

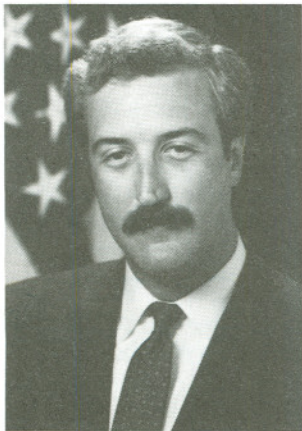
ASSOCIATION of GOVERNMENT ACCOUNTANTS

WASHINGTON CHAPTER NEWSLETTER

September 1990

About Our Speaker This Month

September 13, 1990



President Bush appointed **Sean O'Keefe** to be Comptroller of the Department of Defense on May 22, 1989. In this capacity, he serves as the Department's senior financial manager.

He received a Master of Public Administration degree from the Maxwell School of Citizenship and Public Affairs at Syracuse University. He is a graduate of Loyola University, New Orleans, Louisiana, with a B.A. in Political Science.

Mr. O'Keefe served as the Staff Director for the Senate Committee on Appropriations, Defense Subcommittee when the Republicans were in the United States Senate majority until 1987 when he assumed the Minority Counsel duties. Prior to his service as Staff Director, he was successively assigned to principal analyst positions beginning in 1981.

Mr. O'Keefe entered public service in 1978 upon his selection as a Presidential Management Intern. In this capacity he was assigned to the Office of the Secretary of Defense, Comptroller, and the National Security Division at the Office of Management and Budget.

Before joining the Appropriations Committee staff he served as a budget analyst at the Naval Sea Systems Command.

Over the past several years, Mr. O'Keefe has participated in a variety of professional activities, including the national security working group to develop the 1988 Republican Platform. He was a member of the 1985 Kennedy School of Government program for National Security and International Affairs at Harvard University. He is a past President and continued member of the Presidential Management Alumni Group.

Mr. O'Keefe, originally from New Orleans, Louisiana, resides with his wife Laura, daughter Lindsey and son Jonathan in Arlington, Virginia.

WASHINGTON CHAPTER LUNCHEON MEETING TO FEATURE

Sean O'Keefe

*As Comptroller of the Department of Defense,
Mr. O'Keefe will discuss current financial initiatives*

TOUCHDOWN CLUB

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

Social Period: 11:30 a.m. (Cash Bar)
Luncheon: 12:00 noon
Menu: London Broil
Cost: \$17.00 (Members)
\$19.00 (Non-members)

Reservations Recommended
Call (703) 758-4080 Thru September 11
NON-MEMBERS WELCOME!
(Uncancelled "No-Shows" will be billed)

Next Meeting: October 4

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PRESIDENT'S MESSAGE



Joyce Shelton

As the Chapter begins our 41st year, it is a time to reflect on our past history. You will soon receive a copy of the Chapter's history, commemorating 40 years of achievements by the Washington, D.C. Chapter from its inception in July, 1950, to the present time. The Chapter has had many distinguished leaders and can take great pride in its accomplishments. When you review this history, you will be able to appreciate the time and effort expended in its development by our History Committee chair, Bob Pewanick, and his committee.

Moving to our more recent past, each of our outgoing Officers, Directors, Committee Chairpersons and members deserves our gratitude and thanks for their willingness to serve the Chapter. Each day I gain new insight for just how much is involved in the successful execution of the Chapter's activities. Doris Chew, our past President, has provided outstanding leadership to the Chapter during the past 12 months.

Doris Chew also agreed to be our Regional Vice President Elect for next year, due to a some friendly persuasion on my part. The Regional Vice President (RVP) is a key link with the National Office and with other chapters in the region. The three Chapters in the Washington Region rotate nominating the RVP. Our outgoing RVP is Kathy Murphy, Fred Newman is the RVP this year, and Doris will serve as RVP next year.

Newly elected Members of the Washington Chapter Executive Committee (CEC) are:

President-Elect -

Sam Mok, Treasury Department;

Secretary -

Steve Swanson, Department of Transportation;

Treasurer -

Joan Bozzonetti, Department of Commerce; and,

Directors -

Evelyn Brown, Department of Commerce

Patricia Dews, National Archives

Nancy Fleetwood, Financial Management Service

Alvin Tucker, Department of Defense

Joe Willever, Office of Personnel Management.

The slate of Officers and Directors as nominated by the Nomination Committee last March was accepted by the membership and therefore ballots were not mailed. However, there are several changes to the above list. Vern Isenberg, who agreed to serve as our Treasurer, resigned due to his transfer to out of the Washington

area. Vern, an active member of our chapter and former Treasurer, has transferred to St Louis. In accordance with our Bylaws, the CEC in the July meeting elected Joan Bozzonetti as the new Treasurer. The second name change is that of our new Director, Nancy Coto Fleetwood, whose name changed due to her marriage in April.

The Washington Chapter has a long and successful commitment to improving governmental financial management by providing its membership with information exchange, an opportunity to network, and meaningful and timely education events.

This year I have made the commitment to be personally involved in the development and publication of the newsletter. Any of you who have ever been involved know what a difficult and challenging task a newsletter can be. It is especially disheartening when a process which requires so much effort is plagued by varying factors, not easily predictable or controllable, which prevent schedules from being met. Sounds like a good definition of stress. Our goal is to avoid the unavoidable and get the newsletters in your hands well in advance of the luncheons. Joel Dorfman has agreed to be the Committee Chairperson/Editor responsible for the newsletter.

Our September Luncheon speaker is Sean O'Keefe, Comptroller, Department of Defense. Kudos to new Program Director, Al Tucker, for identifying an outstanding list of speakers for our luncheons for the coming year. Al has extended invitations for all luncheons and has received a number of acceptances. Al wisely recruited Diane Bray to assist as Committee Chair.

Those of you who know Education Director, Larry Wilson, are well aware to his devotion to education. The Education Committee is planning a number of educational events for the coming year. The first event is scheduled for all day at the Touchdown Club concurrent with our October Luncheon. The emphasis will be on internal control lessons learned from the HUD scandals. The second educational event will be in mid-November and will be an all day program at George Washington University on Debt and Credit Management. Three additional educational events are also in the planning stages.

Don Kirkendall, Leadership Conference Chair, has requested volunteers to assist with the Conference to be held on January 10-11, 1991 at the Four Seasons Hotel, Washington, D.C. If you are willing to assist for two to four hours on either day, call Diane Bray on 697-8281 for details by August 31.

It is never too late to volunteer to serve on a committee. If I have failed to contact anyone who volunteered previously, or if you find you have some time you're willing to devote, please let me know.

If you need to call me at my office, it is frequently difficult to make contact as I have a full schedule. If I'm not available, talk to Kim Dustin, my personal assistant. Kim will discuss your call with me and make sure we respond promptly. Kim will also be attending our monthly meetings.

On a final note, as a member of the Chapter, evaluate your priorities and take advantage of the opportunity to attend our luncheons and educational events. If you have suggestions for improvement, please pass them on; if you think we're doing something right, let us know; and if you value your membership, extend an invitation to others to join.

AGA WASHINGTON CHAPTER

Chapter Executive Council for 1990/1991

OFFICERS

President

Joyce Shelton, DOT, 366-1306

President-Elect

Sam Mok, Treasury, 377-9322

Secretary

Steve Swanson, DOT, 366-5643

Treasurer

Joan Bozzonetti, DOC, 377-4593

Assistant Treasurers

Yash Parekh, DOT, 366-5760

Geraldine Beard, JFMIP, 376-5415

Past President

Doris Chew, JFMIP, 376-5415

DIRECTORS

Chapter Awards

Nancy Fleetwood, FMS, 287-0318

Chapter Bylaws & Procedures

Mary Lee Mason, FMS, 208-1393

Student Awards

John Cherbini, C&L, 822-5640

Membership Services

Evelyn Brown, DOC, 377-2679

Programs

Alvin Tucker, DOD, 697-0503

Publicity & Agency Liaison

Joe Willever, OPM, 606-1200

Small Business Education

Lionel Henderson, CSC, 982-2133

VITA

Joyce Charles, Labor, 523-5906

Education

Larry Wilson, USDA, 447-8345

Budget and Finance

Patricia Dews, NARA, 501-6060

CHAIRPERSONS

Chapter Recognition

Jean Bowles, State, 875-6923

Coop. with Prof. Institutions

Peggy Smith, Consultant, 469-7290

Small Business Education

German Guajardo, EPA, 475-9507

Education

Peter Ben-Ezra, USDA, 382-1174

Coop. with Educational Institutions

Wallace Keene, NASA, 453-1775

Research

Larry Eisenhart, HHS, 245-6176

Meetings

Warren Cottingham, FMS, 208-2417

History

Judith Boyd, DOD, 697-8281

Budget and Finance

Susan Lee, NARA, 501-6080

Newsletter

Joel Dorfman, DOT, 366-2135

Student Awards

Donald Richardson, PMM, 467-3185

Programs

Diane Bray, DOD, 697-8281

Employment Referral

Bob Loring, OPM, 606-0666

Legislative Tracking

Thomas Gilliland, FMS, 287-0669

Chapter Procedures

Judi Fuerstenberg, DOE, 586-1040

VITA

Velma Speight, Labor, 501-8825

Membership Services

Sue Fields, NIH, 496-3417

Schedule of Luncheons for 1990-1991

Date	Menu
September 13	London Broil
October 4	Eight ounce sirloin steak
November 1	Chicken Cordon Bleu
December 6	Six ounce filet mignon
January 9	Breast of chicken over ham
February 7	Salmon steak
March 7	London Broil
April 4	Broiled chicken
May 2	Pot roast of beef

COMMITTEE REPORTS

1990/1991 Luncheon Meeting Arrangements

by Warren Cottingham, Director of Meetings

As we start a new AGA program year, we are very fortunate to be able to meet again at the Touchdown Club. Even though the Touchdown Club has increased their prices this year, their rates are still much lower than we can get at most other hotels and restaurants. Our luncheon price will be \$17.00 a person except for special dinners which, if scheduled, will cost more. As you may recall, the Touchdown Club is located at 2000 L Street, N.W. (Southwest corner). I am asking for volunteers to sit at the registration table to assist in collecting meal payments prior to each meeting. This is an excellent way to get to know people in AGA. Please call me at 208-2417 if you are interested in helping. Our luncheon meetings are normally the first Thursday of each month (see the schedule in this newsletter). However, due to the Labor Day Holiday, our first meeting will be Thursday, September 13. Please call 703-758-4080 on or before September 11 to make a reservation so that I can know how many meals to guarantee. Although walk-ins are always welcome, your reservation helps the Touchdown Club know the number of meals to prepare and tables and chairs to set-up. If you find after making a reservation that you cannot attend the meeting, make sure you call to cancel the reservation by the Monday before the meeting. Our Chapter policy states that the Treasurer is to bill all no-shows. A very stimulating meeting season has been prepared for you. I'm sure you will enjoy it. See you Thursday, September 13.

Planned Educational Program for the Washington Chapter

- October 4, 1990 "Lessons Federal Financial Managers can Learn from the HUD Scandals"
Full Day Session
Place - Touchdown Club
- November 14, 1990 "Debt Collection and Credit Management"
Full Day Session
Place - George Washington University
- January 9, 1991 "The Defense Budget"
Full Day Session
Place - Touchdown Club
- February 7, 1991 "Total Quality Management (TQM): Application for Budget and Financial Managers"
Half Day Session
Place - Touchdown Club
- April 25, 1991 "Federal Financial Management Systems Update"
Full Day Session
Place - George Washington University

Cost for session and lunch is \$120 for members and \$130 for non-members for full day sessions. Cost for half day session is \$60 for members and \$70 for non-members (includes lunch). A \$5 discount will be offered for payment in cash or check in advance or at registration.

Other Educational Events

AGA Education and Research Foundation

Public Sector Research: An Agenda for the 90's

- Date:** August 27-28, 1990
- Location:** University of Maryland
Center for Adult Education
College Park, Maryland
- Fee:** AGA Members - \$250
Non-members - \$275

For additional information, contact Tom Sadowski at (314) 751-3100

National Events

AGA Leadership Conference

- Date:** January 10-11, 1991
- Location:** Four Seasons Hotel, Washington, D.C.

AGA Professional Development Conference

- Date:** June 24-26, 1991
- Location:** Crowne Plaza, Kansas City, Kansas

For additional information, contact William Miller at (816) 374-7367

Awards Presentations

The Fourteenth Annual Awards Presentation ceremony took place at the May 3 Washington Chapter luncheon meeting. The ceremony honored the following awardees.

Awards for Outstanding Achievement In the Improvement of Financial Management

Distinguished Leadership

Dennis Fischer

Department of Health and Human Services

Achievement of the Year

Larry Stout

Financial Management Service, Department of the Treasury

Education and Training Award

Gordon Harvey

Department of Energy

Special Achievement

Anita Shandor

Financial Management Service, Department of the Treasury

Awards For Outstanding Contributions to the Washington Chapter

James W. Saylor Memorial Awards

Diane Bray

Samuel Mok

President's Recognition Awards

Warren Cottingham

Mary Lee Mason

Past President's Award

Doris Chew

Larry Wilson, Awards Chairman, was the presiding official at the ceremony. Other Awards Committee members included:

- | | |
|-----------------|-----------------------------------|
| Patrick Conklin | Office of Personnel
Management |
| Joe Donlon | Booz Allen & Hamilton |
| Adam Shaw | Department of Defense |
| Susumu Uyeda | Independent consultant |

New Chapter Telephone Number

The Washington Chapter has a new telephone number (703) 758-4080 for use in making reservations for luncheons, educational events, to provide information on the latest employment opportunities, and to leave messages for use in the About Chapter Members news article. The telephone will answer with a recorded instruction to press 1 for luncheon reservations, press 2 for educational events, press 3 for employment opportunities, and press 4 for member news and general messages. We especially encourage all members to let us know if they, or a member they know, have changed jobs, been promoted, got married, or any other exciting news of interest to other members.

Minutes of Chapter Executive Committee Monthly Meetings

Minutes for April 26, 1990

Secretary's Report

Tom Gilliland made a motion to approve the March minutes, and Chuck Zlamal seconded the motion. The CEC voted to approve the minutes.

Treasurer's Report

Bob Rogers presented the revenue and expense statement for July 1, 1989 to March 31, 1990. He also gave the statement of financial position as of March 31, 1990. Diane Bray motioned to accept the Treasurer's report, and Joyce Shelton seconded. The CEC voted to accept the report.

Committee Reports on Activities

Meetings: Warren Cottingham reported that 178 people attended the April 5 luncheon. He also noted that the January 1991 meeting was rescheduled due to a conflict with the Annual Leadership Conference.

Education: Geri Beard reported that 78 people registered for "Financial Management Initiatives for the 90s."

Membership: Ms. Chew requested follow-up calls be made to the 150 members suspended after nonpayment of dues. The list was distributed among members present.

Chapter Awards: Ms. Chew relayed Larry Wilson's report on his March 26 committee nominations for National awards.

Chapter Recognition: Except for audit and membership categories, Ms. Bowles noted that our chapter achieved the maximum goal of 10,000 points.

Cooperation with Educational Institutions: Mr. Keene and Mr. Zlamal gave a two hour presentation to students and faculty at Marymount University.

Adjournment: Ms. Chew adjourned the meeting at 1:02 p.m.

Minutes of Transition Meeting, June 28, 1990

Secretary's Report

Bob Rogers made a motion to approve the minutes of the April meeting. Mary Lee Mason seconded, and CEC voted to approve the minutes.

Treasurer's Report

Bob Rogers presented the Treasurer's report. A motion was made to accept the report. The motion was seconded and the CEC voted to accept the report.

Committee Reports on Activities

Education: Mary Lee Mason thanked everyone for contributing to a very successful year for the education committee.

VITA: Joyce Shelton announced that 20 people volunteered for the tax assistance program last year.

History: The Chapter's history report is being designed by the graphics department at Peat Marwick, thanks to the help of Don Richardson.

Adjournment: Ms. Chew adjourned the meeting at 12:30 p.m.

Minutes for July 19, 1990

Secretary's Report

There was a motion that the minutes from the June meeting be approved. The motion was seconded and the CEC approved the minutes.

Treasurer's Report

Joyce Shelton reported that Vern Isenberg, the elected Treasurer, had resigned due to his transfer to St. Louis. There was a motion, which was seconded, that Joan Bozzonetti be elected as Treasurer for 1990-91. The CEC passed the motion. Copies of the Treasurer's report were distributed by Doris Chew. Following discussion, a motion was proposed, seconded, and the CEC voted that the Treasurer's report be accepted.

Budget: There was an open discussion about the proposed budget for 1990-1991. Pat Dews noted the necessary changes and will submit a revised budget at the next CEC meeting.

Committee Reports on Activities

Education: Pete Ben-Ezra discussed the proposed educational events for 1990-91. The price for admission for members and non-members was also discussed. A motion was made and seconded that the prices of educational events be as follows:

Members - Half-days: \$60, Full-days: \$120

Non-members - Half-days: \$70, Full-days: \$130

Newsletter: Joyce Shelton and Joel Dorfman discussed their goals for this year's newsletter. They would like to have all articles submitted on WordPerfect 5.0 disk, at least six weeks before the publication date of the newsletter.

Meetings: Warren Cottingham announced that the prices at the Touchdown Club will be going up for our luncheons. The price of luncheons will be \$17.00 for members and \$19.00 for non-members.

Adjournment: The meeting was adjourned by Joyce Shelton at 1:15 p.m.

Small Business Training Course Helps Area Entrepreneurs

By German Guajardo, Chair, Small Business Education Committee

Our Chapter's small business training course was established in the Spring of 1988 and since then has been a highly successful community service. This evening course is co-sponsored by the U.S. Small Business Administration and is offered twice a year in the Spring and Fall. The next course will start on Wednesday night September 19, 1990 from 6:30 p.m. to 9:00 p.m. and will consist of a series of 9 classes which will be held once a week each Wednesday night through November 14, 1990. The enrollment fee for the complete course is \$50. The location for the classes will be the Howard University Small Business Development Center, School of Business, 2600 6th Street, N.W., Washington, D.C.

The course includes a comprehensive instruction program geared for the aspiring or new small business owner/operator. Generally, it covers the basic accounting and tax subjects a business person needs to know as well as other relevant subjects such as insurance, marketing, loan packaging, and office automation. The sessions are taught by volunteer chapter members and area small business persons with expertise in other matters such as insurance and marketing. The feedback from attendees has been positive not

(continued on page 7)

TECHNICAL TOPICS

Strengthening Controls for Better Government

Note: The following technical article is an excerpt from Chapter 2 of AGA National's 40 year history report. The chapter was written by Charles R. McAndrew, a member of the Washington Chapter. Mr. McAndrew is Manager of the Financial Plans Branch, U.S. Navy Accounting and Finance Center, Office of the Comptroller.

Strengthening controls for better government presents a challenge for top financial managers, inspector generals, auditors, and accounting and budget managers. This chapter presents a history of many of the major laws, regulations, and standards developed for the government financial management community. In spite of many laws, regulations, and controls for financial management, there still remains plenty of room for improvements.

In tracing back through history, the Constitution provided that no spending shall take place except for appropriation by Congress out of the Treasury. It appears that the first major law passed regarding controls occurred during President Cleveland's administration. In 1884, Congress enacted the **Dockery Act**. The Act officially established and strengthened the centralized accounting functions of the Government in the Treasury Department which was established in 1789. The Act required an annual combined statement of receipts and expenditures. A Comptroller of the Treasury was established which replaced several Comptrollers then in existence, thereby simplifying the settlement of accounts and claims. It should be noted that legislation was passed in 1870 which prohibited federal officials from making expenditures or incurring obligations in excess of available or in advance of new appropriations.

The next major Act occurred in President Harding's administration in 1921. This was the **Accounting Act of 1921**. This Act provided that the President present an annual budget prepared by the newly established Bureau of the Budget in the Treasury Department. It also created the General Accounting Office (GAO) as an independent agency under the control of a Comptroller General. It was the intent of the Act to separate budgeting, accounting, and auditing of the Government, and to establish a truly independent audit office as an arm of Congress. Prior to that time, Treasury had prepared and was responsible for compiling and submitting the budgets to Congress.

The next major act after 1921 occurred in President Truman's administration. The **Budget and Accounting Procedures Act of 1950** placed the responsibility for establishing and maintaining adequate systems of accounting and internal controls on the head of each executive agency. It provided: (1) full disclosure of financial results of the agency's activities; (2) adequate financial information needed for the agency's management purposes; (3) effective control over and accountability for all funds, property, and other assets; (4) reliable accounting results to serve as the basis for preparation and support of the agency's budget requests; and (5) suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Treasury. The Act further prescribes that accounting systems of executive agencies must conform to the principles, standards, and related requirements prescribed by the Comptroller General.

This Act directed agencies in consultation with OMB to achieve consistency in accounting and budget classifications and to synchronize accounting and budgeting classifications within organizational structures. Also, this legislation formally established the Joint Financial Management Improvement Program (JFMIP) and enacted many of the Hoover Commission's recommendations, one of which was to establish an Accountant General in the Treasury Department. This individual would have the authority to prescribe general accounting methods and to enforce accounting procedures subject to the approval of the Comptroller General.

The **Inspector General Act of 1978** was established during President Carter's administration. The purpose was to establish the Office of Inspector General in Departments and Federal agencies. This Act created independent offices to conduct and supervise audits and investigations relating to operations of most of the Executive Departments and major independent agencies.

In the past 120 years since the first legislation passed in 1870, much has been devoted to strengthening internal accounting controls in the Federal government. Perhaps there has been no other decade since 1870 whereby so much legislation was enacted for strengthening controls as the 1980's. During this period, major legislation in controls was enacted. The **Federal Managers' Financial Integrity Act (FMFIA)** of 1982, the **Prompt Payment Act** and the **Debt Collection Act** both in 1982, the **Single Audit Act** of 1984, and the **IG Act** of 1988. However, it is the opinion of this author, that financial management is a pathetic disaster in most of the Federal departments and agencies. While there have been many audit, IG, and evaluation reports as well as FMFIA reports identifying many material deficiencies, departments and agencies fail to implement corrective actions and recommendations. Failure to resolve these serious problems has resulted in major scandals well publicized in the newspapers nationwide.

Several newspaper articles in December 1989 revealed some major scandals. Here were a few of the headlines: (1) "OMB's High Risk List Details Vulnerable Programs," (2) "Management, Accounting, and Procurement Weaknesses are Widespread; Billions at Stake," (3) "GAO Report says Government's failure to account for itself will cost \$150 billion," (4) "Multibillion dollar federal guarantee program near bankruptcy," (5) "HUD describes problems with management practices," and (6) "Regulators say 80's budget cuts may cost U.S. billions in the 1990's."

In December 1989, OMB made public a "high risk list" containing 73 government programs that threaten to cost taxpayers billions of dollars unless serious management weaknesses are corrected. OMB concluded that the government needs more modern financial management systems, better procurement procedures and more auditing.

In conclusion, it appears that for the future top management must be committed to quality financial management. Departments and agencies need qualified financial managers formally trained and educated in accounting and financial management dedicated to total quality management. Chief Financial Officers must be trained accountants and managers. Both GAO and OMB must have dedicated resources to encourage all Departments and Agencies to correct the material deficiencies list above. Accuracy, reliability, and integrity must be established in accounting and financial management systems before complete financial audits can be performed. It is going to take more of the taxpayer's money, qualified accountants, auditors, budget analysts, financial managers, and dedicated top agency management to solve these major problems.

Did You Know ...

Submitted by Larry Eisenhart, Research Chair (245-6176)

FDA's Experiment in Paying Without Receiving Reports.

Rules and convention have demanded that no government bill can be paid until the paying office receives and matches three documents—an obligating document, the invoice, and the receiving report. The latter document, which verifies that the goods or services have been received, has been a problem in most paying offices for years. Until mid-1988, problems with receiving reports were also the main cause of late payments and interest payments for the Food and Drug Administration (FDA) headquarters, which makes over 50,000 payments a year subject to the Prompt Pay Act.

Convinced that something fundamental in this process had to change to improve performance and to make operations more efficient, FDA has been experimenting since then by paying most of its bills without getting the receiving report in the payment office.

Invoices of \$750 or less represent 80% of FDA's payments, but only 19% of the dollar value of all payments. FDA believed that payment for most of these invoices without receiving reports would occur with little risk of loss to the government, because of existing safeguards built into FDA's payment process.

To test this belief, FDA paid every invoice under \$750 that had been matched with an obligating document, but which had not been matched with a receiving report for seven working days in March of 1988, and did 100% follow-up after the fact to see if goods had been received.

Of the 1036 items paid, only three were the result of an error which might not have been discovered in the course of normal operations. The three payment errors totaled \$398, out of a total of \$202,092—less than 0.2%. Based on this sample, FDA projected a full year's possible losses on invoices of \$750 or less at \$11,178, compared to projected savings of about \$100,000.

Based on FDA's analysis, the savings in interest payments alone would justify the small cost associated with the few erroneous payments that might go undetected. Adding saving from reduction in overtime and researching receiving reports made a strong case for eliminating routine matching of receiving reports for payments under \$750.

In June, 1988, FDA began routinely paying most invoices of \$750 and less without requiring receiving reports, and concurrently implemented a vigorous, random, statistical sampling program to maintain confidence that goods ordered were received.

The results of the statistical sampling since June of 1988 have bolstered FDA's confidence that very few payment errors have occurred. From June of 1988 through May of 1989, 30,768 payments of \$750 or less were made without verifying the receipt of goods in Accounting. Of these 30,768 payments, 1,054 were selected for verification of receipt in statistical samples. Of those, only a single payment of \$121 was identified as a problem in the statistical sample before it had been caught and corrected through other processes FDA had in place. Thus, for all payments of \$750 or less during this twelve-month period, FDA estimates erroneous payments of \$3,532, far lower than the projection from the pilot study.

As a result of the changes in payment practices, FDA's payment performance has improved dramatically in 1989 (even with the loss of the 15 day "grace period" effective April 1, 1989). The figures below compare the first half of 1988, when receiving reports were routinely required before all payments were made, with 1989 performance, when receiving reports were not verified in Accounting before payments of \$750 or less were made:

	1988 1st Half	1989 Actuals
Late Payments	30%	7%
Payments with Interest	8%	2%
Interest Paid	\$49,800*	\$35,100

*Annualized

In addition, FDA calculated actual 1989 savings realized from this change in procedures at a little over \$70,000, mostly in reduced overtime and reduced personnel costs spent researching a large number of low dollar value receiving reports.

The practice FDA has initiated for paying invoices without receiving reports differs from the Fast Pay procedure formalized in the Federal Acquisitions Regulation in two key respects.

1. No special provisions are included in the purchase order or contract. FDA's experience is that vendors promptly either return, or give credit for, payments that later prove to be a problem.
2. Payment is made 30 days after the invoice is received, so the government retains the use of funds longer than it would under Fast Pay. The assumption made is that goods or services are received on or before the date the invoice is received.

FDA's procedure does not eliminate the GAO requirement for "Proof of receipt of goods/services"; that proof is kept in the ordering office, rather than sent to Accounting, for invoices of \$750 or less.

FDA is pleased with the results of this recent change, and pleased with the reaction of OMB and GAO staff who have been briefed on it. FDA believes it represents a cost effective way of handling large numbers of invoices falling under GAO's dollar threshold for statistical sampling, as long as both sound internal controls are in place and a sound statistical sampling method is used to maintain vigilance over payment operations. For further information contact Frank Claunts at 443-3260.

Small Business Training Course

(continued from page 5)

only from the standpoint of course content but also from the fact that the sessions offer the opportunity for networking among attendees.

Future plans include expanding the basic course to concentrate on specific areas, such as doing business in foreign countries. This of course, depends on whether we can obtain volunteer instructors who possess the necessary expertise for a successful course.

We need volunteer instructors in accounting, tax and insurance. Persons who wish to volunteer as instructors should contact German Guajardo at 475-9507. We are in the process of printing a brochure and will distribute it as soon as it is available.

THIS AND THAT

About Chapter Members

We hope you had a great summer. Several of our members used the summer to find new challenges and get promoted. Congratulations to **Judi Fuerstenberg** on her new job at the Department of Energy's Inspector General and to **Kathy Murphy** on her new job as Director, Office of Budget at the Federal Railroad Administration, Department of Transportation.

Diane Bray received the Presidential Award at the AGA National Professional Development Conference in Nashville. The Award recognizes Diane's "outstanding contributions to the success of the AGA's first Leadership Conference." Other Washington Chapter members honored at the PDC were **T. Jack Gary, Jr.**, who received the Lifetime Research Achievement Award and **James P. Wesberry, Jr.**, who received an Author's Award. Congratulations also to **Doris Chew** on the Washington Chapter's Chapter Recognition Award.

Congratulations and best wishes to **Joel Dorfman** on his recent marriage and to **John Simonette** on his retirement from GAO.

If you have news about Chapter Members call Chuck Zlamal at 275-9505 or leave a message at (703) 758-4080.

Changing Your Address?

The easiest and surest way of changing your mailing address for all Chapter and National Office mailings is to mail a notice with the new address and an AGA mailing label with the old address on it to:

AGA National Office
601 Wythe Street, Suite 204
Alexandria, Virginia 22314

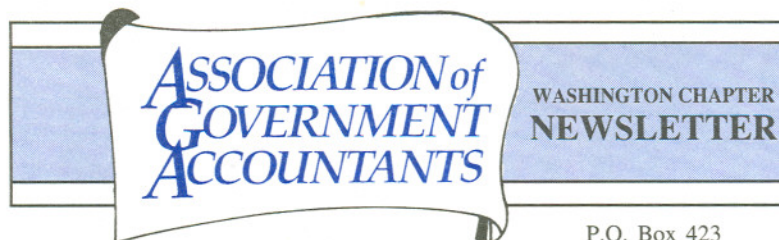
Other Chapter Meetings

Montgomery/Prince George's Chapter

Date and Time: September 12, 1990
5:30 p.m. (social)
6:45 p.m. (dinner)
Location: Holiday Inn, Silver Spring
Speaker: Dr. Leamon Lee
Reservations: Gary Fishbein, 366-6074

Northern Virginia Chapter

Date and Time: September 18
5:30 p.m. (social)
6:30 p.m. (dinner)
Location: TBA



P.O. Box 423
Washington, D.C. 20044
September 1990

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