

ASSOCIATION OF
GOVERNMENT
ACCOUNTANTS

AGGA NEWSLETTER

WASHINGTON CHAPTER

NOVEMBER 1983

THURSDAY NOVEMBER 3, 1983 LUNCHEON MEETING TO FEATURE



JOSEPH P. WELSCH
Inspector General, Department
of Transportation

speaking on

**"The IG's Role—Single Audits and
Financial Integrity"**

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 1, 1983

NON MEMBERS WELCOME

All Reservations Guaranteed

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

PRESIDENT'S MESSAGE



KEN WINNE
Joint Financial Management Improvement Program

Ma Bell says "reach out and touch someone." Our Chapter is doing this in many ways. Starting with our sponsorship of Lorton Institute's Accounting Technology Club we are involved in providing a guidance counselor/liaison to assist in program planning, obtaining guest speakers for monthly club meetings and providing some financial support. This is being done under the outstanding leadership of Diana O'Neill and John Barckley. I spoke to the Club on September 25, and it was a very rewarding experience. They need a lot of help, especially in applying their recently gained accounting knowledge. Last year we spoke with the Prison Industry officials to see if it is possible to have some of the inmates studying accounting to work in the Industry Accounting office, and if a computer was obtained to have it housed in the Accounting Office for use in training the students. I was, therefore, delighted to find out that this group is going to have the use of a new computer. It should be a big boost to their training program. Diana and John have also lined up a slate of speakers to talk to the inmates on subjects such as computers, taxes, internal controls and other subjects. Hopefully, these efforts will touch someone.

I am delighted in the tremendous success of our new Accounting and Financial Management training course given for small businesses in the Washington community. Over 90 business men and women are attending the course which will run for eight weeks. This success story is due to Chuck McAndrew, who set up the course, obtained instructors and got the message out to the business community. I also want to sincerely thank all the super instructors who are giving freely of their time to instruct this program. They are: John Barckley, Sheldon Bernstein, Diane Bray, Joyce Charles, Carolyn Connors, Carole Hutchison, Barry Minor and Diana O'Neill.

Diane Bray is off and running with our Financial Management Assistance Committee. She is working with the Department of the Treasury and Office of Personnel Management in conducting seminars on personal financial management for women and minorities. Several courses are planned this year. Also, Diane is putting together an Early Careers Program for new members of our Chapter or members new in their careers. We find, to our dismay, that once a new

member is "paid up" he or she feels forgotten and left out. We want to get these people involved and change this tide. Through the dynamic efforts of Diane, we are planning a series of seminars on financial topics that would be of interest to new members, all free of charge.

While we are on this subject, we always need more new members. You, the members, are the "Ambassadors" of the Chapter, so seek out new members. We have a goal of increasing our membership by 10 percent this year. If you need membership applications call Susan Lee or myself. Applications will be available at each meeting. Bring a friend or coworker to our meetings—and introduce them to AGA.

I think our Chapter can and should be proud of our efforts to "reach out and touch someone." We will have some successes and possibly a few failures. But it can't be said that we did not try.

Before I end, I want to remind everyone of our upcoming educational events.

- Selecting Microcomputers: Hardware and Software, Friday, November 4 at the Twin Bridges Marriott Hotel;
- The Grace Commission: A Challenge to Improve the Federal Government, Tuesday, November 15 at the International Inn;
- "Free" seminar on Year End Tax Planning for chapter members, Monday, December 5 at the Federal Home Loan Bank Board Building.

Further details on these events are explained in this newsletter.

ABOUT CHAPTER MEMBERS

Virginia Robinson, Ellie Clark, and Joe Malacavage became members of the D.C. Institute of CPA's. Virginia and Ellie joined the Governmental Accounting and Auditory Committee. Joe is a member of the Accounting Standards Committee.

Best wishes to: **Diana O'Neill** who is leaving Treasury for a position at the Navy; **Rolf Wold** who transferred within EPA to Las Vegas; and, **Mike Protz** who has left Treasury for an assignment at EPA.

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WASHINGTON CHAPTER Executive Committee 1983-1984

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President-Elect

Virginia Robinson, GAO, 275-5071

Secretary

Ray Kudobeck, GAO, 724-7512

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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

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Susan Lee, Treasury, 634-5700

Programs

Tony Gabriel, USDA, 447-7431

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Loretta Shogren, Justice, 633-3291

Committee Chairperson

Assistant Editor

Patricia Lippart, Interior, 343-6307

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Kathy Fry, NIH, 496-5014

Chapter Evaluator

Jim Smith, Navy, 695-1070

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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

As Inspector General of the Department of Transportation (DOT), Mr. Joseph P. Welsch is responsible for promoting economy and efficiency and preventing and detecting fraud, waste, and abuse. He provides the policy and direction for all audits and investigations of programs and activities of DOT.

Prior to being nominated by President Reagan to be the Inspector General, Mr. Welsch was Vice President for Finance at the United States Railway Association (USRA). Before going to USRA, he was at the Department of Defense (DOD), where he held the position of Deputy Assistant Secretary of Defense for Management Systems and was the first Deputy Assistant Secretary of Defense for Audit.

Mr. Welsch has a Bachelor's Degree in Business Administration from Pace University. He is active in professional and community activities and is a member of the Industrial Development Authority of Arlington, Virginia, the Northern Virginia Chapter of the Association of Government Accountants, the National Association of Accountants, and the American Society of Military Comptrollers.

Membership Committee Report AGA Welcomes New Members

We would like to welcome the following members who have recently joined the Washington Chapter:

Mary Hishmeh
Joseph Losquadro
Ruth Baskerville
Clarence Smith
Daniel Nusbaum
Roberta Huber

Arthur Young & Co.
Navy
GAO
Interior
Legal Services Corp.
Treasury

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

NEWS FROM NATIONAL

STUGART IN NEW CHAPTER CEREMONIES AGA National President-Elect Hal Stugart will preside at the chartering of AGA's chapter in Korea as well as at the ceremonies installing the new Coastal Georgia Chapter. The Korea Chapter has been functioning since last spring, but has been awaiting the presence of a high AGA official for the official chartering act. President-Elect Stugart was scheduled to do the honors in late September. Coastal Georgia, scheduled for October 11, will be AGA's 91st active chapter.

AUDITORS COMPLETE ANNUAL EXAMINATION Auditors from Watson, Rice & Co. completed their examination of AGA's financial records, plus an expanded scope audit, at mid-September. It is anticipated that audited financial statements for FY 1983 will be presented in the December issue of AGA's TOPICS newsletter.

CHARTER ENROLLMENT PERIOD ON GROUP INSURANCE All AGA members are reminded that the charter enrollment period for the new AGA group life insurance plan closes on December 1. After this date, a more involved application and approval procedure will be in force. For details on this new, lower-cost group plan, contact AGA's insurance administrator, Albert H. Wohlers & Co., on the toll-free number 1-800-323-2106.

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

Washington Chapter Directorate 1983-84



Ken Winne
President
Joint Financial Management
Improvement Project
376-5415



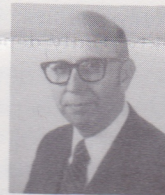
Virginia Robinson
President-Elect
General Accounting Office
275-5071



Doris Chew
Director of Education
Joint Financial Management
Improvement Project
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Ray Kudobeck
Secretary
General Accounting Office
724-7512



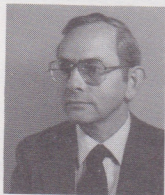
Ron Lynch
Director of Education
Arthur Andersen
862-3324



Judith Boyd
Treasurer
Department of Treasury
634-5507



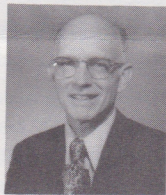
George Englert
Director of Newsletter
General Accounting Office
535-7650



Bob Pewanick
Past-President
General Accounting Office
275-4897



Sue Fields
Director of Meetings
National Institutes of Health
496-3417



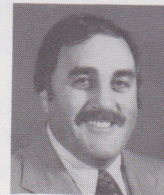
Jim Saylor
Director of Awards
Department of Defense
697-0585



Susan Lee
Director of Membership
Department of Treasury
634-5700



Diana McDermott O'Neill
**Director of Chapter
Competition**
Department of Treasury
634-5718



Tony Gabriel
Director of Programs
Department of Agriculture
447-7431



Carol Lynch
**Director of Cooperation with
Educational Institutions**
Department of Education
472-2395



Loretta Shogren
**Director of Publicity
and Agency Liaison**
Department of Justice
633-3291

GAO's New Fiscal Procedures

by Joseph J. Donlon

Title 7 (Fiscal Procedures) of the General Accounting Office Policy and Procedures Manual For Guidance of Federal Agencies has been updated and reissued by GAO. This document also includes applicable OMB and Treasury policy and procedures in the Fiscal area. Transmittal Sheet No. 7-40 dated July 14, 1983, transmits the revised Title 7. A few of the major changes are explained below.

Errors in automated systems are to be identified on appropriate printed listings. Corrective procedures must include identification of the corrected information, its review and approval, and its entry into the automated records. The listing and resulting corrections are to be considered a part of the formal accounting records. (Subsection 4.3)

Receipts of less than \$1,000 need not be deposited daily but may be accumulated until they reach \$1,000 provided that receipts are deposited at least weekly. Daily deposit of all receipts was previously required regardless of amount. (Subsection 11.2)

Collections of any type received by one agency for another agency should not be forwarded to the other agency for deposit. Such collections should be deposited by the collecting office and subsequently forwarded via Treasury check or Standard Form 1081 to the office whose accounts are affected. (Subsection 14.2)

Guidance concerning reviews of the status of obligations and their prospects for payment has been revised. Obligations under \$50 may be deobligated and the corresponding payable written off if vendors or government activities fail to submit invoices within stipulated timeframes and specific follow-up actions are taken. (Subsection 16.3)

Statistical sampling may be used in supporting section 1311 certifications. Fiscal year certification reports submitted to the Treasury are to include a statement that all known obligations are included in the report. (Subsection 16.5)

Certifying officers as well as disbursing officers may accept agency determination as to the legality of payments for \$25 or less in lieu of obtaining a decision by the Comptroller General. If payment is advised, a copy of the document containing such advice should be attached to the voucher. The propriety of any such payment will be considered conclusive on the GAO in its settlement of the accounts involved. (Subsection 19.5)

Subsection 28.14 has been rewritten to clarify the procedures for handling and reporting irregularities. It now

If necessary, additional copies may be obtained from the Superintendent of Documents at the Government Printing Office.

EDUCATION COMMITTEE REPORT

by Doris Chew and Ron Lynch,
Directors, Education Committee

The Education Committee developed the following program goals for 1983-1984:

- Identify areas where professional education would be beneficial to the membership.
- Conduct courses and workshops to respond to the identified needs.
- Conduct a survey and identify educational events that will be conducted by sister organizations that might supplement our program in meeting members needs.

To help in developing these goals the co-chairperson met with several key leaders in the governmental accounting and auditing community to identify areas where professional education would be of most benefit to our membership. The areas identified included: internal control/vulnerability assessment, financial auditing, Inspector General auditor/investigator relationship, microcomputers, cash management and an update on recent developments in financial management. Our program was developed to reflect these recommendations, with the following tentative schedule:

- Hot Topics in Financial Management—October 25, 1983
- Selecting Microcomputers: Hardware and Software—November 4, 1983
- Year-End Tax Planning—December 5, 1983
- Cash Management—January/February 1984
- What Auditors Should Know About Investigations—March/April 1984
- Financial Auditing—April/May 1984

In addition to Doris and Ron, the Education Committee Members are:

Joyce Charles, Department of Labor
Roberta Huber, Department of the Treasury
Joseph Linnemann, Department of State
Linda Vandenberg, General Services Administration

The Committee plans to meet in the near future to discuss

plus an expanded scope audit, at mid-September. It is anticipated that audited financial statements for FY 1983 will be presented in the December issue of AGA's TOPICS newsletter.

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Centralizing Payroll Systems

by Greg Fletcher

Recently, the President's Private Sector Survey on Cost Control, more commonly known as the Grace Commission, pointed out that it costs at least \$3.75 to process a federal paycheck. The private sector spends \$1.40 to process a paycheck. While these figures may be arguable, the following figures are not. The Federal Government is currently paying over 2.1 million civilian employees over \$66.5 billion in compensation. These employees work for seventy-seven entities located in all fifty states and much of the world. There are thirty-three pay scales paying these employees, whose earnings can be allotted any number of ways to various financial institutions.

There have been two major payroll initiatives in the last fourteen years. Both have addressed the concept of a single Government-wide payroll system. In 1969, the Payroll Procedures Study Team of the President's Council on Cost Reduction recommended a single computerized comprehensive payroll system for all civilian employees. Two years later, the Payroll Study Team reported to the Joint Financial Management Improvement Program (JFMIP) Steering Committee its findings on the recommendation by the 1969 Payroll Procedures Study Team. They concluded that a Government-wide centralized civilian pay system would be technically feasible and would result in certain economies of scale. However, individual agency information systems and integrating payroll with the accounting and personnel systems would eliminate cost of the savings identified.

JFMIP's conclusions were correct, given the computer technology of the period. They correctly recognized that agencies were moving toward interfacing the payroll system with the personnel and accounting systems. But in 1971 JFMIP could not foresee the tremendous advances that would be made in telecommunications.

It is this capability of quickly and reliably transmitting data great distances that has made a single centralized Government-wide payroll system an idea whose time has come.

Two similar views exist on how the centralization would actually occur. One view holds that between four to ten processing centers, dispersed throughout the country would serve all Federal civilian employees. These centers would actually be the agencies with excess computer capacity; such as Agriculture, Commerce, GSA, HHS, and Treasury. Agency time and attendance data would be electronically transmitted, via high-speed phone lines or satellite communication to the proper processing center for input. Funds would go out through the usual routes, i.e., either electronically (EFT) or through the Treasury Department.

The other view would let agencies with cost effective payroll systems continue to operate their own systems and let other agencies contract out with those agencies that possess excess computer capacity. Data input and output would be similar to the previously mentioned case.

Three major issues come to mind when considering a cost effective Government-wide payroll system. Lack of cooperation between agencies is the single greatest obstacle to a centralized pay system. Agencies not equipped to be central processing centers simply will not give up part of their operations. The magnitude of this problem is such that possibly only an executive order might force the necessary cooperation.

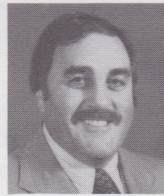
A second issue is the lack of integration of agency payroll and personnel systems. Agencies will realize maximum savings through centralization of payroll only when their payroll and personnel systems share the same database. Since personnel drives payroll (through hirings, promotions, retirements, etc.), much duplication of effort is involved in entering the same data into two systems.

Finally, standard software and compatible hardware are needed. With one system, the Office of Personnel Management could not only regulate a payroll change, but also write the exact programming change.

Even though maximum benefit will only be realized when agencies integrate their payroll and personnel systems, current technology will allow a centralized Government-wide payroll system. The software is available and the hardware is in place. All that remains is a change in top management attitude.



Diana McDermott O'Neill
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Loretta Shogren
**Director of Publicity
and Agency Liaison**
Department of Justice
633-3291

The Grace Commission: A Challenge to the Federal Government to Improve Its Management

A one-day conference sponsored by AGA National Office and Capital Region Chapters, will be held on November 15, 1983 at the International Inn in Washington, DC.

Keynote Speakers:

J. Peter Grace	Chairman of the President's Private Sector Survey on Cost Control
Charles A. Bowsher	Comptroller General of the United States
Joseph R. Wright, Jr.	Deputy Director Office of Management and Budget

Other Speakers include:

Wilbur Campbell	General Accounting Office
John Lordan	Office of Management and Budget
Gerald Murphy	Department of the Treasury
Edward Haller	Price Waterhouse
Lewis Krulwich	Price Waterhouse
Philip Betsch	Estee Lauder and Company

The speakers will address the recommendations of the Grace Commission and its impact on financial management. For more information and registration forms, contact the AGA National Education Office, (703) 684-6931. Cost is \$100 for AGA members, \$140 for non-AGA members.

Selecting Microcomputers: Hardware and Software

Register now for this Seminar to be held November 4, 1983 from 9:00 a.m. to 3:00 p.m. at the Twin Bridges Marriott Hotel in Arlington, VA. Participants will gain insight on how to select microcomputers for their offices from participation in two sessions: selecting hardware and selecting software.

REGISTRATION INFORMATION

The cost is \$50; \$45 for Washington Chapter members. Registration will be accepted on a first-come basis. Walk-in registrants will be accepted if space is available. Authority for a Federal agency to sponsor participation in a program of this type is found in Section 9 of USC 5, Chapter 41, Government Employees Training Act.

CANCELLATION POLICY

Written cancellations will be accepted on or before October 24. A \$15.00 service charge will be assessed. Cancellations after October 24 will not be accepted. Substitutes for registrants may be sent at any time.

For additional information contact Doris Chew at 202/376-5415.

DID YOU KNOW . . .

by John MacArthur

- Ten warning signs to help CPA's in auditing defense contractors is the subject of an article by Franklin R. Johnson, CPA, in the September, 1983 issue of the **Journal of Accountancy**. Mr. Johnson, a partner of Price Waterhouse, Los Angeles, has prepared a list of warning signs to which auditors should be especially knowledgeable when examining defense contractors and other clients who sell products or services to the U.S. Government. Mr. Johnson explains how the generally riskier environment in which Government contractors operate emphasizes the importance of the ten warning signs, each of which he discusses in detail. The major areas in which difficulties have occurred during audits of government contractors are (1) high risk contracts, (2) unfavorable changes in key ratios, (3) time—charging irregularities, (4) purchasing irregularities, (5) evidence of defective pricing, (6) projected volume decline, (7) increased inflation, (8) poor subcontractor performance, (9) management overrides on income recognition, and (10) insufficiently conservative accounting policies.
- The Internal Revenue Service is proposing to allow the filing of income tax returns in a machine readable format, possibly beginning with tax year 1984, which would result in substantial savings in processing costs by eliminating the use of paper documents for the estimated 10 million plus returns that were prepared by computer in 1982. The IRS proposal involves filing returns on either magnetic tape or on standardized optical character recognition documents. An extended comment period ended September 30, 1983, during which taxpayers and tax return preparers were asked to indicate the preferred method and other data concerning the desirability of this procedure. The IRS also indicated that there would be no immediate change in filing procedures if the proposal is implemented.

- The President recently nominated Ms. Katherine D. Ortega, CPA, of New Mexico as Treasurer of the United States. Mrs. Ortega, currently a Commissioner of the Copyright Royalty Tribunal, previously served as a member of the Presidential Advisory Committee on Small and Minority Business Ownership. She is a past president of the Santa Ana State Bank in California and was previously Vice President and Cashier of the Pan American National Bank in Los Angeles. Ms. Ortega also was a tax advisor for Peat, Marwick, Mitchell & Company in Los Angeles.
- The Key Receipts Project of the Bureau of Government Financial Operations is designed to accelerate the availability of large dollar collections being deposited into the Treasury's accounts. This project focuses on achieving major availability gains by converting key government receipt flows to existing BGFO collection systems—primarily the Treasury Financial Communications System (TFCS) and the Lockbox System. Several Federal agencies have converted large Federal program collections from manual processing to electronics funds transfer, resulting in significant savings to the Government through increased availability of monies collected. BGFO has already provided marketing and advisory services to selected agencies that have the potential to achieve the greatest cash management savings through the use of TFCS, lockboxes and special collection arrangements. For further information contact Rick Polhamus on 634-5782.

VGB

Continued from page 2

Jim Wesberry, is vice-president for operations, and **Ken Pollock**, a member of the Board of Governors of the Institute of Internal Auditors' Washington Chapter.

NEWSLETTER

PUBLISHED BY THE WASHINGTON CHAPTER
ASSOCIATION OF GOVERNMENT ACCOUNTANTS
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SPRINGFIELD, VIRGINIA 22152
SEPTEMBER 1983



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