

Washington Chapter • P.O. Box 423 • Washington, D.C. 20044-0423 • (703) 758-4080 • September 1994

WASHINGTON CHAPTER LUNCHEON MEETING

THURSDAY
SEPTEMBER 8, 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 are urged
- Call (703) 758-4080 by
September 6, 1994
- Non-Members are welcome

LUNCHEON PROGRAM

SPEAKER: **Mr. Barry B. Anderson**
Office of Management and Budget

TOPIC: "OMB 2000"

Mr. Anderson is the Assistant Director for Budget at OMB, having served in that position since 1988. He is the senior careerist in OMB with oversight over the entire budget process and responsibility for ensuring that the budget gets put together and gets to the Congress. This includes direction of the fiscal and economic analyses required to formulate budget policies, the definition of budget structure and concepts, and implementation of budget-related legislation.

Mr. Anderson has been at OMB since 1980. He previously served as Chief of the Fiscal Analysis Branch, and before that as Chief of the Commerce Branch.

In addressing "OMB 2000," Mr. Anderson will focus on the implications for management, with particular emphasis on the implications of OMB 2000 for financial management.

..... SIGN LANGUAGE INTERPRETER

The Washington Chapter is happy to announce the availability of an interpreter from Sign Language Associates to sign for the hearing-impaired at the monthly luncheon meetings.

Anyone who wishes to use this service should make a reservation for the luncheon and state the service is needed. If the Chapter has received a reservation requiring the service by the Monday before the luncheon meeting, an interpreter will be present at the meeting.

For the September luncheon meeting, reservations for this service must be made by Monday, September 5.

..... OCTOBER LUNCHEON SPEAKER

WHO: The Honorable George Muñoz
Assistant Secretary, Management, and
Chief Financial Officer
Department of the Treasury

WHEN: Thursday, October 6, 1994

WHERE: Touchdown Club, 2000 L Street, NW

TOPIC: Mr. Muñoz is the newly elected vice chair of the CFO Council. He will speak on the process of the Council and implications for government finance.

The President's Message



Pat Wensel, President

As we begin another exciting year in the life of the Washington Chapter of the Association of Government Accountants, I am proud to be carrying on a long tradition of outstanding leadership. I am certain that the goals and objectives we have established for 1994/1995 will offer something of value for everyone. Working together we can help the Chapter grow stronger and more active. My special thanks to Larry Wilson, Past President, for all his work during the past year. I also thank outgoing Council members Al Strelser, Judi Fuerstenberg, Ron Aldolphi, Pat Dews, Nancy Fleetwood, Mike Kess, and Warren Cottingham for their dedication and continuing support.

AGA had a very successful Professional Development Conference thanks in large measure to the efforts of many Washington Chapter members who spent many long hours of personal time. I want to add my thanks to each and everyone of you for those efforts. We are fortunate to have such a multi-talented and dedicated membership.

The Washington Chapter was formally recognized at the PDC for its many efforts. We were again awarded the Five-Star designation for exceeding our recognition program goals. Our Newsletter was awarded an honorable mention in the Newsletter competition thanks to the commendable efforts of our editor, Bob Buchanan. With your continued support we will be similarly recognized next year in San Diego.

I would like to share with you some of the goals and objectives we have established for this program year.

Goal 1: To get more Washington Chapter members actively involved in the events and activities of the Chapter.

The best way for our Chapter to move forward and be more effective is through active involvement by members. When each of you is active, both you the member and the Chapter gain. To accomplish this goal we must: (1) increase committee membership and participation; (2) increase attendance at monthly meetings; (3) offer events and activities that interest our membership; (4) retain current membership; and (5) attract new members.

Goal 2: To serve the professional development needs of our membership and the area's financial management community.

I am committed to providing our membership with ample opportunities for professional growth. The Education Committee pledges the following: (1) To meet the CPE needs of AGA members and the Washington, D.C. metropolitan area financial management community; (2) to foster awareness and understanding of key accounting, auditing, and financial management issues; and (3) to provide a forum for sharing of successful and innovative practices and strategies to carrying out financial management, accounting, and auditing functions.

Goal 3: To focus on meeting the diverse needs of Chapter members.

We are anxious to provide for the needs and desires of our membership. We intend to continue what has succeeded in the past and try some new initiatives. These include: (1) to provide interpreters at monthly meetings and educational events for our hearing impaired members; (2) to sponsor social events that will provide opportunities for us to informally interact with our fellow professionals; (3) to provide mentoring opportunities that will pair our more experienced members with early-career members; and (4) to provide networking opportunities where members can share information on successes and lessons learned and assist with solutions to common problems.

Goal 4: To increase our community service involvement and outreach.

We have had an active community service program but we can and will do more. I agree with National President Clyde McShan's statement that "Community service provides an avenue for AGA and its members to enrich the lives of people." Our members are a talented and generous group who will help us accomplish this goal. We are committed to supporting past community service projects (e.g., Volunteer Income Tax Assistance, Small Business Program, Partners in Education, Project Harvest, PBS Telethon, Student Scholarship Awards, disaster assistance) and expanding into new projects that will serve the needs of our community.

Goal 5: To recognize the proficiency of our members by promoting certification through AGA's Certified Government Financial Manager Program.

The National Executive Council approved implementation of the Certified Government Financial Manager Program. We will work with National to ensure that our eligible members are properly recognized for their proficiency in the unique skills and special knowledge required of professionals making up the government financial management community.

I am committed to providing our membership the highest level of service, but I cannot do it alone. I have an outstanding slate of officers and executive board who have been hard at work during the summer months. They have planned an outstanding program for you and your fellow financial management professionals to accomplish the goals we have established.

But we need your help to make this a successful year. Membership alone is not enough. We need your active involvement. Volunteer to serve on one of the existing committees. If you don't see an activity that appeals to you, please let me or one of the executive council know. We welcome any and all suggestions. Our phone numbers are listed in this edition. Please use them.

Our first educational event, "DOING MORE WITH LESS - TOOLS AND TECHNIQUES." will be held on September 12 and 13. This regional event will highlight new and innovative approaches to effectively streamline government and private sector operations as resources dwindle. See the registration information included in this edition or call our voice mailbox. Don't miss this opportunity and bring all your colleagues and friends. Watch later issues for details of other events in the planning stages.

As government financial managers we are facing formidable challenges. We've been asked to "reinvent government" and "do more with less." If we are to be successful in these endeavors, we must take advantage of the many opportunities available to share our expertise with other financial management professionals. Active participation in AGA is an excellent way to accomplish that objective and bring about changes that will make a difference.

Pat Wensel

CONGRATULATIONS TO CHAPTER MEMBERS:

Vincette Goerl - Appointed as CFO, U.S. Customs Service

Luise Jordan - Nominated for Inspector General, Corporation for National and Community Service

and to:

Susan Lee - FAA (AGA Regional Vice President) and

Karen Holmcrans - OGDEN Government Services

who both passed the CPA examination!

..... FASAB NOTE

The Federal Accounting Standards Advisory Board (FASAB) has issued its exposure draft, "Statement of Recommended Accounting and Reporting Concepts, No. 2," *Entity and Display*.

The draft was issued on August 5, 1994 and allows for a 45 day comment period.

You may contact FASAB at (202) 512-7350.

.. CHAPTER RECOGNITION

Last year the Washington Chapter exceeded its goal of 10,000 recognition points by achieving 13,400 points. Because we reached or exceeded that goal for each of the past five years, the Chapter received a Gold Designation award at the National Professional Development Conference in June.

The Chapter is off to a good start this program year, having accumulated 3,274 points during May through July, 1994.

.....1994/1995 EDUCATION EVENTS

Planning is well underway for 1994/1995 education events for the Washington Chapter. This program year's schedule emphasizes cooperation with other professional organizations, with sessions planned as follows:

<u>Date</u>	<u>Topic</u>	<u>Joint Sponsor</u>
September 12 & 13	Doing More with Less: Tools and Techniques	Regional Session with Northern Virginia and Montgomery/Prince George's AGA
November 8	Government Auditing Update	Jointly with DC Institute of CPA's
February (1 day)	Update on Appropriation Laws	Jointly with American Association of Budget and Program Analysts
Late March/April (1 or 2 days)	Improving Federal Systems	Jointly with American Society of Military Comptrollers

As discussed in the enclosed flier, the September 12 and 13 session will be held at the Sheraton National Hotel at Columbia Pike and Washington Boulevard in Arlington, VA. We are coordinating with the Beta Alpha Psi Chapter at George Washington University to arrange for presentation of other sessions on campus at GW.

We need your help, not only in supporting our chapter by attending our events, but also in volunteering to coordinate the seminars. Please call the AGA voice mail at (703) 758-4080 and press 2 to leave your name and number to volunteer or call Larry Albert at (202) 862-3100, John Ripetti at (703) 790-9595, or Virginia Murphy at (202) 296-0800 to volunteer for the last three sessions, respectively. If you can help on the day of the event for the September 12 and 13 session, please contact me at (202) 327-6356. We want to give everyone a chance to participate in planning and executing some of the best, and most affordable, CPE events in the area. If you have thoughts on other program events and are interested in volunteering, give us a call.

Dan Murrin, Education Chair

A CALL FOR MENTORS By Missy Johnston, Anthony Marasco, and Don Rim

The Early Career Subcommittee is officially here. This subcommittee of the AGA's National Membership Committee was formed to address one of our most important goals--recruiting and retaining early-career professionals. These professionals represent the future of our organization and our federal financial management team.

At the recent Professional Development Conference in Washington, DC, early-career professionals and more experienced veterans worked together to determine the needs of these individuals who are relatively new in their government financial management careers. A survey of chapter presidents was conducted to identify the types of programs and activities that have been successful in attracting and retaining new AGA members.

During the initial ECS meeting, subcommittee members held a brainstorming session to identify ECS activities that would help accomplish the subcommittee's primary objective. Many ideas and activities were discussed, including training sessions for securing first jobs, strategies to promote career advancement, and interactive

programs to work with academic and service communities.

Selected for quick implementation was the *mentor program*, which pairs early-career professionals (mentees) with more experienced members of the federal financial management community (mentors). Mentors will provide the benefit of their experiences, knowledge, advice, and foresight to assist mentees in identifying and attaining their career goals. Mentor programs have been successfully implemented in many organizations to provide career growth support for early-career professionals.

Now is the time for Washington Chapter AGA members to become involved with the ECS and its activities, including the mentor program. We look forward to an exciting year for the AGA and the Washington Chapter in particular. If you would like to become a mentor or mentee, or if you have any suggestions for the ECS, please contact either of your Washington Chapter representatives, Missy Johnston at (301) 417-7308, or Anthony Marasco at (202) 535-9704, or call AGA Washington Chapter's voice mail at (703) 758-4080.

Financial Information Is Key to Empowerment

Employees must understand the financial implications of their decisions.

by
William L.
Christison

ALL TOO OFTEN IN BUSINESS, FINANCIAL information is the domain of a select few, such as senior managers, stockholders, and bankers. The barrier created by accounting terms and concepts no doubt contributes to the limited distribution of financial information. Yet the primary reason that this information exists is to enable users to make better operational decisions.

Today, business decisions are no longer exclusively made by management; they are increasingly becoming the domain of the entire organization through such quality practices as employee empowerment. To fully realize the benefits of empowerment, a better link between finance and operations is needed. In other words, employees need to understand the financial implications of their decisions. This enables them to broaden their focus to include activities that enhance the company's financial performance.

The evolution has started

The active reconsideration of the current financial paradigm has already begun. Various companies have started communicating financial information to their employees. At DuPont's Delaware River plant, for example, management shares cost figures with all workers. In doing so, management believes that workers will think more for themselves and identify with company goals.¹ Globe Metallurgical Inc., a Malcolm Baldrige National Quality Award recipient, regularly conducts small group meetings with all employees to review its financial performance.² Emerson Electric, a company that has had 34 consecutive years of increased earnings, requires all employees to be able to answer two ques-

tions: What are the economics of your job? What cost reductions are you currently working on?³

To truly empower employees, financial information cannot simply be shared—training must assume a significant role. Employees need to understand basic accounting concepts, financial statements, and the financial effects of their daily decisions. Financial conversation, both formal and informal, should become commonplace for all levels of employees. After all, if financial statements are the life or death of a business, why isn't the information in the hands of everybody in the organization?

It will take effort from everyone to effect these changes. Traditionally, financial information has been historic—that is, it is conveyed well after the fact. This causes inherent problems with the financial consequences associated with many opera-



tional decisions. To better appreciate this business reality, consider how successful a baseball player would be if he were not allowed to see where his hits have gone until the end of each month.

Noteworthy examples

Texas Eastman (TEX) Chemicals Plant, a division of The Kodak Company, has developed an innovative balance between employee empowerment and financial control.⁴ As part of TEX's quality program, employees make independent decisions on issues affecting production.

When TEX first initiated the quality program, operators were given specific rules, such as "Do this," "Don't do that," and "Watch out for this condition." They were never told about the economics of the business they were running. In this environment, it was unrealistic for the company to expect employees to make decisions about alternative manufacturing processes because the employees had inadequate information.

Then an enterprising department manager took an unconventional approach to solving this problem. He supplied the operators with a daily financial report that showed employees how their decisions affected the bottom line. Once employees had this information, department profits doubled in four months and quality measures improved by 50%.

If financial statements are the life or death of a business, why isn't the information in the hands of everybody in the organization?

How were such significant results achieved? The department manager established different prices for in-specification and out-of-specification products. In other words, the manager established a financial indicator for what had previously been an intangible variable: the quality of the output.

Upon first reading the daily financial report, operators were surprised about the cost of the materials that were being used. They saw how this cost affected profits, so they began suggesting different ways of doing things that were less expensive, yet equally effective.

The financial report also led to more informed decisions. For example, one night a piece of equipment broke down, causing production to stop. Normally, the repair would have waited until morning. The night-shift supervisor, however, knew the cost of lost production compared to the cost of an expedited repair because of the financial reports. Thus, he made the decision to have the equipment repaired immediately. The expense of this emergency repair was paid several times over by the output produced during the rest of the shift.

Another company leading the way in linking finance with operations is the Springfield Remanufacturing Corporation (SRC).⁵ SRC's successful approach to business is based on the premise that business is essentially a game and, like any game, most people won't play unless they understand the rules and know how to keep score. Yet employees at most companies have never been taught the rules. To understand the rules means

learning how to run a business profitably. Keeping score means learning how to read financial statements.

All SRC employees learn to read and interpret financial statements. These statements let employees know whether they are winning or losing in the game of business. With this knowledge, they plan and forecast accordingly. How they perform determines both the size of their quarterly bonus and the value of their stock.

SRC managers and supervisors meet weekly. Each person brings a preprinted, modified income and cash flow statement. These statements contain details from the previous week, budgeted projections for the current month, six-month sales projections, and three blank columns. At the conclusion of each meeting, one of the blank columns is filled in with financial statement projections that are determined through group consensus. That same afternoon, meeting attendees carry the news to hourly employees throughout the plant. Everyone is encouraged to get involved and take responsibility.

SRC employees are exposed to a full range of business courses, such as production scheduling, purchasing, accounting, and plant auditing. Most of the sessions are taught in-house by managers and supervisors; occasionally, outside instructors are used. Whatever the session topic, the instructor continually demonstrates how the individual employee's efforts fit into the company's overall results.

More knowledge means more value

SRC and TEX are noteworthy for the extent to which they have linked finance with operations. If employees are to be truly empowered, they need financial information and an understanding of the relationships between the various performance measures. After all, the more employees know, the more valuable they are to the organization.

References

1. "Changing a Culture: DuPont Tries to Make Sure That Its Research Wizardry Serves the Bottom Line," *Wall Street Journal*, March 27, 1992, p. A5.
2. Arden C. Sims, "Does the Baldrige Award Really Work?," *Harvard Business Review*, January-February 1992, p. 126.
3. Charles E. Knight, "Consistent Profits, Consistently," *Harvard Business Review*, January-February 1992, p. 60.
4. Robert S. Kaplan, "Texas Eastman Company," Harvard Business School Case No. 9-190-039.
5. Frank Adams, "Motivation and the Bottom Line," *Human Capital*, July 1990.

William R. Christison is the president of the Knowlton Group in Warwick, NY. He received a master's degree in industrial relations from Pace University in New York, NY.

This article is from the July 1994 edition of *Quality Progress*.

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Mark your Calendar

On November 8, 1994 the AGA Washington Chapter; the DC Institute of CPA's, Government Accounting and Auditing Committee; and Beta Alpha Psi--Epsilon Sigma Chapter, are sponsoring a one-day *Workshop on Government Auditing* at George Washington University in Washington, DC. More information in the October newsletter.

HIGHLIGHTS OF CHAPTER EXECUTIVE COUNCIL MEETINGS

Although there are no Chapter events held during the summer months, the Chapter Executive Council met four times to plan for the 1994/1995 program year. Among the accomplishments were final planning for Chapter involvement in the National Professional Development Conference held in June; development of the goals for the year, addressed in the President's Message on pages two and three of this newsletter; planning for education events; and initial planning for the Chapter's monthly luncheon meetings.

The Council began budget planning for the new year and received the audit report from Price Waterhouse for the year ended June 30, 1993. The Council is happy to report that an unqualified opinion was received. Price Waterhouse will be performing an audit of the June 30, 1994 financial statements as well. Progress in obtaining new memberships and in membership renewal was reviewed. We need your help in keeping the momentum. If you know of people who have not renewed their mem-

bership, please encourage them to renew.

The Past President's Council was reestablished so our Chapter past Presidents can undertake an active advisory and leadership role in our Chapter. Immediate Past President Larry Wilson is heading this effort. The AGA National-sponsored Government Financial Managers' Certification Program was discussed. It is hoped that the program will promote additional interest in AGA by providing a meaningful certification program to the government financial community. President-Elect Evelyn Brown was appointed as the Chapter's project officer for the program.

The Council passed a motion to name the Chapter Scholarship (which was initiated last year) for Ron Lynch who passed away recently. This was done in honor of Ron's many years of dedication and service to the Washington, DC Chapter and the National AGA. The scholarship will be named the Ronald J. Lynch Memorial Washington D.C. Chapter Member Scholarship.

AGA AWARDS By Gary W. Amlin; Director, Member Services

The Chapter will solicit nominations for the February 1995 Federal Leadership Conference Awards very soon. You should be thinking about high quality candidates that your agency or organization may want to nominate. The award categories are:

Elmer Staats Award - This award is to recognize federal professionals who exemplify and promote: (1) excellence in government; (2) outstanding leadership; (3) high ethical standards; and (4) innovative management procedures.

Andy Barr Award - This award is to recognize financial executives in the private sector who exemplify and promote: (1) excellence in governmental financial management; (2) outstanding leadership; (3) high ethical standards; and (4) innovative management techniques.

Congressperson of the Year Award - This award is to recognize congresspersons who have distinguished themselves by their outstanding efforts in promoting interest in good government and sound financial management systems and operations.

During early calendar year 1995, nominations for National and Chapter Awards will be solicited. Please keep these in mind and be thinking about potential nominations. The awards are as follows:

Robert W. King Memorial Award - for superior service enhancing AGA's national prestige and stature.

Frank L. Greathouse Distinguished Leadership Award - recognizes government employees demonstrating sustained outstanding leadership and notable contributions to financial management.

Achievement of the year Award - for leadership or outstanding achievement in developing, implementing and improving financial management in government service in the past year.

Education and Training Award - for significant contributions to the education and training of government financial managers.

Nomination procedures for these and Chapter Service and Special Achievement Awards will be in upcoming articles.

**AGA WASHINGTON CHAPTER
CHAPTER EXECUTIVE COUNCIL
FOR 1994/1995**

OFFICERS

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 FCA (703) 883-4029
PRESIDENT-ELECT Evelyn Brown
 DOT (202) 366-0318
SECRETARY Clarissa ("Cis") Kuennen
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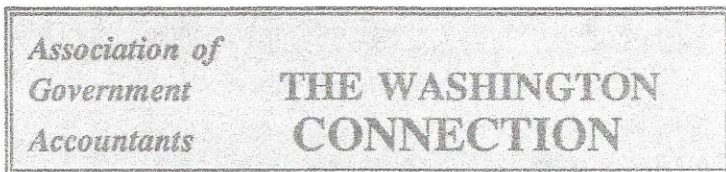
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 OGDEN Government Services (703) 246-0808

William Anderson
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The Chapter Executive Council meets monthly, normally at 11:30 a.m. on the last Wednesday, at the National Press Building. For information about a particular meeting, please call the AGA voice mail line at (703) 758-4080 and press option 4.



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 Washington, D.C. 20044-0423**

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