

ASSOCIATION of GOVERNMENT ACCOUNTANTS

THE WASHINGTON CONNECTION

Washington Chapter • P.O. Box 423 • Washington, D.C. 20044-0423 • (703) 758-0480 • October 1992

WASHINGTON CHAPTER LUNCHEON MEETING

THURSDAY
OCTOBER 1, 1992

SPEAKER



DONALD B. SHYCOFF
ACTING COMPTROLLER, DoD

Touchdown Club
2000 L Street, N.W.
(Near Farragut West Metro Stop)

Social: 11:30 (Cash Bar)
Luncheon: 12:00 NOON
Menu: London Broil
Cost: \$16.00 (Members)
\$18.00 (Non-Members)

- . Reservations strongly recommended.
- . Call (703) 758-4080 Voice Mail through September 29.
- . Non-Members are welcomed.
- . No-Shows are expected to pay.
- . Walk-ins are welcomed on space available basis.

DEFENSE MODERNIZES ITS FINANCIAL OPERATIONS

Mr. Donald B. Shycoff is currently the Acting Comptroller of the Department of Defense. Mr. Shycoff began his government career in 1956 as a Budget Analyst with the Bureau of Ships (now Naval Sea Systems Command). In 1966, Mr. Shycoff joined the staff of the Secretary of Defense (OSD), and was responsible for reviewing a number of DoD operating programs until 1973. He was appointed as the Head of the Military Personnel Directorate in 1973, in OSD Comptroller (Program/Budget), and became the Director of Operations in OSD in 1974. In 1982, Mr. Shycoff joined the Defense Logistics Agency (DLA) as Budget Officer, and directed the formulation and execution of budgets of the agency. In July 1983, Mr. Shycoff was appointed to the position of DLA Deputy Comptroller. He was appointed to the current position, Principal Deputy Comptroller, DoD, in June 1989. In addition to receiving various awards, Mr. Shycoff received the Presidential Distinguished Rank Award in 1992.

<p><i>Last 2 CFO Workshops for '92</i></p> <p>THE CHIEF FINANCIAL OFFICERS ACT</p> <p><i>Explained, Explored and Dissected</i></p>	<p>October 20 - 22 November 17 - 19</p> <p>At the Officer's Club, Andrews Air Force Base Camp Springs, Maryland</p>
	<ul style="list-style-type: none"> ✓ Designed for Professional Accountants, Auditors, and other Financial Managers ✓ Outstanding Workshop Leaders ✓ 22 CPE Credits ✓ All for \$300 ✓ Sponsored by AGA Education & Research Foundation

For registration information, please contact Lori Walters at (703) 684-6931

PRESIDENT'S MESSAGE

Marcus W. Page
AGA, Washington Chapter

We're into the Program Year. The first Newsletter and Luncheon Meeting are past. The Potomac Cruise was a sellout with 125 attendees. **Our Education Committee is hard at work on two Educational Events.** The first is scheduled for November on Travel Operations -- a subject of interest to all of our operations accountants who provide those services; our systems and policy accountants who support them; and our auditors who evaluate the results. The second event is the three-chapter, two-day Seminar at the Washington Marriott on February 1 and 2. **In addition, some of you should surely covet a CHIEF OR DEPUTY CHIEF FINANCIAL OFFICER POSITION in the future.** The AGA Education and Research Foundation can get you ready for it. See the announcement on page one. This CFO Workshop is available on two different dates -- October 20-22 and November 17-19. Try to make one of them!

More good news, I-Ming Clark has volunteered to take over as **Editor of the AGA Newsletter.** You can help her out by submitting articles for publication.

Successes will get acknowledged in the Washington Chapter! **Let's all thank Rachelle Harris, Karl Boettcher, and their committee for a great job on the Potomac River Cruise.** And how about a repeat for next September! **Personal thanks from me to Judith Parson** for managing the arrangements at our first luncheon meeting.

And a big hand to Treasurer Joyce Charles, Assistant Treasurer Pete Nahornyj, and Director for Budget and Finance, Warren Cottingham, for converting our Chapter's accounting system to a PC-based system called ONE WRITE PLUS.

I still need volunteers for a number of committees. Call me on **202-622-0560** and participate.

Did you know that a really interesting tour of the restored areas of the Treasury building is available on alternate Saturday mornings. For those of you who are into historic preservation, a real treat is in store. Call the 24-hour Tour Information line on **202-622-0896.**

Jeff Williams, our Director for Community Outreach, has put together the plan for a program he calls, "**WE ARE MAKING A DIFFERENCE.**" It's a good plan. It continues our investment in VITA and Small Business Education, but expands our efforts into the Washington D.C. community. It focuses on a selected number of high schools in D.C. We will get the message out that financial management offers opportunities for success. We will identify young people who are interested, assist them in planning for education and careers, help with understanding accounting, help with college plans, help with part-time jobs, and eventually career jobs. Want to help? Call Jeff or me!

ACCOUNTABILITY PARALLELS IN CANADA

If you have ever wondered if other governments have problems similar to ours, you can stop wondering. The answer is YES. Quite often, financial managers from other countries visit our government to see how we manage our Federal resources. We can also learn from them. What follows is an excerpt from a publication of the Comptroller General of Canada. See if it sounds familiar.

RATIONALE FOR ACCOUNTABILITY

All managers in the Government of Canada are trustees of public resources. As they deliver federal programs and services, they have a responsibility to ensure that they do so with probity (acting as one ought), prudence (the careful and responsible management of public resources), and concern with effectiveness, efficiency and economy (value for money). Financial management is an integral element of all management, not the concern of a few specialists, though financial specialists do have an important role.

Recent government-wide initiatives are intended to devolve more authority and responsibility to managers and introduce a more trusting and less restrictive management style. With few exceptions, departments and agencies no longer require prior Treasury Board approval to act in matters of financial management. Deputy heads are being vested with greater authority than previously. In turn, they will be expected to provide assurances that they have fully discharged their responsibilities.

It is expected that this more open style of management will grow throughout the entire structure of the Government of Canada, and that deputy heads will devolve more authority to line managers, especially with respect to decisions that affect service to the public. With the benefits of modern technology, much of the information needed for decision-making and control, that formerly could only be found at headquarters or in a central agency, can now be available to front-line managers. But just as with deputy heads, managers will be expected to account for their financial management performance. Only if they do so will senior management be in a position to discharge its own accountability responsibilities.

Under the Financial Administration Act and government policy, deputy heads are responsible for financial management in their departments and agencies. It is essential, therefore, that they be aware of any weaknesses in existing systems. If current arrangements are faulty, or if financial support services are inadequate, they need to know. In such circumstances, they also need to know that appropriate remedial action is being taken.

What all this means is that managers, more than ever before, must have a clear understanding of their financial management responsibilities and be able to demonstrate accountability for their performance in this regard.

It also means that a regular, systematic review of financial management practices and supporting systems and services should be incorporated as an ongoing part of management control activities. The framework suggested in this booklet will be useful to managers in fulfilling these responsibilities.

FINANCIAL MANAGEMENT RESPONSIBILITIES

While respecting overall government policy, each department and agency must determine for itself what particular organization and processes are most suitable for its own financial management purposes. Responsibilities should be assigned accordingly and may vary from organization to organization. The overall objective is to ensure that the five previously mentioned responsibilities are fulfilled.

It is the responsibility of the senior financial officer to devise the appropriate financial management organization and processes for the department or agency. Although he or she may rely on the Office of the Comptroller General (OCG) for advice and support in this connection, it is not the role of the Office to prescribe how this responsibility should be discharged. However, the OCG offers the following framework as a suggestion of what it might encompass. Senior financial officers may want to adopt it for their department or agency.

(Continued)

Accountability (Continued)

The suggested framework is a set of expectations that should be met if the five responsibilities for deputy heads are to be satisfied. In effect, it is an elaboration of the points on which deputies require assurance.

The following overall expectations could be used to assess the adequacy and performance of financial management and supporting services:

Management

- . Program delivery and major project decisions routinely take into account financial management considerations.
- . All long- and short-term plans and proposed initiatives include an appropriate analysis of financial implications.
- . Objective reviews are made of the funding and financial management implications of all plans and proposed initiatives.
- . Assets, liabilities, revenues and expenditures are managed to optimize cash flows and minimize capital costs.

Information and Advice

- . Timely and reliable advice is available to managers at all levels to support their financial management responsibilities.
- . Relevant and reliable financial management reports support the decision-making, accountability and control needs of departmental managers.
- . Timely, accurate and consistent information is available to managers for financial management.
- . Financial information is an integral part of program management information systems.
- . Parliamentary and central agency information requirements are consistently met.

Control

- . All legislation, regulations and executive orders applicable to financial management are complied with, and spending limits are observed.

- . Taking materiality, sensitivity and risk into account, there is an adequate system of internal control over assets, liabilities, revenue and expenditures.
- . The organization's program structure is supported by a complete and reliable set of accounting records which meets departmental and government-wide requirements.

Accountability

- . Managers at all levels are aware of their financial management responsibilities and have the training and resources to fulfill them.
- . Adequate and reliable means of monitoring and assessing financial management performance is in place.
- . Proper attention is given to audits, reviews, studies and other means of monitoring and assessing financial management performance.

Organization and Processes

- . Cost-effective dependable services and systems are provided at all levels to support sound financial management.
- . The responsibility for the financial management organization, systems and processes is clearly assigned and communicated throughout the organization.

"TRAVEL"
NOVEMBER 12, 1992
8:30 A.M - 4:30 P.M.

Features:

- Regulation changes
- New Programs
- Software demonstration

Cost: \$95.00

Place: Hyatt Regency on Capital Hill
 400 New Jersey Ave., N.W.

Registration:

Call (703) 758-4080 for more information.

JFMIP UPDATE

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Department of the Treasury, Office of Management and Budget, Office of Personnel Management, and the General Accounting Office within the United States Government. JFMIP's mission is to promote good financial management practices in the public sector.

The JFMIP acts as a clearinghouse for sharing and disseminating good financial management techniques and technologies. It sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management practices.

JFMIP is involved in projects to address financial management concerns with government-wide application. These projects are usually performed by interagency project teams. Among the projects that JFMIP is currently undertaking are: update of the Core Financial System Requirements, development of system requirements for seized/forfeited assets and inventory, and direct and guaranteed loans. Periodically, we will update you on one of these projects.

Since the Core Financial System Requirements were issued in January 1988, significant developments in financial management have taken place, including passage of the Chief Financial Officers Act of 1990, the Cash Management Improvement Act of 1990, the Credit Reform Act of 1990, the Federal Debt Collection Procedures Act of 1990, and establishment of the Federal Accounting Standards Advisory Board (FASAB). The objective of this JFMIP project is to update the core requirements by incorporating these legislative changes as well as the comments received from the Chief Financial Officers Council's Financial Systems Committee, and others in the financial community on the specific core system requirements.

Currently, the OMB is reviewing a revised draft. The draft will then be sent to all agencies for comments for sixty days before it is sent to the JFMIP Steering Committee for final approval.

For further information on this project, please contact Ken Winne, Senior Project Director, at (202) 376-5415.

FMS TO DEVELOP FUNCTIONAL REQUIREMENTS FOR LOAN SYSTEMS

By Robert P. Clark

The Financial Management Division which already serves as the vehicle for Financial Management Service (FMS) lead agency authority in the area of the U.S. Standard General Ledger and financial management systems under Office of Management and Budget (OMB) Circular A-127, will serve as the Government project leader to develop functional system requirements documents for both direct and guaranteed loan systems. These documents will be produced with contractor support during FY 93 and will be added to the existing series of system requirement documents as published by the Joint Financial Management Improvement Program (JFMIP). FMD will award the contract in early September.

The documents will provide governmentwide loan system requirements that will assist in agency evaluation of their respective systems as well as providing the framework for future loan system development. It will also enhance the accountability for credit management and debt collection processes by providing the necessary linkage between those procedures and the loan system.

The final document will be the result of a cooperative effort. Other key players who will be supporting this effort include the Federal Financial Systems Branch at OMB, JFMIP, the Chief Financial Officers Council's Financial Systems Committee, the Credit Administration Division within FMS and the five large loan program agencies. Please call (202) 208-1751 for more information.

WELCOME

The Washington Chapter would like to take this opportunity to welcome all the new and transferred members to our Chapter. Due to the limited space in this newsletter, we will publish a list of new Chapter members in the November issue.

SUMMARY OF LUNCHEON SPEECH

By Patricia Wensel

On September 3, 1992, the luncheon speaker was the Honorable Gerald R. Riso, Special Advisor to the DHUD Secretary for Financial Management. Mr. Riso's presentation focused on the advice he would give the transition team that will be coming in regardless of the outcome of the election.

He would advise the team to take a longer term view. Much has been done in the area of financial management and accountability which includes: a legislatively required Chief Financial Officer; a qualified professional heading the Office of Federal Financial Management at the Office of Management and Budget (OMB); a staff of qualified financial personnel at OMB; Departmental Chief Financial Officers; many systems consolidation efforts; use of off-the-shelf software for financial systems; audited financial statements; and use of numerous cash management mechanisms like electronic funds transfer and bankcards.

Even though there has been much improvement, there is still lots more to be done. Systems modernization must continue; the internal control process needs more attention; and performance measures must be developed to measure program results. Mr. Riso spoke of the gap between expectation and reality. He feels that it is necessary to instill a sense of urgency and commitment to get the job done. According to Mr. Riso, the priority for financial management is not widespread, but rather focused in groups like the AGA.

Mr. Riso offered the following five suggestions for the transition team:

1. Worry about continuity. Don't repeat the mistakes of the past where the team lost sight of the goal. Commit to continuity with the current Chief Financial Officer.
2. Address areas of professional credentials. Chief Financial Officers must be qualified to head complex financial management organizations.
3. Develop and provide financial management training for the new program managers who will arrive in January.

4. Require that Chief Financial Officers become champions for good financial management within agencies.
5. Performance measures must be presented up front, not just at the end in audited financial statements.

Mr. Riso also said we must hold Cabinet officers responsible for financial management results in program areas.

In my opinion, Mr. Riso offered some very good advice to the transition team that should be given serious consideration by all financial managers throughout the federal government.

COMMUNITY OUTREACH UPDATE

By Jeffery Williams

The Association of Government Accountants strongly supports community involvement. As the Director of the Community Outreach Program this year, I have designated the theme for this year's program as "**WE ARE MAKING A DIFFERENCE**". The following is a list of programs to serve the District of Columbia:

- Partners in Education (New)
- Thanksgiving Baskets (New)
- Adopt Families for Christmas (New)
- Annual Food Drive (New)
- Literacy Program (New)
- Volunteer Income Tax Assistance - VITA
- Student Scholarship Program
- Small Business Education Seminar

If you are interested in becoming a Committee Chairperson or Committee Member in any of these programs, please contact me at (202) 254-8385 or (703) 998-1739. This is a chance for you to get involved in the community, because "**WE ARE MAKING A DIFFERENCE**".

EDITORIAL

Given the fact that the Federal debt is on the brink of reaching \$4 trillion, the President has proposed that taxpayers be given the option of checking off part of their taxes to go towards debt reduction. Whatever that totals each year would trigger an automatic reduction in expenditures in the same amount. The question that arises is could this proposal make any difference as long as the annual budget deficit keeps adding billions a year to the debt. Many economists have already opined that the check off would not come close to covering even the annual additions from the budget deficits. So, is there any value in the proposal? The answer may very well be yes.

For the first century and a half, our country's debt rose during wars and was reduced during the periods following those wars. After the Revolution, Alexander Hamilton was faced with a \$78 million debt -- an enormous sum at that time. The interest payments alone made up 50 percent of the annual Federal budget expenditures. Hamilton established a sinking fund built from surplus tariff revenues to pay off the debt. By the time of his successor, Albert Gallatin, it was clear this device was inadequate to the task. Gallatin devised a plan to appropriate \$7 million annually to pay off the debt. The money would be derived from reductions in base expenditures. He was able to carry this out for five years and by 1811, the debt had been reduced to \$45 million and the interest to less than a third of the budget expenditures. Similarly, though debt expanded in the Civil War and World War I, there continued to be clear expectation that it would be paid down and so in each case sizeable reductions were made.

When the debt began to expand again during the Depression and World War II, the idea of debt reduction faded. Then, after 40 years of continuing deficits, the idea of debt reduction was largely dismissed. Something must be done to bring the idea of debt reduction back. Maybe, the proposal to let taxpayers decide if they want a portion of their taxes applied to debt reduction or left to be used for general expenditures would, at least, focus attention on the issue at hand. What do you think about debt reduction? Let's hear from you!

ON THE HILL

By Marcus Page

Senator Kent Conrad (N.D.) and James Jeffords (V.T.) are introducing legislation that will require an annual Federal financial report be submitted to American citizens. The proposed legislation would ride HR 11, an amendment to the Internal Revenue Code of 1986. Briefly, the legislation proposes the following:

- . The Deputy Director for Management (OMB) would supervise the preparation of the annual report;
- . An advisory committee appointed by Congress and the President would recommend the design and content of the report;
- . The report would contain statements by OMB, GAO, the President, the Majority Leader of the Senate, and the Speaker of the House on significant aspects of the government's financial performance;
- . The Secretary of the Treasury would publish a summary of the report in the IRS tax instruction booklets (Forms 1040, 1040A, and 1040EZ);
- . The summary would report the growth of the Federal debt; five year trends in receipts, expenditures, fund balances, assets and liabilities; and a comparison of actual budget for the most recent fiscal year to the budget projections; and
- . Citizens who wish a copy of the full report could request one for a fee to cover the cost of providing it.

The purpose of the proposal is to require the government to report financial status to the American taxpayers and to increase the participation and awareness of the public in finding solutions to the Federal government's budget problems.

CONGRATULATIONS

Mr. Mark Duda in the Smithsonian Institute, Office of Inspector General, passed his CPA exam in May 1992. Congratulations, Mark!

**AGA WASHINGTON CHAPTER
CHAPTER EXECUTIVE COUNCIL
FOR 1992/1993**

OFFICERS

PRESIDENT Marcus Page
Treasury (202) 622-0560
PRESIDENT-ELECT Larry Wilson
USDA (202) 720-8345
SECRETARY Patricia Wensel
Treasury (202) 622-1450
TREASURER Joyce Charles
Labor (202) 523-5906
PAST PRESIDENT Samuel T. Mok
GL Associates (202) 662-8882

DIRECTORS

PLANNING Larry Wilson
USDA (202) 720-8345
MEMBERSHIP Evelyn Brown
DOT (202) 366-0269
MONTHLY PROGRAM Richard Willett
Grant Thornton (202) 861-4150

ADMINISTRATION

GSA (202) 501-0246

EDUCATION

U.S. Courts (202) 633-6124

PROFESSIONAL SERVICES

DOC (301) 427-3237

BUDGET & FINANCE

FMS (202) 208-2417

COMMUNITY OUTREACH

USDA (202) 254-8385

MEMBER SERVICES

DOL (202) 501-8825

COMMUNICATIONS

DOE (202) 586-0140

PUBLICATIONS

DOD (703) 697-0536

REGIONAL V.P.

DOT (202) 366-1402

NEWSLETTER EDITOR

Treasury (202) 622-0934

Patricia Dews

Nancy Fleetwood

Joan Bozzonetti

Warren J. Cottingham

Jeffery Williams

Velma Speight

Judi Fuerstenberg

Ronald Adolphi

Richard A. Kaplan

I-Ming C. Clark

*Association of
Government
Accountants*

**THE WASHINGTON
CONNECTION**

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

**FIRST CLASS MAIL -
PLEASE EXPEDITE**