

ASSOCIATION OF
GOVERNMENT
ACCOUNTANTS

AGGA NEWSLETTER

WASHINGTON CHAPTER

MARCH 1983

THURSDAY MARCH 3, 1983 LUNCHEON MEETING TO FEATURE



JAMES P. WESBERRY
Senior Advisor,
U.S. General Accounting Office
speaking on
"World-Wide Developments in
Governmental Accounting"

at the

THOMAS CIRCLE HOLIDAY INN
Second Floor
1155 14th Street, N.W.
Near McPherson Square Metro Station

Social Period	11:30
Luncheon	12:00
Cost	\$8.50

For Luncheon Reservations Call 724-7512
Telephone Reservations Accepted Until March 1, 1983

NON MEMBERS WELCOME

All Reservations Guaranteed
Meeting Schedule: Apr. 7 • May 5

PRESIDENTS' MESSAGE

BOB PEWANICK
GENERAL ACCOUNTING
OFFICE



Research is a key element in any professional organization's activities. Participation in research projects offers new challenges and opportunities for self-development, as well as for professional recognition. Perhaps more importantly, the results of studies, such as those done by the Chapter, could improve government financial management.

Admittedly, the Chapter's research program has not always been as strong as it should. To help add new emphasis to this area, we are undertaking a significant, multi-chapter study that has been proposed by the Association's Research Board.

The gist of the project is to identify and catalog the significant financial management research/studies that have been conducted with respect to Federal government financial operations since World War II. The results of such research/studies will then be evaluated. A primary focus will be placed on identifying proposed recommendations that were not implemented and identifying the factors that contributed to non-implementation. A natural conclusion will be to determine which of these recommendations are still viable solutions to the problems which we face today.

There is a wealth of material (from the second Hoover Commission to the President's Private Sector Survey on Cost Control) to draw upon. We also expect a "gold mine" of ideas for follow-on projects.

We are particularly pleased that the Association's President, Fred Heim, has selected John Reifsnnyder, our Immediate Past President, to be the Project Leader. John will direct all of the study's activities, which will be carried out by the Research Committees of the three Capital Region Chapters. Sue Fields, who is our Chapter's Research Committee Director, will also be heavily involved.

We'll need a lot of additional "hands" as well. This is an excellent opportunity for both you and the Chapter. If you would like to help, call John on 275-4898 or Sue on 496-3417.

Remember that research is not a mysterious process reserved just for intellectuals. Every Chapter member is qualified to participate.

EDUCATIONAL EVENTS

By Doris Chew, Education Director

A workshop on the latest developments in Cash Management will be held on April 21, 1983. Details and information are provided elsewhere in this newsletter.

The Washington Chapter recently held two workshops. A special workshop on "1982 Year-End Tax Planning for Individuals" was presented by tax professionals from Touche Ross & Company on December 14. Special thanks go to Tom Hanley, who planned and coordinated this workshop, Terry Arch and Karen Newman, who spoke at this event. The workshop highlighted some unique opportunities to reduce 1982 income taxes by properly timing the recognition of income and deductions in accordance with the 1982 Tax Equity and Fiscal Responsibility Act.

We also had a successful workshop on "Update on Accounting and Auditing Standards" on January 24, 1983. The speakers, Ron Points, GAO, Bert Edwards, Arthur Andersen & Company, Tom Bintinger, Touche Ross & Company, and Bill Broadus, GAO, discussed the status of the Government Accounting Standards Board, standard setting for governmental accounting and auditing, and the most recent changes in auditing standards in the public and private sector.

The Capital Region Chapters and National Office sponsored a one-day seminar on "The Federal Managers' Financial Integrity Act of 1982." This program included pertinent discussing concerning the Act from GAO, OMB, Offices of Inspectors General and agencies' perspectives.

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**WASHINGTON
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Committee
1982-1983**

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Secretary
Terry Conway, DOD, 697-3192
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John Reifsnnyder, GAO, 275-4898

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Small Business Education
Chuck McAndrew, GAO, 254-9810



JUNE 20-23

ABOUT OUR SPEAKER THIS MONTH

In January 1983 James P. Wesberry became a Senior Advisor to GAO for International Audit Institutions. Prior to that he was a consultant to the World Bank where he was responsible for financial analysis and assessment of Latin American governmental budgeting, financial management, accounting, auditing and reporting procedures under new loan processing provisions.

Mr. Wesberry has been Chief Auditor of the Organization of American States, Washington, D.C., where he directed a comprehensive program of financial and operational audits of the world's oldest international organization. He held positions in private enterprise, education, and public administration involving management, budgeting, accounting, auditing, training and consulting including eleven years in Latin America and ten years as a practicing CPA.

He is a Certified Public Accountant and a Certified Internal Auditor. He is a member of various professional organizations, is a former Chairman of AGA's Internal Affairs Committee, and is a founding Director of the International Consortium on Governmental Financial Management.

Mr. Wesberry holds a degree in accounting from Georgia State University and in law from the Atlanta Law School. He has authored many articles which have been published in major professional journals of seven countries in four languages.

He is an Adjunct Professor at the American University, Washington, D.C., and has taught courses and offered seminars throughout Latin America for governments, professional organizations, and educational institutions.

Mr. Wesberry was elected to the Georgia State Senate in 1962, 1964, and 1966. He has been listed in **Who's Who in the World** since 1976, and has received numerous awards and commendations including a decoration from the Peruvian Government.

PAST PRESIDENTS TO BE HONORED

Past Presidents of our Chapter will be guests at the March 3rd luncheon meeting. Included among this special group are:

Robert W. King	(1950)	Benjamin F. Robinson	(1966)
Walt F. Frese	(1951)	William J. Powell	(1967)
T. Jack Gary	(1952)	Edwin J. B. Lewis	(1968)
Andrew Barr	(1953)	Francis W. Lyle	(1969)
Harry J. Trainor	(1954)	Robert B. Lewis	(1970)
Karney A. Brasfield	(1955)	Maurice P. Pujol	(1971)
Delbert J. Harrill	(1956)	John W. Cooley	(1972)
Raymond Einhorn	(1957)	Gerald Murphy	(1973)
Clark L. Simpson	(1958)	Frank LaCava	(1974)
Gordon J. Crowder	(1959)	Joseph Donlon	(1975)
Alfred R. Golzel	(1960)	Audrey Dysland	(1976)
Joseph R. Hock	(1961)	Susumu Uyeda	(1977)
James L. Thompson, Jr.	(1962)	Thomas Mundell	(1978)
Marshall Crossman	(1963)	Jean Kerr	(1979)
Ralph H. Keister	(1964)	James Hickey	(1980)
Jack Haney	(1965)	John Reifsnnyder	(1981)

Using Statistical Sampling to Improve Productivity in Financial Management

by Doris Chew

One way to help financial managers improve productivity in their operations is the use of statistical sampling procedures in financial management areas, such as voucher examination, inventory and equality control. In 1982, the Joint Financial Management Improvement Program surveyed 24 agencies on how they used statistical sampling in their accounting and finance operations. In those agencies, the use of statistical sampling procedures were applied in the examination of vouchers, which has reduced processing time and increased productivity. Of the 24 agencies, 7 agencies estimated a cost avoidance approximating \$38.3 million per year by using statistical sampling. Because statistical sampling is a very effective tool for enhancing cost savings and productivity improvements, all agencies should seek every opportunity to implement it.

Guidance on the use of statistical sampling in voucher examination can be found in the **Policy and Procedures Manual for Guidance of Federal Agencies** issued by the General Accounting Office. Statistical sampling in voucher examinations is usually used by Federal agencies in which a large volume of vouchers are processed. Agencies can use statistical sampling procedures in the examination of vouchers under the dollar limitation of \$750. Statistical sampling procedures rely heavily on the principles of probability to assess the overall accuracy, legality and propriety of a universe of documents by reviewing only those that are randomly selected. Statistical sampling should be applied only after a feasibility study shows that economies will result. The measure of savings is the difference between the cost of examining all vouchers and the cost of the sample examination plus the amount of the undetected errors in the vouchers not examined.

Another application of statistical sampling procedures is verification of physical inventories. A properly designed sample will usually produce results that are very precise, at a fraction of the cost to conduct a complete inventory. The cost of obtaining the precision of estimates that is desired, must be weighed against the importance attached to the results.

Statistical sampling can also be used for quality control of documents. Quality control is a systematic approach for determining whether the quality is being maintained at a minimum acceptable level and determining when action to improve quality is necessary. Statistical sampling determines the sample size required to perform the quality control review. The size required is based on the size of the workload and the numbers of documents (transactions or cases).

There are many other areas in financial manage-

ment in which statistical sampling is an important tool. Auditors have been using statistical sampling procedures in their reviews. Sampling can also be used in budgeting areas, especially for ad hoc reports for information that must be derived from voluminous stores of data with very little time for the preparation of responses. The estimates made in response should specify the degree of precision and level of confidence associated with the estimates. Many applications for sampling exist in the area of performance measurement. Examples are estimates of volumes of work performed and estimates of the efficiency of units of the operation.

Statistical sampling is relatively an untapped management tool in finance and accounting offices, except for application in the voucher examination activities. Agencies should continue to explore the expanded use of statistical sampling procedures to improve productivity.

PRIZES

PRIZES

MEMBERSHIP DRIVE

Win a leather writing portfolio, clock radio, or leather address book

Sponsor Two Members and be eligible for prize drawings in March, April, and May

Sponsor Eight Members and receive one year free membership

If you are eligible, call **Carolyn Connor** on **634-2024.**

New Members

Name	Org.	Sponsor
Elaine Boudreau	Federal Energy Regulatory Commission	---
Patricia Brady	IRS	---
Mary Wyles	Army	Fred Cook

Lost Members

If you know of an AGA member who has not been receiving the Newsletter or other AGA publications, perhaps it is because we don't have his or her current address. Please help us to locate these "lost" members.

If you have information concerning Jerome Patterson, Jackie L. Smith, George Fortune, or Gregg Ostrander, telephone Susan Lee, Membership Director, on 395-3066.

ABOUT CHAPTER MEMBERS

Chuck McAndrew GAO has been selected as Small Business Education Committee Chairman.

Terry Conway recently returned to DOD after an assignment with OMB's Reform 88 group.

Susan Lee, Department of the Treasury, has been assigned to OMB's debt collection group.



Sus Uyeda, AGA National President-Elect, **Richard Kusserow**, HHS Inspector General, and **Sherry Crittenden**, AGA National Education Director pose for our photographer at the February luncheon.



Bob Pewanick, **W. Fletcher Lutz**, AGA National Executive Vice-President, and **Ron Lynch** at our February luncheon.

SMALL BUSINESS EDUCATION COMMITTEE REPORT

Charles R. McAndrew has been appointed Chairman for the Small Business Education Committee formerly chaired by Jerilyn Mc Donald. We expect to offer an elementary accounting and finance course for small businesses to commence around April 1, 1983. This course would be for 32 hours for two months ending around May 31.

We hope to have the Small Business Administration (SBA) co-sponsor this course with AGA. SBA would assist us in supplying the students. SBA would also assist us in drafting a FLYER describing the course.

It appears, at this time, that this course will be held at the Amphitheater of the Federal Home Loan Board Building conveniently located at 1700 G Street, N.W. It most likely would be taught two night per week from 6 to 8 PM. There may be a registration fee of \$20 per student to help recover the cost of materials.

We were fortunate to acquire the instructional services of Jerilyn Mc Donald, John Barclay, and Shel-

don Bernstein for starters. We are looking for more volunteers interested in teaching this course. If you are interested, please call Charles McAndrew on 254-9810. If you know anyone who would be interested in taking this course, please let us know.

NEWS FROM NATIONAL

NEW CHAPTERS IN WESTERN PACIFIC. AGA's horizons widened significantly at the beginning of the new year with the installation, in December, of the new chapter on the island of Saipan, plus the receipt of a charter application for a chapter in Korea. The newly-installed chapter on Saipan hosted Bob Beuley, representing the national organization, who did the chartering honors as scheduled during his visit on December 3rd. Meanwhile, the Association Services Board has approved the charter application of a group in Korea, and final action on this new chapter will be taken by the National Executive committee at its meeting in February. The two will be AGA's 89th and 90th active chapters, respectively.

SOLICITATIONS FOR AWARDS, BOARD/COMMITTEE MEMBERSHIP National Office Memos 08-83 and 09-83, both under date of December 29, 1982, solicited nominations for annual national awards for the current year, plus nominations for membership on next year's national boards and committees. Nominations for the awards program should be submitted under a format described in the NOM, and not later than April 15. By special request of President-Elect Uyeda, who desires to establish his committee structure for next year at an early date, nominations for national boards and committees should be forwarded by March 11. NOM 09-83 carries a form for these nominations.

CHAPTER STANDINGS PUBLISHED IN FEBRUARY TOPICS The February issue of AGA's TOPICS newsletter will carry mid-year standings by chapter in the current chapter competition and membership programs. Meanwhile, a new cash award has been established for those chapters achieving established **member retention** goals.

MAJOR EDUCATION SERIES COMING IN MARCH Your national education department has scheduled two currently "hot" topics for a series of presentations during the March/April/May period. Each of the topics, "Single Audit" and "Internal Control," has been organized into a succinct one-day package. The educational packages will be brought out to the AGA membership with at least one presentation scheduled for every AGA region. The brochures describing these programs should arrive in early February. Watch for them!

Withdrawals, Restorations, and Transfers of Appropriation Balances

By Dick Maycock and Joe Donlon

The law (31 U.S.C. 1551-1557) provides that all unobligated funds under an appropriation will be withdrawn at the end of the period of availability but will remain available for restoration if needed to meet previously unanticipated but valid payment requirements (valid obligations incurred but not recorded or reported for whatever reason). Many accountants, auditors and those in budgeting have difficulty in understanding the withdrawal, restoration and transfer process for appropriation balances. Although it is difficult to describe in a few words, the following description and chart is presented to assist financial management personnel in understanding this process. Further information is available in Title 7 of the GAO Manual for Guidance of Federal Agencies and applicable OMB and Treasury instructions.

Transfers of Unobligated Balances

After an appropriation ceases to be available for obligation, and obligations have been adjusted and certified as required by 31 U.S.C. 1108(c), the unobligated balance is withdrawn to the fiscal year expired surplus authority in the general fund of the Treasury. The obligated balance is recorded in an expired appropriation account maintained by the agency.

Transfers and Restorations Between Expired and Surplus Accounts

The obligated balance remains in the expired appropriation account for 2 fiscal years. When the obligated balance is not sufficient to pay for all valid invoices and vouchers, the needed portion of the unobligated balance withdrawn to the fiscal year expired surplus authority may be restored to the expired appropriation account. When the entire amount of the unobligated balance is insufficient to pay for all valid invoices, or if the amount restored would cause the

latest approved OMB apportionment to be exceeded, a violation of the Anti-Deficiency Act must be reported.

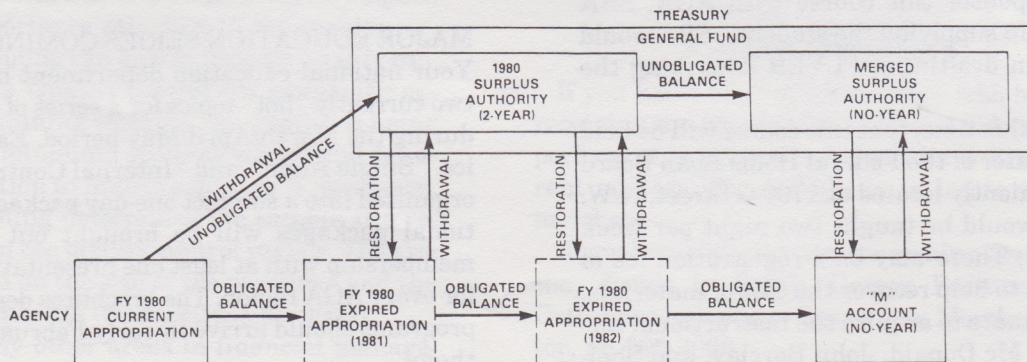
When the obligated balance in the expired appropriation account is overstated, an unobligated balance will accrue in the expired account. The unobligated balance will be withdrawn at the end of each of the 2 fiscal years involved by transfer to the fiscal year expired merged surplus authority.

Merged Accounts

At the conclusion of the 2-year period, any balance in the fiscal year expired surplus authority for the appropriation will be transferred to the merged surplus authority of the general fund of the Treasury which corresponds with the "M" account for all appropriations for the same general purpose. Any remaining obligated balance in the expired appropriation account will be merged into the "M" account established by an agency for all appropriations for the same general purpose.

Each "M" account shall be accounted for as one fund and shall be available without fiscal year limitation for payment of invoices and vouchers chargeable against any of the appropriations from which such account was derived. When the undisbursed balance in the agency's "M" account exceeds the obligated balance, the excess at the close of the fiscal year will be withdrawn to the applicable Treasury merged surplus authority. If at any time obligated balances in the "M" account are insufficient to pay for valid invoices, a restoration from the applicable merged surplus account (but not in an amount in excess of the balance thereof) may be made to the "M" account. When the amount in the merged surplus account is not sufficient, a violation of the Anti-Deficiency Act will have occurred and will need to be reported.

ILLUSTRATION OF THE PROCESS OF WITHDRAWALS, RESTORATIONS AND TRANSFERS OF APPROPRIATION BALANCES



CASH MANAGEMENT WORKSHOP

April 21, 1983

WORKSHOP OBJECTIVES: The purpose of the workshop is to provide practical insights and techniques on improving cash management practices. Emphasis will be placed on agency initiatives and the implementation of the Debt Collection Act and the Prompt Payment Act.

WHO SHOULD ATTEND? All financial and program managers, auditors, accountants and staff persons interested in learning about the current happenings in cash management. Attendance is open to all.

LOCATION: Federal Home Loan Bank Board Building, 1700 G Street, NW
Second Floor Amphitheater—Washington, DC

REGISTRATION INFORMATION: The workshop registration fee is \$30 accepted on a first come basis. Walk-in registration will be accepted if space is available. Authority for a Federal agency to sponsor participation in a program of this type is found in Section 9 of USC 5, Chapter 41, Government Employees Training Act.

PROGRAM

Moderator:	DIANA O'NEILL Director, Washington Chapter AGA
8:30 a.m.	REGISTRATION
9:00 a.m.	Status of Reform '88 Cash Management Efforts BILL HENDERSON Office of Management and Budget
9:30 a.m.	Treasury's Cash Management Initiatives GERALD MURPHY, Deputy Fiscal Assistant Secretary Department of the Treasury
10:00 a.m.	Agencies' Perspective on Follow-up of Prompt Payment Act, Debt Collection Act and Cash Management Initiatives JAMES DEEMER, Controller Federal Home Loan Bank Board SHIRLEY EVANS, Director Office of Finance and Accounting Department of Housing and Urban Development LINDA VANDENBERG, Director Central Office Financial Management Division General Services Administration

REGISTRATION FORM

Washington Chapter
Association of Government Accountants of Washington
P.O. Box 423
Washington, DC 20044

**YES . . . count me in for the CASH MANAGEMENT WORKSHOP
on April 21**

Name _____

Home Address _____

Daytime Phone _____

Agency _____

Agency Address _____

AGA Member? No Yes

Chapter _____

CANCELLATION POLICY:

Written notice of cancellation postmarked on or before April 14 will be entitled to a refund, less \$10 service charge. Cancellations postmarked after April 14 will not be refunded, but substitutes may attend.

Attendance is open to all who may wish to participate. Registration Fee is \$30. Lunch is **not** provided.

For more information, or to register by phone, call Doris Chew (202) 376-5415.

Please indicate your method of payment:

- Remittance enclosed
- Bill per attached authorization voucher
- Bill me personally

Checks should be made payable to the Association of Government Accountants.

DID YOU KNOW . . .

by John MacArthur

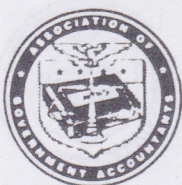
- A recent General Accounting Office Report provides food for thought to agencies contemplating major system enhancements. This report identified many problems inherent in one agency's automated accounting and finance system, to the extent that accountability was lost for substantial sums related to grant, contract and trust funds. The GAO report found that the agency's efforts to enhance its accounting system were misdirected, in that these efforts focused on the acquisition of new computer equipment **without addressing the longstanding design and operating weakness of the system**. Further, by acquiring new computer equipment before redesigning the system that will run on this equipment, the report states that the newly acquired equipment may not meet the needs of a subsequently redesigned system.
- A proposal revision to OMB Circular A-76 "Performance of Commercial Activities" was recently published in the **Federal Register**. This Circular requires Federal agencies to conduct cost comparisons of those commercial activities that they operate, in order to determine the most economical method for performing this work. The proposed revision would significantly shorten and simplify the procedures for making these cost comparisons and would also clarify and strengthen other procedures in the Circular. Comments on the proposal are requested by March 14, 1983.
- "Auditing in a Computer Environment" by Loebbecke, Mullarkey and Zuber, is a timely and enlightening article in the January 1983 issue of the **Journal of Accountancy**. This article provides helpful tips on auditing in a computer environment by describing what information an auditor should look for, how this information can be efficiently obtained, and means for evaluating these findings. The authors discuss factors unique to computer processing, as well as tracing the flow of transactions, evaluating controls, using personnel with specialized computer skills and the designing of audit tests. The authors' approach as described in this article should be especially useful to government auditors who must deal with the increased complexity and level of detail inherent in many computerized agency financial and accounting systems.
- The Bureau of Government Financial Operations (BGFO) has initiated the "Governmentwide Payments Mechanisms Study" to transition from present procedures to a future (10 years) system that will effectively use modern technology to support an efficient and economical payments process. Phase I of this project involved an analysis of fundamental disbursing issues, a forecast of the technological and economic environment, the documentation of current and developing payments mechanisms, and the development of long term requirements. Phase II involves the development of alternative approaches for a Governmentwide payments system. Phase III will include a refinement of the selected conceptual approach, while Phase IV will involve the development of a conceptual design and a payments planning horizon for both the short term and the long term. For further information call 566-9634.

Our April 7 meeting will feature Dr. Berendzen, President of American University. The meeting will include our annual student award program and will be held at the Thomas Circle Holiday Inn at 11:30.

NEWSLETTER

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