

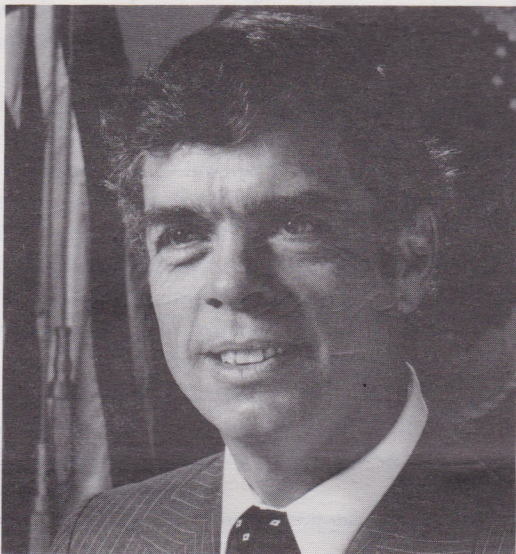
ASSOCIATION OF
GOVERNMENT
ACCOUNTANTS

AGGA NEWSLETTER

WASHINGTON CHAPTER

OCTOBER 1983

THURSDAY OCTOBER 6, 1983 LUNCHEON MEETING TO FEATURE



JOHN R. BLOCK
Secretary of Agriculture

speaking on

"Challenges Facing American Agriculture"

at the

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

Social Period	11:15
Luncheon	12:00
Cost	\$10.00
Open Bar	\$3.00

For Luncheon Reservations Call 254-9812

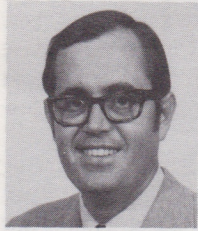
Telephone Reservations Accepted Until October 4, 1983

NON MEMBERS WELCOME

All Reservations Guaranteed

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

PRESIDENT'S MESSAGE



KEN WINNE
Joint Financial Management
Improvement Program

We in the financial management community are going through a period of change. Some people would call it reform. Much is happening and how we handle and manage this turmoil will depend on what the future brings to each one of us. Another important aspect, that many of us overlook, is what will be the changes yet to come. Let us look at what is underway and how it will affect us in the future.

One of the electronic wonders that has exploded upon us is the microcomputer. It is the latest "toy." Either someone has one, is in the process of buying one or thinking about it. The use of this technology can either help or hinder how we manage the future. For the accountant, manual operations such as accounts receivable can be automated with little costs; auditors can enter data in spreadsheets electronically and obtain analyses of the data instantaneously, which would have taken hours of manual work previously; and budgeteers can change budget projections by entering new figures for their analyses. If used properly, microcomputers can save untold staff hours and make our jobs much easier. However, these machines are not without problems if they are not properly managed. Internal control problems can be enormous if these tools are used in an uncontrolled environment. Microcomputers are a challenge which I think will change our lives for the better, but we as financial managers must be careful and move cautiously—but swiftly.

The "Reform '88" program poses additional challenges for the financial manager. With the few resources available, how does one modernize their financial management systems to include budgeting and accounting as well as collect debts, manage cash, reduce fraud and waste and abuse, etc. These initiatives must be met to have good financial management, but where do we get the resources to do this and still keep other operations running smoothly. It is a difficult task but how we juggle all of this and manage the task at hand will affect our future.

Internal controls have been around since the beginning of time, but they have been given new emphasis in the Federal Government by the Federal Managers' Financial Integrity Act. What makes this legislation different is that we are now talking about adminis-

trative as well as accounting controls. In the past everyone thought in terms of only accounting controls. Now we must think of administrative controls which is a learning process for accountants, auditors and managers. Annually top management must attest to both their accounting and administrative controls. Accountants and auditors will play a large role in this endeavor. However, internal control assessments under the Act are a *management responsibility* and **not** the responsibility of auditors and financial types as many would like to believe.

The methodology on how the audit community reviews grantee management may change in the future. A big change was the single audit concept which changed the Federal auditors' role on reviewing grants. Federal auditors have to rely on and review the work of others rather than performing their own audits. Further changes will probably come. The proposed single audit legislation may change the role of the Federal auditor even more because now the auditor will only be receiving the results of financial audits with less compliance testing of grants. Will the Federal auditor now have to do more compliance testing or still rely on audits of others? These questions have not been answered. Also in the mill is a proposed revision to OMB Circular A-102 which may further revise what is required of grantees in managing Federal assistance funds. These developments will provide new challenges for innovation by the Federal auditor.

Last but not least, there are the recent Grace Commission reports. The 37 reports have over 1,600 recommendations on how to improve the efficiency of Government. Not much has been heard about these reports which have sweeping and far-reaching recommendations. Many of these recommendations call for better financial management which will help the financial managers. I would venture to guess other recommendations will make it harder.

I have only pointed out a few of the changes and initiatives of today. In some cases these initiatives will make our jobs easier and in other instances more

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ABOUT OUR SPEAKER THIS MONTH

WASHINGTON CHAPTER Executive Committee 1983-1984

Officers

President

Kenneth M. Winne, JFMIP, 376-5415

President-Elect

Virginia Robinson, GAO, 275-5071

Secretary

Ray Kudobeck, GAO, 724-7512

Treasurer

Judith Boyd, Treasury, 634-5507

Past President

Bob Pewanick, GAO, 275-4897

Directorate

Awards

Jim Saylor, DOD, 697-0585

Chapter Competition

Diana McDermott O'Neill, Treasury,
634-5718

Cooperation with Educational Institutions

Carol Lynch, Education, 472-2395

Education

Doris Chew, JFMIP, 376-5415

Ron Lynch, Arthur Andersen, 862-3324

Newsletter

George Englert, GAO, 535-7650

Meetings

Sue Fields, NIH, 496-3417

Membership

Susan Lee, Treasury, 634-5700

Programs

Tony Gabriel, USDA, 447-7431

Publicity and Agency Liaison

Loretta Shogren, Justice, 633-3291

Committee Chairperson

Assistant Treasurer

Kathy Fry, NIH, 496-5014

Chapter Evaluator

Jim Smith, Navy, 695-1070

Cooperation with Professional Organizations

Tom Hanley, Touche Ross, 452-1200

Employment Referral

Terry Conway, DOD, 697-3192

Financial Management Assistance

Diane Bray, Treasury, 634-5720

Professional Development Conference

Gordon Harvey, 252-1943

Relations with National Office

Adam Shaw, DOD, 697-0585

Research

Ken George, ACTION, 634-9163

Joe Rothschild, HUD, 426-6240

Small Business Education

Chuck McAndrew, GAO, 254-9810

John R. Block was sworn in as Secretary of Agriculture Jan. 23, 1981 after being confirmed by the U.S. Senate the previous day. He had been Illinois director of agriculture since 1977.

Block was born Feb. 15, 1935, in Gilson, near Galesburg, Ill. He graduated from the U.S. Military Academy, West Point, N.Y. in 1957, and served three years active duty as an infantry officer. He has operated the family-owned Block Farms near Galesburg since 1960. Since that time, the operation has grown from 300 acres producing 200 hogs per year to 3,000 acres and 6,000 hogs.

While Illinois director of agriculture, Block assumed an active role in promoting exports through fact-finding missions, market surveys and overseas offices. He carried this enthusiasm to Washington, where he has made market development one of his major objectives. He has traveled throughout the world, both to protect existing markets and to lay groundwork for new markets.

He received the Illinois governor's outstanding achievement award in 1980; the Illinois Cooperative Extension Services's meritorious service award for outstanding contributions to Illinois agriculture in 1980; and the U.S. Jaycees outstanding young farmer award in 1969.

Block is a physical fitness advocate who jogs daily. He finished the 26 mile Boston Marathon in 1980 and 1981, with a 1981 time of 3 hours, 6 minutes, 49 seconds. He is married to Sue Rathje. They have two daughters and a son.

PROGRAMS COMMITTEE REPORT

Tony Gabriel was designated Chairman of the Program Committee and plans to arrange for speakers to share with the Chapter their views, expertise, and perspective on the current issues and concerns of the President, Congress, GAO and OMB in bringing about better financial management in the Federal Government.

If our plans materialize, we can look forward to hearing from Department heads, Assistant Secretaries for Administration, Inspectors General, Congressional, private sector, and other officials on current financial management topics and issues.

We opened our luncheon speakers' program with Dr. Robert L. Fairman, Assistant Secretary for Administration, Department of Transportation, whose informative talk on "Views on Financial Management Reforms" was well received by the luncheon group.

As our Newsletter goes to press, we look forward to hearing on October 6, 1983, from the Honorable John R. Block Secretary of Agriculture, who will speak on "Challenges Facing American Agriculture."

President Reagan and Secretary Block have set as one of their highest priorities improving the management of Government. Secretary Block on several occasions expressed his commitment to this priority and requested his top level staff to meet this management challenge. One may expect to hear more on USDA management improvements and challenges with the complex farm programs when Secretary Block speaks at the luncheon meeting.

About Chapter Members

Susan Lee has returned to Treasury from a detail on OMB's Debt Collection project.

Congratulations to **Susan Lee, Diane Bray, John Barckley** on their recent promotions at Treasury.

Gary Palmquist is the new Director, Office of Compliance at Peace Corps. He was formerly with the Office of Personnel Management.

James Wu, formerly of the Bureau of Public Debt is now with the Office of Financial Management, Department of Interior.

Diane Bray recently received an MBA in Finance and Investment from George Washington University. Congratulations!

Doris Chew received an Outstanding Achievement Award at the Joint Financial Management Improvement Program.

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

DOD TO ISSUE A NEW ACCOUNTING MANUAL

DoD is in the process of issuing an Accounting Manual to replace its old Accounting Guidance Handbook. The new Manual is unique in many ways and is seen by DoD accounting officials as a quantum step forward in achieving improved and more uniform accounting within the Department. The Manual is currently undergoing final editing prior to publishing. It is expected to be published in October 1983.

The Manual contains a chart of accounts which provides the basic structure of general ledger accounts that will be used in DoD accounting systems for all appropriations and funds. Stock funds, industrial funds, and special funds will incorporate certain unique accounts as required. The basic structure contains accounts for: assets; liabilities; government equity; budget execution, operating expenses; revenues; and other gains and losses.

The Manual also contains a conceptual framework which sets forth:

Objectives—The basic end toward which accounting efforts are directed, and

Concepts—The fundamental ideas that guide the selection of transactions, events and circumstances to be accounted for, their recognition and measurement and the means of summarizing and communicating them.

Much of the conceptual framework is predicated on the preliminary data available on the conceptual frameworks being developed by the Financial Accounting Standards Board and the General Accounting Office.

The primary objective of DoD accounting and financial reporting as stated in the Manual is the full disclosure of all resources of the Department of Defense, claims against those resources and changes (use, acquisition, retirement) in both the resources and claims. Accordingly, the single account structure will be used to record all the series of events that occur from the time an appropriation is received until the resources are disposed of or consumed (used). A self-balancing set of accounts cover the appropriation, apportionment, allocation, commitment, obligation and expenditure process. The asset and liability accounts cover the receipt of funds in the Treasury, the recognition of liabilities, the transfer of assets through inventory, to 'in-use,' to release for disposal. Revenue and expense accounts will measure the realization of revenue from sale of goods and services and the incurrence of costs through use or consumption of assets.

The Manual, while still stressing accounting for each appropriation in the budgetary accounts, requires establishment of a single general ledger for each accounting entity (previously, several DoD Components maintained separate ledgers for each appropriation or select groups of appropriations). A single

general ledger for each accounting entity will establish accounting control over all resources provided to that entity and permit the development of accurate and complete financial data. For instance, the expenses incurred by an entity for any given activity for which it is responsible, and the associated revenues, if any, can be ascertained by management with confidence that the accounting is complete and controlled. This will be possible regardless of the appropriation(s) that originally funded the costs and without need for memorandum accounts.

The Manual expected to be published in October will be organized as follows:

- General Information
- Fund Control
- Assets
- Liabilities
- Investment of the U.S. Government
- Operations
- Cost Accounting
- Special Funds
- Reports

However, not all sections will be complete in the October version. For each section, it is planned that the theory of the related accounts will be explained, and the standards applicable to those accounts will be discussed. Implementing procedures will be developed by each accounting entity.

The new Accounting Manual will significantly assist in the achievement of DoD's accounting system objectives.

AGA Welcomes New Members

We would like to welcome the following members who have joined the Washington Chapter during the past year.

George Wallace Alapas	EPA
Steven P. Anderson	OPM
Robert Eugene Bailey	Peace Corps
Morgan H. Baker, Jr.	DOT
Frank M. Butler, III	Treasury
Robert L. Coombs	U.S. Army
John Reed Curtis	D.C. Government
Nancy Young Duncan	U.S. Soldiers & Airmen's Home
Thomas George	Treasury
Jennifer L. Grimes	—
Kevin Mathew Hardardt	Science Applications, Inc.
Eldon Lee Hayman	OPM
Nancy A. Helmer	GAO
Doris B. Hyman	Treasury
Gladston D. James	D.C. Government
Myron B. Jonsberg, Jr.	GENASYS Corp.
Andrew N. Kilgore	GAO
Stephen D. King	HUD
Gregory A. Kramer	—
Liola Leith	—
Teresa L. Ludden	Orkand
Arnoldo R. Martinez	Inter-American Development Bank
Mark S. Matthews	AID
Kathryn Anne Melvin	GSA
Earl Edward Moore	Treasury
Margaret H. Munro	U.S. Postal Service
Spiro Misto Papagjika	HHS

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THE BURNS SYSTEM—A NEW WAY TO LOOK AT CONTROLS

by CAPT John O. Carlson, SC, USN, Ms. Jean W. Lewis (Harless) and Mr. James F. Smith, Jr., Navy Accounting and Finance Center

The Burns System identifies threats, risks, controls and benefits, quantifies them in dollar terms, builds detailed threat/control paths, and aggregates them as a cost/benefit matrix for the overall network of controls for a system or operation. It uses simulation and sensitivity analysis to develop the most cost beneficial network of controls.

Dr. David C. Burns, Professor of Accounting with the University of Cincinnati, began the development, which has been expanded and further developed under the Department of the Navy (DON) Financial Management Improvement Research and Development (FMIR&D) Program. While the prototype is still being completed, the initial results of its application to a major Navy system were so beneficial that it was immediately adopted for the new DON Consolidated Systems Evaluation Process where it will be used to determine the adequacy of the internal controls in the systems being evaluated.

The Burns System:

- 1) identifies threats, risks, controls and benefits
- 2) quantifies these in meaningful dollar terms
- 3) identifies relationships between all threats and controls
- 4) highlights over- and under-controlled areas
- 5) identifies costs of controls
- 6) develops a cost-benefit matrix of threats, risks, controls and benefits for the system
- 7) selects the most cost beneficial network of controls for the system
- 8) provides complete automated support and documentation
- 9) allows simulation and sensitivity analysis under different alternatives or assumptions

The threat/control paths and the matrix is then analyzed in one or more of a variety of ways. You can identify the best possible unrestricted cost beneficial network of controls, or the best network of controls under a given cost restriction, or any similar scenario. You can perform a variety of simulations changing any one or combination of variables (e.g.; risk, percentage of effectiveness, etc.) This allows you to determine whether a variable is significant upon the workings of the overall network (e.g.; a basic application of sensitivity analysis.) All of this is expressed in dollar terms, supported by documentation produced with automated support. It is equally applicable to the design of cost beneficial networks of controls as well as to the identification and evaluation of existing networks of controls in a system and specifically how they can be improved in a cost beneficial way.

The Burns System will identify the network of controls in your system or operation, educates you as to what they are, how to use them and how to improve them. Since the FMFIA has made it a statutory mandate that internal controls are the responsibility of all managers, and that each manager will be held accountable for the adequacy of those controls over which a manager is responsible, this can provide you with a very powerful tool. It also gives you a method of measuring the effectiveness of their operations and subordinates, and provides you with the means to support your management judgements and resource requests—all expressed in supported dollar terms. It takes what has formerly been a gray area and quantifies it in clear, supportable dollar terms. It gets to specifics. When used in the systems development process, it allows you to get a very clear picture of how well the controls will operate and what you can expect from the system before it is implemented. It does not make you do anything you either do or should be doing already. You analyze and document once, and then maintain what you have done simply and with automated support. It can be applied at any level of detail, and you only need to use it at the level of detail that is going to be meaningful and useful to you.

How Can You Get More Information?

Further information is available from the Assistant Comptroller for Financial Management Systems, Department of the Navy. Specific requests should be directed to the Planning and Systems Evaluation Division, NAFC. Telephones numbers and address are:

Autovon 225-1070 or 7954
Commercial (202) 695-1070 or 7954

Department of the Navy
Assistant Comptroller for Financial Management Systems
Planning and Systems Evaluation Division
(NAFC-12)
1931 Jefferson Davis Highway—Crystal Mall #3
Washington, D.C. 20376

NEWS FROM NATIONAL

NATIONAL BOARD/COMMITTEE STRUCTURE IS MODIFIED The national board/committee structure has been fine-tuned going into the new AGA year, with the immediate result of reducing the number of chairmen reporting directly to National President Sus Uyeda. In order to accomplish this, a number of former standing national committees, while retaining their identity, have been grouped under umbrella-type boards. Other former standing committees have been upgraded to board status. An upcoming issue of *TOPICS* will carry full information on your national board/committee structure as it is now organized.

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UPCOMING EDUCATIONAL EVENTS

AGA WASHINGTON CHAPTER—"HOT" TOPICS IN FINANCIAL MANAGEMENT

Tuesday, October 25, 1983

International Inn ★ Vermont and Massachusetts Avenue, NW

Course Objectives: To provide the latest information on what financial managers, auditors, accountants should know about current issues, such as: computer fraud, central agencies' changes that will impact operating agencies financial systems, and changes we should expect based on the Administration's Reform '88 efforts.

Speakers: Richard Kusserow, Inspector General, HHS
William E. Douglas, Commissioner Bureau of Government Financial Operations, Treasury
Wilbur Campbell, Acting Director, Accounting and Financial Management Division, GAO
James Thomas, Inspector General, Education
John Lordan, Deputy Associate Director for Financial Management, OMB

For More Information Call Doris Chew 376-5415

AGA Capital Region and National Office presents a one-day seminar on: Grace Commission Recommendations

Date:	November 15, 1983	Speakers:	Peter Grace, Chairman of the President's Private Sector Survey on Cost Controls.
Place:	International Inn Thomas Circle Washington, D.C.		President, W. R. Grace and Company (invited) Charles Bowsher, Comptroller General of the U.S.

YEAR-END TAX PLANNING SEMINAR

Once again, the Washington Chapter will provide a free Year-End Tax Planning Seminar, held on Monday, December 5 from 11:00 a.m. until 2:00 p.m., at the Amphitheater (2nd Floor), Federal Home Loan Bank Building, 1700 G Street, NW, Washington, DC. This seminar will be presented by Samuel H. Murray, a principal in Arthur Andersen and Co.'s Office of Federal Tax Services. He works primarily in the area of legislative interpretation. He has been writing about tax developments for almost 20 years. Prior to joining Arthur Andersen & Co., Sam spent four years as the Director of Tax Research for another Big Eight accounting firm and was editor of the Kiplinger Tax Letter for eight years.

Bring your own lunch and learn how you can save \$\$\$ on your taxes. CPE Credit: 3 hours

Registration Information: You must be a Washington Chapter AGA member. Registration will be on a first-come basis. Registration of AGA members from other chapters will be accepted if space is available.

For more information call Doris Chew on 376-5415 or Ron Lynch on 862-3324.

NEW MEMBERS

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Ronald E. Payne	Treasury
Rich Savitsky	CPSC
Jane Singletary	DOT
Barbara A. Springs	U.S. Army
John Franklin Tate	Admin. Office U.S. Courts
Nancy Belle Thompson	Treasury
Carol B. Transou	Treasury
Lorraine M. Trexler	FHLBB
Linda E. Vandenberg	GSA
Philip L. Vogel, Jr.	Justice
Jonathan Wallman	Peat Marwick Mitchell & Co.
Stephen B. Watson	Price Waterhouse
Diane C. Woody	Treasury
Jefferson Wyatt, Jr.	Justice

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

NEWS FROM NATIONAL

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COMPUTER UPDATE Implementation of systems operations in connection with the new computer installation in your National Office is moving steadily along. At present, the word processor capability and the accounting function are fully operational, and the member records system is expected to be fully installed by the end of September. Coming up next will be the Chapter Competition records system, and then education course registration and management data functions.