

### WASHINGTON CHAPTER LUNCHEON MEETING

**THURSDAY  
APRIL 7, 1994**

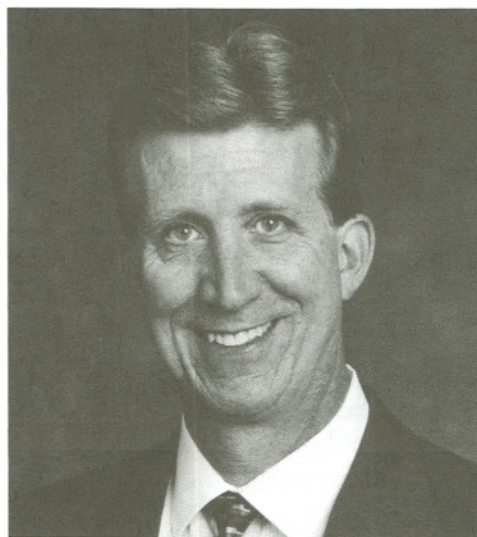
Touchdown Club  
2000 L Street, N.W.

(Near Farragut West Metro Stop)

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

- Reservations Urged
- Call (703) 758-4080 by  
April 5, 1994
- Non-Members are welcome
- No-Shows are expected to pay

### LUNCHEON PROGRAM



**Mr. Jeffrey C. Steinhoff**

Mr. Steinhoff will discuss efforts to streamline and enhance Federal financial management, which is undergoing dramatic and far-reaching reform as part of efforts to create a government that works better and costs less. He will touch on a wide range of changes on the horizon, including audited financial statements for all major Federal agencies, greater use of electronic technology in financial management operations across government, and added incentives to provide improved financial operations. He will also discuss successful financial management improvement strategies by state and local governments and relate their experiences to Federal financial information and systems improvement initiatives.

Jeff Steinhoff, National AGA President, is Director of Planning and Reporting in the General Accounting Office. He is responsible for accounting and information management issues across the Federal government and is GAO's focal point for government-wide implementation of the Chief Financial Officers Act of 1990. He chairs GAO's Financial Integrity Act Steering Committee, and serves on the federal Management Control Council.

Mr. Steinhoff graduated from the College of William and Mary. He has completed the Information Systems Program at the Wharton School of the University of Pennsylvania, and the Senior Executive Program at Harvard University. He is a CPA and a member of the AICPA and has served on its Subcommittee on Management Advisory Services.

He has received numerous professional awards, including the Comptroller General's Distinguished Service Award, the AGA's National Distinguished Leadership Award and its National Special Achievement Award, and the JFMIP's Distinguished Leadership Award. In 1992, he earned the rank of Meritorious Executive in the Senior Executive Service.

## The President's Message

In the February edition of *The Washington Connection*, you received information about the National Office's plans to implement an AGA Certified Government Financial Manager (CGFM) Program. The information included a draft model of suggested program features. In my Message that month, I told you that my ballot on the certification proposal was due on January 31, that I had written to National President Steinhoff requesting a change in the ballot due date to February 28 to give Chapter members time to let me know their views, and that I would vote "Yes" based on my conceptual support if an extension of time was not possible. I also urged a distribution of a final proposal to the membership for ratification.

In mid-February I received a memo from Tom Woods, AGA Executive Director. His memo informed members of the National Board of Directors that the question of initiating a CGFM designation program had passed. The memo also said that several ballots were accompanied by suggestions which the National Executive Committee (NEC) would consider when it acts on the program on March 18.



Larry Wilson, President

I was disappointed that National chose not to allow time for Chapter member feedback even though I only heard from a few of our members. Most of the few members who commented opposed certification. I want to thank everyone who commented. The thoughts expressed to me included:

- To have real credence as a professional certification, shouldn't all certificate holders have to pass an examination? "Grandfathering" will appear self serving and reduce the likelihood that certification would have real value for many years.
- What process will be applied to achieve general agreement on the subjects to be tested?
- The program should be structured to establish the relevance of CPE courses to the individual's position or experience.
- Was a cost analysis performed to estimate the funding needed for the new AGA program oversight and administration organization and the program fees to be charged?
- The initial proposed \$195 application processing fee for non-examination based certification appears excessive in the absence of an established value of a certificate to its holder. If only 25 percent of AGA's over ten thousand members apply, initial fee income would be about \$500,000.
- There are already several established, widely recognized, examination based certification programs available to accountants and auditors. Is there really a need for another one?

Personally, I continue to support certification generally as I see a need to increase the professionalism of financial managers through continuing education. I would like the certification program to be the best program we can possibly make it. With that goal in mind, I sent President Steinhoff an advance copy of this Message in time to reach him before the March 18 NEC meeting.

**SUMMARY OF MARCH  
LUNCHEON SPEAKER'S REMARKS  
By Alan Strelser, Secretary**

Nancy Gordon, Assistant Director for Health and Human Resources of the Congressional Budget Office (CBO), was our speaker at the Chapter luncheon meeting on March 3 at the Touchdown Club. The meeting was jointly sponsored by the American Society of Military Comptrollers. She discussed health care reform, including the Health Security Act proposed by the Clinton Administration.

She noted that our current health system has many strengths but receives mounting criticism. Although the system can provide the highest quality health care in the world, spending is extremely high and rising faster than our gross domestic product (GDP). This rapid growth is a cause for concern. Health expenditures in the United States are about 12 percent of GDP and about twice the percentage experienced by Japan and the United Kingdom in 1990.

One important factor distorting the health care market is the prevalence of insurance, which insulates consumers from the full cost of care. Repeated attempts to control costs have not been successful, which has exacerbated the problem of access to care.

The dual problems of cost and access have convinced many Americans that fundamental reform is necessary, but widespread misunderstandings about the current system have led to contentious and confused debate over specific reforms. The misunderstandings include:

- Who pays for health care? Answer: In the long run, workers bear most of the costs of employment related health insurance through lower real wages and reduced non-medical fringe benefits.
- What is driving up health costs? Answer: A major factor underlying rapidly rising costs is new technology combined with a total lack of control over its use.
- Are there any silver bullets to control costs? Answer: No. Various improvements may generate modest savings, but there are no painless solutions.

The Clinton Administration's plan is unique because of its scope and attention to detail. The proposal outlines in legislation the steps that would actually have to be taken

to accomplish its goals. No other proposals to restructure the health care system have attempted this. If they had, they would almost certainly appear equally complex.

Dr. Gordon mentioned three important caveats to any analysis of health reform:

- Estimates of any proposal restructuring one-seventh of the economy are highly uncertain.
- The estimates extending into the next century--when most features would be phased in--are most relevant but also most uncertain.
- The estimates need to be kept in perspective . They may seem large in isolation but may be relatively small in the context of one-seventh of the economy.

The main findings of the CBO's analysis include:

- National health expenditure would rise in the first few years as the uninsured were covered and benefits improved for many others, then start dropping fast.
- The Federal deficit would be higher than under current law through the year 2004 and then decrease.

Although these results look promising, legitimate concerns remain about the feasibility of the Administration's proposal. They would exist for any proposal to restructure the current healthcare system and control costs. The real question to be answered is whether the inherent uncertainties of change are worth risking in order to address the problems of our current system.

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**Luncheon Meeting - May 4, 1994**

Program: Past Presidents/Annual Awards Meeting

Location: Touchdown Club; 2000 L Street, NW; Washington, DC

Time: 12:00 Noon, preceded by a cash bar social hour at 11:30

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The USDA Graduate School is offering Introductory Accounting; Principles of Accounting I, II, and III; Cost Accounting II; and several Personal Finances courses beginning April 11. Call (202) 720-5885 for information.

## SUMMARY OF FEBRUARY 24, 1994 EXECUTIVE COUNCIL MEETING

By Alan Strelser, Secretary

The following Council members attended the meeting: Patricia Wensel, Alan Strelser, Judith Fuerstenberg, Marcus Page, Patricia Dews, Jeff Williams, Hazel Fiers for Mitchell Laine, Peter Ben Ezra and I-Ming Clark.

The principal business conducted was:

- Minutes for the January 26, 1994 Council meeting were read and accepted as amended.
- Jeff Williams, Community Outreach Director, reviewed the various outreach programs described in the March issue of *The Washington Connection*. Motions were passed to donate funds to the American Red Cross for California earthquake relief and to Channel 32 from funds already included in the approved budget. Jeff will be chairing the National Committee next year.
- Judi Fuerstenberg, Treasurer, discussed Chapter finances and the need for a contractor to help with the billings and collections workload generated by the numerous educational events held this year.
- Pat Wensel reported on the status of award nominations due to National by March 4, 1994.
- The Chapter Social held at Sfuzzi's Restaurant in Union Station on February 10 was discussed. Bad weather held attendance down. An attempt will be made to hold another social before the current program year ends.

### MEMBERSHIP

By Evelyn A. Brown, Director

Our cooperative efforts are insuring a prosperous membership year. As of February 28, 1994, the Chapter membership was 1,035, an increase of 14 over the January 1994 base of 1,021. This sends a strong message that the growth of the Chapter is on the rise. Throughout the year you have demonstrated your interest and support for the organization.

Although the Reinventing Membership Campaign is approaching closure in April, do not forget that membership acquisition, growth and retention is a never-ending goal. You still have time to earn AGA dollars. Recruit a minimum of 3 new members before April 30

and earn \$15 AGA dollars. They can be spent on any AGA items through April 30, 1995, including personal dues and functions of the Education and Research Foundation. In addition, your name will be entered in a fishbowl drawing. The winner will get round trip transportation, lodging and registration to any National AGA meeting in calendar years 1994 or 1995. If you recruit 6 new members your name will be entered the maximum two times.

We would like to welcome the following new members:

<u>Name/Agency</u>	<u>Sponsor</u>
Thomas Bloom, Dept. of Commerce	Clyde McShan
Carolyn Tucker, Peace Corps	
Carrie N. Chupp, Price Waterhouse	Virginia Murphy
Heather R. Cocozza, Pr. Waterhouse	Virginia Murphy
Mary-Ellen Derry, Price Waterhouse	Sue Wilkes
Steven M. Easley, Custead, Easley & Co.	
Erica Efkeeman, Price Waterhouse	Sue Wilkes
Antoine F.J. Elachkar, Dept. of Commerce	
Sharon Fitzsimmons, Price Waterhouse	Luise Jordan
Monique N. Fox, Dept. of State	
Chelton T. Givens, Dept. of Education	
Maattie R. Harm, Dept. of State	
Jeffrey B. Isaa, Price Waterhouse	Sue Wilkes
Allen L. Lawrence, Price Waterhouse	
Elna M. Leonardo, Price Waterhouse	Sue Wilkes
Vincent Loiacono, KPMG Peat Marwick	
Katherine Newman, Bureau of Labor Stats.	
William O'Neill, Custead, Easley & Co.	
Lisa R. Parker, Resolu. Trust Corp.	Pamela Gardiner
Linda L. Paulsen, Dept. of Education	Mitch Laine
Kathleen A. Powers, Pr. Waterhouse	Virginia Murphy
Nada Rehman, Amer. Mgmt. Sys.	Dan Deboissiere
Daniel B. Schmickel, Amer. Mgmt. Sys.	
Margaret Shopla, Price Waterhouse	Sue Wilkes
Margie Smith, Price Waterhouse	
Susan J. Smih, Price Waterhouse	Virginia Murphy
Christopher K. Somers, Del. & Touche	
Carol A. St. Armand, NASA	Judi Fuerstenberg
Debra K. Steinbacher, Price Waterhouse	
Ashley Wells, Computer Based Sys., Inc.	

The list of names above reflects the tremendous recruitment efforts that have taken place. It is truly exciting to witness the growing list of members and sponsors. Sue Wilkes and Virginia Murphy are both to be congratulated for recruiting 5 and 4 members, respectively. Their earned AGA dollars have been recorded.

For additional information regarding membership, please call me (202) 366-0269 or Judith Parsons (202) 874-4781.

## **Strategic Financial Planning and Organizational Partnerships**

*How to Fulfill the Financial Manager's Mission in Today's Changing Environment*

Crystal City Sheraton  
1800 Jefferson Davis Highway  
Arlington, Virginia 22202  
(703)486-1111

TUESDAY  
APRIL 26, 1994

Registration Fee:  
\$125 - AGA Members  
\$135 - All Others

By METRO: Crystal City Stop  
On the Blue or Yellow Lines

Recommended 8 hours of CPE credit

Submit completed SF-182 or  
check payable to "AGA,  
Washington Chapter"

The financial information requirements that the government accounting community must address continue to multiply and expand. At the same time, the resources available to address them grow much less slowly -- or decline altogether. The need for effective strategic financial planning and organization-wide resource utilization has never been more critical.

This symposium will provide the financial manager with effective means of achieving better financial results through strategic financial planning and organizational partnerships. The speakers will provide a range of insights, with a focus on the role of information -- all of which will culminate in a case study of effective financial reporting. Those in attendance will gain an understanding of how to address their information requirements, with topics progressing as follows:

- What information requirements to plan for
  - How to plan for them
  - How to collect what you've planned for
  - What to do with what you've collected
  - How to improve what you've done
  - How to report what you've improved
- In this way, the symposium -- the last one currently scheduled for FY94 -- will both complement and expand upon the March 31 JFMIP conference.

### **TO REGISTER:**

Please provide your name, agency, billing address, and business phone number to any of the following:

Phone Registration:  
Washington AGA Voice Mail  
(703) 758-4080

FAX Registration:  
Tony Gioffre  
(703) 908-1695

Registration by Mail:  
AGA, Washington Chapter  
P.O. Box 44166  
Washington, DC 20026 - 4166

*To ensure your admission,  
please register by April 15, 1994*

7:30 - 8:30 **Registration**

8:30 **Introduction**  
*Larry Wilson, President, D.C. AGA Chapter*

### **THE FINANCIAL CHALLENGES IN STORE -- AND HOW TO PLAN FOR THEM**

8:45 **Surveying the Federal Financial Landscape**  
*Donald Chapin, Assistant Comptroller General, GAO*

9:15 **On the Legislative Horizon: What to Expect, and How the Government Accountant Will Be Affected**  
*Mark Goldstein, Professional Staff Member, Senate Governmental Affairs Committee*

9:45 **Developing Cost Information that Matters: What is In Store from the FASAB -- And How to Prepare For It**  
*Regina Begliutti, Director of Financial and Information Technology Initiatives, Office of the Secretary of Defense*

10:30 **Strategic Planning: Essential Partnerships**  
*Kathie Libby, Strategic Planning Consultant*

### **ACHIEVING RESULTS: MAKING CUSTOMER SATISFACTION A REALITY THROUGH PARTNERSHIPS**

11:15 **Gathering the Information Needed: Surveying Customers to Maximize Satisfaction**  
*Dianne Morse Houghton, Arthur Andersen*

12:00 **Lunch -- The Federal Agency of the Future: Making the Vision a Reality**  
*Doug Farbrother, Leader of NPR Reinvention Laboratories, National Performance Review*

1:30 **The Financial Manager as Facilitator of Operational Decisionmaking: Success Stories and Lessons Learned from the IRS**  
*Joe Donlon, Acting Controller, Internal Revenue Service*

2:30 **Beyond ABC's and BPR's: Building an Improvement-Driven Financial Organization**  
*Cliff Cooksey, Coopers & Lybrand*

3:15 **Getting Financial Statements Right the First Time: U.S. Army as Case Study**  
- Making the Most of Data Through Organization-wide Resources  
- Making Financial Results Informative -- to Everyone  
*June Adelsberger, Leader of CFO Act Implementation Initiatives, Office of the Assistant Secretary for Accounting and Financial Management, U.S. Army*  
*Greg Schmalfeldt, Financial Management and Evaluation Division, Defense Finance and Accounting Service*

4:15 Adjourn

**Reserve April 26, 1994 on Your Calendar Now!**

## ACCOUNTANTS AND AUDITORS: WHAT IS AN ASSET?

By Raymond Einhorn, The American University

Accountants and auditors in industry, financial institutions, Federal agencies, and public accounting should carefully read SEC Chief Accountant Walter Schuetze's short article in the September 1993 Accounting Horizons (Vol. 7, No. 3) on "WHAT IS AN ASSET?" It is as thoughtful as provocative, and will lead to further analysis. The SEC has emphasized strongly mark-to-market accounting for marketable debt and equity securities, and encouraged the FASB and the financial community at large to embrace this standard. The SEC staff has also suggested that in measuring impairment, the fair value of all assets is the best attribute to look at to obtain the most relevant measure.

### BUT, WHAT IS AN ASSET?

A more fundamental issue, Mr. Schuetze states, is the definition of an asset. At this point, I anticipated he would refer to the origin of the English word assets -- ASSEZ, the French word for enough (enough to pay the debts). But he did not. He notes that at the international level, there is lack of agreement on the basic concepts of financial accounting and reporting, and one of the issues is the definition of an asset. And in the U.S., lack of agreement on the definition is a major roadblock to resolving accounting issues.

The FASB definition is a "probable future economic benefit" (1) that has the capacity to contribute to future net cash inflows, \* (2) where the entity can control the benefit for itself, and (3) the event giving the entity this control has already occurred. Mr. Schuetze gives further details on the FASB's description of the features of an asset, but points out that the definition is so complex, abstract, open-ended, and vague that it is not usable to solve problems. It does not require exchangeability, and it allows all expenditures to be considered for inclusion. To support this contention, he cited some extreme cases submitted to the SEC.

Moreover, there is a strong proclivity not to recognize assets unless there is a cash or equivalent COST, and often accountants and auditors do not recognize "assets" unless there is a cost. He cited eleven official

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\*Robert Mautz using this definition contended to AGA and IIA that the Washington Monument is not an asset, but a liability. See Lucy Lomax's Master's Thesis at AU for a commentary on Bob Mautz' analysis.

pronouncements of AICPA and FASB where "cost" is identified as the feature of an asset, rather than a "probable future economic benefit." You will easily recognize some of these instances. (I am not sufficiently current with FASAB to know if parts of this disclosure by Mr. Schuetze may be applicable or provocative.)

In other cases, he emphasized that the "probable future benefits" are much greater than the cost of the asset, but the item nevertheless is recorded as an asset at cost. Thus, he suggests that defining an asset as a probable future benefit is to use a "high-order abstraction." For example, using probable future benefits for a truck would mean the asset is recorded as the present value of the cash flows that will come from using the truck over its useful life. But we instead record the truck asset at cost, and we are comfortable doing so.

### HIS SUGGESTION FOR THE DEFINITION OF AN ASSET

Mr. Schuetze has a simple one: "Cash, contractual claims to cash or services, and items that can be sold separately for cash." Abstract probable future benefits would not be included just because they have a cost. A cost would not per se be an asset, nor would such items as initial losses in a retail operation, etc. Examples of assets would be cash; claims to cash (receivables, demand deposits, etc.); bills, notes, and bonds issued by governments, corporations, and others; prepaid rent and other services; inventories; land and other plant assets; landing slots at airports; and similar items. Excluded would be preopening costs, assets leased by lessees, deferred taxes, goodwill, and losses.

Such a definition in the Chief Accountant's opinion would simplify accounting, and would appeal to investors and other users of financial statements, and to "ordinary men and women." Accounting should not be done for the benefit of accountants. Assets would be real things, exchangeable things. Balance sheets would be solid, and less prone to challenge and litigation against companies and auditors. Comparability in accounting and reporting is another benefit.

Using this alternative definition would not govern which "attribute of the asset ought to be selected for measurement and reporting on the balance sheet." Historical cost, or updates for changes in the general price level, could be used for nonmonetary assets, or even the future value of cash flows. Financial instruments would preferably (per SEC) be shown at market value. Today's definition of an asset is "too inclusive, overly complex, and vague," Mr. Schuetze concludes from his reviews.

Mr. Einhorn added a note to his article on the preceding page as follows:

*After digesting the profession's conflicting and ambiguous definitions of an asset described by Mr. Schuetze, I am reminded of Alice in Wonderland (Vantage Press Edition, May, 1976). When Alice objected to Humpty Dumpty's meaning of a word, he replied, "When I use a word, it means just what I choose it to mean - neither more nor less." "The question is," said Alice, "whether you can make words mean so many different things." "The question is," said Humpty Dumpty, "which is to be master, that's all."*

### CERTIFIED COST ESTIMATOR/ANALYST

The Society of Cost Estimating and Analysis (SCEA) authenticates the qualifications of individuals judged to be of high estimating or analysis accomplishment and capability.

Mike Kess, our Chapter Director of Member Services, and an Accountant with the U.S. Mint, and SCEA member, was recently notified that he had passed the November 13, 1993 certified cost analyst exam. This 4 hour exam is designed to demonstrate proficiency in cost and economic analysis, managerial/cost accounting, cost estimating, and contract pricing. As Mike had already met the education and work experience requirements of SCEA, the Society has presented him with its professional certification designation of Certified Cost Estimator/Analyst. SCEA has continued certification requirements which can be met through recertification testing or through a combination of continuing professional education, additional experience, and service to the profession.

### The Association of Government Accountants Washington Chapter \$1,000 Member Student Award

The Student Awards Committee of the AGA, Washington Chapter is accepting applications for a \$1,000 scholarship. The scholarship will be awarded to a Washington Chapter member who is a part-time or full-time student in a financial management related educational program. Courses such as accounting, auditing, budgeting, and public financial management qualify. The applicant's need for financial assistance and likelihood of success will be considered in selecting the awardee. The award will be presented during the Chapter's May 4, 1994 monthly luncheon meeting.

The Scholarship must be used for studies in:

- 1) Graduate, undergraduate, or continuing education programs, or
- 2) Professional Certification Review Courses (CPA, CIA, CFE, etc.)

#### APPLICATIONS MUST INCLUDE

- A short description of the educational program to be pursued
- A copy of academic transcript(s) for college work
- A letter of recommendation from current employer or faculty advisor
- An essay (typed, double-spaced, and no more than 500 words) addressing the following items:
  - 1) Financial Need for the Scholarship
  - 2) Career Goals in Government Financial Management

#### APPLICATIONS SHOULD BE SENT TO:

AGA, Washington Chapter  
Student Awards Committee  
P.O. Box 423  
Washington, DC 20044-0423

#### FOR INFORMATION CONTACT:

Contact Person: Jon Holladay  
Contact Phone: (202) 690-2801  
Contact Fax: (202) 720-5679

**APPLICATIONS MUST BE RECEIVED BY APRIL 19, 1994**

**AGA WASHINGTON CHAPTER  
CHAPTER EXECUTIVE COUNCIL  
FOR 1993/1994**

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Chapter Recognition Program

Our Chapter has surpassed its goal of 10,000 points. We have "recorded" 12,095 points through February 1994, however, as we are limited in the number of points we can receive in certain categories, we have effectively earned only 10,735 points which can be counted toward the program.



<p><i>Association of Government Accountants</i></p>	<p><b>THE WASHINGTON CONNECTION</b></p>
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**P. O. Box 423  
Washington, D.C. 20044**

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