

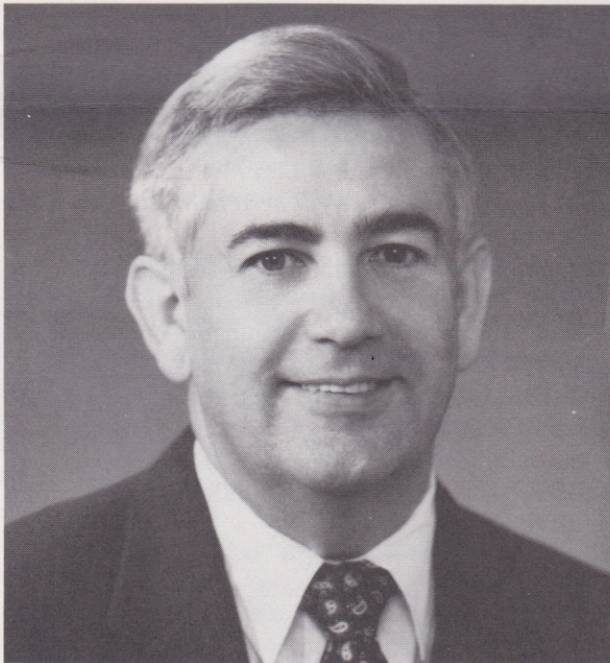
ASSOCIATION OF  
GOVERNMENT  
ACCOUNTANTS

# AGANEWSLETTER

WASHINGTON CHAPTER

MAY 1985

## THURSDAY MAY 2, 1985 LUNCHEON MEETING TO FEATURE



HAROLD L. STUGART  
AGA National President  
and Auditor General of the Army

Speaking on  
"Improving Department of Defense  
Acquisition Strategies—  
An Auditor's Perspective"  
at the

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

Social Period	11:30
Luncheon	12:00
Cost	\$10.00 (w/Reservation)
	\$12.00 (w/o Reservation)
Open Bar	\$ 3.00

For Luncheon Reservations Call 695-7954  
Telephone Reservations Accepted Until April 30, 1985

### NON MEMBERS WELCOME

*All Reservations Guaranteed*

# PRESIDENT'S MESSAGE



**VIRGINIA ROBINSON**  
United States General  
Accounting Office

I am writing my last column on April 9, 1985, to appear in the May 1985 issue of the Newsletter. I shall take full advantage of this opportunity to express my appreciation to our officers, directors, chairpersons, and other members for the fine contributions and support provided this year.

When I pass the gavel and leadership responsibilities to Susan Lee at our May meeting, I will rest assured that the chapter will be in very capable hands. In addition to her leadership role in handling our budget and our nominations activities this year, she has been providing exemplary service in various capacities for many years. Considering the support and dedication she has exhibited, I really look forward to another fine year for our Chapter. Our immediate past president, Ken Winne, deserves special thanks for his sage counsel and active participation throughout the year.

In the September 1984 issue of the Newsletter, I mentioned my goals for our Chapter for this AGA fiscal year. Although it's hard to believe that the day for reconciling goals and accomplishments has arrived, I'm delighted to give you an accounting (my version of the debits and credits for this reporting period). These goals included:

*Increase participation in Chapter committee work and other activities. The response to my request was outstanding. We had more than enough volunteers for our public service programs: Volunteer Income Tax Assistance (VITA) to the elderly and disadvantaged persons; teaching and counseling owners of small businesses in the Basics of Financial Management and handling our meetings and other educational events. I was especially pleased that there was no need for a second request.*

*Increase attendance at meetings and educational events. Meetings were well attended this year. Preliminary figures indicate that average attendance was 107 per month. We believe the increased attendance was due, in part, to the excellent speakers we had for our luncheon meetings. We heard from James Antonio, Chairman, Governmental Accounting Standards Board, D. Bruce Merrifield, Assistant Secretary for Productivity, Department of Commerce, Joseph Moraglio, AICPA; Ralph Bledsoe, Special Assistant to the President, and Abraham Briloff, Emanuel Saxe Distinguished Professor, City University of New York, just to mention a few. Our seminars were also well-attended. Registrations exceeded capacity at two of them more than a week in advance of the scheduled date. We received requests for repeat sessions and we're pleased to pass that information to the new Executive Board.*

*Increase chapter membership. Our latest membership drive started in April. So it's still too early to determine what our net results will be for the year. Our most recent report indicates that membership has remained steady this year. We'll need to continue to work hard on this area.*

Our accomplishments in other areas such as completion of excellent chapter research projects, and receiving an unqualified opinion on our financial statements and instituting improved investment policies, merit special thanks to members who made these activities possible. I won't attempt to mention the contributors by name, but all efforts are appreciated, especially the commendable effort of the Executive Board.

Among other things that were especially appreciated were the calls and notes regarding messages and articles in the Newsletter. Other expressions of appreciation will be made at our awards presentation on May 2nd.

It was a distinct honor and a very rewarding experience to serve as your President during this year. I enjoyed working with the talented and resourceful executive Board and a very supportive membership. I trust that you will again provide excellent support and assistance to Susan and the new Executive Board in making our Chapter even more effective in fostering good governmental financial management, serving the needs of our membership and sharing our talents with the community.

## ABOUT OUR SPEAKER THIS MONTH

### WASHINGTON CHAPTER Executive Committee 1984-1985

#### Officers

##### President

Virginia Robinson, GAO, 275-9513

##### President-Elect

Susan Lee, Treasury, 535-9697

##### Secretary

Diane Bray, Treasury, 376-1097

##### Treasurer

Joe Rothschild, HUD, 426-5454

##### Past President

Kenneth Winne, JFMIP, 376-5415

#### Directorate

##### Awards

Michael Serlin, Treasury, 566-5594

##### Cooperation with Professional Organizations

Tony Gabriel, USDA, 447-7431

##### Education

Ron Lynch, Arthur Andersen, 862-3324

Loretta Shogren, Justice, 633-3291

##### Employment Referral

George Englert, JFMIP, 376-5415

##### Meetings

Carol Lynch, Education, 472-2395

##### Membership

Marcus Page, Treasury, 566-5038

##### Programs

David Dukes, HHS, 245-7084

##### Publicity and Agency Liaison

Judith Boyd, Treasury, 566-2112

##### Research

Gail Young, Energy, 252-4171

#### Committee Chairperson

##### Chapter Recognition

Jean Bowles, State, 524-1188

##### Chapter Evaluator

Jim Smith, Navy, 695-1070

##### Cooperation with Educational Institutions

Joseph Linnemann, State, 524-1188

##### Financial Management Assistance

Ken George, ACTION, 634-9163

##### Newsletter

Lee Beaty, GAO, 275-9430

##### Professional Notes

John McArthur, Treasury, 376-0820

##### Small Business Education

Charles McAndrew, GAO, 523-8706

##### Public Service Coordinator

Joseph L. Dillon, EPA, 382-5113

##### Relations with National Office

Terry Conway, DOD, 697-3192

Harold L. Stugart was sworn in as the first Auditor General of the Army on 26 October 1979. He is a personal staff officer of the Chief of Staff of the Army with dual reporting responsibility to the Chief of Staff and the Secretary of the Army. As Auditor General, he is responsible for the worldwide operations of the U.S. Army Audit Agency, and training and guidance of all Department of the Army auditors, National Guard and Army Reserve Internal Review auditors.

Before joining the Army Staff, Mr. Stugart held important positions with the U.S. General Accounting Office (GAO), Washington, D.C. as Project Director for GAO's Special Task Force on Fraud Prevention, and as Deputy Director for Financial and General Management Studies. During his 17 years with GAO, Mr. Stugart had a wide variety of experience in GAO's work involving financial management, education, training, and employment programs of the Federal Government.

Mr. Stugart served in the U.S. Navy from 1954 to 1957. He received a bachelor of science degree with a major in accounting from Lycoming College, Williamsport, Pennsylvania in 1962, and attended the Harvard Graduate School of Business Administration in 1974.

Mr. Stugart is a Certified Public Accountant (Virginia); a member of the American Institute of Certified Public Accounts (AICPA); the Association of Government Accountants (AGA); and the American Society of Military Comptrollers. He is National President of AGA, and is Past President of the Northern Virginia Chapter of AGA. Mr. Stugart previously chaired the AGA Association Services Board, the Financial Executives Search Committee, the Financial Management Standards Board, and the Finance and Budget Board. He has also served on the AICPA Members in Government Committee.

As a member of the Senior Executive Service, Mr. Stugart has received several awards and holds the rank of Meritorious Executive. He also holds the Joint Financial Management Improvement Program Donald L. Scantlebury memorial Award; the U.S. General Accounting Office Distinguished Service Award; the William A. Jump Foundation Meritorious Award; AGA's National Leadership Award; his Alma Mater's Outstanding Achievement Award; and other awards too numerous to mention.

Mr. Stugart is also very active in civic affairs, having served in various positions as a Boy Scout Committeeman; Church Treasurer, Finance Committee Chairman, and Administrative Board Chairman; PTA President; and President of the Sertoma Club of Alexandria, Virginia.

Mr. Stugart and his wife Janet have two sons: Rick, an Army Doctor (Captain) at Eisenhower Army medical Center, Fort Gordon, Georgia, and Todd, a student at George Mason University, Fairfax, Virginia.

## CALENDAR OF EVENTS

AGA Montgomery-Prince George's Chapter's May 8 dinner meeting will feature, in addition to speaker Washington Post columnist Mike Causey, the Chapter's annual award presentations. Location is the Lanham Ramada. Call Rich Savitsky for reservations (office 883-6284; home 469-8579).

AGA Northern Virginia Chapter's May 21 dinner meeting will feature the Chapter's annual award presentations. Location is the Springfield Imperial 500. Call Mike Janoski for reservations (756-2893).

The Washington Chapter of the Institute of Internal Auditors will hold its Annual Awards banquet and installation of officers on May 17 at the Fort McNair Officers Club. Call Gladys Tymas on 245-0621 for reservations.



## CIVIL SERVICE RETIREMENT STUDIES

by John D. Webster

A new cottage industry has sprung up on the shores of the Potomac. Groups interested in the future of the U.S. Civil Service Retirement System (CSRS) have churned out thousands of pages of statistics, charts, and explanatory information on the status of the CSRS. Major studies issued in the past several months include:

- Study of Total Compensation in the Federal, State and Private Sectors by Hay/Huggins Company
- Designing a Retirement System for Federal Workers Covered by Social Security by the Congressional Research Service (CRS)
- Technical Support in the Development of Modifications to the Civil Service Retirement System by Towers, Perin, Forster, & Crosby (TPF&C)
- Summary of Results of CSRS Valuation as of September 30, 1982, by the Board of Actuaries, CSRS

These and other studies will form the backdrop for legislative proposals aimed at establishing new retirement provisions for Federal workers covered by Social Security and for reforms of the current CSRS. What do these studies say and how can a normal person (i.e., non-actuary) interpret and understand them? One common thread that is usually found in all studies of a defined benefit system is the plan's normal cost percentage.

The CSRS normal cost percentage is derived by developing a model group of new hires for the Federal Government and determining the present value of future benefits and the present value of future salaries for this group:

$$\text{normal cost \%} = \frac{\text{present value of future benefits}}{\text{present value of future salaries}}$$

Thus, the normal cost percentage is an estimate of the percentage of payroll which, if set aside, would completely pay for the benefits currently being earned by employees.

Both CRS's and Hay/Huggins' studies reported a CSRS normal cost of 32.2% of payroll or an employer cost of 25.2% after removing the 7% employee contribution. The CSRS Board of Actuaries' valuation reported a CSRS normal cost of 34.89% of payroll (employer cost of 27.89%) and TPF&C's study reported a CSRS normal cost of 35.3% of payroll (employer cost

of 28.3%). The differences between these CSRS normal cost estimates are the result of varying actuarial assumptions used in the computations, the principal one being the real interest rate assumption. Both CRS's and Hay/Huggins' studies used a 2.1% real interest rate while the CSRS Board of Actuaries' valuation used a 1.5% and TPF&C's study used a 1% real interest rate.

The normal cost percentage will be one tool used to compare the CSRS to other private sector pension plans and to make difficult resource allocation decisions. For example, the Hay/Huggins' study says that the CSRS is more valuable than private sector systems by 6.4% of pay and the TPF&C study states that the CSRS's employer-paid normal cost is 9.7% greater when compared with private sector plans with 1,000 or more employees.

It can easily be seen that the current 7% employee and 7% employing agency contributions do not cover the cost of the CSRS. In fact, if it weren't for yearly direct Treasury transfer payments to the CSRS, the fund would not be healthy on a cash flow basis. This factor also plays havoc with the Government's cost accounting system, since agency programs do not show the true cost of the CSRS. For example, the cost of a postage stamp is subsidized due to this factor. These and other issues are discussed at length in studies of the CSRS and will receive a great deal of attention from interested groups and Federal employees in the next several months.

*John Webster is Chief of the Office of Personnel Management's Fiscal Management Division, Compensation Group, and a member of AGA Washington Chapter.*

### CHANGING YOUR ADDRESS

The easiest and surest way of changing your mailing address for all Chapter and National Office mailings is to mail a notice with the new address and an AGA mailing label with the old address on it to:

AGA National Office  
727 South 23rd Street, Suite 120  
Arlington, Virginia 22202

## ANSWERS TO YOUR QUESTIONS ABOUT TREASURY REGULATIONS AND STANDARD REPORTS

by Michael T. Smokovich & Susan Lee

The purpose of this column is to provide information and answer questions about the Federal Government's policies, procedures, and practices relating to its financial, accounting, and reporting systems. Questions are welcome and can either be sent to Anthony Torrice at the address provided below, or conveyed by telephone, (202) 566-6592.

**Question:** In response to the Federal Manager's Financial Integrity Act, how will Treasury's requirements for reporting by agencies be changed?

**Answer:** The Financial Management Service's Accounting Group is presently working with a contractor on developing an exposure draft of new formats and instructional material for preparing revised financial statements. To replace the SF 220, "Statement of Financial Condition" and the SF 221, "Statement of Income and Retained Earnings," as we know them now, the *Treasury Financial Manual* will be revised to include instructions for preparing the following financial statements:

- Statement of Financial Position,
- Statement of Operations,
- Statement of Changes in Financial Position
- Supplemental Schedules necessary to support the Basic Statements, and
- Notes to the Financial Statements.

The contractor has delivered a draft version of the exposure draft to the Accounting Group for review. The final version, proposed for completion in June, will be provided to agencies in a workshop scheduled for mid-1985. For more information about attending the workshop or about the new reporting requirements which will become effective in FY 1986, contact Richard Bashar, Accounting Policy Staff, on (202) 566-2651.

**Question:** What are the different media by which the *Treasury Financial Manual* can be obtained?

**Answer:** There are three different ways to obtain the Manual—in hard copy, on microfiche, and, most recently, by terminal access.

**Question:** Is there a single automated data base that allows agencies to access Treasury, GAO, and OMB financial management regulations?

**Answer:** Yes, the Accounting Regulations Data Base System provides users with immediate access through electronic link to the latest revisions of the *Treasury Financial Manual*—Volumes I, II, IV, V, and VI, and Title 2 of GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*. In the near future this on-line capability, along with the capability to cross-

reference data sources, will also be available for GAO Titles 1 and 3 through 7, OMB circulars relating to accounting policy and OPM payroll regulations. In order to access the main computer, a phone, terminal, and modem/coupler are needed. The Accounting Group will be meeting with agencies to discuss the use of this data base. For more information, contact either Robert Geida or William Edwards, Reports Management Branch, on (202) 566-9419.

**Question:** In the past, agencies have been given little opportunity to comment or express their views on Treasury's policy issuances prior to their release in the *Treasury Financial Manual*. Considering the impact that such policies may have on an agency's operations and resources, what is being done to enable agencies to provide their input to Treasury?

**Answer:** Specifically, two things: First, to the extent possible, agency members of both the Federal Financial Managers' Council, chaired by William Kendig, and the Federal Financial Managers' Council for Small Agencies, chaired by Dennis Boyd, will be informed of policy issuances prior to their release. Second, selected agencies with access to the Accounting Regulations Data Base System (see prior question) will be able to review draft *Treasury Financial Manual* releases and provide their comments to Treasury before the releases are issued in final form. In addition, the system can generate a listing of revisions in progress within the Financial Management Service as well as a history file of changes subsequent to the last complete reissue of a TFM volume. Those interested in obtaining access to the Accounting Regulations Data Base System should contact either Robert Geida or William Edwards, Reports Management Branch, on (202) 566-9419.

**Question:** How are the financial and budget reports submitted by agencies used by the Financial Management Service?

**Answer:** See chart.

This column is prepared by the Accounting Group, Federal Finance, which is a part of the Financial Management Service. The mission of the Service is to promote the financial integrity of the Government through sound money management on behalf of the public, basically serving as the Government's financial manager and central accountant.

*Mr. Smokovich is the Accounting Group's Director. Susan Lee is a Systems Accountant in the Financial Policy Division. Both are members of AGA Washington Chapter.*

USE OF AGENCY REPORTS IN TREASURY REPORTS TO THE PUBLIC

P = Primary Source for Treasury Report  
S = Secondary Source for Treasury Report

Agency Report	Prepared By	Frequency	TFM Regulations	Treasury Report							
				Monthly Treasury Statement	U.S. Government Annual Report and Appendix	Quarterly Treasury Bulletins	Consolidated Financial Statements	Statement of Liabilities and Other Financial Commitments	Foreign Currency Reports		
TFS Form 2108 Year-End Closing Statement	All departments and agencies	Annually	1 TFM 2-4200		P			S	S		
SF-224; SF 1220; SF 1221 Statements of Transactions	Agencies for which Treasury disburses; Agency disbursing offices; USDO's	Monthly	1 TFM 2-3100 1 TFM 2-3300	P	S	S	S	S	S		
SF 1218; SF 1219 Statements of Accountability	Treasury Disbursing Centers; Agency disbursing offices; USDO's	Monthly	1 TFM 2-3100	P	S	S	S	S	S		
SF 220 Statement of Financial Condition	All departments and agencies	Annually	1 TFM 2-4100			P		S			
SF220, Schedule 3 Direct and Guaranteed Loans	All departments and agencies	Semiannually	1 TFM 2-4100			P		S			
SF-220, Schedule 6 Commitments and Contingencies	All departments and agencies	Annually	1 TFM 2-4100					S	P		
SF 220, Schedule 9 Status of Accounts and Loans Receivable due from the public	All departments and agencies	Quarterly	1 TFM 2-4100			P		S			
SF 221 Statement of Income and Retained Earnings	Agencies with business-type activities	Annually	1 TFM 2-4100			P		S			
SF 225 Report on Obligations	All departments and agencies	Quarterly	1 TFM 2-4400			P		S			
FS Form 488 Foreign Currency Statement of Transactions	All agencies having foreign currency activity	Monthly	1 TFM 2-3200					S		P	

\*As of FY 1984, this report is available to the public via the Treasury Bulletin only.

## ANSWERS TO YOUR QUESTIONS ON TREASURY REGULATIONS AND STANDARD REPORTS

Questions can be posed by telephone (202) 566-6592  
or submitted in writing to:

Anthony Torrice, Director, Financial Policy Division,  
Financial Management Service, Treasury Annex No.  
1, ATTN: 3011 GAO Bldg., Washington, D.C. 20226

Question: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Optional: Your name: \_\_\_\_\_

Office/Agency: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

## EXECUTIVE COMMITTEE MEETING MINUTES REPORT

by Diane M. Bray, Secretary

In an effort to keep AGA Washington Chapter members apprised of the activities of the Executive Board, the highlights of the previous month's Board meeting are capsulized and published for your information. Members desiring more information on a specific event should contact the Director or Chairperson of that Committee. General questions should be addressed to the President.

The following activities were reported at the March 28 Executive Board meeting:

—The Executive Board ratified two investments in certificates of deposit issued by the San Jacinto S&L Association. The certificates will mature in late June.

—The Washington Chapter will submit a negative recommendation on the approval of the Certified Government Accountant Program. The Chapter felt that this program was not needed and would contribute to over certification in the accounting field.

—The Financial Assistance Committee sponsored another successful workshop for new Chapter members. The topic was on the Department of Defense's implementation of OMB Circular A-127 and GAO Title 2.

—The Public Assistance Committee is sponsoring the VITA program again this year. Preliminary indications confirm that the program will be very successful.

—The Chapter donated \$200 to the April luncheon speaker for his college scholarship program.

—All Executive Board members should contact Susan Lee with updated figures for their proposed

1985-1986 budgets. The budgets for the next year will be presented at the last Board meeting of this year.

## FORCES OF CHANGE

(Editor's Note: Dr. D. Bruce Merrifield, Assistant Secretary for Productivity, Technology and Innovation, Department of Commerce, was guest speaker at the Chapter's March meeting. Following is a synopsis of his remarks developed and submitted by David Dukes, Chapter Program Director.)

Tremendous forces of change are operating on the U.S. economy. These forces will continuously be restructuring the U.S. and world economies from now on. Dr. Merrifield identified these forces as:

- In the U.S.—taxes and inflation
- The technology explosion
- The "targeted industry" strategy
- The petrochemical shift

Dr. Merrifield stated that the first force is a very adverse synergism between our former tax laws and chronic inflation in this country that has basically eroded much of the assets of "smokestack" America over the last decade. Return on investment averages only 7 percent, after dividend payouts, for all U.S. companies. Over the past decade, inflation has averaged 10 percent, so that the net result is a negative "real" return on earnings.

In addition,, former tax laws allowed recovery of asset costs over the useful life of the asset, say 20 years on a particular facility, when in fact the asset was obsolete long before the costs could be recovered.

According to Dr. Merrifield, we are in an era of technology explosion which is the second major force. This explosion has generated about 90 percent of everything we know in the sciences in the last 30 years. This obsolesces facilities and equipment long before thier useful life can be realized or, often, even amortized. Life cycles in electronics are telescoping 3 to 5 years, rarely more than 5 to 10 years in most other areas.

At this point, we are actually writing down the biggest collection of obsolete facilities in this country that the world has ever known. This is particularly noticeable in the steel industry which in the 50's and 60's rejected new technology that other countries adopted. Now, the steel industry is experiencing a tremendous overcapacity worldwide—perhaps 50 percent—so that now the import price of steel is well below the cost of making it with outmoded technology in this country. This has created a diminishing demand and excess capacity in this country—and a period of economic turbulence which ordinarily leads to recession.

However, Dr. Merrifield said the GNP is going up because the pool of underutilized technology is fueling a new cycle in electronics, communications,

continued next page

continued from previous page

engineering plastics, petrochemicals, cryogenetics and pharmaceuticals. These are high asset turnover and low capital types of businesses. What is happening today is a massive, continuous restructuring of U.S. and world economies that will continue from now on.

The third force is the "targeted industry" strategy. This model was first adopted by Japan as a national policy, but is now being copied world-wide. The objective is to take a dominant position in the market for a particular targeted industry. The model says, as volume of production doubles, costs go down 15-20 percent through economies of scale, etc. The strategy is to move the price down rapidly, creating a negative cash flow if necessary, so as to drive out the competitors; then raise the price back up to just below the cost/price entry point of the nearest competitor. The country closes off competitive imports to the home market and carries the negative cash flow.

In a large industry, no single company can sustain the heavy negative cash flow, but a nation can, as Japan has done. This tactic of underpricing U.S. business, according to Dr. Merrifield, has been phenomenally successful. Japan has taken virtually all of the consumer electronics business, 95 percent of the motorcycle business, 70 percent of the numerically controlled machines tool business, 65 percent of the 64K memory chip business, etc. U.S. anti-trust laws have helped Japan by preventing U.S. companies from collaborating on an equivalent scale of

effort.

Dr. Merrifield stated that the fourth great force of change is the emergence of the lesser developed and the underdeveloped countries which is leading to a petrochemical shift from the U.S. to these countries. The U.S. has about 80 billion dollars worth of commodity petrochemicals, but we're going to lose them in the near term. The only question is, how fast.

Dr. Merrifield said that there is enormous overcapacity in the world today, with the U.S. petrochemical industry operating at well below capacity and a significant negative cash flow. Natural gas in the U.S. is the critical high cost material that goes into the manufacture of petrochemicals, but, outside the U.S., 90 percent of the natural gas is burned off in underdeveloped countries. These countries are now redirecting their natural gas at nearly zero cost into the manufacture of petrochemical commodities well below the U.S. cost.

What should be the U.S. response to these forces of change? The U.S. has major advantages: it has the world's most advanced technology, an incomparable industrial infrastructure, a remarkable entrepreneurial culture, and the most available development capital.

Dr. Merrifield summarized by saying that the U.S. response has to be to remove the antitrust law barriers that prevent U.S. industries from being competitive. The Federal government should be a proactive, catalytic agent of change. It should not attempt to direct or manage this change.

## TRAINING IN TODAY'S ENVIRONMENT

by Loretta J. Shogren

Pressure is increasing for the Federal government to reduce expenditures, while increasing productivity. Unfortunately funding for training is often one of the first areas affected when costs must be reduced. Yet you as government financial managers must understand and be able to implement the various initiatives designed to achieve management improvement goals including A-76, A-127, and GAO Title 2. You and your staff must also constantly improve your basic analytical, planning and communications skills as well as keep up with new developments and changing technology if you are to meet the challenge of tomorrow.

Gone are the days, if indeed they ever existed, when a graduate of a good college could learn and grow with only on the job training. Continuing education is not a frill that can be cut as soon as work-load or budget problems occur.

How can we continue to provide educational opportunities within our limited budgets? The answer is planning. When workplans are developed for each employee, discuss what training is required to enhance performance. Time these discussions so that

training needs may be included in budget plans. Encourage participation in professional organizations. Classes and conferences sponsored by the AGA, IIA, ASPA and others are usually low in cost and high in quality. These organizations are able to attract speakers prominent in government and related private industry. They provide an opportunity to hear and ask questions of those directly associated with today's management policies and initiatives.

If the courses you and your employees need are not offered, contact the education director of one or more of the professional associations and tell them of your needs. Find out what courses are being offered; they're listed in chapter newsletters. Many of the education events have been priced below \$50 per attendee. Take advantage of them to stretch your training budget.

Training is not a luxury, but a necessity. We must be creative with our limited budgets and be sure that we get our dollars worth. The results of not training include high turnover, lack of motivation and a staff not prepared to meet the increasing challenges of a changing environment.

*Loretta Shogren is Director of Policy Directives and Instructions, Immigration and Naturalization Service, and a member of AGA Washington Chapter.*



## PAST PRESIDENTS HONORED

A special group of individuals were in attendance at the March luncheon meeting. Traditionally at this meeting, the Washington Chapter has taken the opportunity to honor its past presidents. Ten past presidents, pictured below, were able to attend. Attending were (seated l. to r.) **Raymond Einhorn** (1957), **Audrey Dysland** (1976), **Andrew Barr** (1953), **Jean Kerr** (1979), **Gerald Murphy** (1973); (standing l. to r.) **James Hickey** (1980), **Robert Pewanick** (1982), **Thomas Mundell** (1978), **Joseph Donlon** (1975), and **Kenneth Winne** (1983).



**Walt Frese** (1951) and **Joseph R. Hock** (1961), past presidents who were unable to attend, sent their warmest regards to the Chapter.

**Karney A. Brasfield** (1955), a member of the founding group, was unfortunately out of town on the day of the luncheon. After ten years of retirement, his time is divided between Fairfax and his farm in Orange County.

**John Cooley** (1972) is still in Indianapolis and communicates through his "Cooley's Comedy Corner."

**Susus Uyeda** (1977), retired as Executive Director of the Joint Financial Management Improvement Program, is now the Research Director at the Private Sector Council.

The Chapter's heartfelt thanks are extended to these individuals for the many contributions they have given to AGA and specifically to the Washington Chapter.



President **Virginia Robinson** and membership Chairperson **Mark Page** welcome new members **Dennis Stowe** of DOT and **Mary Mason** of Dept. of Energy. (Mary wants it known she's actually 're-joining the fold' after being inactive for some time. Re-run or not, a hearty welcome!)

---

## RESPONSIBILITY ACCOUNTING— NOT THE LAST WORD?

AGA Newsletter  
P.O. Box 423

March 13, 1985

Washington, D.C. 20044

Re: Responsibility Accounting, by Richard L. Angle,  
in March 1985 Newsletter

I am long retired, after 45 years government service. Even so, Mr. Angle's points are so worth discussion that I am compelled to write and say so.

Mr. Angle, it seems to me, is not so much concerned as he thinks with forcing the square pegs of government financial statements into the round holes of commercial generally accepted accounting principles. His main problem is with the far more meaty fact that the government budget process and the inevitable ups and downs in adequacy of financing of work programs encourages managers to always, at least whenever possible, operate with some surplus personnel.

This problem has run through my mind for the past half century and I know has troubled thousands of others. It seems hopeless of solution but lets keep talking and writing.

Robert E. Stromberg  
1810 35th Street, N.W.  
Washington, D.C. 20007

*Editor's note: We enthusiastically welcome thoughts and ideas on responsibility accounting as well as on all financial management subjects of interest and concern to Washington Chapter AGAers. We are delighted, to the extent at all possible, to share them with the membership. Let us hear from you.*

## AND THE WINNERS ARE — —!

The Chapter Board approved the recommendations from the Awards Committee, chaired by Michael D. Serlin of Treasury's Financial Management Service, and committee members Mike Merson, Susan Lee, Jim Saylor and Ken Winne. The many outstanding nominees for this year's awards made the choice difficult, but a consensus was reached within the committee and adopted by the Board. The awards will be presented at the May 2 luncheon. Following are the winners and summaries of their citations.

### DISTINGUISHED LEADERSHIP AWARDS

**Lt. Col. Bryan J. Cory**, U.S. Air Force. For outstanding professional skill; leadership, and ceaseless efforts resulting in major contributions to the effectiveness and success of Air Force security assistance financial management programs.

**Anthony J. Vrana**, Department of Energy (OIG). For outstanding leadership, creativity, and consistent innovative initiatives in development of a comprehensive approach to ADP audit planning, which resulted in significant actual and potential savings and general improvements in internal control.

### ACHIEVEMENT OF THE YEAR AWARD

**Delores J. (Jean) Kerr**, Maritime Administration. For exceptional contributions to the successful development and implementation of the Maritime Administration's new accounting system.

### CHAPTER SERVICE AWARD

**Ronald J. Lynch**, Arthur Andersen & Co. For ongoing leadership to AGA, exemplary contributions of time and effort, and crucial role in success of the Chapter's education program.

### OUTSTANDING MEMBER AWARD

**Joseph J. Donlon**, Arthur Young & Co. For many years of outstanding and dedicated leadership and for continued unflinching commitment to the Chapter's activities and its well-being.

**Cooley's Comedy Corner  
Will See You In September . . .**

## THE CAPITAL REGION

by Dave Roth

Your chapter president and newsletter editor have given me this space to tell you a little bit about the Capital Region of AGA.

Since many of our members know little of the AGA's organizational structure, I'd like to take this opportunity to explain. Each chapter of AGA is geographically categorized as belonging to a particular region of the country. As the name suggests, those chapters located in and around Washington, D.C.—Washington, NOVAGA, Montgomery-Prince Georges and Virginia Battlefield—belong to the Capital Region. Each region annually elects a person from one of the chapters within that region to serve as Regional Vice President. This person represents a communications link between the chapters and the National Office of AGA as well as between this and other regions. Any new ideas, experiences, methods, and other information that can help AGA serve its members better is exchanged and passed along on a regular basis. Each chapter in the Capital Region conducts its own regular membership meetings with technical or other programs, has its own monthly newsletter, educational events and awards program. As a region, we band together to offer and conduct, at present, four major educational events a year co-sponsored with AGA's National Office. The events this fiscal year were:

1. October 1, 1984 Financial Auditing
2. December 3&4, 1984 Financial Investigations (Audigator)
3. January 28, 1985 Congressional Relations
4. April 25, 1985 Emerging Issues

We also band together to send a single solicitation letter to the Federal agencies for nominations for AGA awards. The chapters make their selections from nominations received from this solicitation as well as a separate solicitation of state and local governments. The chapters' selections are then eligible for National awards.

It is certainly one of the main functions of a Regional Vice President to foster a spirit of cooperativeness between the chapters and the National Office and between the chapters themselves. This cooperative spirit has been quite evident in the Capital Region this year. All four chapters have responded to the request of the National Research Board by collectively pledging \$1,000 to establish a National Research Fund.

If you have any questions about the Capital Region and/or its activities, I would be happy to respond. Call me on (202) 727-1023.

## DID YOU KNOW . . .

by John MacArthur

—The Financial Accounting Standards Board scheduled a public hearing on May 2-3, 1985 to finalize or revise an August, 1984 exposure draft entitled *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*. The exposure draft would require companies to capitalize certain portions of their software development costs, provided that they have established that the costs will be recovered, through a determination of market and technological feasibility and management commitment. A majority of respondents commenting on the initial draft disagreed with this proposal, and preferred charging computer software development costs to expense.

—Useful parallels exist between financial audits and scientific investigations, according to a recent article in the *CPA Journal*, written by Mary Ellen Oliverio, CPA, professor of accounting at Pace University's Graduate School of Business. The author states that an awareness of the Scientific Method may help auditors to streamline their audit practice and improve its quality. She describes the basic principles of the scientific method structure and lists certain attitudes commonly associated with scientific investigations that can benefit auditors. These qualities are: (1) Unrelenting objectivity, (2) Sustained curiosity, (3) Willingness to imagine, (4) Intuition, and (5) Interaction among colleagues.

—In a recent speech before a CPA organization, Comptroller of the Currency C.T. Conover emphasized the need to increase the independent audit coverage for U.S. national banks. Approximately 91 percent of national banks with more than \$100 million in assets and approximately 55 percent of national banks with less than \$100 million in assets had opinion audits. Mr. Conover stated that the independent audit complements but does not replace the examination process. He said, that to issue an unqualified opinion, the auditors must pass on the adequacy of the banks' allowance for loan losses—a difficult and imprecise process. He requested that auditors insure that the nature of many banks' "creative" transactions, and their risks and associated contingent liabilities, are adequately disclosed in the financial statements. The Comptroller outlined a three-point plan to increase audit coverage of national banks which involves: (1) Requiring audits of newly chartered banks that are not subsidiaries of audited holding companies, (2) Selective audits of problem banks, and (3) Concerted jaw-boning to encourage all national banks to obtain opinion audits.

—A recent survey of 741 local governments con-

ducted by Arthur Young & Co. revealed substantial improvements in their accounting and reporting practices. With the impetus of improved credit ratings and lower interest costs, most of the participating cities and counties performed well against four criteria designated by Standard & Poor. Concerning these criteria, the study found: (1) widespread adherence to generally accepted accounting principles, (2) timely publication of financial statements (within six months of fiscal year-end), (3) a high percentage of audited reports containing an auditor's opinion and footnotes, and (4) accounting on a modified accrual versus cash basis to allow more efficient tracking of revenues and expenses. The study also noted two other positive trends: increased use of independent auditors and the comparison of budgeted against actual expenditures for general funds. One issue that the Government Accounting Standards Board may examine is the complexity of municipalities' accounting presentations, which under GAAP may require 200 pages for the numerous separate funds along with detailed schedules to meet the needs of many different types of users. As a result, the bulk of the reporting is precluded from being highly useful to either taxpayers or investors. (Speaking of Arthur Young & Co., our thanks to AGA member Joe Donlon for providing an insight of his firm's role during and prior to the 1984 Olympics which appeared in a recent issue).

## ABOUT CHAPTER MEMBERS

AGAers everywhere join us we're sure in wishing success to distinguished Washington Chapter member **June Gibbs Brown** in her new position as Vice President for Finance and Administration for the Systems Development Corporation. AGA and the Washington Chapter are deeply indebted to Ms. Brown for her long-time active support and participation in a wide variety of capacities. As you may know, Ms. Brown, formerly Inspector General at NASA, is our National President-Elect and has stated that her new position in no way alters her intent to fully serve as President for the upcoming year. We deeply hope and trust this portends her active support of AGA for many more years to come.

In our note last month we should have mentioned that at **Charles L. Dempsey's** recent retirement dinner the chapter presented him with an AGA lapel pin and a letter of appreciation for his long-time active support and numerous contributions to AGA and the Chapter. We deeply hope and trust Mr. Dempsey's active interest in AGA continues in whatever new position he undertakes.

Congratulations to **James R. Hamilton** of the International Monetary Fund for passing the November Certified Internal Auditor (CIA) examination.

Give us a call with **your** news items about Chapter members (Lee Beaty, 275-9430).

## NEWS FROM NATIONAL

**MAJOR PDC PUBLICITY PIECE** The major publicity flyer for AGA's Professional Development Conference (PDC) was due out at early to mid-April. This is the piece that will carry the program and all activity in detail. All PDC-attenders and potential attenders should watch your mail for this flyer and should use it to plan your attendance to your greatest advantage. Remember, early registration (and the lower fee) must be by May 31st. See you in San Diego!

**OFFICER WORKSHOPS COMING UP** Workshops on AGA chapter operations will be held on Sunday afternoon, June 23, the day prior to the start of the PDC. These workshops are designed primarily to benefit incoming chapter officers. Individual sessions will be held on five topics: Chapter Education Programs, Membership Chapter Recognition, Research, and Chapter Newsletters. The workshops will be scheduled so that a chapter officer may attend at least two of them, as he/she may choose. If you are a chapter officer-elect, you should make an extra effort to attend both the PDC, and to arrive a day early for the officer workshops.

**ELECTION INFORMATION, BALLOTS ON THE WAY** The mechanics of selecting AGA's president-elect by ballot this year are moving well along. The April issue of TOPICS, AGA's national newsletter, carries two full pages of information on the candidates and the election process to help you make your choice and vote. As a further boost to turning out the vote, the National Executive Committee (NEC) decreed that the return ballot card be postage prepaid. The ballots will go out by first-class mail on April 15, with a return date of May 31 at latest.

**GOOD RESPONSE TO CERTIFICATION STUDY** Chairman Jack Moore of the AGA task force which is studying certification reports lively response to his questionnaire on the topic. The questionnaire went out to AGA leaders across the board, including chapter presidents, plus a statistical sampling of the general AGA membership. The task force is shooting to have a report and recommendations to present to the final meeting of the National Executive Committee in May.

**Have A Nice Summer . . . See You In September . . .**

## NEWSLETTER

PUBLISHED BY THE WASHINGTON CHAPTER  
ASSOCIATION OF GOVERNMENT ACCOUNTANTS  
PO. BOX 423  
WASHINGTON, D.C. 20044  
MAY 1985

First Class Mail  
U.S. Postage  
Paid  
Washington, DC  
20013  
Permit No. 3232



**TIME-VALUE MAIL—  
PLEASE EXPEDITE**