

ASSOCIATION OF
GOVERNMENT
ACCOUNTANTS

AGGA NEWSLETTER

WASHINGTON CHAPTER

DECEMBER 1983

THURSDAY DECEMBER 1, 1983 LUNCHEON MEETING TO FEATURE



MIKE CAUSEY
Writer, Federal Diary Column
Washington Post

speaking on

"Civil Service Reform"

at the

SAM RAYBURN HOUSE OFFICE BUILDING
Room B-338, "C" and South Capitol Streets
Near Capitol South Metro Station

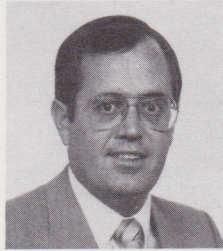
Social Period	11:15
Luncheon	12:00
Cost	\$10.00
Open Bar	\$3.00

For Luncheon Reservations Call 695-7954
Telephone Reservations Accepted Until November 29, 1983
NON MEMBERS WELCOME

All Reservations Guaranteed

Meeting Schedule: Jan. 5 • Feb. 2 • Mar. 1 • Apr. 5 • May 3

PRESIDENT'S MESSAGE



KEN WINNE
Joint Financial Management Improvement Program

Since we are entering the holiday season and gift buying is on all of our minds, I thought I would discuss money. Don't worry, our Chapter is solvent and we are not going to have a dues increase. Last year, under Bob Pewanick's outstanding leadership, our revenue exceeded our expenses by over \$5,500. This helped offset the prior year deficit of \$2,500. The increase was mainly due to increased revenues from educational events and cutting costs in other areas. As of July 1, 1983, the start of my tenure, I am happy to report we had about \$14,000 in the bank.

This year's budget was recently passed by the Chapter's Executive Committee and highlights of it are as follows:

Revenues

Education	\$15,500
Membership Dues	7,875
Interest	500
Small Business Education	1,800
Miscellaneous	700
Total Revenues	\$26,375

Expenses

Newsletter	\$ 9,500
Education	6,500
Small Business Education	1,000
Secretary's Activities	570
Student Scholarship	500
Awards	500
Publicity	500
Programs	450
Student Awards	300
Meetings	200
Membership and Early Careers	
Programs	150
Research	100
President's Activities	100
Miscellaneous Other Activities	1,015
Total Expenses	\$21,385
Estimated Profit (Loss)	\$ 4,990

As you can see, pending a major shortfall in revenue or a large unanticipated expense, our Chapter should

Continued on page 5

ABOUT CHAPTER MEMBERS

Edward W. Stepnick, former Assistant Inspector General for Department of Labor and Member, President's Council on Integrity and Efficiency, is beginning an independent CPA practice as a consultant, teacher, and free-lance writer. Ed, we appreciate your continued membership with the D.C. Chapter and wish you the best with your new endeavors.

We understand that **Ellie Clark** has left the Federal Government (Commerce Department) to join Price Waterhouse.

June Brown, IG for NASA is off to Harvard University for executive training.

Joe Malacavage, formerly with the General Accounting Office has transferred to the Office of Accounting Policy, Department of Defense.

Congratulations to **John Simonette** for receiving the General Accounting Office's Meritorious Service Award and the Division Director's Award.

Membership Committee Report AGA Welcomes New Members

We would like to welcome the following new members to the Washington Chapter:

John R. Cherbini	GAO
Keith F. Cook	Treasury
Rita M. Davis	Agriculture
Jeffery H. Geldman	D.C. Government
Andrew J. Kapsner	HHS
William L. Logan, Jr.	D.C. Superior Court
Michael D. Merson	Treasury
Mary F. Weisman	SBA

If you have any questions about joining AGA, or if membership applications and brochures are needed, call Susan Lee on 634-5700.

Articles in this issue	Page
Revised Internal Control Systems	4
Credit Cards	5
Governmentwide Collections Study	6
Chapter Competition	7
Did You Know . . .	8

WASHINGTON CHAPTER Executive Committee 1983-1984

Officers

President

Kenneth M. Winne, JFMIP, 376-5415

President-Elect

Virginia Robinson, GAO, 275-5071

Secretary

Ray Kudobeck, GAO, 724-7512

Treasurer

Judith Boyd, Treasury, 634-5507

Past President

Bob Pewanick, GAO, 275-4897

Directorate

Awards

Jim Saylor, DOD, 697-0585

Chapter Competition

Diana McDermott O'Neill, Navy,
695-1070

Cooperation with Educational Institutions

Carol Lynch, Education, 472-2395

Education

Doris Chew, JFMIP, 376-5415

Ron Lynch, Arthur Andersen, 862-3324

Newsletter

George Englert, GAO, 535-7650

Meetings

Sue Fields, NIH, 496-3417

Membership

Susan Lee, Treasury, 634-5700

Programs

Tony Gabriel, USDA, 447-7431

Publicity and Agency Liaison

Loretta Shogren, Justice, 633-3291

Committee Chairperson

Assistant Editor

Patricia Lippart, Interior, 343-6307

Assistant Treasurer

Kathy Fry, NIH, 496-5014

Chapter Evaluator

Jim Smith, Navy, 695-1070

Cooperation with Professional Organizations

Tom Hanley, Touche Ross, 452-1200

Employment Referral

Terry Conway, DOD, 697-3192

Financial Management Assistance

Diane Bray, Treasury, 634-5720

Professional Development Conference

Gordon Harvey, 252-1943

Relations with National Office

Adam Shaw, DOD, 697-0585

Research

Ken George, ACTION, 634-9163

Joe Rothschild, HUD, 426-6240

Small Business Education

Chuck McAndrew, GAO, 254-9810

About Our Speaker This Month

MIKE CAUSEY writes the Federal Diary Column which appears five days a week (Monday through Friday) in The Washington Post. The column is also syndicated to almost 400 U.S. newspapers by the Los Angeles Times/Washington Post News Service.

Causey attended George Washington and American Universities and was born in Indianapolis, Indiana.

Treasury Publication

The Bureau of Government Financial Operations has just issued a Guide for Agency Certifying Officers: The Guide describes the Certifying Officer's role in the Federal Government payments process, changing responsibilities as systems evolve from manual to automated and the consequences of performance failure. The publication is timely considering the government's growing concern for internal control and accountability. Its format provides a short, easy-to-read statement of responsibilities for new certifying officers and a review for those with years of experience. The Guide will be available from BGFO's Disbursing Centers beginning in November. Guides will be mailed to all currently assigned Certifying Officers and to new officers as they are appointed.

Hot Topics Workshop

On October 25, the Washington Chapter sponsored a workshop on "HOT TOPICS IN FINANCIAL MANAGEMENT." Speakers discussed the current "hot" issues of computer fraud, central agencies' policy changes that will impact agency financial systems and operations and the revisions for single audit regulations.



John Lordon, Deputy Associate Director for Financial Management, OMB, discusses the Administration's emphasis on financial management reform.

**Plan Now For
The PDC
July 9-11, 1984
Washington, D.C.**

CONSOLIDATION OF INTERNAL CONTROL REQUIREMENTS FOR THE FEDERAL GOVERNMENT

by James T. Miller

OMB Internal Control Task Force/DoD Inspector General

As another vital step in the effort to prevent fraud, waste and mismanagement in the Federal Government, the Office of Management and Budget revised Circular A-123, "Internal Control Systems", on August 16, 1983. The Circular prescribes policies and standards to be followed by executive departments and agencies in establishing, maintaining, evaluating, improving and reporting on internal controls for all their program, administrative and financial activities.

Effective systems of internal or management control are the foundation of any well-managed organization and are a critical prerequisite to achieving success in the President's goal of a modernized, efficient government—the goal of REFORM '88. These control systems are safeguards to assure that officials have the information they need to prevent waste or misuse of government resources. Publication and implementation of the revised Circular is intended to assure that all government managers are aware of their responsibility to maintain stringent controls.

The updated comprehensive internal control requirements of OMB Circular A-123 incorporates requirements of the Federal Managers' Financial Integrity Act of 1982 (the Act), the OMB "Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government" issued in December 1982, and the Comptroller General's internal control standards, issued in June 1983. OMB worked in close consultation with the General Accounting Office in developing and issuing the guidelines and standards for agency internal control systems. They also have been working together closely in implementing the Act and assuring that the momentum built up within the agencies to implement the internal control evaluation, improvement and reporting process is sustained.

OMB recently completed a series of visits to all 13 cabinet Departments and the 10 largest agencies, reviewing their implementation of the internal control requirements of the Act and providing technical assistance. GAO is currently reviewing implementation of the Act at 20 Departments and agencies, and is closely coordinating its activities to prevent the duplication of work and to avoid conflicting advice to the agencies.

The more substantive changes to the revised Circular are summarized as follows:

- The background section has been revised to briefly summarize the requirements of the Federal Managers' Financial Integrity Act and refer to the OMB "Internal Control Guidelines" issued in December 1982.
- The definition section has been expanded to include definitions of: control objectives, internal con-

trol guidelines, standards and techniques, and material weaknesses.

- The responsibility section has been expanded to include responsibilities of the agency designated senior internal control official and the heads of organizational units. In addition, responsibilities of the agency head and the Inspectors General were revised to conform with OMB's "Internal Control Guidelines".
- The objectives of internal control have been revised to conform with the objectives specified in the Act. Additionally, a statement was added which explains that internal controls are applicable to all program and administrative activities of an agency.
- The internal control standards have been revised to be consistent with those prescribed by the Comptroller General. OMB commentary is provided for selected standards.
- The requirements for an agency's internal control directive have been expanded to define which employees are required to have their performance agreements include fulfillment of assigned internal (i.e., management) control responsibilities. The covered employees include all Senior Executive Service and Merit Pay, or equivalent, persons with significant management responsibility.
- The requirements for an agency's internal control directive have also been expanded to include the requirement for an ongoing program of vulnerability assessments and internal control reviews covering all agency components and assessable units. It specifies that each assessable unit shall be evaluated as frequently as circumstances warrant, but at least once every two years. Therefore, a vulnerability assessment, or an internal control review or other kind of action that evaluates whether internal controls are operating as intended and are effective, may be used to fulfill this requirement for a biennial evaluation.
- A section on follow-up actions has been added to describe agency responsibility for establishment of a formal system to assure timely corrective actions are taken on internal control weaknesses.
- The reporting section has been revised to include the Act's requirement that each agency head subject to P.L. 97-255 (31 U.S.C. 3512) shall submit an annual statement to the President and to the Congress about the agency's systems of internal controls.

Continued on page 7

Treasury Reports on Government-Wide Cash Management

by Susan Lee

In its role as lead agency for Reform '88 Cash Management, the Treasury Department's Bureau of Government Financial Operations has established a computerized tracking and reporting medium called "CashMan." It is through CashMan that the Cash Management Program Staff of the Office of Banking and Cash Management reports to top Treasury and OMB officials on the results of monitoring approximately 285 cash management initiatives undertaken by 20 Federal departments and agencies.

The OMB Bulletin No. 83-6, dated October 22, 1982, required certain Federal agencies to submit to OMB, a cash management action plan. Each action plan identified cash receipt and disbursement activities subject to cash management controls and projected significant interest savings resulting from improved cash management policies and practices. Major cash management problems, issues, and opportunities were described in the action plans, along with the steps and timeframes needed to correct the problem and to take advantage of cash management opportunities.

CashMan became operational on August 31. It offers the Secretary, Deputy Secretary, Treasury Under Secretaries, Assistant Secretaries, and other designated officials instant access to timely and accurate data on cash management initiatives Government-wide—via desk top computer terminals.

For each initiative a display of the following information is shown:

- Description of each agency initiative;
- Projected and actual amount of receipts accelerated and payments deferred;
- Projected and actual interest savings;
- Anticipated and actual completion dates;
- Current status of the initiatives, and
- Nature of any problems that have arisen and possible solutions.

Terminals installed at the New Executive Offices also provide OMB access to this information. Consequently, reports on cash management are now being sent only to the Treasury.

Starting in November, agencies will be reporting each month in a Treasury-prescribed format on the status of their cash management initiatives. It has been estimated that the acceleration of receipts and the timely disbursement of payments accomplished through these initiatives will favorably impact the Government's cash position by \$4.5 billion, annually. When fully implemented, there should be savings of \$429 million.

For more information, contact Anne Chapman or Susan Lee on 634-5700.

Federal Employees Get Credit Cards and Travelers Checks

by Roberta Huber

In an effort to reduce cash handled by cashiers and reduce travel advance checks, the General Services Administration (GSA) has contracted with Citicorp to provide credit cards and traveler's checks for government employees. The two contracts cover a one-year period that can be extended up to five years. Citicorp waives the \$45 card fee and traveler's check charges. It will earn fees from merchants who accept the charge cards and on check float.

Starting October 1, approximately 30,000 frequent travelers in eight departments and agencies will be issued Diners Club credit cards. These organizations include: GSA, Army Corps of Engineers, Federal Home Loan Bank Board, National Credit Union Administration, National Labor Relations Board and portions of the Departments of State, Commerce and Agriculture.

The cards are issued in the name of the government traveler and bills are sent directly to the cardholder. By submitting a travel voucher, the traveler can be reimbursed for the charges. However, cardholders must reimburse Diners Club themselves. No late charges will be imposed upon the government cardholders.

All departments and agencies mentioned above are eligible to participate in the traveler's check program—if they desire. Traveler's checks will be issued by agency cashiers in packages of \$100 to \$1,000 in various denominations. Travelers will cash the checks through normal commercial means.

During fiscal year 1984, credit card charges are expected to reach \$200 million. In future years, an estimated \$3.5 billion is expected to be charged annually by the cardholders. Additionally, traveler's check usage during fiscal year 1984 is expected to reach \$25 million. Ultimately, 250,000 government employees are expected to be using the credit cards and traveler's checks.

President's Message

Continued from page 2

remain financially solid. This can only be accomplished by those many hard-working and dedicated people who serve our Chapter.

We have placed in the budget this year a new Student Scholarship Program, whereby a deserving student from one of the area universities will be given a \$500 scholarship for his/her senior year. Carol Lynch will be leading this program and establishing the selection criteria.

In closing, I would like to extend a warm and sincere holiday greeting to all members, their families and friends.

Government Collections Study Recommendations

Submitted by Marcus Page

The Treasury Department has completed a study report on Governmental Collection Operations. The report recommends a number of directions for government to move over the next several years.

The Federal Government, led by the Department of the Treasury, should incorporate currently available and developing automated operational capabilities into the Governmentwide financial system.

The increased use of automation in the processing of financial transactions is a pervasive, evolutionary trend throughout the private sector. The Government financial system is operationally similar to that of the private sector and, accordingly, the report recommends adoption of automated collections processing techniques for the Governmentwide Collections System.

Private sector adoption of automated collections processing is being driven by the capability to increase operational efficiency in the face of the increasing cost of manual operations. The rapid evolution of microprocessor (terminal) based technologies, along with new data capture, communications and data storage techniques, is making the cost savings and efficiency improvements associated with automation increasingly important to the competitiveness and even survival of corporations. It is important that Treasury prepare now to interact with payers capable of making electronic payments, and incorporate the same cost saving automated processing capability into the Government's financial system.

The adoption of automation for governmentwide collections processing activities, is consistent with the policies and programs of the Office of Management and Budget (OMB), the General Accounting Office (GAO) and the Department of the Treasury to improve the efficiency of Federal Government operations. These policy and program objectives include paperwork reduction, the application of modern technologies and practices and other programmatic goals.

Given that the check and paper invoice/return document system will continue to be one of the dominant forms of payment to the Government for at least the near-term to mid-term, the Treasury should employ automated processing wherever possible to reduce the time and costs associated with processing that paper.

Electronic funds and information transfer systems are rapidly becoming the pervasive method for the delivery of financial services. Although some EFT-based technologies are still in the early stage of adoption in their life cycle, EFT is increasingly well-accepted in the delivery of financial services. EFT-based systems provide for fully electronic funds and information flows, either removing the use of paper in the financial transaction or truncating the paper flow at some point in the system. The cost advantages of EFT-based financial systems as compared with traditional manual, paper oriented methods are significant. This advantage is demonstrated by the private sector's increasing use of EFT in the interest of operational efficiency and the recognition that the cost savings, speed, accuracy and flexibility of EFT systems are sufficient to offset and exceed the loss of float and cost of system development for both payer and receiver.

The Federal Government, in cooperation with the private sector, should take a lead role in stimulating the adoption of new EFT-based financial systems. The success of the Social Security direct deposit program in increasing ACH use, for example, shows the potential for the Government to spur the adoption of emerging efficient systems.

Long-range perspectives on the evolving financial services environment show the onset of a dominating future use of EFT. The report recommends that the proposed design for the modernized Governmentwide Collections System provide for integration into future EFT-based systems, positioning the Governmentwide Collections System to participate and share in the efficiencies of the evolving financial services environment.

NEWS FROM NATIONAL

AWARDS AND NATIONAL OFFICER NOMINATIONS ARE SOUGHT Chapters have been solicited for nominations for this year's national awards as well as for national officer posts. A national office memo on the national awards program went out to all chapters about November 1; chapters were urged to establish their own chapter awards program for the year, as well as submit nominations for the national awards. Meanwhile, nominations for next year's incoming officers (national president-elect and regional vice presidents-elect) were due on November 1, and the national nominating committee hoped to have its single-slate recommendations by December 1.

MEMBER, CHAPTER VIEWS WANTED IN SEVERAL AREAS Your National Office will be asking for member opinions on several facets of AGA activity. **In the publications area**, the regional vice presidents will coordinate the solicitation of chapter/member opinions and suggestions toward improving AGA's publications; **in the education area**, surveys have gone out to key members, including chapter presidents and education directors, seeking to identify perceived member needs for training; and **in the state/local area**, a task force will be looking for ideas on how AGA can serve its state/local government members better.

AGA ZEROES IN ON GRACE COMMISSION FINDINGS AGA is giving close attention to the final report and findings of the President's Private Sector Survey on Cost Control, informally termed the Grace Commission in recognition of its chairman. President Uyeda has formed a task force under Chairman Neil Tierney, Arthur Young & Co., to coordinate AGA's response to the report, which will be out in its final version before the end of the year. In further action, the Association, in conjunction with its Capital Region Chapters, will schedule a major one-day seminar on the topic in Washington for early 1984.

INTERNATIONAL VISITORS TO NATIONAL OFFICE Your AGA National Office hosted a group of International Fellows on October 14. The group of financial managers from developing countries have been in the U.S. for several months under a program coordinated by GAO. AGA officials conducted briefings on Association activities for the visitors, and later hosted a social hour.

Chapter Competition Committee Report

by Diana McDermott O'Neill

Although unglamorous and rather mundane, AGA Chapter Competition does have its rewards. In fact, for the past two years, the chapter has won the coveted #1 ranking—earning for each year a prize of \$150.00; an engraved trophy; a ribbon for the Chapter's banner; and, special acknowledgement in AGA publications and at the annual PDC. That is certainly a commendable achievement and all Chapter contributors are to be applauded.

With the next PDC scheduled for Washington, D.C., it seems appropriate that the laurels once again should fall upon this Chapter given the unquestionable talent and highly professional character of its membership. My goal is to insure that the recognition we should duly acquire is known by the right people at the right time. But, I need your input.

Members can participate in the following ways:

1. Join in as Bill Kendig, Ron Lynch, Virginia Robinson, and Sus Uyeda have in writing articles on work-related or general interest topics for the award winning Chapter Newsletter, AGA national publications, or other professional journals. If you have your AGA affiliation noted as part of your bibliography, you will gain extra points.
2. Participate in educational activities like Ken Winne, Joe Donlson, and Peter BenEzra, by speaking at AGA-backed or outside sponsored financial management courses, seminars, symposiums, workshops, and meetings; making presentations to colleges, universities (especially to our sponsored Lorton/UDC Accounting Technology Club), and high school groups; and getting involved with the Chapter's small business and financial management assistant programs. Your AGA affiliation must be noted on the agenda or publicity items.
3. And regularly attend monthly meetings.

It is to your benefit as well as ours to support the Chapter's activities. Help the Chapter once again gain the distinction it so richly deserves at the next PDC. Advise me on 695-7955 of your effort in this regard.

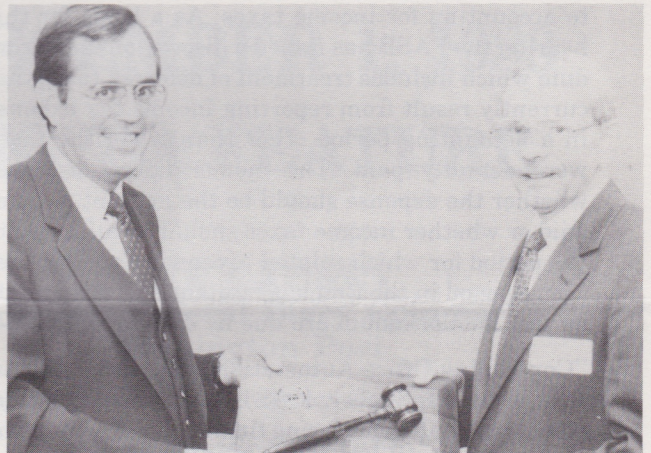
INTERNAL CONTROL REQUIREMENTS

Continued from page 4

Controlled corporations, which are excluded from the Act, nevertheless, are included within the scope of the revised Circular and therefore subject to its requirements for establishing, maintaining, evaluating and improving internal controls in their program, administrative and financial activities. They are exempt, however, from the annual reporting requirements contained in paragraph 12.



Wilbur Campbell, Acting Director, Accounting and Financial Management Division, GAO, discusses what agencies always wanted to know about GAO at the "Hot Topics Workshop."



Past President, **Bob Pewanick** (GAO) receives the Award for Services from incoming President, Ken Winne, JFMIP.



Fletcher Lutz, National Executive Vice President presents the Robert W. King Memorial Award to Gerald Murphy, Treasury. Other participants include l. to r. **Sus Uyeda, Carol Deneen, Ken Winne.**

DID YOU KNOW . . .

by John MacArthur

- Raymond C. Lauver has been appointed to a five-year term as a member of the Financial Accounting Standards Board, effective January 1, 1984. He replaces Ralph E. Walters, a board member since 1977. Mr. Lauver is the national director of accounting services for Price Waterhouse and serves on the American Institute of CPA's board of directors. He was a member and chairman of AICPA's accounting standards executive committee as well as a member of the FASB's advisory council and screening committee on emerging problems. He also served on FASB's task forces on timely guidance and an accounting for pensions and research and development cost.
- The Financial Accounting Standards Board will hold a public hearing, set for April 1984, in New York City to reconsider current accounting practices related to accounting for income taxes. As a basis for this hearing the FASB has issued a discussion memorandum which includes treatment of deferred taxes that currently result from reporting income tax expense in an accounting period other than when the taxes were actually paid. The memorandum discusses whether the expense should be the amount of taxes paid or whether income taxes should be allocated to the period for which related revenues and expenses are reported in the financial statements. Comments on this memorandum are due by January 31, 1984.
- "Controlling Office Automation", the title of an article in the September, 1983 issue of **Info-Systems**, points out challenges facing financial and accounting managers. The authors, Dr. William A. Saxon and Mr. Morris Edwards of the Federal Office Automation Conference, see managing personnel resources in an

expanding Office Automation (OA) environment as a problem that managers must resolve. Specifically, the article advises managers to (1) reassess the types of personnel best suited to work in an OA environment, (2) address the issue of measuring productivity resulting from OA, (3) recognize that OA is not just a typing function, (4) take measures to enhance job satisfaction at the clerical level, and (5) provide recognition for the additional skills necessary to operate OA equipment. The authors state that OA affects all levels of government from clerical to administrative to managerial, due to a broadened definition of OA which once was envisioned as simply word processing, but which now includes electronic mail, personal computers, local area networks, information and image processing, telecommunications and teleconferencing. The article states that the chief challenge confronting managers is how to control this rapidly changing technology while remembering that people are still the major components of the office. Managers must therefore, say the authors, place increased emphasis on more accommodating systems designs to soften the impact of OA on office workers.

- The Bureau of Government Financial Operations has contracted with Gelco Payment Systems, Inc., to test a payments system using third-party drafts instead of cash for small purchases by Government imprest fund cashiers. The system will be tested in two small-scale pilot programs in which Gelco will assume operating responsibility for the management, control, security, and reporting of information on expense transactions within present minimum and maximum dollar amounts. The system is expected to provide greater control and significantly reduce an agency's cash requirements, thus providing cash management benefits. If the pilot tests are successful, the system will be expanded Governmentwide. For additional information contact Paula Pickens on 376-0807.

NEWSLETTER

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SEPTEMBER 1983



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