

# ASSOCIATION of GOVERNMENT ACCOUNTANTS

# THE WASHINGTON CONNECTION

Washington Chapter • P.O. Box 423 • Washington, D.C. 20044-0423 • (703) 758-4080 • December 1993

## WASHINGTON CHAPTER LUNCHEON MEETING

**THURSDAY  
DECEMBER 2, 1993**

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

Social: 11:30 (Cash Bar)  
Luncheon: 12:00 NOON  
Cost: \$16.00 (Members)  
\$18.00 (Non-Members)

- Reservations Urged
- Call (703) 758-4080 by  
December 1, 1993
- Non-Members are welcome
- No-Shows are expected to pay

## LUNCHEON SPEAKER

**"Why Reengineer a Major Federal Department?"**



**The Honorable Mike Espy  
U.S. Secretary of Agriculture**

First elected to the U.S. House of Representatives in 1986, Mike Espy rose to the position of Majority Whip at Large. He served on the Agriculture and Budget Committees where he put his reinvention ideas into action. He has been in the front lines of the movement to reinvent government as Vice Chair of the Democratic Leadership Council. He has sought to reunite the interests of the middle class with those struggling to enter it.

On January 22, 1993, Mr. Espy became Secretary of Agriculture. He became responsible for the third largest civilian department, with gross budget authority over \$60 billion, overseeing 42 agencies employing 110,000 people at over 15,000 locations in 80 countries. USDA programs support farm income and production, promote small community and rural development, protect the environment, manage natural resources, and improve the nutrition of people with low incomes. If it were in the private sector, USDA would be the country's fourth largest corporation. Secretary Espy came to USDA, convinced by his experiences, with a vision of major changes that are needed.

Secretary Espy will talk to us about the changes he has already made and those he hopes to make as USDA's Chief Executive Officer. He will tell us what he wants to achieve and why it is important. He will tell us what role he sees for financial management in Team USDA. These changes have relevance far beyond USDA.



## *The President's Message*

I am hoping this edition of "The Washington Connection" will reach you before Thanksgiving. I would like to wish each of you a superb Thanksgiving and ask that you think of others during the upcoming holiday season.

We are all blessed to be living in a wonderful country. Almost without exception, we are all blessed in being able to participate in the challenges of rapid change in our country. Though the stress level can get high at times, we should each remember that the pressure can be offset by the professional opportunity we all have to contribute to setting a new direction and to effecting positive change. That is true for implementing the CFO Act, down-sizing the government to work better and cost less, figuring out how to make the best use of ADP technology to deliver useful financial and performance information to decision makers, and the myriad of other changes that impact our professional lives. With a positive attitude, handling the stress is achievable and dealing with the pressure can be a price worth paying.



Larry Wilson, President

I hope that in at least some small measure the AGA--at the National and Chapter levels--is helping you to meet your professional challenges. We would like to do the best job we can for you and welcome your suggestions at any time. My telephone number and the numbers of all the other Washington Chapter officers are listed on the back page of this newsletter. If you have an idea or a concern, please give one of us a call.

We would also like your help in making the Washington Chapter a better organization by strengthening our service programs. As you may know, Jeff Williams is the Chapter's Community Outreach Director. He is doing an outstanding job, but he could use more help. You may have read his article in last month's "Washington Connection" on Project Harvest, an annual food drive to help provide hot meals to needy individuals at Thanksgiving, and the Volunteer Income Tax Assistance Program which helps disadvantaged persons prepare their Federal tax returns. Those are only two of our Outreach Programs. We also support a student Business Workshop and a Public Television Fundraiser. In the spirit of the holiday season, I urge you to join other Chapter members in making our Outreach Programs a huge success. It's a rewarding way to help others and yourself.

Have a great holiday season! Help others, help yourself, and spend a little extra time with the people you love the most.



## PERFORMANCE MEASURES IN THE BUDGET PROCESS

Several activities regarding performance measures are underway in the Executive Branch. Agencies are at various stages of implementing the Chief Financial Officers Act of 1990, preparing to implement the Government Performance and Results Act (GPRA) of 1993, and beginning to effect the recommendations of the National Performance Review (NPR). These three activities are principal examples of the result of a high level of interest in the Congress and the Administration to require the measurement of performance in the Federal government and to relate indicators of program performance explicitly to funding proposals in the Federal budget process. The Senate Committee on Government Affairs requested the Congressional Budget Office (CBO) to study the uses of performance measurement in Federal budgeting and to analyze the probable effects of the requirements. Its fifty page report, Using Performance Measures in the Federal Budget Process, was published in July 1993, just shortly after passage in the Congress of S.20, the Bill which became the GPRA when enacted.

The CBO reported inherent differences in measuring performance in the private and public sectors. The primary measure of performance in the private sector is the profit performance of the organization as a whole. In the public sector, the measure is accomplishment of program goals, which vary from program to program within an organization, and there is often disagreement regarding the precise mission. In addition, government agencies tend to focus on output rather than outcome, i.e., activities performed rather than results accomplished. An even more difficult task agencies have is finding a way to apply the performance measures to allocation or management of resources. Can, for example, traditional line-item budgets be replaced by a system of greater resource management flexibility in order to allow a focus on program results accountability? Should performance measures be used for improving a given program or for effecting resource shifts among programs or agencies?

There is a belief by some that local, state, and international governments have made much greater use of performance-based budgeting than the U.S. Federal government. The CBO examined previous GAO work and other reports and made site visits to several governments. It found that while all the organizations reviewed do use performance measures, most are focused on activities, not results. It was found that some governments, through the influence of the Governmental Accounting Standards Board, have expanded the use of performance measures in financial reporting. It also

found that though there is strong evidence that performance measures are valuable management tools and that their use influences resource management, there is no evidence of any impact on allocation of resources.

The CBO report indicates that if designers of budget systems do not take into account the difficulties of tying the measurement of outcomes to budgeting, no system is likely to deliver on its promise. History will repeat itself if the budget systems designers do not think through precisely how information will be used and how systems will be put into effect before setting out requirements. In past eras, the Planning-Programming-Budgeting System (PPBS) and Zero-Based Budgeting (ZBB) fell short of their promises, in that they had no effect on changing the way that Federal resources were allocated. Much information was collected in operation of those two systems, but could not be used to bring about a resource shift impact.

During the recently completed study, the CBO reviewed the results of a GAO survey of Federal agencies and then studied in detail several of the agencies that had been included in the survey. This was done to see if the agencies actually had developed performance measures and to what extent the measures were tied to the budget process. In the survey the agencies (accounting for programs involving 87% of all Federal employees and 92% of total outlays in Fiscal Year 1990) had reported they used a wide array of performance measures, that the measures were based on results, and that the measures were used in making budget decisions. GAO speculated that the survey results may have overstated the extent of use of performance measures and the CBO detailed study found GAO's speculation to be correct.

The CBO found that, while performance measurement is used in some cases to award money to employees or subunits, the basic aspects of agency budgets are not determined by the relationship between inputs and outcomes. It was found that though the studied agencies plan to use performance measures for budgeting, it is extremely difficult to link the measures with the budget process in any meaningful way at this time. It was also found again that actual gauges of outcome are relatively rare. The CBO study suggests that in general, outcome-related performance measures seem to work best where there is a direct accountability or clear cause-and-effect relationship between what the agency does and what it wants to happen. For example, direct services that are under an agency's control are easier to measure than regulatory or grant activities.

Legislation cannot bring about the change needed to use



performance measures of program outcome more effectively in the budget development and resource allocation processes. Legislation can provide the motivation by reducing the impediments to managers. It can also provided the mandate, but executive branch commitment is also needed. There are two other obstacles. One is that the success of many Federally-managed programs is actually determined by non-federal factors. The other is that there is not enough demand by policymakers to change the way policies are made so that they are more responsive to the measurement of outcomes. Real change can only occur if policymakers demand information on the relationship between dollars and results.

The CBO concluded that reporting on the results of government programs in government financial statements can improve the capacity to create such information, in addition to developing a demand for it. The payoff, however, would be in applying that information to the resource allocation process. To bring this about requires a coordination in implementation of the CFO Act, the GPRA, and the NPR recommendations. In particular, strategic planning and the setting of objectives in Federal agencies should predate requirements to develop performance measures and to use those measures for budgeting. The bottom line, however, is that real change is likely to occur only after the culture of performance measurement infiltrates the policymaking process.

## YELLOW BOOK CHANGES

The next revision of Government Auditing Standards, also known as the yellow book, will have auditors look more closely at internal controls. The General Accounting Office recently sought comments on an exposure draft of the yellow book. The Government Auditing Standards Advisory Board recommended the proposed changes based on its review of GAO-conducted research and its own experiences. Accounting professionals, Bank audit committees, the Congress, and the Office of Management and Budget all have called for increased attention to internal controls.

The exposure draft proposals were discussed in depth in an article in the October 1993 edition of the Journal of Accountancy. The following summary is drawn from that review. Significant points are:

- The current yellow book standards for internal control mirror the generally accepted auditing standards established by the American Institute of Certified Public Accountants. If auditors follow

Statement on Auditing Standards no. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, they effectively follow the yellow book.

- The exposure draft proposes expanding auditors' responsibilities in two areas: the control environment and safeguarding assets.
- Currently, auditors need not specifically assess the control environment. The new yellow book will change that and require auditors to specifically assess whether the control environment enhances or undermines control procedures' effectiveness.
- Auditors will be given responsibility for considering how management safeguards assets. (1) They must identify potentially vulnerable assets and look for a link between those assets and possible material misstatements of financial statement assertions. (2) If a link could exist, they must determine what controls management has in place to safeguard assets.

The proposed yellow book modifications also address:

### Financial Audit Standards

- Requires auditors to communicate their responsibilities to audit committees or others overseeing financial reporting for all entities having yellow book audits of their financial statements.
- Reinforces the requirement that auditors refer specifically to yellow book government auditing standards in their reports, by requiring these references in their financial statement opinions.
- Provides the opportunity to streamline reports and depart from boiler plate reporting.

### Quality control standards

- Requires auditors to disclose to those who authorize or arrange for audits if they have not met the external quality control review requirement.
- Requires auditors receiving adverse reports on their external quality control reviews to give such reports to those who authorize or arrange for audits.



Performance audit standards

- Emphasizes the need for auditors to understand the program being audited and includes guidance to help auditors set objectives that are more likely to result in reports that meet decision makers' needs.
- Requires auditors to understand management controls, laws, and regulations *relevant* to the audit (and to distinguish these from those not relevant) in order to adequately plan a performance audit, and to test controls and compliance only when significant to the audit's objectives.

**USDA REINVENTING THROUGH BPR**

The U.S. Department of Agriculture's Office of Finance and Management (OFM) embarked on a new approach to analyze and improve business processes at the OFM National Finance Center. The new approach, Business Process Reengineering (BPR) has been effectively employed throughout industry and government and is fast becoming an industry standard. BPR targets key business processes requiring dramatic and innovative change. Specifically, BPR involves examining and documenting a current business process and streamlining that process for greater efficiency and productivity.

A BPR Team, consisting of two Program Analysts, a Computer Specialist, and a Systems Accountant was formed to coordinate and facilitate the BPR effort. The first BPR project undertaken at OFM/NFC was to examine the Consolidated Review Program (CRP). That program has been in place to minimize negative audit findings and to evaluate and report on management controls in financial management systems to comply with OMB Circulars A-123, A-127, and A-130.

The examination of the CRP was conducted in two stages:

Planning

This focused on conducting interviews with appropriate personnel to gather background information on the CRP and determine whether further analysis was warranted.

Analysis

This consisted of two phases:

- Process Review Sessions through which to thoroughly understand the current Program's processes in order to identify areas that required change.
- Process Redesign Sessions to develop modified

and new processes.

These sessions were led by two teams. A Process Action Team, comprised of the BPR Team plus an Auditor, a second Computer Specialist, and the Management Controls program leader, worked full-time to coordinate and guide the process. A Functional Team worked part-time to accurately describe the current process and identify an improved process. The Functional Team was made up of two Computer Specialists, a Program Analyst, a Systems Accountant, two Auditors, and four management people from the Branch and Staff Chief levels.

Multiple techniques were used during examination of the processes. In both the Process Review Sessions and the Process Redesign Sessions, procedures such as writing and grouping activity statements on grease boards, conducting brainstorming sessions, and nominal group techniques were employed to gather, organize, and analyze the information. IDEFO, an activity modeling tool, was used to graphically depict and document the activities in the processes, as well as the inputs, controls, outputs, and mechanisms. The teams developed 14 diagrams and associated glossaries representing the activity model of the current CRP processes. The redesigned process, named the Ongoing Review Process (ORP), resulted in an activity model of 18 diagrams and 15 glossaries.

The new ORP consists of six major activities: Planning, Reviewing Control Operations, Analyzing Results, Correcting Deficiencies, Conducting Independent Cyclical Reviews, Preparing Reports, and Conducting an Annual ORP Evaluation.

The new process emphasizes the involvement and accountability of multiple levels of management in all activities; the use of a newly created Management Controls Manual as the vehicle for assessing control objectives, techniques, and risks; recording the results; and the use of a tracking system to monitor weaknesses and corrective actions.

Team evaluations of the newly redesigned program revealed that it would be highly successful in meeting the project's mission by working within the strategy set forth. The new ORP will work well; will be seen by management as practical; and can be implemented in a cost-effective, timely fashion, with moderate effort.

Based on the successful results and acceptance of this initial endeavor, USDA/OFM plans to expand the use of BPR to improve processes throughout the organization.



## NATIONAL AGA PROGRAMS

The 1994 Federal Leadership Conference will be held on January 27 - 28, 1994 at the Hyatt Regency-Capitol Hill. OMB Deputy Director for Management Phil Lader will set the tone in his keynote address for the theme, "Advancing Government Excellence Through Effective Leadership." Call National AGA at (703) 684-6931 for registration information.

"THE EVENT", AGA's 43rd Annual Professional Development Conference, is also coming to Washington, D.C., June 12 - 15, 1994 at the J.W. Marriott Hotel.

"THE EVENT" will feature an unparalleled cadre of national and international speakers, panelists, and debaters. It will focus on the critical issues facing government financial professionals today and into the 21st century under the conference theme of "Reinventing Financial Management in a Changing World". The conference will bring together key federal, state, county, city and territorial policy and decision makers, leading corporate executives, and international government representatives to provide an intensive professional experience in the areas of accounting, auditing, budgeting, systems, ethics, information management, and other areas of importance to our governmental financial community. In addition to professional activities, the annual conference will offer a variety of social activities and special events for conference attendees and their families, such as a reception at the Kennedy Center, a Congressionally Sponsored VIP tour of the White House, and the First Annual Fun Run/Walk for charity. For additional conference and registration information and volunteer opportunities contact Committee co-chairs:

Virginia Robinson (202) 376-5415  
 Cornelius Tierney (202) 862-6292  
 Diane Bray (703) 697-7297  
 Steve Forman (703) 683-9600

## SCHEDULE OF REMAINING 1993 - 1994 WASHINGTON CHAPTER AGA MEETINGS & SEMINARS

### Luncheon Meetings:

12/2/93 **The Honorable Mike Espy**, Secretary of Agriculture; Touchdown Club. See front page.

1/6/94 Inspector General Forum: **The Honorable Susan Gaffney**, Inspector General, Department of Housing and Urban Development; **Charles Gillam**, Acting Inspector General, U.S. Department of Agriculture; Touchdown Club; 11:30 Social (Cash Bar); 12:00 noon Luncheon.

2/3/94 **The Honorable William Jefferson**, Congressman, Louisiana; Touchdown Club.

3/3/94 **Nancy Gordon**, Deputy Director, Congressional Budget Office; Touchdown Club.

4/7/94 **Jeffrey Steinhoff**, National President, Association of Government Accountants; Touchdown Club.

5/4/94 Past Presidents/Annual Awards Meeting; Touchdown Club.

### Educational Events:

1/10/94 Cash and Credit Management, "What Financial Managers Need to Know." Location to be announced. See box below.

2/14/94 Appropriations Law and Budgeting; Location to be announced.

4/26/94 Strategic Planning for Financial and Program Managers, "Partnership"; Location to be announced.

### January 10, 1994 Educational Event

The Washington Chapter is sponsoring a one-day seminar entitled "Cash and Credit Management - What Financial Managers Need to Know." This seminar will address current issues and changes related to Federal agencies' management of cash and credit. Topics include the revisions to the Current Assets Management Review and Analysis, JFMIP Requirements for Direct and Guaranteed Loan Systems, National Performance Review Requirements, CFR 206, and others. It will feature insight from central guidance agencies as well as lessons learned from operating agency speakers.



**MEMBERSHIP**

By Evelyn A. Brown, Membership Director

As we approach the holiday season we are extremely thankful for your efforts to recruit new members, as evidenced by your increased requests to receive membership applications. The Washington Chapter would like to extend a warm and hearty holiday welcome to the following new members:

Name and Agency	Sponsor
Paul J. Beriault; Urbach, Kahn & Werlin, P.C.	
Allen M. Bloom; Audit Training Institute	Pat Wensel
Robert L. Buchanan, Jr.; Ogden Government Services	Larry Wilson
Jeffrey E. Carr; Department of Veterans Affairs	John Gartner
Hazel E. Fiers; Department of Education	Mitchell Laine
Joseph L. Peterson; Urbach, Kahn & Werlin, P.C.	
Christine A. Reed; Price Waterhouse	
William E. Seale; Andersen Consulting	

As of the end of September 1993 we have 965 members. Although we have gained new members each month, a number of other members have not paid their new membership-year dues to renew their memberships. Please continue to encourage members to keep their association dues current and their membership status active so that we may all work together to improve financial management.

As a compliment to membership in the premier professional organization devoted to financial management in government, the National Association of Government Accountants has produced laminated, 3½" X 2½" wallet-size, AGA membership cards. The cards contain the AGA logo, member's name, membership identification number, and chapter affiliation. You may pick up your card before or after monthly luncheon program meetings.

If you would need membership information or would like to obtain membership application forms, please do not hesitate to contact me at (202) 366-0318, or Judith Parsons at (202) 874-4781.

Again, thank you for your support of your association. On behalf of the Membership Committee, I wish each of you a safe and happy holiday season.

**CHAPTER EXECUTIVE COUNCIL  
SUMMARY OF OCTOBER 27, 1993 MEETING**

**Attendees:** Pat Wensel, Evelyn Brown, Bob Buchanan, I-Ming Clark, Warren Cottingham, Pat Dews, and Alan Strelser. Former Chapter President Sam Mok attended a portion of the meeting. Pat Wensel, as President-Elect, chaired the meeting in the absence of President Larry Wilson.

**Business:** A short business meeting was held. Committee reports were provided and the balance of the time was devoted to an update on the Chapter's educational events.

The Council was informed that the well-attended October 20, 1993 session on "The Road to Better Financial Reporting", was also well-received, according to the participant evaluations. It was also reported that planning for the November 15, 1993 session, "Practical Solutions to Meeting Financial Systems Requirements," was completed and that representatives of the IRM community have expressed an interest in their membership attending.

**RECOGNITION PROGRAM**

Our Chapter has earned 6,262 points in the Chapter Recognition Program through the month of October 1993.

**NOVAGA EDUCATIONAL EVENT**

The Northern Virginia Chapter of AGA is sponsoring another in its series of Mini-Max Educational Events. This session, to be conducted by Carla Washinko, Senior Manager, Grant Thornton, will cover **Information Flow-Charting**. It will discuss documenting an accounting system using an information flow methodology, rather than a traditional document flow approach.

The session details are:

- January 19, 1994; 3:15 - 5:15 p.m.
- Sheraton Nation Hotel; Columbia Pike and Washington Blvd., Arlington, VA
- 2 CPE credit hours will be awarded
- AGA members admitted free; others \$20
- No reservations needed; first-come, first-served
- Session will be followed by a separate event, the Chapter's monthly dinner meeting
- Call Donald Cress (703) 756-2235 or Russell Allen (202) 708-2306 for information.

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FOR 1993/1994**

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