIH), Food and Drug Administration (FDA), Health Resources and

*Continued on Page 8*



**DID YOU KNOW . . .** *Continued from Page 7*

Services Administration (HRSA), Centers for Disease Control (CDC), Agency for Toxic Substances Disease Registry (ATSDR), Alcohol Drug Abuse and Mental Health Administration (ADAMHA), and the Indian Health Service (IHS). For fiscal year 1989, Congress appropriated \$14.1 Billion for the Public Health Service.

Major HHS components are generally free to organize FMFIA implementation to match their unique organizational structures and program mission requirements. In PHS, strong emphasis has been placed on top management involvement and accountability. Wilford J. Forbush, the Deputy Assistant Secretary for Health Operations, serves as PHS' Internal Control Officer (ICO) and the seven health agency executive officers serve as the agency level ICOs. The Internal Control Branch in OASH is responsible for both FMFIA's Section 2 dealing with program and administrative areas, and Section 4, applying to the five major accounting systems in PHS.

Within the health agencies, PHS has permitted a flexible approach to making Section 2 internal control reviews, but with strong encouragement to formation of special teams to make the reviews. NIH has primarily used a management survey staff, while FDA has utilized an existing comprehensive management review process that produces results that can effectively be used as Alternative Internal Control Reviews. HRSA, CDC and IHS have generally formed teams of persons knowledgeable in an area and often included members independent of the manager have direct responsibility for the

area under review. ADAMHA has had good success with a review of its grants management process done on contract.

Recent Section 2 reviews have covered the intramural research program at NIH and the Hansen's Disease Center, automated information systems security, PHS's grants management process that awards over \$6.3 billion annually, the procurement process at NIH, and FDA's food import programs.

Section 4 reviews, covering the five major accounting systems, are coordinated at the OASH level but generally not administered at the health agency level by the same staff that handles Section 2 matters. The staff in the PHS Internal Control Branch compiled a package of guidance materials for making Section 4 reviews which has proved to be so effective that it was adopted for use throughout HHS and also has been utilized by the Environmental Protection Agency.

One hallmark of the PHS approach has been the benefits realized from a mix of staff backgrounds among the lead staff and the review teams which include systems accountants, management and program analysts, budget analysts and administrative generalists.

With strong top management support and an aggressive follow-up program on corrective actions when material weaknesses have been identified, the PHS implementation of FMFIA has been a model for emulation. If you have any questions on internal control in PHS, call Kenneth M. Jennings, Jr., Chief, Internal Control Branch on 301-443-6733.



ASSOCIATION of  
GOVERNMENT  
ACCOUNTANTS

WASHINGTON CHAPTER  
NEWSLETTER

P.O. Box 423  
Washington, D.C. 20044  
November 1988

FIRST CLASS MAIL—  
PLEASE EXPEDITE

**PDC**

6/26-28/1989  
Los Angeles, CA  
Serving the Public  
New Dimensions in  
Financial Management