

FGAA



WASHINGTON CHAPTER

OCTOBER 1973

NEWS BULLETIN

LUNCHEON MEETING — THURSDAY, OCTOBER 18, 11:30 AM

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

“Management by Objectives— A Club or a Tool?”



THE HONORABLE JAMES T. CLARKE

Assistant Secretary-Management
U.S. Department of the Interior

Mr. Clarke's duties deal with the management and administrative activities of the Department. He is new to Government. Until last May, he was a partner with Coopers & Lybrand (formerly Lybrand, Ross Brothers & Montgomery), one of the largest international accounting and consulting firms. He joined the firm in 1961 and was most recently in charge of its consulting practice in Detroit specializing in financial analysis, organizational planning and EDP assignments.

He received a B.A. degree with honors in Economics from the College of Wooster in Ohio, and a M.B.A. degree in Finance from the University of Michigan.

Mr. Clarke is a CPA and a member of the American Institute of CPA's and the Federal Government Accountants Association. He has also held a number of positions in the Junior Chamber of Commerce.

THE MEETING IS THE THIRD THURSDAY THIS MONTH

MAKE YOUR RESERVATIONS BY 10 A.M. TUESDAY, OCTOBER 16, TO ASSURE PLACEMENT
Open Meeting Non-Members Welcome
Reservations Call 755-6310/5313 or (IDS) 138-56310

Washington Chapter Meeting Dates:

Oct. 18—Nov. 15—Dec. 13—Jan. 10—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

It's interesting to note how important *accounting* is in private industry and how important *budgeting* is in the Federal Government. Both, of course, are essential but their relative importance seems to change. Most Federal agencies need not worry about revenues. They don't need a sales or marketing department. Their operations are authorized and financed by law and the budget process is all important.

The Federal budget process is such that program managers and budget officers work together closely in preparation, justification and execution of the budget. As a result of this close relationship, the budget staff gains an insight into the agency's programs, their objectives, relative priorities, etc. In some agencies program managers deal almost exclusively with the budget officer when it comes to financial matters. Despite all of the accountants' efforts, there are still managers who view them as nothing more than bookkeepers whose sole function is to keep them out of jail by preventing an overobligation of available resources. Some avoid accountants when they simply want a rough approximation because they think that accounting "precision" precludes the development of quick estimates. (Those who don't understand accounting will probably suffer from these hangups forever.)

In situations like the above, the budget staff may have a good understanding of management's recurring financial information needs while the accountant charged with designing the system to meet those needs continued to work in the dark. This might not present a major problem in an agency where the accounting and budget functions are closely integrated, but too frequently this is not the case.

Organizational structures vary from agency to agency and for the most part there is no right or wrong way. Some organizational structures look peculiar on a chart but they work because the people involved make them work. Nevertheless, my personal opinion is that no agency should separate the accounting and budgeting functions. As a minimum they should report to the same person, e.g., a comptroller, and in some cases they could be merged to form a single staff. The Civil Service Commission has a relatively new and little known series involving both accounting and budget duties. The GS-504 Budget and Accounting Analyst series seems ideally suited for the single staff concept.

I believe that there are definite advantages in merging and think that both disciplines would benefit. Accountants would learn from budgeteers and vice versa. Both would develop a broader understanding of Federal financial management and the agency would have a single contact point for dealings with the central financial agencies. Today, most agency budget staffs deal primarily with OMB. Accounting and financial reporting staffs deal almost exclusively with GAO and/or Treasury. Sometimes an agency will report inconsistent financial data to OMB and Treasury—a report to OMB prepared by the budget staff and a report to Treasury prepared by the accounting staff simply don't agree for one reason or another. This usually results in a good bit of additional work for all concerned. Sometimes accountants provide data to the budget staff for inclusion in a report on budget status (SF-133) or budget schedule without knowing how it will be used and may not fully understand what is needed. The Budget staff usually has no alternative but to assume that the data received is correct. Frequently, accounting staffs are not as familiar as they should be with OMB Circulars A-11, A-34, etc. Budget staffs often encounter situations where accounting advice is needed to determine the proper budget presentation. In short, they need one another.

I think the single staff concept would eliminate many of our present problems. If you have some different thoughts, let us hear from you.

**WASHINGTON CHAPTER
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1973-1974**

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**AREA
CHAPTER MEETINGS**

Montgomery— Prince Georges Chapt. National Presidents Night will be Wednesday, October 10, 1973. Harry Levine will speak on, "Education for Our Profession as Viewed by Government, Public Accounting Firms, and FGAA".

Place: Sheraton Silver Spring Inn, Colesville Rd.

Time: Cocktail hour is at 6:00 P.M. Dinner (\$5.25) is at 7:00 P.M.

Reservations: Call Mathew Groff at 557-2986

Northern Virginia The regular monthly meeting will be held Tuesday, October 16, 1973. The featured speaker will be Phillip S. Hughes, Director, Office of Federal Elections, speaking on "Campaign Finance Disclosure— What Next?"

Place: Valle's Steak House, Springfield, Va.

Time: Dinner (\$5.00) is at 6:00 P.M.

Reservations: Call Jim Alubowicz at 557-2151 by October 12th

From The Director, Programs

JOSEPH J. DONLON, GAO



**MANAGEMENT BY OBJECTIVES—
A CLUB OR A TOOL?**

On April 18 the President directed 21 federal agencies to adopt MBO (management-by-objectives). These agencies are in the process of identifying their top-priority objectives. After objectives are established, OMB will determine the agencies' progress toward these objectives by means of bi-monthly meetings. Reaction to MBO has been mixed. Some feel it offers great promise; others view it skeptically.

What are the chances for survival of MBO? Should the setting of departmental objectives be married to the annual budget process? Should it be institutionalized? Is it really anything other than good common sense? Is it PPBS revisited? These and other questions are being asked with increasing frequency by Federal executives.

At our October meeting, James T. Clarke, Assistant Secretary (Management), Department of Interior, will discuss his views of MBO. Mr. Clarke has first-hand knowledge of the area because he has participated in preparing the Department of Interior's proposed objectives.

One concern to Federal executives is to what extent OMB will use management-by-objectives to control the bureaucracy. Another concern about MBO is that it might turn into a useless time-consuming exercise in writing reports.

In an interview with *National Journal*, Mr. Clarke said that he came to his government job determined to use some kind of participatory management system similar to the one he used as a Detroit accountant. According to Mr. Clarke, "The first signs indicate that MBO can't help but be an improvement."

Luncheon reservations

Please make your reservations early. Unfortunately, because of the large turnout at our September meeting, we were unable to fully accommodate those who had not made advance reservations.

November meeting

Our speaker for the November 15th meeting will be Mr. Dale O. McOmber, Assistant Director for Budget Review, Office of Management and Budget. Mr. McOmber's topic will be "What Accountants and Other People Should Know About the Budget". We are also inviting the members of the Budget Officers Conference to our November meeting.

COST ACCOUNTING STANDARDS UPDATE

Update briefings on Cost Accounting Standards are being given by the Cost Accounting Standards Board, the Defense Contract Audit Agency, and the Defense Contract Administration Service on October 18, 1973 at the Sheraton Park Hotel, Washington, D.C.

Cost: \$20.00 per person

Schedule: Registration at 8:30 a.m.; briefings begin at 9:30 a.m.

Reservations:

Judy Logue-FGAA
727 So. 23rd St.
Arlington, Va. 22202
(703) 684-6931

**RESERVATIONS MUST BE MADE
AT LEAST 48 HOURS PRIOR TO THE BRIEFING**

SEPTEMBER MEETING REPORT



Dudley C. Mecum (left) and John C. Lordon (right) were panelists at our September meeting. Raymond Einhorn (center) was moderator for the panel discussion.

More than 320 members and guests attended the September luncheon meeting to hear John Lordon, Director, Office of Financial Management, Office of Federal Management Policy, GSA; Dudley Mecum, Assistant Director for Management and Budget, OMB; and Ray Einhorn, Past President, Washington Chapter of FGAA and Past National President, FGAA, discuss financial management responsibility in the executive branch. Guests at the meeting included Dwight Ink, Deputy Administrator, GSA, and Dr. Laura Cardwell, Chairman, Department of Accounting, American University.

Award to Cooley

President-elect Frank La Cava, substituting for President Jerry Murphy, opened the meeting by reviewing the Washington Chapter's achievements over the past year. In addition to an outstanding slate of monthly meetings, we placed number one in the nation in chapter competition and also received a membership improvement award. For these achievements, and his many other contributions as Chapter President during the 1972-73 year, the chapter awarded a plaque to John Cooley for his outstanding leadership.

Ray Einhorn opened the panel discussion by posing the question, "Was financial management responsibility transferred from OMB to GSA?" The panelists responded as follows:

A Shared Responsibility

John Lordon pointed out that financial management in Government has almost always been a shared responsibility; a prime responsibility of the individual agencies but also a responsibility of the central management agencies such as Treasury and OMB. Mr. Lordon believes the Presidential Order transferring the responsibilities assigned to the Financial Management Branch in OMB to GSA logically draws upon another central management agency to play a key role in financial management. GSA has become a principle presidential instrument for achieving better financial management coordination.

The September Meeting Headtable Included:



Left to right: Sus Uyeda, OMB; Ester Kiel, NSF; John Cooley, DOD; Kenneth Ketcham, Executive Vice President, FGAA; Dwight Ink, Deputy Administrator, GSA; Joseph Donlon, GAO; Frank LaCava, Treasury; Max Hirschorn, GAO; Audrey Dysland, Treasury; John Lordon, Director, Office of Financial Management, GSA; Raymond Einhorn,

dination; in Mr. Lordon's view an *additional* instrument, not an old one that has simply changed places.

Mr. Lordon cited, as an example of GSA's new involvement, a series of circulars dealing with executive financial management. Called Federal Management Circulars, they will continue the traditions of financial management policy setting established by such OMB circulars as A-21, A-34, A-73, A-87 and A-102. The first in the series was issued recently, explaining the purpose and authority of the circulars, and FMC number 2, concerning audit policies for grant programs, should be released by the time this is published.

OMB Still Involved

Dudley Mecum agreed that GSA was an added force in Federal financial management, and reaffirmed OMB's continuing role. Mr. Mecum believes one of OMB's central concerns is getting needed information to management, and good financial management systems are a primary source of this information. Three OMB Management and Organization Divisions will have special importance to executive branch financial managers. They are (1) the Statistical Policy Division, which reviews and approves every data collection form; (2) the Information Systems Division, which develops policy on ADP systems, and (3) the Organization and Special Project Division, which oversees large-scale financial management systems.

Mr. Mecum concluded by stating that OMB still has the same oversight responsibility it has always had for federal financial management.

New Federalism?

Ray Einhorn chaired a lively question and answer session after the panelists had finished. Questions concerned the "new federalism" (Mecum stated OMB has instituted a major project to set criteria for measuring new federalism effectiveness; Lordon cited OMB circular A-102 as setting guidelines for grant administration and joint funding of programs); the establishment of new financial management policy (Lordon thought GSA would be the focal point but that responsibility could be shared); and the difficulty of integrating financial management with the budget process. Mecum and Lordon believed there would be close cooperation by all agencies.



President-Elect Frank LaCava presents award to Immediate Past President (Ex Officio) John Cooley for his outstanding leadership and contributions during the 1972-73 year.



Past President, Washington Chapter FGAA and Past National President; Dudley Mecum, Assistant Director for Management and Budget, OMB.

TABLE OF THE MONTH — SEPTEMBER MEETING SELECTIONS:

EACH MEMBER OR GUEST SEATED AT TABLES WHERE PHOTOS WERE TAKEN WILL RECEIVE
A FREE COPY OF THE PHOTO AT THE NEXT MEETING



Special Educators Table - (L to R) James McCloskey, GWU; Laura Karadibil, American Univ.; Walter O'Brien, Civil Service Comm.; Randy Coyner, Univ. of Maryland; Anthony Mastro, GWU; Michael Gallagher, GWU; David Abramson, GWU; Joel Taub, GWU.



(L. to R) From the Department of Commerce: John Szpanka, Joyce Charles, Tom Schultz, Garlen Fenney, John Kennedy, Ray Wallace, Joe Adams, Frank Conea, Jackie Glenn.

PUBLICATION OF AUDIT COMPENDIUM ANNOUNCED

The proceedings of the Fall Seminar on "Sophisticated Audit Techniques" is now at the printers. Published by the Washington Chapter, The Federal Government Accountants Association, the compendium contains the material on: Performance-Operational Program-Management auditing presented, at the Seminar, by:

<i>Elmer B. Staats</i> Comptroller General of the U.S.	<i>Francis O. Chrisie</i> Chief Audit, Oakridge, AEC
<i>James B. Cardwell</i> Asst Secy, Comptroller, HEW	<i>Joseph P. Welsh</i> Dep Asst. Secretary of Defense, Audit
<i>Elmer W. Mahonen</i> Audit, HUD Assist. Inspector General, Audit, HUD	<i>B. B. Lynn</i> Director, Defense Contract Audit Agency
<i>Nathaniel E. Kossack</i> Inspector General, AGR	

<i>Martin Ives</i> Deputy Comptroller, State N.Y.	<i>Maurice Pujol</i> Senate Appropriation Com- mittee Staff
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Audit concepts, standards, planning, performance, monitoring and reporting, are concisely covered in these proceedings. These matters are fully illustrated by case materials drawn from successful audits performed in Federal, State and local government and in industry.

Order your copy now as the first edition is limited. This publication is available to all interested persons. The publication is priced at cost: single copies, nonmembers \$2.00; FGAA members \$1.75. Orders will be filled on a first come first served basis.

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Interface

By Herb McLure

Touche Ross & Company

Over the years, one means for gaining an understanding of new theories and techniques within the accounting profession has been the uniform CPA exam. Authors and educators watch the exam closely to make sure they include new additions in their books, articles and lectures, and people preparing to sit for the exam study topics included on past exams as a normal part of their preparation. Thus an appearance on the CPA exam insures that new ideas get widespread coverage in the accounting literature and close attention from professionals early in their careers. The AICPA, recognizing the influence of the CPA exam, has used it effectively to promote new and better ways of doing things. For example, in recent years questions on the latest APB Opinions have appeared on almost every exam.

Government agencies have a similarly effective tool at their disposal—the audit guide. It is similar in the sense that auditors must be familiar with what is contained in the guides in order to do business with the government. Most contracts for audits where there is a guide available state that the audit will be conducted in accordance with the guide, and most public accounting firms are careful to ensure they comply with the provisions of contracts they hold.

They Aren't All Alike As it is with any tool, some use it more effectively than others. Looking around my office the other day, I found 24 guides from 11 different agencies. While there are many more in existence, these 24 served as an interesting cross section. I was able to find three distinct approaches to basic format as follows:

1. *The Detailed Guide.* The first category of guide might be more properly called an audit program. These guides give very specific and detailed instructions to the auditor on virtually every move he will have to make.

2. *Concentrate on Compliance.* The second category of guide shows special concern for questions of compliance with applicable laws and regulations. Typically these guides cast aside the financial portion of an audit with a quick reference to generally accepted auditing standards and then dive right in to the legal complexities of the program in question. The guides outline the legal requirements in detail and then tack on questions asking whether the laws were complied with.

3. *The Big Picture.* Finally there is the group of audit guides which tries to explain the philosophy and objectives of a program, builds the auditor up with a discussion of the critical need for independent evaluation and the unique application of skill and judgment, and sends him, charging off to slay the dragon.

Ducking an Issue As I mentioned, audit guides could be a good device for promoting new auditing ideas, but do not seem to be used very often for that purpose. A recent example relates to the "full scope" audit described in GAO's *Standards for Audit Governmental Organizations, Programs, Activities and Functions*. Since GAO issued the "yellow book" in July 1972, auditors have been confronted with the need to decide whether they should or should not do a full-scope audit when they work for the government. The audit guides I've seen aren't very helpful in answering the question. Most guides issued since the yellow book came out either don't mention it at all, or if they do mention it they state that the guide is intended only for financial and compliance audits and if you want to attempt anything else you're on your own. No guide I have seen deals directly with the issue of when to do a full-scope audit and public accountants, who are used to thinking of standards as things you should try to comply with are left wondering whether they dare do the "minimum" financial and compliance audit or whether they should attempt to do more.

Even GAO expected that full-scope auditing would take years of "evolution" in practice. But, on the other hand, the standards are there and should be recognized in audit guides now being issued. In addition, more specific statements concerning the expected scope of audit would be useful for public accountants trying to determine whether their work meets applicable standards.

NEWS BITS. . .

By BOB MEYER, GAO

Editor, News Bulletin

Congratulations to Joseph T. Adams, Dept of Commerce Audit Staff on passing the May CPA exam. . . The third annual one-day Financial Management Conference sponsored by the JFMIP will be held on January 28, 1974 at the Washington Hilton; speaker will be Wilbur D. Mills, Chairman of the House Ways and Means Committee. More details next month. . . Air Force, Treasury and the Federal Reserve will cooperate this fall in an experiment to determine the feasibility of automating the distribution and payment of government payrolls. . . JFMIP is recruiting for an executive director, GS-18. . . Responses to the article on the 510 exam keep coming in; lets hear from more of FGAA's members. . .

Items for the News Bits column are encouraged. . . call me at OX-5-3826 or mail them to the Newsletter mailing address.

GAO Reports Progress in Accounting System Approvals

GAO made its fourth report to the Congress on the status of federal agency accounting system approval efforts on September 19, 1973.

GAO stated that progress during the 18 mo. ending 6/30/73 was greater than any comparable period. Principles and standards have now been approved for 93% of the 315 accounting systems subject to approval. In addition, 36% of the systems designs are approved.

GAO highlighted the recent increased emphasis by the Department of Defense (DOD), with particular mention being given to the Joint Uniform Military Pay System (JUMPS) as a "significant design effort nearing completion". DOD estimates that JUMPS, when fully implemented, will save more than \$90 million annually for the military services.

Copies of the GAO report (B-115398) may be obtained by telephoning 386-3784

Membership Growth in FY 1973

	Washington Chapter	Montgomery Prince Georges	Northern Virginia	National Association
Beginning Balance	1,207	317	259	7,290
Reinstatements	16	—	4	90
Transfers In	29	30	30	298
New Members	319	62	40	1,196
Transfers Out	-35	-8	-25	-298
Resignations	-28	-4	-6	-148
Deaths	-5	-3	—	-26
Total	1,503	394	302	8,402
Unpaid	-82	-22	-21	-837
Membership 4/30/73	1,421	372	281	7,565

Uniform Standards for Audit Guides The AICPA has attempted to help federal agencies produce audit guides of the highest possible quality. The AICPA committee for each agency and Tom Hanley's Federal Technical Liaison staff will review and comment on any audit guide an agency prepares for use by public accountants and in many instances, public accounting firms have been hired to develop and/or test audit guides for federal agencies. The FGAA, on the other hand, does not seem to have an organized program for assisting in the development of audit guides. The times when FGAA comments have been provided were apparently when the agencies specially sought them out.

It seems to me that the high visibility and educational value of federal audit guides makes them a logical target for active involvement on the part of FGAA. More uniformity in content, format, and quality in audit guides are worthy objectives which can be achieved through leadership, and FGAA could provide that leadership. Such an effort could start with a liaison committee which would provide assistance to agencies.

Comparability of Federal Pay

Each year the Director, Office of Management and Budget and the Chairman, U.S. Civil Service Commission submit a joint annual report to the President on the comparability of the Federal pay systems with private enterprise pay rates. This report compares the rates of pay between Government and industry, based on studies of pay of selected occupations by the Bureau of Labor Statistics. In financial management professional positions, the studies were limited to auditor positions comparable to GS-5 through GS-11 and accounting positions comparable to GS-5 through GS-14.

The annual report to the President makes recommendations for appropriate adjustments in rates of pay. The recommendations for this year amounted to an average increase of 5.14 percent. The annual report also contains views and recommendations of the Federal Employees Pay Council and employee organizations not represented on the Council. FGAA qualifies as one of the latter organizations. FGAA submitted comments last year which were included in the September 1, 1972 report to the President.

FGAA comments focused on three things. First, public accounting firms are omitted from the industry survey. This

may understate industry salaries for auditors particularly at the starting levels because of higher initial offers by public accounting.

Second, industry salaries are compared with the fourth step of the Federal pay scale. The effect is to make first step starting salaries significantly non-competitive with starting offers of public accounting and industry. Studies made by the College Placement Council shows that public accounting offered average starting salaries to accounting graduates of \$10,248 in 1971-72. These compared with beginning Governmental salary offers of \$7,319 and \$9,053 for GS-5 and 7, respectively. (Restoration of the special pay differentials last May will certainly narrow the gap.)

Third, the industry job descriptions used call primarily for fiscal activities which are not representative of the expanding role of systems accountants and auditors in the Federal Government.

Let us have your views on the posture you think FGAA should take on future salary surveys.

CHANGING YOUR ADDRESS?

Washington Chapter members are advised that the easiest and surest way of changing your mailing address for all Chapter and National Office mailings is to mail a change of address notice *with* an FGAA mailing label with the old address on it to:

FGAA National Office
727 - South 23rd Street, Suite 120
Arlington, Virginia 22202

All change of address notices should be mailed as soon as possible. When using Post Office forms paste the old mailing label on the form under the caption "old address."

The Federal Government Accountants Association WASHINGTON CHAPTER



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Dale City, Va. 22191

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