

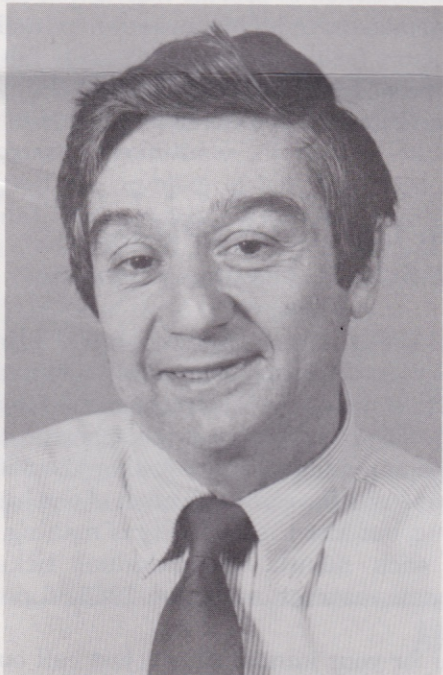
ASSOCIATION OF  
GOVERNMENT  
ACCOUNTANTS

# AGGA NEWSLETTER

WASHINGTON CHAPTER

SEPTEMBER 1985

## THURSDAY SEPTEMBER 5, 1985 LUNCHEON MEETING TO FEATURE



**STANLEY C. SILVERBERG**  
Director of Research and Strategic Planning  
Federal Deposit Insurance Corporation

Speaking on  
**Current Banking Trends**  
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 695-7954**  
**Telephone Reservations Accepted Until September 3, 1985**

### NON MEMBERS WELCOME

*All Reservations Guaranteed*

Meeting Schedule: Oct. 3 • Nov. 14 • Dec. 5 • Jan. 9 • Feb. 6 • Mar. 6 • Apr. 3 • May 1

# PRESIDENT'S MESSAGE



**SUSAN LEE**  
Financial Management Service

Welcome back from a glorious summer. For you who chose to take a summer holiday, I hope it was restful and revitalizing.

If I thought there would be a summer's respite from AGA work, how wrong I was. Meeting dates had to be confirmed, luncheon programs need to be arranged, and educational programs, with dates and topics, must be developed and well underway, and, of course, the Newsletter must be prepared and published.

Many of the Directors and Chairpersons have been busy this summer meeting, making plans, and laying the foundation for a truly interesting and exciting new year. In particular, **Daniel McGrath**, Director of Membership, was busy working on a comprehensive action plan aimed at identifying and recruiting potential Washington Chapter members and retaining our existing members. Articles about the One-for-One Recruitment Campaign and about becoming an Assistant Membership Committee Chairperson are in this issue of the Newsletter. In his plan, Dan brings up a trend that should concern us all. As he notes,

Statistically, membership in the Washington Chapter has been steadily declining over the past half decade. While the Chapter still maintains the distinction of the largest in the Association, and a single year's loss does not in itself seem significant, the prolonged pattern of steady erosion clearly threatens not only the vitality but the actual existence of the Chapter in the next ten years. **In 1980 the Chapter had approximately 1,300 members. As of June 30, 1985 the figure was down to 990.**

Considering this, our agenda for the upcoming year is designed to **FOCUS ON MEETING THE NEEDS OF CHAPTER MEMBERS**. More specifically we want to:

- provide meaningful educational events and luncheon programs,
- actively seek to expand our membership base,
- strengthen our Employment Referral Program, and
- provide members with opportunities for professional enhancement.

Already the Co-Directors for Education, **Diane Bray** and **Joe Rothschild** have met with the Capital Region Education Council to develop and finalize an agenda for the Professional Development Seminar. The Seminar is a two-day event jointly sponsored by the National Education Board and the Capital Region Chapters, and is scheduled for November 5 and 6, 1985. In addition, for the first time that I can recall, key individuals in the Federal, private, and State and local government sectors, were invited to a special meeting to provide us with ideas and thoughts on the format and topics for educational events. These individuals were asked to participate either because of their experience in AGA or because they represented a particular segment of our chapter members whose interest we wanted to consider in planning our education program. So many good ideas came out of the session that it was difficult to narrow the topics to five workshops. Future issues of the Newsletter will describe further our education program, which we designed to address the needs of all our Washington Chapter members.

As in the past, AGA offers a number of avenues for members to enhance their professional development and experiences. The Small Business Committee co-chaired by **John Cherbini** and **David Grindstaff** has already set up a program in cooperation with the Small Business Administration to provide instruction on financial management to small business owners, and is seeking instructors for the individual classes. Volunteers are also needed to participate in the Volunteer Tax Assistance Program sponsored by IRS, and to

continued on page 9

\* \* \* \* \*

## AGA LUNCHEON SPECIAL

by **Judith S. Boyd**, Meetings Committee Director

This year the Washington Chapter of AGA is offering its members the opportunity to attend an exciting program of nine monthly luncheon meetings at a discount. We are offering you the opportunity to purchase an annual luncheon ticket for just \$80. Not only do you save the cost equivalent of one luncheon meeting, but also the necessity of making a reservation each month. Your annual ticket guarantees your reservation for the 1985-86 program year.

To arrange for your annual ticket, just call our regular reservation number, 695-7954, to make your reservation for our September 5th luncheon and indicate that you will be purchasing an annual ticket. Then, on September 5th, get in the annual ticket sales line and your worries are over.

Don't miss this opportunity to participate in a program that offers the opportunity for good fellowship along with a stimulating and informative series of speakers at a substantial savings.

\* \* \* \* \*

**ASSOCIATION OF  
GOVERNMENT  
ACCOUNTANTS  
WASHINGTON  
CHAPTER  
EXECUTIVE  
BOARD 1985-1986**

**Officers**

*President*

Susan Lee, Financial Management  
Service, 535-9693

*President-Elect*

Gary Palmquist, Peace Corps, 254-8320

*Secretary*

Ken George, Action, 634-9163

*Treasurer*

Carol Lynch, Education, 472-2395

*Past President*

Virginia B. Robinson, GAO, 275-9513

**Directorate**

*Cooperation with Educational Institutions*

Joyce Shelton, DOT, 426-1306

*Education*

Diane Bray, EPA, 382-7890

Joseph Rothschild, HUD, 426-5454

*Meetings*

Judith Boyd, Financial Management

Service, 535-9693

*Membership*

Daniel McGrath, Financial Management

Service, 566-3206

*Newsletter*

Lee Beaty, GAO, 275-9430

*Programs*

David Dukes, HHS, 245-7084

*Publicity and Agency Liaison*

Marcus Page, Financial Management

Service, 566-5038

*Relations With National Office*

William Kendig, Interior, 343-4701

*Research*

Gail Young, Energy, 252-4171

**Committee Chairs**

*Awards*

Doris Chew, JFMIP, 376-5414

*Chapter Evaluation*

Ronald Lynch, Arthur Andersen, 862-3324

*Chapter Recognition*

Jean Bowles, State, 524-1188

*Cooperation with Professional Organizations*

Charles L. Dempsey, Alexander Grant &

Company, 296-7800

*Employment Referral*

L.A. Isenberg, Agriculture, 447-6090

*Newsletter*

Anna Wilson, Financial Management

Service, 535-9693

*Professional Notes*

Charles McAndrew, GAO, 634-2114

*Public Service Coordinator*

Joseph Perricone, HHS, 245-6236

*Publications*

Loretta Shogren, Justice, 633-3291

*Small Business Education*

John Cherbini, GAO, 275-9488

**ABOUT OUR SPEAKER THIS MONTH**

Stanley C. Silverberg currently serves as Director of Research and Strategic Planning at the Federal Deposit Insurance Corporation (FDIC).

His professional career began in 1958 where he worked in the Economics Department at Bank of America (BOA). During his five-year employment at BOA, Mr. Silverberg advanced to the position of Chief of Financial Research in the Economics Department. Leaving that post in 1963, he entered public service. Until 1967, Mr. Silverberg was a Senior Economist at both the Office of the Comptroller of the Currency and the Office of the Secretary of the Treasury.

In 1967, he joined FDIC where, prior to his current position as Director of Research and Strategic Planning, Mr. Silverberg's responsibilities included Assistant and Deputy Director of Research and the Director of Corporate Planning.

Other professional accomplishments of Stanley Silverberg include professorial lecturing at George Washington University and publishing articles in various banking and economic journals.

He holds a BA from the University of Wisconsin and an MA and PhD in Economics from Yale.

**SYMPOSIUM ON POLICY ISSUES**

On Sept. 30, the National Council of Policy Sciences will host a Symposium on Policy Issues Facing Us In The 80's. The Symposium's focus will be on economic, government, social, and telecommunications questions. For details, call Frances Topping, National Economic Council, 293-2696.

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**Plan Now For  
The PDC  
June 23-25, 1986  
Baltimore, MD**

# Washington Chapter Directorate 1985-86



Susan Lee  
**President**  
Financial Management Service  
535-9693



Gary Palmquist  
**President-Elect**  
Peace Corps  
254-8320



Joseph Rothschild  
**Director of Education**  
Housing & Urban Development  
426-5454



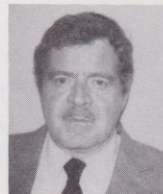
Ken George  
**Secretary**  
Action  
634-9163



Diane Bray  
**Director of Education**  
Environmental Protection Agency  
382-7890



Carol Lynch  
**Treasurer**  
Education  
472-2395



Lee Beaty  
**Director of Newsletter**  
General Accounting Office  
275-9430



Virginia Robinson  
**Past-President**  
General Accounting Office  
275-9513



Judith Boyd  
**Director of Meetings**  
Financial Management Service  
535-9693

**PICTURE  
NOT  
AVAILABLE**

William Kendig  
**Director of Relations with  
National Office**  
Department of Interior  
343-4701



Daniel McGrath  
**Director of Membership**  
Financial Management Service  
566-3206



Gail Young  
**Director of Research**  
Department of Energy  
252-4171



David Dukes  
**Director of Programs**  
Health & Human Services  
245-7084

**PICTURE  
NOT  
AVAILABLE**

Joyce Shelton  
**Director of Cooperation with  
Educational Institutions**  
Department of Transportation  
426-1306

**PICTURE  
NOT  
AVAILABLE**

Marcus Page  
**Director of Publicity and  
Agency Liaison**  
Financial Management Service  
566-5038

## BASELINE ANALYSIS

by Daisy Burley

The Financial Management Service, Department of the Treasury, has developed BASE (Baseline Analysis and Statistical Evaluation). The pilot project gives variances and trends of comparable data in financial reports sent to Treasury by selected departments for fiscal years 1982 through 1984 and will be expanded to 5 years eventually. When results are finalized and automated programs installed, the data base could provide management and other users with a useful tool to evaluate and forecast Government-wide financial activities effectively and on a continuous basis. Results could serve as a source of information for the central agencies (the General Accounting Office and the Office of Management and Budget) to use for further analysis. Eventually these forecasts could also be available to the private sector to use as needed.

## EMPLOYMENT REFERRAL COMMITTEE REPORT

by Vern Isenberg, Chairman

One of the many benefits of AGA membership is assistance in locating a new position. The National Office of AGA issues employment flashes which contain news on job openings in the accounting and financial management fields. Cost of mailing prohibits sending these to each active AGA member. The Washington Chapter of AGA would like to share these job announcements with you. This will be accomplished in two ways. First, the current issue of "Employment Flashes" will be displayed at each luncheon meeting. Second, the Employment Referral committee will maintain a referral service and forward any announcements which may be of interest to you. To have your name and employment interests entered in our mailing system please complete the information coupon below and mail to Vern Isenberg, Chairman, Employee Referral, 1648 N. Greenbrier St., Arlington, VA 22205.

Employment Referral Information	
Name:	_____
Street	_____ Apt. No. _____
City	_____ State _____ ZIP _____
Telephone	Office _____ Home _____
Job Interests	<input type="checkbox"/> Accounting <input type="checkbox"/> Financial <input type="checkbox"/> Auditing <input type="checkbox"/> Management <input type="checkbox"/> Budgeting      Other _____
Grade level of interest	lowest _____ highest _____

## ONE-FOR-ONE RECRUITMENT CAMPAIGN

The initial Chapter Membership Committee initiative this year is a one-for-one recruitment campaign to encourage every member to attempt one recruitment, that is, invite someone else to join the Washington Chapter.

The Committee is suggesting three alternative approaches for members to follow in one-for-one recruitment. Firstly, personal visitation in conjunction with oral invitation. The second alternative is a telephone invitation. The third, and perhaps innovative approach to recruitment, will be to encourage members to write a personal note or letter to their potential target. Naturally, regardless of the alternative chosen, each recruiter is encouraged to follow-up in an appropriate manner on the initial contact.

The basis for this new campaign is an ad hoc analysis that shows the Washington Chapter's membership has been slowly declining over the last five years and that, primarily, this is reflected in a significantly declining number of new professionals being recruited in their early years of employment. Accordingly, as a suggestion, a member may want to pick as a target for recruitment an individual in the first year of employment or a full-time student, e.g., student co-op. It should be noted that the benefits to the Association of recruiting early in a person's professional life are that they have a greater potential life expectancy as a member and younger members tend to be more active recruiters themselves.

Application brochures for use in this recruitment effort can be obtained in several ways. They will be available at all luncheon meetings, all Directors and officers as well as agency liaisons will be able to furnish them, or you may contact Dan McGrath, Director, Membership on 566-3206.

## NEWSLETTER COMMITTEE REPORT— DUE DATES FOR NEWSLETTER INPUT

Following are 1985-86 due dates for input to the AGA Washington Chapter Newsletter:

Issue Month	Input Due Date
October	August 26
November	September 30
December	October 28
January	November 25
February	December 30
March	January 27
April	February 24
May	March 24

Articles or other input should be forwarded to Lee Beaty (275-9430) or Anna Wilson (535-9693).

## DESK INSTRUCTIONS

### An Easy Way to Keep Internal Control Systems on the Track



by Frank J. Vargo

Since the advent of the Federal Managers' Financial Integrity Act, OMB Circular A-123, applicable GAO standards and much ado in a variety of publications, non-existent or shabby internal control systems have begun to shape up. The objective remains the same throughout government circles—reduce susceptibility to waste, fraud and abuse through the strengthening of internal controls. By now every federal manager worth his/her salt is aware of this objective and is actively engaged in the process. So be it.

Let's then assume that through dedicated efforts internal control system improvements are being implemented by conscientious managers. Under the severest audit, some might even get a passing grade. Then what? How do you maintain the control system on a *daily* basis? Not by inspections or audit—too infrequent. Stricter rules and regulations? Possibly. Job performance interviews? Maybe. The people who maintain the system are here today and gone tomorrow—how can I keep a good internal control system alive and on the track? By desk instructions? Impossible! Or is it?

For tasks within a control system that are *repetitive, complex and mission important*, a desk instruction may be the answer for a number of reasons. But first, before we get ahead of ourselves, what is a desk instruction? Briefly, it is simply "a condensed, sequential step procedure of selected administrative process activities necessary to perform a functional task." (Or, come up with a definition of your own.)

So, what's in it for me? It looks like more work for someone—more paperwork, another item to track and update—all in all another bureaucratic nightmare. Looks counter productive? Not so and here's why. Desk instructions are easy to do; they can be written by those on the work scene.

Most manuals and directives have been developed by seasoned veterans of procedural legalese which requires one having a similar background to interpret and understand them. The administrative employee (GS 3 to 6 level), the user, has difficulty understanding them. Waste, reduced productivity and morale aggravation usually result. True? Isn't this the real world? What about the new kid on the block—the new transferee being groomed for cross training? The new hire? The recently promoted? They are the users of internal control systems. Yes, guardians! Who uses internal

control systems the most? Administrative support people—the worker bees.

Granted, supervisors do give on-the-job training. They fold training into their own daily assignments. Remember however, they are not professional trainers. Nor do they have a box of smart pills to give to the trainee. The trainers wear the never-enough-time-in-the-day look. Most training is performed on-the-job. That's why desk instructions are very important to them and to you.

The newly assigned "guardian" of an internal control system listens intently to the expert for several hours during the first few days of training. The expert knows the process; the trainee does not. The new team member is hesitant to ask questions—doesn't want to look stupid; afraid the expert will make a judgment of his/her worth in the group and relay this impression to the unit supervisor. Understandably, anxiety and fear of error and non-acceptance set in. The susceptibility for error and resultant waste is very high. A crack begins to appear in the internal control system.

If what you have read so far seems typical and also reasonable, then multiply the situation a million times (or whatever figure you wish to use) to determine the immensity of susceptibility to error and waste. Reassignments, replacements, and reorganizations, the three R's, continually push line supervision into some type of training action. If your key lead specialists do not have adequate tools to do the job of training, they are being placed in a defensive and compromising position. Desk instructions will not solve all the problems but they will reduce trauma and give the trainee *and* trainer something to hold on to.

A definition was previously given for a desk instruction. It hasn't changed since Valley Forge, the beginning of Standard Operating Procedures for the Army. If someone tells you the Egyptians used them during the building of the Pyramids, don't be surprised. They may have! Desk instructions are not new. Desk instructions are a simple and concise training tool used as a task guide and quick reference to the manual, for the new practioner, lead specialist, unit supervisor and even higher management. They do not replace guidance in the published manual. They encapsulate and focus on a specific and difficult task function.

Who should write a desk instruction? Answer—the lead specialist or unit supervisor. Usually if you watch closely, notes made by the trainee during a training session will provide a very good framework for a start. Remember, instructions are written for *them* in a manner *they* can understand and remember. One or two lines of additional explanation may be needed.

What kind of task is chosen for a desk instruction? Answer—one which contains these characteristics: Complex; repetitive (e.g., daily); and, mission important.

What are typical *functional areas* where they can

be used? Answer—accounting, property management, procurement, personnel administration and file room to name a few. You choose them.

How many pages should a desk instruction contain? Answer—a maximum of 4; ideally 1 or 2.

What kind of heading should be used: Answer—a desk instruction heading is your option. One currently used is structured something like this:

Title: *(Desk Instruction Name)*  
System Manual-Sub Chapter: *(Specify)*  
Additional References: (e.g., GAO, OMB, or  
Dept. Directives)  
Prepared By: \_\_\_\_\_ Division \_\_\_\_\_  
Phone: FTS \_\_\_\_\_ Date: \_\_\_\_\_  
Definition: (Brief) \_\_\_\_\_  
Field Reviewer: \_\_\_\_\_ Date: \_\_\_\_\_  
HQ Reviewer: \_\_\_\_\_ Date: \_\_\_\_\_

The heading encourages communication and networking between offices. It permits recognition of the preparer's subject matter expertise, and shows reviews were made to assure conformance with the procedures manual and other directives (keeping the train on the track).

How is a desk instruction written? Answer—once the tasks are identified, through the process of segmenting a function into its tasks, relate each task to the applicable procedures manual reference. Develop sequential work steps for the key elements of each task. Keep sentences condensed. If the procedures manual reference has not defined the process to the working level you require, add those steps you feel will do the job. Test it by application.

A desk instruction may after successful use find its way into a procedures manual. Intact or modified, a desk instruction may eventually alter the system by reducing "boiler plate". In some instances a desk instruction may be entered into the procedures manual to fill a void. Desk instructions support internal control systems.

A few "well priming" examples of tasks where desk instructions can be developed are as follows: (Select those tasks which are most critical to your operation.)

Imprest Fund—accounting assistant, cashier  
Property Management—clerk, custodian  
Supply Management—clerk, supply  
Evidence Control—clerk, custodian  
Voucher Examinations—accounting assistant  
Procurement—specialist

There are important considerations in segmenting a function into its tasks. The lead specialist or journeyman clerk can provide assistance. Considerations include turn-around time requirements, the effect on companion tasks, and the competency level of on-board personnel. This is your decision. You know the size

of the task where a desk instruction would help. It just remains to be done!

What about the bosses? Where do they fit into the desk instruction scheme? The closer the boss is to the working level, the more the boss will appreciate desk instruction. This is a fact. Why? The boss will know more precisely what takes place in the function(s) under his/her control as well as having an excellent training tool. The boss can use the desk instruction as a performance evaluation and productivity measurement device. The often heard statement, "the boss really doesn't appreciate or know what I do" may be heard less.

How do desk instructions appeal to the bosses who are in remote areas of the country or in foreign offices having a very small administrative support staff—a staff which must respond to the same administrative paperwork as that levied on big offices? They will appreciate and use desk instructions, and will look upon them as administrative lifelines.

Before concluding, a word about office skill distribution. In organizations having several offices, it is not uncommon to find noticeable variations in skill levels. Some offices, for example, may have a greater concentration of expert accounting skills than say, property management. Fine, share the talent wealth; have accounting related desk instructions written by the office best identified with that skill expertise.

By now, you are aware of the advantages of desk instructions. The bottom line goal is to make your job easier and more productive while developing your people through task training. Develop *your* brand of desk instructions, now! The ball is in your court!

*Frank Vargo is A-123 Program Manager, Management Analysis Section, Drug Enforcement Administration, Department of Justice, and a member of AGA Washington Chapter.*

## MEMBERSHIP COMMITTEE NEEDS ADDITIONAL ASSISTANT CHAIRPERSONS

The Chapter's Membership Committee is actively recruiting as many "Assistant Membership Committee Chairpersons" as possible to service Federal agencies (or parts thereof), accounting firms, etc. The idea will be to keep the area serviced by each assistant to no greater than a universe that will have no more than a dozen new professionals introduced to it on a yearly basis. In the past we have tried to rely on agency liaisons to recruit within each organization and, naturally, being given an unsurmountable task they have failed, e.g., one liaison for a major Department. People interested in participating in this initiative, which will require only a limited commitment of time, should contact Dan McGrath, Director, Membership on 566-3206.

## IMPROVING DEPARTMENT OF DEFENSE ACQUISITION STRATEGIES—AN AUDITOR'S PERSPECTIVE

*(Editors note: Harold L. Stugart, Auditor General of the Army and AGA's National President for 1984-85, was guest speaker at the Chapter's May meeting. Following is a synopsis of his remarks developed and submitted by David Dukes, Chapter Program Director.)*

Mr. Stugart focused his talk on DOD's spare parts program which has had a nine-fold increase in funding since 1980 to \$21.6 billion in FY 1985. He cited several horror stories of overpricing which have caught the public's attention recently. As a result, Mr. Stugart stated, the public is demanding greater accountability and prudent use of tax dollars. DOD's credibility is at stake.

Mr. Stugart listed several causes for overpricing, including:

- DOD contracting employees accepting bribes from contractors or potential contractors.
- Contractors committing illegal acts; for example, substituting substandard products.
- Poor government contracting practices and procedures which, for example, precluded competition or proper price analysis.
- Improper, or lack of, internal controls.

Mr. Stugart identified several initiatives which were started in 1983 to correct the problems. In August 1983, Congress held hearings on the subject and the President directed that noncompetitive contracting be curtailed. The FY 1985 Defense authorization bill requires that spare parts be procured in economical quantities and DOD's personnel appraisal systems recognize efforts to increase competition and achieve cost savings.

In addition to these initiatives, in July 1983 (prior to the Congressional hearings), the Secretary of Defense issued his own ten-point program aimed at improving the procurement process. This program, which the Deputy Secretary of Defense is monitoring closely, includes:

- Obtaining refunds from contractors for unjustified overpricing.
- Discontinuing business with contractors found guilty of unjustified pricing and who refuse to refund overcharges.
- Disciplining employees who are negligent in keeping prices under control.
- Performing continuous audits and investigations of the procurement process

According to Mr. Stugart, these initiatives are beginning to pay off. Refunds are being obtained on overpriced items. In FY 1984, DOD suspended or debarred over 400 individuals and corporations from doing bus-

iness with the government. Also, each of the military services has initiated its own intensive efforts to improve its acquisitions, contracting and pricing practices.

Mr. Stugart stated that managers throughout DOD are committed to improving the acquisitions process. In time, this should improve DOD's public image. The Secretary of Defense has called upon the audit and investigative staff to play a major role in the initiatives. The expected outcome is greater accountability and prudent use of tax dollars.

## ABOUT CHAPTER MEMBERS

Lots of stuff happening over the summer to bring you up to date on.

First, some important retirements. **Jim Saylor** retired from DOD. Jim, as you know, has a long and distinguished history of AGA service, including a stint as Chapter President. He's accepted a position with the Private Sector Council, and we are looking forward to his continued active participation in AGA.

GAO lost a couple of stalwarts among its staff of systems accountants with the retirements of **Austin Dayton** and **Fred Rauscher**. Austin and Mrs. Dayton are packing it in for sunny Florida, while Fred and family will stick it out in their Falls Church home.

Second, lots of member achievements to report. Congratulations to: **John Cherbini** for receiving MPG Chapter's Achievement of the Year Award, for his key role in developing GAO's report, "Managing the Cost of Government", and to recently retired HUD IG **Charles Dempsey** who received MPG's Distinguished Leadership Award; **Tony Gabriel** on his appointment as USIA IG; **Robert Hudak** on his appointment as Deputy IG at HUD; GAO's **George Peck** for his recent Special Commendation Award; **Joe Rothschild** of HUD for his AGA National Research Award, presented at the San Diego PDC; GAO's **Jim Watts** on his recent promotion to Associate Director; and GAO's **Fred Wolf** on being elected Chairman of the National Intergovernmental Audit Forum.

Some key appointments in Treasury's Financial Management Service—**Mike Smokovich** is the new Director of FMS's Working Capital Group and is presently at OMB on a detail.

Finally, congratulations to **you!** You did it again. At the San Diego, PDC, Washington Chapter Newsletter received the award as the best newsletter in the large chapter category. The contributions and support of many, many of you are what made it happen. Nice going!

Hey—don't forget us with **your** news items about chapter members. (Lee Beaty; 275-9430)



## EXECUTIVE COMMITTEE MEETING REPORT

by Ken George, Chapter Secretary

The Washington Chapter Executive Committee met on Thursday May 23rd with the current members and next year's members meeting jointly.

### Summary of Meeting Minutes

The minutes of the April 24th Board meeting were approved with no changes.

The revised FY 1986 budget was discussed and passed without any further changes.

The committee discussed a written request for support on the creation of a Central Finance Officer for the Federal Government. Since the subject is already being studied at the national level, we agreed that the chapter should not take a stand. Virginia Robinson will answer the letter stating we would take no action or solicit any comment on the subject.

The outgoing President Virginia Robinson, presented "Certificates of Appreciation" with lapel pins to outgoing directors and committee chairmen.

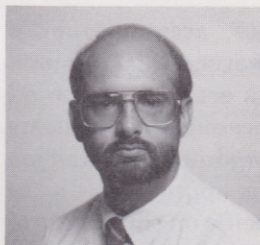
The chair was turned over to Susan Lee, who had her board and committee chairpersons present themselves.

The new President requested the group to help develop a list of speakers for the upcoming year. Discussion followed with everyone agreeing to give the matter consideration.

The new President also requested subject matter areas for our educational programs.

Meetings of the Executive Board for the 1985-86 fiscal year will be held the last Thursday of each month beginning in September 1984 in the JFMIP conference room. A meeting of the board will be held on Thursday, August 22nd, a week earlier than scheduled.

### MEMBER PROFILE: W. DAVID GRINDSTAFF



After serving in the U.S. Army, Mr. Grindstaff received a B.S. degree in Accounting and a Masters of Business Administration from Old Dominion University in 1976. He was an active participant of student activities and a member of Omicron Delta Epsilon, an honor society in economics.

Mr. Grindstaff joined the General Accounting Office in August 1976 and spent 3 years in the Norfolk Regional Office. In 1979 he transferred to the Program Analysis Division of GAO, in Washington, D.C., where he worked in the Budget Concepts Group for five years. His present assignment is with the Accounting and Financial Management Division where he has been working on improving financial management. In connection with the project he is an instructor in two GAO training courses entitled, *Managing the Cost of Government* and *Budgeting in Review*.

David has been a member of the Washington chapter of the AGA for the last 2 years and is presently co-chairperson of the AGA/SBA-sponsored course *Basic Training Course in Accounting and Financial Management*.

## BECAUSE IT CONCERNS ME

Gary A. Palmquist, President-Elect

I've always enjoyed Chuck Hamilton's column in *Topics*. So, from time to time I will present a few thoughts on matters that concern me.

For example, who is paying for all those Northrop Corporation commercials—IRS or DOD? And what are they selling and to whom?

Why is it that, in this time of defense procurement cost concerns, AGA isn't coming forward with a proposal to improve the process and reduce costs? We have members that have worked in or studied the procurement process for years.

Should the statutory IG's let the PCIE establish their review initiatives? Of course, there are a lot of agencies without IG's. Some organizations have endorsed legislation to create IG's in agencies. What is AGA's position on this issue?

Didn't you all enjoy the 60 Minutes story about how W.R. Grace & Company bought Mr. Gasket for \$17 million, sold it after 10 years for \$4 million, and two years later it's worth \$150 million?

I would like to pass along your concerns on these or other matters if you write me at Post Office Box 423, Washington, D.C. 20044-0423.

### PRESIDENT'S MESSAGE continued from page 2

speak at other organizations and at schools about working for the Federal Government as a financial manager. In addition to being personally enriching experiences, assisting in these ways also contributes to the stature of our Association. **Joe Perricone** is the Chapter's Public Service Coordinator and can be contacted if you are interested in volunteering in this area.

**Mark Page**, as Director of Publicity and Agency Liaisons, is completely revamping our network of agency liaisons. These individuals serve as a crucial link between our members and the officers and Board. If you wish to be designated as a liaison or know more about the liaison's responsibilities, contact Mark.

In meeting your needs, we need your help. There are many ways that you could aid us either on a one-time basis or on a continuing basis. If you have identified a specific way in which you feel you can best contribute, give the responsible Director or Chairperson a call. If you are not sure how to best help, give me a call. There's a lot that can be done in a year, but a year goes by quickly.

These are just a few of the ideas and activities we have planned. In addition, **Loretta Shogren** will be studying the possibility of publishing an AGA Washington Chapter Directory to aid our members to identify others in comparable positions for the exchange of ideas; and **Jim Hickey**, Past President and retiree from the workforce, will be looking into the reduction of chapter dues for our retired members. It promises to be an exciting and challenging year. With the help

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and support of each member, much can be done to ensure that the Washington Chapter and the Association remain strong, vital organizations and continue to be regarded as leaders in the government financial management area.

## GAO/OMB AT ODDS

If asked, "Where does the overall responsibility for prescribing federal financial management policy rest, over the years most members of the federal financial community would respond with the Congress of the United States. To expand that response, we would add: certain central agencies establish standards, principles, and set administrative guides for the other departments and agencies. This central agencies' financial group comprises the General Accounting Office (GAO), the Office of Management and Budget (OMB), and the Treasury Department. Within the past year, however, the financial triumvirate has crumbled. OMB has issued a document, "Financial Management and Accounting Objectives (March 1985), which contradicts accounting policies previously established by GAO in Title 2, Policy and Procedures Manual for Guidance of Federal Agencies. A comparison of the two documents, shows the following discrepancies:

1. *Cost accruals.* Accruals is an area of major inconsistency between the OMB and Title 2. OMB stresses cash accounting and states that "accrual accounting shall be developed only when needed for pricing purposes, comparative cost analysis or to meet the specific needs of management or the Congress." Conversely, GAO states that according to law, "the head of each executive agency shall cause the accounts of that agency to be maintained on an accrual basis while providing for suitable integration of agency accounting with the central accounting and reporting responsibility of the Secretary of the Treasury. Thus, the accrual basis is the prescribed basis of accounting to be used by federal agencies." Specific OMB accrual policy which is contradictory to Title 2 includes:
  - a. OMB discourages the recording of estimated accruals unless the accrued amounts are material, useful and based on reliable data.
  - b. OMB states "accounts payable should be recorded based on a verified invoice."
  - c. OMB indicates that when estimates are used, they should be labeled as estimates.
  - d. OMB indicates that reports on accrued expenses or expenditures should permit a ready reconciliation with similar but different reports that reflect obligation and outlay data.
2. *Revenues.* Similarly following the accrual philosophy of Title 2, income is recognized and receiv-

ables are recorded at the time the event occurs that entitles an agency to collect the funds. OMB indicates revenues should be recorded when billed or come due under law. The recording of revenues when earned as an unbilled receivable is not mentioned.

3. *Financial Reports.* OMB indicates that financial disclosure requirements are met by fulfilling the existing executive branch requirements. Both OMB and Treasury are within the executive branch; however, GAO is in the legislative branch. Reports which are highlighted by OMB are the SF 133, Report on Budget Execution, SF 220, Statement of Financial Condition and the TFS 2108, Year End Closing Statement. OMB is requiring any reports intended for use by the public which are not prescribed by law to be submitted to OMB for review and approval. Thus, GAO's revised reporting formats in the current Title 2 and GAO's authority to designate reporting requirements is usurped.
4. *Capitalization of Property.* OMB does not recognize capital leases vs operating leases, but instead discusses the capitalization of lease/purchase arrangements as being capitalized when the option to purchase is exercised. This is a flashback to the accounting policy of the 1978 Title 2. The current Title 2 bases the capitalization decision on four criteria. Additionally, whereas OMB capitalizes property based on cost (price paid), the current Title 2 records capital lease at the property's fair market value, with any difference between lease payments and the fair market value recognized as an interest expense.
5. *Commitments.* GAO endorses "accumulation of proposed expenditures," however, OMB is much more explicit. Commitments are to be recorded prior to initiating the processing of requests through the procurement organization; and no later than when a request is approved.
6. *Timeliness.* OMB is very specific on timeliness of financial information: "relevant preliminary data should be made available to managers by the fifth working day following the end of a reporting period." Title 2 is general by recognizing prompt reporting to be reporting when it is of maximum benefit to users.

The discrepancies between the financial policies issued by OMB and GAO create a confusing situation for federal agencies. This confusion is most apparent as federal agencies attempt to meet the review and reporting requirements of Section 4 of the Federal Managers' Financial Integrity Act. How is a federal agency to determine if an "accounting system conforms to the principles, standards and related requirements prescribed by the Comptroller General" as implemented by OMB Circular A-127 when OMB and GAO are at odds.

## ANSWERS TO YOUR QUESTIONS

Susan Lee and  
Larry Stout  
Director, Accounting Group  
Financial Management Service

**QUESTION:** What is the status of Treasury's efforts to revise Federal agencies' reporting requirements?

**ANSWER:** The *Federal Agencies' Financial Reports Exposure Draft* was mailed to agencies in August. Comments on the Draft are due back on September 30, and the final requirements are targeted for publication in the *Treasury Financial Manual* in January or February 1986. Agencies will submit selected data beginning in May 1986 with full implementation of the revised reporting requirements by for annual reporting in November 1986. For additional information, contact James Sturgill, Accounting Policy Staff, on 566-2651.

**QUESTION:** Are the accounting procedures for investments in Treasury securities being revised?

**ANSWER:** Yes, in conjunction with the Office of Management and Budget, Treasury will be clarifying and modifying the accounting procedures for investments in Treasury securities, effective October 1, 1985 to better reflect available resources and program activity in Government accounts.

The principal transactions for investments of Government accounts must be recorded at par value to accurately reflect the public debt outstanding. This leaves the problem of how to record premium, discount, and accrued interest. Essentially, investments for revolving and deposit funds are not being affected by this change. Treasury's new instructions clarify the reporting of these transactions.

The major area affected by these changes is the reporting for investments of special and trust funds. Premium and accrued interest will be shown as adjustments to earnings when purchased or sold. These amounts actually affect budgetary resources when the transaction takes place; therefore, there is no need for

special handling of these items. However, recording of earnings when a security is purchased at discount is a different matter that results in overstating available resources since no receipt will actually take place until some time in the future. Therefore, the discount must be placed in a holding account (Unrealized Discount) until such time as it is actually received. At this point, the Unrealized Discount account will be cleared into the earnings account, and the proper amount will be shown as a budgetary resource.

The main purpose in the changes is to determine, for budgetary purposes, the amount actually available to the fund and that portion which is unavailable because it is unearned. This issue has come to light due to the increase in the use of investments to fund major programs; therefore creating a greater budgetary impact because of the increasing dollar amounts involved. The new procedure will facilitate the determination of budgetary resources and provide for better control. For example, if a \$100 million security was purchased at a 10% discount, the resulting overstatement of budgetary resources would be \$10 million. Under the new reporting regulations, this amount would not be counted as an available resource. This allows OMB to have better control over the amount of resources available for apportionment. Further information is available in Treasury Financial Manual Bulletin No. 85-17 or by calling Patrick Wrenn, Finance and Funding Branch, on 566-5651.

This column is prepared by the Accounting Group, Federal Finance, which is a part of the Financial Management Service. The mission of the Service is to promote the financial integrity of the Government through sound money management on behalf of the public. Through this column we will provide information and answer questions about the Federal Government's policies, procedures, and practices relating to its financial, accounting, and reporting systems. Questions are welcomed and can be sent to Anthony Torrice on the form provided below or conveyed by telephone, (202) 566-5844.

### ANSWERS TO YOUR QUESTIONS

Question: \_\_\_\_\_  
\_\_\_\_\_

Optional: Your Name \_\_\_\_\_  
Agency or Firm/Telephone No. \_\_\_\_\_

Send to: Anthony Torrice, Director, Financial Policy Division, Treasury Annex No. 1, GAO: 3011, Washington, D.C. 20226.

## DID YOU KNOW

by Charles McAndrew

—That I am your new editor for this column and I would appreciate the latest information relating to financial management in government or private industry that you can furnish me. If you have any newsworthy items of interest to our readers, please call me on 634-2114. This month I have selected the Office of Management and Budget to highlight their latest activities. In future months, I will feature other agencies or private firms.

—OMB issued M-85-16, *Evaluation of Financial Management/Accounting Systems*, dated 5/20/85 as the last segment to OMB Circular A-127. The main features are: a requirement for a single integrated financial management system for each department, a prohibition on spending for systems not conforming with the intent of the Circular, a requirement that budget and financial reports come from the financial system, a policy that new systems will be developed on an interagency basis, a five-year plan to be submitted each year beginning FY 1987 budget, and that all systems will be evaluated each year with a detailed evaluation every three years (which would include transaction testing) of each system.

—OMB issued Bulletin 85-15 titled "Management Improvement projects" dated 5/17/85. This Bulletin supplements Circular A-127 and requires the agencies to submit details of all major financial system improvement projects or system upgrades to OMB for review and approval before significant agency funds are expended for major system upgrade projects exceeding \$500,000. Not only is this a requirement in conjunction with Section 4, FMFIA, but also must be completed prior to submission of the FY 1987 budget submission of the five year plan.

—OMB issued Circular A-129, "Managing Federal Credit Programs," on 5/9/85. This Circular prescribes

policies and procedures for managing Federal credit programs and for collection of loans and other receivables. It sets standards for extending credit, servicing non-performing accounts, collecting delinquent receivables, and writing off uncollectible accounts. Agencies were directed to establish an agency directive in 60 days assigning credit management responsibilities and defining roles of individuals and organizations.

—OMB issued Bulletin No. 85-18, "Grant Program Information," on 6/21/85. This Bulletin provides instructions for the preparation and submission of information on grant and cooperative agreement activities. Agencies must submit to OMB by 8/1/85 two copies of a report on the Status of Obligations for Grant and Cooperative Agreement Activities. A separate report will be submitted for all appropriations or fund accounts where obligations exceed \$1 million.

—OMB issued Bulletin No. 85-19, "1987 Management Review," in early July 1985. This Bulletin provides instructions to a list of participating agencies regarding the preparation and conduct of the 1987 management reviews. These reviews will focus on agencies' progress in implementing 1985 and 1986 management improvement initiatives and will also identify new management initiatives to be reflected in the 1987 budget.

—OMB issued M-85-18, titled "Prevention of Wasteful Year-End Spending" dated 6/13/85. One of the major provisions is that obligations for the fourth quarter of the fiscal year are no higher than the average for the first three quarters, except, where seasonal requirements, essential program objective, or leadtime justify a higher level. O.I.G. auditors have been requested to conduct an assessment of the validity of a sample of the procurements awarded in the fourth quarter.

If you need any of the above data, please call OMB Publications on 395-7332.

## NEWSLETTER

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