

ASSOCIATION OF  
GOVERNMENT  
ACCOUNTANTS

# AGA

# NEWSLETTER

WASHINGTON CHAPTER

JANUARY 1987

## THURSDAY January 8, 1987

### LUNCHEON MEETING TO FEATURE



**GERALD R. RISO**  
Assistant Secretary For  
Policy, Budget and Administration  
US Department Of The Interior

Topic

*Initiatives of the President's Council  
on Management Improvement*

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	\$13.00 (Members with reservation)
	\$15.00 (Non-members and No Reservation)

**For Luncheon Reservations Call 548-7040 (24 HOUR SERVICE)**

**Telephone Reservations Accepted Thru January 6, 1987**

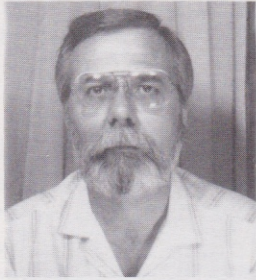
## NON MEMBERS WELCOME

*All Reservations Guaranteed*

Meeting Schedule: • Feb. 5 • Mar. 5 • Apr. 2 • May 7



# PRESIDENT'S MESSAGE



Gary Palmquist

This Newsletter will arrive around Christmas time. On behalf of the Chapter officers, I want to wish each member and his/her family a very happy holiday season. I believe the year has been a good one for the Washington Chapter. We are continuing to build on the good year President Susan Lee started for us. Membership is up from where it often is when renewals are due. We are having success in bringing financial topics to the workplace through the TGIF lunches. We are presenting some outstanding speakers at our luncheons; coming up are the OPM Deputy and the Comptroller General.

Some of the less visible accomplishments include a less expensive Newsletter printing contract thanks to the efforts of Herb McLure; an improved regional training agreement; an active job referral program; and a fresh look at traditional Chapter activities. For example, we may not continue simply to recognize the outstanding accounting student from each area college. Instead, we may try to establish closer and more frequent relations with a select number of schools and try to have students and professors as members who can attend our meetings and who can invite our distinguished members to their meetings as visiting lecturers.

We are also working on some longstanding tasks. I believe we finally got National agreement to replace FGAA membership certificates with AGA certificates. Dan McGrath and Ken George are updating our membership recruiting brochure and application. Our three Newsletter Editors are developing a policy and criteria for tasteful professional advertising. We are actively searching for more agency contact persons who can inform interested offices in their agencies of AGA events and activities. We would like to have a contact person in each accounting office, each budget shop, each audit office, and each financial study unit (internal controls, A-76, etc.).

I hope next year will be just as good. HAPPY NEW YEAR.

## WASHINGTON CHAPTER

### EXECUTIVE COMMITTEE MEETING MINUTES

By Jean Bowles

The Executive Committee met at noon on November 20, 1986.

National has issued a letter promoting that members prepay their dues for the next few years to take advantage of the greater tax benefit in 1986 than in successive years.

Orders have been received for 124 copies of the Prentice Hall "1987 Federal Tax Handbook."

Diane Bray reported that TGIF attendance continues to be excellence.

Gary Palmquist announced the return in December to the lunch before the speaker format.

Doris Chew announced a Professional Development Seminar will be held at the Hyatt Regency on Capitol Hill on February 9 and 10 by National and the Capital Region. Our Chapter will hold a seminar in April.

Vern Isenberg presented balance sheets for September and October. Any expenditure which exceeds the budget by 10% requires Board approval.

Willaim Kendig advised that any long-time members wishing to update their membership certificate for one carrying our current name, Association of Government Accountants, may do so by sending in their old certificate to the national office.

Chuck McAndrew's Research Committee will work on three projects this year: (1) software application system to access public sector reports issued within an agency (2) completion of a compendium of training courses offered in the metropolitan area, and (3) completion of a survey of capital budgeting techniques.

Joan Keston, Executive Director of Public Employees Roundtable, gave a fifteen minute presentation on the history and goals of the Roundtable. She also discussed the PR events they have had and their plans, such as acting as a clearing house for innovative approaches and solutions of agencies and organizations.

---

**NEW RULES FOR SCHOLARSHIP AWARD**—AGA's National Scholarship Award offers an annual \$1,000 award to a deserving dependent of a full or deceased member of the Association. In the past, nominations for this award were made through chapters, with each chapter permitted a single nomination. However, this restriction has been lifted; nominations may now be made by individual members, with an unlimited number of nominations possible. The submission deadline is March 13, 1987. Details were furnished under National Office Memo (NBD Series) 87-05, October 27, 1986, copies of which are available in your chapter headquarters.



**ASSOCIATION OF  
GOVERNMENT  
ACCOUNTANTS  
WASHINGTON  
CHAPTER  
EXECUTIVE  
BOARD 1986-1987**

**Officers**

*President*

Gary Palmquist, 233-2472

*President-Elect*

Terry Conway, DOD, 697-7296

*Secretary*

Jean Bowles, State, 524-1188

*Treasurer*

Vern Isenberg, Agriculture, 447-6090

*Past President*

Susan Lee, Financial Management  
Service, 535-9693

**Committees**

*Membership Services*

Daniel McGrath, Financial  
Management Service, 566-3717  
Ken George, ACTION, 634-9163

*Programs*

Loretta Shogren, Justice, 633-3291

*Newsletter*

Lee Beaty, GAO, 275-9417  
Anna Wilson, JFMIP, 376-5415  
Herb McLure, GAO, 275-4905

*Employment Referral*

Joyce Shelton, DOT, 366-1306

*Meetings*

Judith Boyd, Financial Management  
Service, 535-9693

*Cooperation with Professional and  
Academic Organizations*

Joseph Rothschild, HUD, 426-6493

*Relations with National Office*

William Kendig, Interior, 343-4701

*Research, Professional Notes*

Charles McAndrew, Navy, 695-1070

*Awards*

Mike Merson, Financial Management  
Service, 436-6840

*Chapter Evaluation*

Ronald Lynch, Arthur Anderson,  
862-3324

*Chapter Recognition*

Judith Parson, Treasury, 566-9420

*Education*

Diane Bray, DOD 695-0839  
Doris Chew, JFMIP, 376-5415

**ABOUT OUR SPEAKER THIS MONTH**

**GERALD RISO**

**Gerald Riso** has spent much of his career in management consulting: as a vice president of Booz, Allen and Hamilton, and a partner of Touche Ross and Company. With the Federal government, Mr. Riso was deputy assistant secretary for Health and Scientific Affairs at the Department of Health, Education and Welfare; and more recently, deputy commissioner of the Immigration and Naturalization Service within the Department of Justice.

Mr. Riso has a BA in Political Science/Economics from Lafayette College, Easton, PA; and an MGA from Wharton Graduate School, University of Pennsylvania. At Wharton he was a FELS Scholar and had a FELS Fellowship.

In his current position at Interior, he oversees the management and administration of 10 operating bureaus, 70,000 employees, and a \$6.2 billion budget.

**UPCOMING EVENTS**

Make plans now for the February 9-10 1987 AGA Capital Region Professional Development Seminar. See details elsewhere in this issue.

Also, be sure to mark your new calendar for the upcoming Washington Chapter luncheon meetings which feature a superb set of speakers. These are:

- February 5 Dr. James E. Colvard of OPM, speaking on  
Changes in Government Employee Benefits
- March 5 Comptroller General Charles Bowsher
- April 2 (Still open)
- May 7 Jack Fawsett, AGA National President

Northern Virginia Chapter's January 20 monthly dinner meeting will feature Jack Stanton, Defense Contract Audit Agency Regional Director, speaking on Audit Management—Practical Perspectives. Meetings are at the Ramada Inn (I-395 and Seminary Road) in Alexandria. Call JoEllen Kowalski, 275-9412, for details and reservations.

Montgomery-Prince George's Chapter's January 14 monthly dinner meeting will feature George L. Martninuss, a partner with Keller, Zanger and Company, speaking on Financial Planning. Meetings are at the Greenbelt Hilton. Call Richard Kaplan, 366-1405, or Joe Giannantonio, 755-4721, for details and reservations.



# The 1987 AGA Capital Region PROFESSIONAL DEVELOPMENT SEMINAR

**EMERGING  
ISSUES**

More than 20 stimulating presentations will be offered on topics including:

Audit Quality, Government Procurement Regulations, Financial Systems Development, Teambuilding, Yellow Book Revisions, The Future of the Federal Workforce, FERS, Future Directions of Financial Management Systems, Productivity Improvement, Risk Analysis, Security Audit Reviews, Auditing Software Applications, Using Computers to Increase Audit Productivity, Time Management, and Procurement Fraud.

**OUTSTANDING  
SPEAKERS**

Among the thirty-eight presenters at this event will be:

Joel Feidelman, Howard Cox, Al Duncan, Jim Thomas, Randy Touchton, Jim Thomas, Hal Steinberg, Fred Wolf, Michael Halus, James Treadway, Jack Kroll, Hubert Sparks, Charles Culkin, Herbert Kraft, Michael Melburn, Howard Renman, Edward Sanderson, Irv Faunce, W.A. Broadus, Thomas Simons, Thomas Eikmeyer, Gerald Murphy, Carolyn Burnstein, Mark Dimodica, Jim Foster, John Quetsch, Patrick Stelzer, Boyd Moore, Robert Ross, Jerry Wilburn, Stanley Soya, and Ray Olson.

**WHEN?**

February 9 -10, 1987  
8:45 a.m. - to 4:30 p.m.

**WHERE?**

The Hyatt Regency on Capitol Hill  
Washington, D.C.

**COST?**

	<b>AGA Members</b>	<b>Non Members</b>
Early Registration (by 2/2/87)	\$200	\$225
Regular Registration (by 2/6/87)	\$230	\$255
Walk-in Registration	\$250	\$275

Registration includes luncheons, refreshment breaks, and all meeting materials.

Checks (payable to AGA) or agency authorizations should be sent to:  
Association of Government Accountants  
727 South 23rd Street — Suite 100  
Arlington, VA 22202

**QUESTIONS?**

If you have questions about this seminar or wish to obtain a brochure which describes the full program, call the AGA National Education Department at 703/684-6931.

## Have We Lost One of Your Colleagues

Although membership renewal this year is running better than last year at this time, there are still a significant number of our colleagues who have not paid their dues for the year beginning October 1. As a result their benefits ceased after the publication of last month's newsletter. National office is sending follow-up billings to these individuals and the Chapter's Membership Services Committee has just mailed a letter to each member on the suspense list. If you are or become aware of anyone in this group please encourage them to re-up.





## Audit Quality Issues To Change Accounting Profession

By John J. Cronin, Jr.

In the past year a slumbering profession has been rudely awakened to acknowledge that serious problems exist particularly in the area of governmental auditing. Unlike other professions, however, that are currently also facing lawsuits, criticism of performance, and lack of discipline; the accounting profession is moving swiftly to institute needed reforms. Let me briefly summarize the problem pertaining to governmental audits and alert you to some of the changes in the profession that may come to pass very soon.

**THE PROBLEM** — Two hearings of the legislation and National Security Subcommittee of the House Government Operations Committee, one last November and the other last March, focused on the results of GAO's Audit Quality Task Force study that had been requested by Congressman Brooks. The first hearing focused on GAO's work in evaluating the systems used by seven Inspectors General to review CPA audits on federal funds to see if they meet standards and the second on the results of a statistical sample of 120 audits that GAO independently reviewed. The results were alarming.

— One in four audit reports reviewed by the IG's had a problem of varying degree.

— Quality control reviews resulted in one in five audits not being accepted by the IG until the auditor did more work

— 34 percent of the audits reviewed by the GAO did not meet audit standards.

In addition to the above, both the IG's and GAO expressed disappointment in the lack of enforcement and discipline by the State Accountancy boards and the AICPA when substandard work is uncovered. GAO referred 57 CPA's to 15 State Boards of accountancy, the AICPA, and the IG's for possible disciplinary action.

**THE SOLUTION** — Solutions to these problem are not easy since the problem did not develop overnight. The profession needs to work with the Federal Government in instituting reforms. Here are the players and some of the actions under way.

**THE INSPECTORS GENERAL** — In response to the recommendations in GAO's first report, the IG's are improving their quality control systems to better identify systemic problems; starting to include an audit quality section in their semi-annual reports where appropriate; referring substandard audits to the respective state boards of accountancy and the AICPA.

**THE AICPA** — A special task force was created on the Quality of Governmental audits. Their report is close to issuance and contains 25 recommendations. The recommendations are in five areas the AICPA refers to as Education, Exchange, Engagement (procurement), Evaluation, and Enforcement, and include mandatory CPE in governmental auditing and accounting and mandatory peer review.

**THE STATE BOARDS** — Most of the 15 state boards receiving GAO referrals are moving expeditiously. It is interesting to note that some are accustomed to investigating rule 501 (discreditable acts) violations as opposed to substandard work. The attention the audit quality issue has received is helping a number of State Boards institute positive enforcement programs.

**THE GAO** — GAO is continuing its audit quality efforts with two studies, one to evaluate the systems entities use for procuring Governmental audits and the other to assess the quality of a large universe of CPA audits of loan guarantee and insurance programs. GAO also has a project underway to clarify, update, and revise as necessary the GAGAS Standards.

**THE CONGRESS** — The Brooks subcommittee is close to issuing a report on the basis of the hearings it held.

*John Cronin is the Director of GAO's Audit Quality Task Force.*



## Susan Lee Advances

Congratulations to our immediate past President, Susan Lee, who has been promoted to Director, Federal Agency Financial Systems Program in the Financial Policy Division, Accounting Group, Financial Management Service. In her new capacity Susan is charged with directing Treasury's Lead Agency Program which is assuming the central agency responsibilities from OMB for financial systems under OMB Circular A-127. In announcing Susan's appointment, Dan McGrath, Director, Financial Policy Division emphasized her leadership in a number of financial management networks. Susan brings to her new job extensive experience in other Treasury lead activities such as Cash Management and Debt Collection. In addition, she has been officially detailed to OMB on two occasions. First for the Debt Collection Project and more recently for the A-127 initiative.



## Membership Services Committee Needs Help

By Dan McGrath & Ken George  
Co-chairpersons, Membership  
Services Committee

The Membership Services Committee is looking for additional volunteers to staff its two major networks; (1) Agency Liaisons, and (2) Membership.

Members of the smaller of the two groups carry the title Deputy Membership Services Chairperson. Each member of this network is responsible for a particular department or agency and serves as contact and source of information to Chapter members and potential members on subjects such as:

- upcoming meetings and seminars,
  - opportunity to get involved in Chapter activities,
  - sounding board for members' needs and ideas,
  - enlightening potential members on AGA and Chapter benefits;
- and
- developing an information network.

The second and larger network is that of Assistant Membership Chairpersons. The time commitment for these positions is minimal and presents an ideal opportunity for members who would like to be active but have not been able to devote the time to the Association's more involved activities to participate. The idea is to keep the area within the agency or organization serviced by each Assistant small enough that no more than a dozen new professionals will be introduced to it each year.

If you are interested in one of these positions or would like more information, please contact Ken or Dan on 634-9163 or 566-3717.

## Washington Chapter Takes the Lead

By Dan McGrath & Ken George

In the last report from National Office, the Washington Chapter had taken the lead with respect to percentage of growth in members for Chapters with over 300 members. Although only 1% ahead of our nearest competitor, this is a significant accomplishment and further testimony to the fact that at last we are reversing the deteriorating trend our membership roster had become accustomed to in recent years. To those of you who have been actively recruiting, many thanks and please keep up the good work. As to the rest of us it is never too late to join in. We therefore challenge each and every member to make a New Year's resolution to pursue the recruitment of one or two new members. If each of us makes only a minimum effort the overall results will be very significant.

Those desiring to make their pitch using the application brochure may pick them up at any of the regular luncheon meetings or may obtain them by calling either Dan or Ken on 566-3717 or 634-9163.

## Did You Know . . . (Continued from page 7)

using a standardized software package which will be linked into related systems, both mainframe and microcomputer.

### SUMMARY

— HUD has been for many years, working to implement systems which conform to the requirements of A-127. They have incorporated these efforts into steps designed to ensure total compliance with OMB requirements. Resource demands have been minimized by a carefully planned approach, while at the same time meeting the requirements for detail reviews of the financial management systems.

— Any questions, call Janis Combs, Director, Financial Management Systems Staff on 755-7317.

— *Don't forget to call me on 695-1070 with your financial management, systems development projects or innovations, audit techniques, or similar items of interest.*

## TAX REFORM ACT HANDBOOK

As you are aware, most of the impact of the recently passed tax law does not take place until January 1987, and the 1986 Tax Handbook which you have received only noted the impending changes without analyzing their implications. For this reason, a number of members have asked for an authoritative explanation of the new tax law for their forward tax planning.

Prentice Hall' *Explanation of the Tax Reform Act of 1986* appears to fill this need and we have made arrangements to provide this book at an off-list bulk price. This 450-page book contains an authoritative editorial explanation and analysis of the new tax law including examples, tax planning ideas, cautions on potential problem areas and a complete index. Single copies retail for \$12, but we can sell them to you for \$7.50.

To order your copy of the Handbook, complete and forward the form below. The guide will be mailed to you from the Chapter.

---

AGA, P.O. Box 423, Washington, D.C. 20044

I wish to order a copy of the Prentice Hall *Explanation of the Tax Reform Act of 1986*.

My check in the amount of \$7.50 (\$8.50 non-members) is enclosed.

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

Orders must be received by January 20.  
Check should be made payable to AGA.



## INTERGOVERNMENTAL ISSUES

By W.A. Broadus

Comptroller General Charles A. Bowsher has long advocated improved financial reporting by the federal government. A brief explanation of some of the thinking behind his point of view was contained in a recent GAO press release, which read as follows:

The federal government is providing inadequate information to legislators, government managers and other users of government financial data according to the findings of a joint study conducted by the US GAO, the investigative arm of Congress, and the Office of the Auditor General of Canada, the Canadian counterpart of GAO.

One of the most significant findings according to the *Federal Government Reporting Study, A Summary Report* released on March 27, 1986, "was the prevailing view of user respondents that a comprehensive but concise Annual Financial Report of the federal government would be extremely valuable. They want such a report to provide a broad and complete picture and understanding of the government's many and varied activities and resulting overall financial position, and to serve as a key into the more detailed information the government now provides in other financial documents."

Six major groups of users of government information were identified in the report. They are:

- Legislators,
- Citizens, media, and special groups,
- Government planners and managers,
- Economists,
- Corporate users, and
- Lenders, security dealers, and their advisers.

The report states that "although the user groups selected emphasized the need for federal government financial information, they did not always get sufficient information directly from government financial reports."

As part of the study, illustrative annual financial reports of both the U.S. and Canadian governments were developed as research and discussion tools.

Copies of the Summary Report (GAO/AFMD-86-30), the *Illustrative Annual Financial Report of the United States Government* (GAO/AFMD-86-30A), and the *Illustrative Annual Financial Report of the Government of Canada* can be obtained from GAO, P.O. Box 6015, Gathersburg, MD 20877. For additional information on this project, contact Bruce Michelson, 275-9423.

*Bill Broadus is a Group Director in GAO's Accounting and Financial Management Division and is a member of AGA Washington Chapter.*

Did You Know . . . (Continued from page 8)

financial system plan.

— In addition to efforts to ensure compliance with A-127 requirements, HUD is also reviewing the compliance of its financial management systems with the various Titles of GAO's Policy and Procedure Manual for Guidance of Federal Agencies, particularly Title 2, which contains accounting principles.

— HUD designed efforts to prepare for what they believe will be future requirements for financial audits by agencies. The Federal Housing Administration operations are already subject to financial audit by GAO and they have included the requirements for an audit in their planning and reviews. HUD agrees with GAO that financial audits of all agency operations can help to improve control and management. HUD believes that financial audits may become required in the near future, given the demands to make government more like the private sector. One of the hallmarks of commercial operations is their annual financial audit by an independent public accountant.

### USE OF MODERN TECHNOLOGY

— HUD has for many years adopted off-the-shelf software for use in its insurance programs, which are similar to many commercial operations. In addition, they have adopted an off-the-shelf system for administrative accounting. Finally, HUD is in the process of negotiating for another agency to provide payroll and personnel system cross-servicing.

— One of the challenges facing HUD and other agencies is the use of state-of-the art hardware. HUD is addressing this on two fronts. In the area of mainframe systems, HUD is in the process of developing a major hardware procurement to provide state-of-the-art equipment. This procurement will provide all mainframe and telecommunications requirements in one contract. These needs are presently met by different vendors who supply mainframes, telecommunications lines, telecommunications equipment, and service bureau processing.

— In the area of microcomputers, HUD is rapidly providing large amounts of equipment to meet specific needs. This equipment is controlled centrally and all requests are approved by the Assistant Secretary for Administration. In addition, the Department is implementing local area networks (LANs). For example, HUD's section 8 accounting system is being implemented on LAN's

(Continued on page 6)



## DID YOU KNOW . . .

By Charles McAndrew

This month we are featuring a synopsis of recent events relating to the Department of Housing and Urban Development (HUD) Financial Management Systems Staff.

### *PLANNING AND IMPLEMENTING A-127*

— HUD believes the key to success is proper planning and commitment of management. In order to ensure that efforts are closely coordinated with A-123 efforts, the Assistant Secretary for Administration, who also coordinates the Department's A-123 efforts, was assigned responsibility for developing A-127 program.

— The planning began in FY 1985 with a careful review of present systems to develop an inventory of financial management systems.

— Management also directed that the current status of systems be assessed and improvement efforts in process or planned be considered to determine the extent to which they already related to A-127 requirements before new or enlarged projects be developed. This decision was based on the knowledge that HUD was already working diligently in many of the areas covered by A-127. For example, HUD had already developed a 5-year plan covering all systems. This decision also reflected a desire to ensure that the maximum benefit was obtained from expenditures on systems.

— A review showed that A-127 requirements were already met in planned systems or could be easily added, rather than developing separate financial systems projects.

### *INTEGRATION OF SYSTEMS*

— HUD has for many years been working to

ensure that its systems, particularly its financial systems, were fully integrated. Whenever practical, data is already entered only once and then passed electronically to related systems which require the information. This integration is reflected in the limited number of systems in HUD's inventory. While there are many subsystems, particularly in insurance systems, they are integrated.

### *CONSISTENCY OF INFORMATION*

— A number of years ago, HUD recognized the problems that inconsistent reporting could create, particularly between the accounting and budget systems. To avoid this problem, HUD created a financial reporting group with responsibility for all external reporting to OMB and Treasury. This group also provides the actual information used by the Budget office to prepare the budget and provide reports to OMB and the Congress.

— During FY 1986, HUD added to its financial system plan an effort to begin the process of implementing the standardized general ledger developed by OMB. This effort was also integrated into a study that had been underway to determine general ledger requirements for various programs.

### *ADEQUACY OF CONTROLS*

— Because A-127 reviews are done by the same staff which coordinates the Department's A-123 efforts, information on systems developed by A-123 reviews is shared and incorporated into our A-127 planning.

### *COMPLIANCE WITH OMB, TREASURY AND GAO REQUIREMENTS*

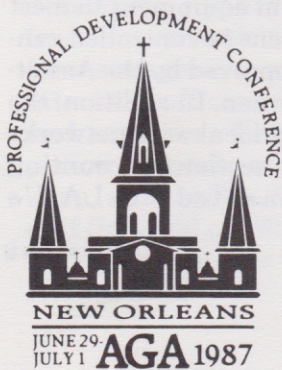
— Also during 1986, HUD decided to contract out detailed reviews of its systems. A contractor has already been selected and the results of the reviews are to be included in HUD's FY 1989

(Continued on page 7)

## NEWSLETTER

PUBLISHED BY THE WASHINGTON CHAPTER  
ASSOCIATION OF GOVERNMENT ACCOUNTANTS  
P.O. BOX 423  
WASHINGTON, D.C. 20044  
DECEMBER 1986

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



TIME-VALUE MAIL —  
PLEASE EXPEDITE