

FGAA



WASHINGTON CHAPTER

FEBRUARY 1974

NEWS BULLETIN

LUNCHEON MEETING — THURSDAY, FEBRUARY 14, 11:30 AM.

Faculty Club—Cloyd Heck Marvin Center
George Washington University
21st and H Streets, N.W.

“AUDIT—A BOON TO MANAGEMENT?”

**MAJOR GENERAL
DONALD H. McGOVERN**

CHIEF, U.S. ARMY AUDIT AGENCY



General McGovern began his military service in 1941 as a draftee. He was commissioned as a 2nd Lieutenant in the Infantry in 1942 and has had a wide variety of command and staff management experience in his nearly 33 years of service in the Army.

He has served in the Pentagon as Chief of the Budget and Analysis Branch and in that position was responsible for the preparation and coordination of the Army Military Personnel Appropriation. He has also served as Deputy Secretary of the General Staff, Office of the Chief of Staff and was the Department of the Army White House Liaison Officer. General McGovern was Division Commander of the 5th Infantry Division and also Commanding General of the United States Army Recruiting Command. He assumed his duties as Chief, U.S. Army Audit Agency in September 1973.

General McGovern is a graduate of the Command and General Staff College, the Armed Forces Staff College and the Army War College (see p. 3).

MAKE YOUR RESERVATIONS BY 10 A.M. TUESDAY, FEBRUARY 12, TO ASSURE PLACEMENT

Open Meeting Non-Members Welcome

Reservations Call 755-6310/5313 or (IDS) 138-56310

**Washington Chapter Meeting Dates:
Feb. 14—Mar. 14—Apr. 11—May 9**



Gerald Murphy

Treasury — Bureau of Accounts
Director, Government
Financial Operations
WO 4-5594 (184X5594)

President's Message *to* *Members New in Govt*

"The Mysteries of Federal Government Accounting"—Every year graduating college seniors seek employment with the Federal Government. Those applying for financial management positions are normally well versed in commercial accounting, but have never taken a course in Federal financial management. Very few universities offer such a course. Some don't even offer a course in municipal accounting.

While most students learn quickly and bridge the gap between commercial and governmental accounting with relative ease, there is a period of uncertainty for many. The terminology employed within the agency may sound like a foreign tongue at first. There seems to be very little which the new employee can relate back to those textbooks read in the wee hours of the morning such a short time ago.

Actually, *"The Mysteries of Federal Government Accounting"* are not mysterious at all and the differences are few. The biggest problem at present, is the lack of a textbook on Federal financial management. Hopefully, the

text being drafted by Professor Lennis Knighton under FGAA sponsorship will fill this void. A subsidiary problem is that agency manuals and procedural instructions may contain far too much detail to be useful to the new employee.

Many agencies conduct their own in-house training programs and/or send new employees to appropriate courses at the Civil Service Commission, the Interagency Auditor Training Center, the Department of Agriculture Graduate School, or some local university. For anyone with a solid understanding of accounting concepts the "mysteries" evaporate quickly.

Let's look at the account structure to see the similarities. Every Federal agency incurs expenses and will maintain separate accounts for all significant items—salaries, travel, rent, etc. While many agencies provide "free" services and therefore generate no revenue, those that are revenue producing maintain appropriate revenue accounts. All agencies incur liabilities and maintain accounts for payables, unearned revenues, etc. And all agencies have assets—receivables, furniture, equipment, etc. The only difference here is that most agencies are financed by Congressional appropriations, i.e. authorizations to obligate and expend moneys in the U.S. Treasury. These authorizations are recorded on the agencies' books as an asset (Fund Balance with Treasury) with an offsetting credit to an equity account.

The differences between commercial accounting and Governmental accounting can be summarized briefly. I think in terms of two primary differences, both of which relate back to the method of financing, namely by Congressional appropriations. First, the Government records some transactions which are not recorded by industry. This is done because the Congress exercises control over Government spending primarily by placing a limit on the amount of goods and services which an agency can *order*. In private industry, a company ordering merchandise from a vendor would make no entry until the asset was received and a liability incurred. In Government, when an agency issues a purchase order for goods, it records an "obligation" on its books. This can be viewed as conservative accounting but it's essential under the existing system of Congressional control.

The second difference involves the equity accounts. Except for certain Government corporations you won't find capital stock or retained earnings in the equity section. Instead, you'll find the Government's "investment" in the agency in the form of Congressional authorizations. Furthermore, you'll find a breakdown reflecting the status and availability of those authorizations. But to understand it you need to know a little about the process in the Federal Government.

The Federal Government's fiscal year ends June 30. We are presently in FY 1974—the year ending June 30, 1974. Each year every agency prepares a budget request which is approved or revised by the agency head and by the Office of Management and Budget (OMB) in the Executive Office of the President. As finally approved, the agency's request becomes part of the "President's Budget" submitted to the Congress in January. Agency programs must be authorized by law and funds are provided by law (appropriations). Many agency programs must be authorized by law every single year. Appropriations may restrict the availability of funds for obligations to a single fiscal year, to a multiple year period or may make funds available without any fiscal year limitation.

When Congress passes an appropriation bill and the President signs it into law (or Congress overrides a Presidential veto), the Treasury issues an appropriation warrant and the agency records it as follows:

(Continued on page 3)

**WASHINGTON CHAPTER
Executive Committee
1973-1974**

Officers

President

Gerald Murphy, Treasury, WO4-5594

President-Elect

Francis X. LaCava, Treasury, 961-7741

Vice President/Chairman, Finance

Audrey B. Dysland, Treasury, 961-7720

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OMBE Training

Perry Duncan, DOT, 426-1306

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Mear Gabbay, Commerce, 967-4407

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Sus Uyeda, OMB, 395-3144

Meetings Committee

Kent Crowther, HUD, 755-6310

Immediate Past President (Ex Officio)

John W. Cooley, DOD, 697-0585

From The Director, Programs

JOSEPH J. DONLON, GAO



“AUDIT—A BOON TO MANAGEMENT?”

At our February meeting Major General Donald H. McGovern, Chief, U.S. Army Audit Agency, will discuss the operations of his agency. The Army Audit Agency has always been one of the leaders in the field of internal audit and this program will give all of us an opportunity to hear about the innovative techniques utilized by this world-wide audit organization to assist Army managers.

General McGovern will discuss the Army Audit Agency's use of Operational Auditing. The agency has made extensive use of this technique which extends the scope of audit beyond historical concern for the custodial and financial control aspects of an audit to a broader scope of penetration that measures the relative effectiveness with which budgetary resources have been utilized.

The use of the new “AUDIT” (Army Uniform Data Inquiry Technique) Retrieval System which was developed by the Army Audit Agency will also be discussed. This system of ADP programs which simplifies the efforts required by auditors to retrieve data from an ADP system has been used quite successfully by the Army Audit Agency, and several other internal audit organizations have expressed an interest in utilizing the “AUDIT” system.

General McGovern will also provide an insight into the comprehensive auditing and ADP training programs that are available to Army Audit Agency staff members.

Both auditors and those who deal with auditors should appreciate this program. It should be both enjoyable and educational. It will also be a great opportunity for members of the Army Audit Agency and its former members to meet old friends and renew acquaintances.

Area Chapter Meetings

Montgomery—Prince

George's Chapter

Date: February 13, 1974

Place: Sheraton S.S.

Time: Social Hour at 6 pm., Dinner (\$5.25) at 7 pm.

Speaker: Nola F. Smith, Staff Asst. to the President . . .

“Women in Government”

Reservations: Call Mathew Groff at 557-2986.

Northern Virginia Chapter

Date: February 19, 1974

Place: Valle's Steak House

Time: Dinner (\$5.00) at 6 pm.

Speaker: Capt. Grace Murray Hopper, USN—

“The Future Use of Computers”

Reservations: Call Jim Alubowicz at 557-2151.

President's Message (From Page 2)

	<i>Debit</i>	<i>Credit</i>
Fund Balance with Treasury (asset)	\$1,000,000	
Unapportioned Appropriation (equity)		\$1,000,000
Next the agency submits a plan to OMB requesting “apportionment” of the funds, usually by quarters. Upon OMB approval the agency records the first quarter's apportionment as follows:		
Unapportioned Appropriation (equity decrease)	\$250,000	
Unallotted Apportionment (equity increase)		\$250,000

Next the agency makes one or more “allotments” of funds to responsible officials within the agency and records the allotment(s) as follows:

Unallotted Apportionment (equity decrease)	\$200,000	
Unobligated Allotments (equity increase)		\$200,000

(Continued on page 7)

JANUARY MEETING REPORT



Mr. Philip S. Hughes, Assistant Comptroller General of the United States, discusses the role of the Office of Federal Elections.

The resulting reports from campaigners in the last election amounted to more than 100,000 pages. A less well-known feature of the FECA is that it contains a clause providing funds for research into the administration of elections and campaigns, a subject that has received little attention in the past. In an effort to stimulate more research into elections, GAO has awarded several contracts to private organizations.

Mr. Hughes identified a few problems experienced in implementing the Act. The April 7 effective date was too late in the campaign for the law to be wholly effective or understood. The campaign organizations were not well organized in many cases and the problem of educating them in what the act required was massive. Another problem was that more than 80,000 individuals contributed more than \$100 to various campaigns, creating a flood of paper. Hughes believes a higher minimum for reporting purposes would, perhaps, be more practical and achieve the same goals.

A final problem Mr. Hughes mentioned, relates to the constitutionality of the law itself and the fact that both he and the Comptroller General are being taken to court by the American Civil Liberties Union for abridging the individual's right to privacy. The right of the public to be informed of campaign financing sources must be reconciled with the different objective, also in the public interest, of individual privacy.

Where Do We Go From Here The Senate, in its last session, passed a bill tightening up the FECA, but the House hasn't yet taken up the issue. Beyond amending the present disclosure law, lies public finance of election campaigns, which seems to many to be the solution to many problems inherent in our political system. But in closing, Mr. Hughes pointed out that we haven't tried public financing yet—and Murphy's law still applies.

January Meeting Report After more than 20 years in the executive branch, Philip Hughes, our January speaker moved to GAO to head up its Office of Federal Elections. Mr. Hughes talked with us about his experiences in trying to give substance to the intentions behind the Federal Elections Campaign Act of 1972—a law whose time had arrived after more than a decade of trying.

Cost, Not Corruption Notwithstanding the headlines of the past year, the FECA was concerned more with the escalation of the cost of conducting elections than it was with possible corruption in obtaining the funds. Mr. Hughes described the FECA as having three major things going for it that past campaign laws did not. First, it's specific. The law leaves little doubt about what is required of campaigners. Second, it's flexible. There are three supervisory officers and each is authorized to issue regulations for the elections they supervise. Finally, one of the supervisors, the Comptroller General, is non-political and has a reputation for objectivity, thoroughness, and fairness.

Disclosure The FECA evolved as an act to encourage public disclosure of campaign financing, and has little to do with expenditure control. The law requires that every contribution of over \$100, along with the name and address of the contributor, and every campaign expense over \$100, be identified.

The January Meeting Headtable Included:



(L to R) Frank Weitzel, former Asst. Compt. Gen.; Raymond Einhorn, American University; Donald Scantlebury, GAO; Maurice Pujol, Senate Appn. Committee; Audrey B. Dysland, Treasury; Gerald Murphy, Treasury; Phillip

Nominations for Officers and Directors WASHINGTON CHAPTER—FY 1975

The Nominating Committee has submitted the following slate of officers and directors for the Fiscal Year 1975. All those listed have agreed to serve, if elected.

President-Elect:

Joe Donlon (GAO)
Dick Miller (Labor)

Secretary:

Tom Mundell (Treasury)
Paul J. Dolon (Postal Service)

Treasurer:

Sue Fields (HEW)
Ellie Clark (NFAH)

Directors:

Fred Layton (GAO)
Meir Gabbay (Commerce)
Bert Rosen (JFMIP)

Les Thorne (Labor)
Jim Saylor (OSD)
John Lordan (GSA)
Donald Twitty (VA)
H. E. Sellers (DOT)
Ted Meredith (Coopers and Lybrand)
Tom Loftus (CSC)
Maynard Woodbury (OSD)
Mort Cohen (GSA)
Larry Olewine (OSD)
Roy Hogg (OEO)
Tom Novotny (CAB)
Richard Maycock (GAO)

Nominations for National Officers FY 1975

In conformance with the FGAA By-laws, the National Nominating Committee has submitted its official report on nominees to compete in April and May for election to office of the National Association for FY 1975.

The nominees chosen by the National Nominating Committee for the designated offices from the Washington area are as follows:

President-Elect:

Chris Peratino, Montgomery/Prince George's Chapter
Maurice Pujol, Washington Chapter

Regional Vice President Elect:

Capital Region Nominee, *Gerald Murphy*, Washington Chapter

Official ballots will be distributed not later than April 15 to members in good standing as of April 1, in accordance with the By-laws.

TABLE OF THE MONTH — JANUARY MEETING SELECTIONS:

EACH MEMBER OR GUEST SEATED AT TABLE WHERE PHOTO WAS TAKEN WILL RECEIVE
A FREE COPY OF THE PHOTO AT THE NEXT MEETING



(L to R) Rudy Olson, HUD; Leona R. Adams, HUD; Kent Crowther, HUD; Russell L. Bee, HUD; Ralph Dunavant, HUD; Neil Donnelly, HUD; Joseph Giannantonio, HUD; Bernie Schrider, HUD.



S. Hughes, Asst. Compt. Gen. of U.S.; Joseph Donlon, GAO; Mary Markey, NSF; James L. Daigle, SEC; Kenneth R. Ketcham, National Office, FGAA; Fred Thompson, Office of Fed. Elections.

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SPEAKERS:

The Honorable THOMAS D. MORRIS
Assistant Comptroller General of the United States

The Honorable JACK BROOKS
Chairman, Subcommittee on Government Activities, Government Operations Committee, U.S. House of Representatives

The Honorable L. J. ANDOLSEK
Commissioner U.S. Civil Service Commission

The Honorable FRANK G. ZARB
Assistant Director, Office of Management and Budget Executive Office of the President of the United States

B. B. LYNN
Director Defense Contract Audit Agency

ELMER W. MUHONEN
Assistant Inspector General for Audit, Department of Housing & Urban Development

JOHN P. ABBADESSA
Controller U.S. Atomic Energy Commission

PHILIP KROPATKIN
Assistant Director Health, Education and Welfare Audit Agency

MARTIN IVES
Deputy State Comptroller State of New York

AULAY TOMPKINS
Manager, Internal Audit Sperry Rand Corporation New Holland, Pennsylvania

The caliber and thrust of this program makes it a “must” for administrative officials of major government departments at the federal, state, city, and county levels. The program is of significant informational value to legislative officials, educators, government contractors, or others concerned with government operations, including independent public accountants, independent certified public accountants, and professionals in a number of other disciplines as well as “government auditors”. Interest in performance-operational-management and program auditing is worldwide.

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Program Support and Agency Coordination

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Harold E. Sellers — DOT *Richard E. Miller — Labor

Sidney Bauermash — Leslie D. Thorn — Labor

Comm Joseph Donlon — GAO

Gilbert Simonetti — Michael Nathan — CSC

AICPA Kim Hogg — Treas

Jack Fawsett — Army Thomas Mundell — Treas

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Mort Dittenhofer — GAO

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President's Message (from page 3)

The official designated is responsible for controlling obligations within the amount allotted and any violation is considered serious (even if the first quarter apportionment or the total appropriation has not been exceeded). As obligations are incurred they are recorded as follows:

Unobligated Allotments (equity decrease)	\$100,000
Unliquidated Obligations (equity increase)	\$100,000

As obligations are liquidated (either on a cash basis when the bill is paid or on an accrual basis when the goods or services are received) the expenditure (or accrued expenditure) is recorded as follows:

Unliquidated Obligations (equity decrease)	\$50,000
Expended Appropriation (equity increase)	\$50,000

If a balance sheet were prepared at this point in time, the equity section would reflect the status and availability of the appropriation as follows:

Unapportioned Appropriation	\$ 750,000
Unallotted Apportionment	50,000
Unobligated Allotments	100,000
Unliquidated Obligations	50,000
Expended Appropriation	50,000
Total Appropriated	<u>\$1,000,000</u>

While all these accounts must surely look strange to a recent college graduate, the differences in Governmental accounting are limited almost exclusively to those so-called "budgetary accounts" in the equity section and to the Congressional appropriation process.

(last 3 sentences deleted)

3

FROM THE EMPLOYMENT CLEARING HOUSE . . .

Meir S. Gabbay, Chairman

During the past month two persons employed in financial management joined FGAA as a result of recommendations by the Employment Clearing House Committee. Seven persons from the private and Federal sectors requested applications for membership from the committee. Three persons were placed in financial management positions in January.

Vacant positions as of January 16, 1974, are as follows:

- Maritime Administration, Washington, D.C., Financial Analysts, GS-14/15, 2 positions. Contact Mr. Sickon, 967-3824.
- Veterans Administration, Washington, D.C., Contract Auditor, GS-11/12. Contact Mr. Clive Watson, DU 9-3202.
- W. R. Systems Corp., Washington, D.C., Financial Analyst/Systems Trainee up to \$10,000. Contact Mr. L. P. Lyon, 521-7250 or 7251.
- Bureau of Alcohol, Tobacco and Firearms, Washington, D.C., Budget Analyst, GS-7/9. Contact Mrs. A. Dysland, 961-7720.
- Maritime Commission, Washington, D.C., Budget and Accounting Analyst, GS-12. Contact Mrs. K. Mealy, 382-4145.
- Federal Deposit Ins. Corp., Washington, D.C., Budget Analysts, GS-7-11. Contact Mr. S. Graham, 389-4645.
- U.S. Customs Service, Washington, D.C., Auditors, GS-7-13. Contact Mr. R. Mashino, 964-5315.
- Dept. of H.E.W. — Audit Agency, Washington, D.C., Auditors, GS-12-13. Contact Mr. F. Lehrer, 755-8880.
- National Resources, Inc., College Park, Md., Controller/ASPR, \$19,000-\$22,000. Contact Mr. R. Leuthy, 532-4411.
- Goddard Space Center, Greenbelt, Md., Cost Estimators, GS-12-13. Contact Mr. D. Clemens, 301-982-5392.
- Federal Trade Commission, Washington, D.C., Budget Analysts, GS-7-11 and GS-13. Send SF-171 to Mr. William Yancey, Federal Trade Commission, Room 772, Washington, D.C. 20580.
- Civil Service Commission, Washington, D.C., Auditors, GS-5-13. Contact Mr. H. Thorpe, 632-4670.
- Treasury Department, Washington, D.C., Operating Accountant, GS-7/9. Contact John Verkouteren.

RECRUIT A NEW MEMBER IN '74

The Federal Government Accountants Association **WASHINGTON CHAPTER**



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Mysteries of Creaty