THE WASHINGTON CONNECTION

AGA WASHINGTON, DC CHAPTER

Washington DC Chapter • P.O. Box 423 • Washington, D.C. 20044-0423 • 703.758.4080 • February 2001

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Upcoming Events:

March 8, 2001: Monthly Luncheon meeting with Speaker to be Determined, at the Grand Hyatt.

March 8, 2001: Monthly CPE Session on How to Prepare an Award Winning Accountability Report presented by Ron Longo, at the Grand Hyatt.

March 13, 2001: JFMIP Conference at the Hilton Washington and Towers, Washington DC (see insert)

April 5, 2001: Monthly Luncheon meeting with Speaker to be Determined, at the Grand Hyatt.

May 10, 2001: Monthly Luncheon meeting featuring Wendy Comes of FASAB, at the Grand Hyatt.

July 2-6, 2001: AGA's 50th Annual Professional Development Conference & Exposition, Boston, Mass.

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Nikki Lee Tinsley, Inspector General, U.S. Environmental Protection Agency

Luncheon Speaker

Our February speaker will be Nikki Lee Tinsley, the Inspector General of the Environmental Protection Agency. President Clinton nominated Ms. Tinsley for the position on April 23, 1998 and she was confirmed by the Senate on October 22, 1998. Prior to becoming inspector general, Ms. Tinsley was EPA's acting inspector general from January 1997 to October 1998. From 1990 through 1997 she held various high-level positions within the EPA inspector general organization.

Prior to EPA, Ms. Tinsley held the positions of Supervisory Auditor/Staff Auditor, Minerals Management Service, Department of the Interior in Lakewood, Colorado and Auditor/Evaluator, U.S. General Accounting Office, Denver, Colorado.

Ms. Tinsley will speak about advancing environmental accountability through partnerships.

Monthly Luncheon and CPE Session
Thursday, February 8, 2001

Grand Hyatt Hotel
1000 H Street, NW (At Metro Center - 11th Street Exit)

11:30 to 12:00	Social
12:00 to 1:10 pm	Luncheon Meeting (1 CPE):
Announcements	
Lunch	
Luncheon Speaker	
1:15 to 4:00 pm	Afternoon Session (3 CPEs):
1:15 to 2:30 pm	*CPE Session*
2:30 to 2:45 pm	*Break*
2:45 to 4:00 pm	*CPE Session*

Costs:

Luncheon:	Members	$19.00
	Non-members	$30.00
Luncheon & Afternoon CPE Session:	Members	$40.00
	Non-members	$50.00
Afternoon CPE Session Only:	Members	$30.00
	Non-members	$40.00

For reservations, please call the AGA Washington DC Chapter voice mail line at 703.758.4080 and select option 1. If you prefer, you can register by email to nderu@ukw.com or you can register at our homepage: www.agadc.org. Please forward your name, agency/company, and telephone number.

President's Message

Mike Noble, CGFM, Chapter President

A Truly Amazing Person!

Do you know Raymond Einhorn? He is a 50-year member of AGA—one of the founding members—much honored for his work in establishing AGA as a professional organization—former National President—former employee of GAO—former professor at American University. To some of you, he is an icon; to some, a dinosaur; to some, simply a historical reference. To me, he is an active and concerned member of this Chapter. Early last month, Ray called me to voice his concern over a recent research report that shows a decline in enrollments in accounting programs at colleges and universities across the country, and a decline in the number of CPAs. He wanted to know what AGA could do to help the situation.

AICPA Study Provides Startling Data

First, some background. Early last year, the AICPA commissioned a study of high school and college students to identify factors causing a downturn in accounting majors and CPAs. They also asked for recommendations to reverse this trend. Called the *Student and Academic Research Study*, the report highlights the challenges, perceptions, and barriers facing students in choosing accounting as career path. The AICPA is using this report as a blueprint for steps it can take to reverse this downward trend.

Data gathered during the study shows that in the ten year span 1990 to 2000, the number of high school students planning on an accounting major declined from 4% to 1%, and the number of college students majoring in accounting declined from 4% to 2%. The reasons for this decline were summarized into two categories: student perceptions of the profession and systemic barriers. Student perceptions are attributed to student ignorance of the accounting profession and its many opportunities, misinformation regarding what accounting is and what CPAs do, and negative perceptions of accounting as dealing only with money, numbers, math, and taxes. Systemic barriers are mostly the availability of accounting courses in high schools and colleges, and the type and quality of accounting courses available, including the teachers and professors. Curiously, the professional licensing and CPE requirements were not seen as systemic barriers because students were unaware of them.

The results of the study's surveys show that accounting is not considered an attractive profession by students. That should not come as a shock to any of us. The mental image of an accountant is one of Bob Cratchit and his green eyeshade. Accountants are viewed as being boring, tedious, and monotonous number-crunchers. They don't have a persona like Bill Gates, a TV show like The Practice or ER, or even an advertising icon like Betty Crocker to represent the profession in a positive light. Kids don't play-act being accountants, movies don't feature accountants in starring roles, and you don't mess around with Jim (because he's not an accountant)! The basic problem for the profession boils down to one of marketing. The report's recommendations all focus on changing the students' perceptions of accounting through various marketing techniques. Good marketing will create positive perceptions which will increase attractiveness—this, in turn, will increase demand for courses which will increase demand for jobs which will result in more good marketing opportunities. It's a very common paradigm but

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(President's Message, continued)

one the profession has not actively pursued. If you want to read a copy of the AICPA study, go to www.aicpa.org/members/div/career/edu/taylor.htm.

Lessons for AGA?

The AICPA is not alone in trying to address this. The American Accounting Association recently hosted a live chat session on this topic for participants in its Academic Partners Program. Although focussed mostly on the problems with college accounting programs, they did highlight low starting salaries as one of the major barriers. This was not mentioned in the AICPA study. If you are interested, a transcript of the one-hour discussion is available online at www.rutgers.edu/Accounting/raw/aaa/, then click on online.

In the January 2001 issue of *CGFM Topics*, Wendy Comes, Chair of the AGA Professional Certification Board, discusses the overall problem of the unattractiveness of government as an employer in today's job market and specifically the need to improve the image of accounting and finance with young people. She points out that there are many ways to improve the image of our profession via grass roots efforts. Bob Buchanan, our Membership Director, is already out beating the bushes (that's going to be a popular phrase over the next four years or so!). He has scheduled two outreach events at agencies, including an AGA Day at EPA. We will also be working on ways to reach out to students at local colleges.

An Answer for Ray

Back to Ray Einhorn's question: what can AGA do to help the situation? I think we can make some significant contributions to the marketing efforts needed to improve the image of accounting and financial management (and even government employment) and we can redirect some of our excellent outreach efforts to focus on students. AGA already has a membership category for associate chapters at colleges and individual memberships for students. We need to work at developing those. I have talked to several Chapter members who are accounting professors and they are interested in working with the Chapter to brainstorm other opportunities. If you would like to participate in such a session or just submit your ideas, please e-mail me at mike.noble2@home.com. And I promise to keep Ray Einhorn involved and informed on our progress.

February Luncheon—an Audit Focus

Our February luncheon is on the second Thursday, Feb. 8th and will focus on audit issues and the GAO Yellow Book. We have invited the members of the Institute of Internal Auditors to join us. The guest speaker is Ms. Nikki Tinsley, Inspector General for EPA. The CPE session following the luncheon, to be presented by Marcia Buchanan from GAO, will cover auditor independence and other Yellow Book issues. Hope to see you there.

Mike

Neither Rain nor Sleet nor Threat of Storm: Another Successful Toys for Tots Drive ....

by Marcia Caplan and Michelle Lewis

The Toys For Tots Drive, conducted in association with our Holiday Reception, was again a great success, even though we had a severe storm warning and flurries throughout the morning. With a hardy group of 76 attendees, we were able to collect $750 in donations and over 55 toys for Washington DC, Maryland, and Virginia children.

Everyone seemed to enjoy taking part in the event by donating cash or a check or dropping off a toy at the reception. In fact, those who brought toys generally brought more than one. Staff Sergeants Carlos Lowe and Flynn Barnes represented the Inspector-Instructor Staff from the U.S. Marine Corps Reserve, Anacostia Naval Station. They personally thanked each AGA member who participated and presented a certificate of appreciation to Mike Noble, Chapter President.

Chapter President Mike Noble flanked by SSGT Carlos Lowe (left) and SSGT Flynn Barnes (right).

We had a great selection of toys this year and the Marine representatives were impressed with our selection and generosity. The table for toys filled up so quickly that we had to stack the toys on the bar next to the buffet. This year, we had a good assortment of sporting toys—softball equipment, basketball sets, and an air hockey game. There was a wide range of stuffed animals and the newest and most popular toys were also donated. It is gratifying to see that our members not only cared enough to participate, but that they selected toys that children would truly enjoy.

It was definitely a great effort for us with the Toys for Tots Drive and, with the type of membership support and enthusiasm we received, we will continue this good work in the future. We thank all our participants for their generosity.

February CPE Session

Our February CPE session topic will be "Auditor Independence & Other Yellow Book Issues." The session will be held on February 8 at the Grand Hyatt following the monthly luncheon. The presenter will be Marcia B. Buchanan, CGFM, CPA.

Marcia Buchanan is Assistant Director, Government Auditing Standards, in GAO's Financial Management and Assurance Team. She has primary responsibility for maintaining, interpreting, and promoting Government Auditing Standards, commonly known as the "yellow book," and serves as a principal staff aide to the Advisory Council on Government Auditing Standards.

During her 25 year GAO career, Ms. Buchanan has gained extensive audit experience on financial audits including the Department of Agriculture and Veterans Administration, and on performance audits of audit quality, single audit, and other issues. She has received numerous awards, including GAO's Meritorious Service Awards and the Association of Government Accountant's Achievement of the Year Award.

Ms. Buchanan graduated from Virginia Tech and attended the Federal Executive Institute. She is a Certified Public Accountant (Colorado), a Certified Government Financial Manager, and a member of the American Institute of Certified Public Accountants, serving on its Government Accounting and Auditing Committee and Single Audit Working Group, and the Association of Government Accountants, serving previously as the chair of its Financial Management Standards Committee.

What is Knowledge Management?

by Beth Serepca

Knowledge management (KM) is an emerging discipline that stresses a formalized, integrated approach to managing an enterprises's knowledge capital: the information available to an enterprise about its best practices, critical business processes, and operating environment. Knowledge capital includes tacit knowledge (personal, undocumented knowledge) and explicit knowledge (knowledge that is documented and public).[1]

Knowledge management deals with the process of creating value from an organization's intangible assets. It is harnessing the intellectual capital in the organization. Many organizations are drowning in information but starving for knowledge. In order for knowledge management to succeed, the organization must create a knowledge sharing environment.

There is a difference between information and knowledge. Information consists of facts and other data organized to characterize a particular situation, condition, challenge, or opportunity. Knowledge consists of truths, beliefs, judgements and expectations. Knowledge is used to determine what a specific situation means and how to handle it.

Knowledge management affects all aspects of an organization. It is a change program and the implementation can only work with the full backing of senior management. Knowledge management is not a quick fix.

The role of the Chief Knowledge Officer (CKO) is to turn the concept into reality. The CKO is not really managing knowledge. Instead, the CKO is managing an environment that optimizes knowledge and encourages information sharing and team work. Knowledge management requires change management—changing the culture, the way people work, and building a trusting and sharing community. These tasks need a person with leadership and teamworking skills. A CKO creates and sells the vision and also helps to develop strategies to make tacit knowledge explicit. The CKO needs to contribute to the mission goals and the bottom line.

Knowledge selection is very important. An organization may have vast knowledge resources, but it is of little significance if the knowledge is not readily available at the desired time and in a usable form.

Intellectual Capital

The massive surge of information today has overwhelmed the traditional collection and analysis systems that firms use. Most information is lost or wasted. Critically important information is rarely acquired. Most businesses do not turn information into knowledge. That is why a knowledge manager position was created. Intellectual capital has become corporate America's most valuable asset and can be its sharpest competitive weapon. Intellectual capital is the application of collective knowledge within the organization.

There is a difference in tacit and explicit knowledge. Explicit knowledge is formal and systematic. It is easily communicated and shared. Americans believe in explicit knowledge, or knowledge that is formal, unambiguous, systematic, and scientific. Tacit knowledge is highly personal. It is hard to formalize and difficult to communicate to others. It is deeply rooted in action and in an individual's commitment to a specific context.

However, tacit knowledge can be wrong, it is hard to change, and it is difficult to communicate. Tacit knowledge tends to be local because it is not found in books, databases, or files. It is oral. Tacit knowledge spreads when people meet and talk. Tacit knowledge needs to become explicit, otherwise, it cannot be improved or shared. Moving from the tacit to the explicit is really a process of articulating one's vision of the world—what it is and what it ought to be.

The Japanese are more inclined to value tacit knowledge, or knowledge that is intuitive, interpretive, and difficult to reduce to a scientific equation. Tacit knowledge is being targeted as a critical part of organizational knowledge in many firms. However, tacit knowledge is difficult to process and hard to transfer. Generating organization knowledge requires converting the tacit knowledge of the individual into explicit knowledge that is assessable to other organizational members. Most often this is a social process generated by a dialog.

To support the creation of organizational knowledge a knowledge management culture needs to be established. Rewards and incentives need to be put into place to make knowledge workers aware of what behaviors and outcomes are desired by management. Management sends signals about what is important through its recruiting, priorities, promotions, and management styles. Reward structures must answer the question of "what's in it for me". To effectively locate and use intellectual capital in business, knowledge management activities should be tied to changes in process, culture, and organization. They are also heavily reliant on the ongoing communication and sharing of ideas and expertise. No one department or group of experts has the exclusive responsibility for creating new knowledge in the knowledge-creating company. The value of any one person's contribution is determined less by his or her location in the organizational hierarchy than by the importance of the information he or she provides to the entire knowedge-creating system.

Even when employees do develop meaningful ideas and insights, it can still be difficult to communicate the importance of

(Continued on next page)

(Knowledge Management, continued)

that information to others. People don't just passively receive new knowledge, they actively interpret it to fit their own situation and perspective.

The Role of Information Technology

Successful knowledge management involves more than deploying the newest and fastest IT products. Instead, a business process needs to be created that encourages and enables employees to make better use of the information they have and promotes knowledge sharing. Improvements in IT make it easier to collect, store, and distribute information. Information management is no longer just the responsibility of the information service. Instead, information is a business resource.

Groupware is the umbrella term describing the electronic technology that supports person-to-person collaboration. Groupware includes e-mail, electronic meeting systems, as well as systems for workflow and business process reengineering. Technologies that support collaboration are in greater demand today than ever before. Groupware supports the efforts of teams even though they may not be actually together, in either time or space. Groupware maximizes human interaction.

Pitfalls of Knowledge Management

There are pitfalls of knowledge management, and they they can be summed up as follows: 1) A Static View of Knowledge Management: more than most system development efforts, knowledge management is a living endeavor. It must be maintained after it is built. 2) Confusing Document Management with Knowledge Management: the documents within an enterprise rarely provide a useful base for knowledge management. 3) Inadequacy of the Reward Structure: most performance systems and processes do not adequately reward the sharing and reuse of knowledge. As earlier corporate cultures made it difficult or unappealing to share knowledge, employees now need strong incentives to do so and thus guarantee a successful knowledge management process.

Knowledge and Organizational Culture

It is the organizational culture that helps to bridge the gap between technology and information and its effective use for the benefits of the organization by individual knowledge workers. A culture conducive to knowledge management is likely to value networking and broad contacts externally and internally; sharing of ideas and information, and continuous learning and development.[2] Some organizations are attempting to foster a knowledge culture in principle but because they have not managed to shift their existing culture to one which is fundamentally based on trust and sharing they are still caught in power battles where knowledge is seen as power, and not something to be shared.

Research done by the British Psychological Society found that those who feel mistreated at work, unhappy, or don't trust their employer are the ones most likely to hoard knowledge, while those who are ambiguous and likely to change employers to further their career are the ones most likely to pursue knowledge acquisition.

Conclusion

Organizational change efforts often run into some form of human resistance. Too few mangers take time to assess systematically who might resist the change initiative and for what reasons. All people who are affected by change experience some emotional turmoil. Even change that appears positive involves loss and uncertainty. To predict what form employee resistance might take, managers need to be aware of the four most common reasons people resist change. These include a desire not to lose something of value, a misunderstanding of the change and its implications, a belief that the change does not make sense for the organization, and a low tolerance for change. Thus, to effect knowledge management the culture must change in a non-threatening way. Senior management must ensure that their own knowledge sharing behavior become rooted in organizational culture.[3] They must also provide positive reinforcement of the employees knowledge sharing behavior by keeping them informed of how their behavior changes are contributing to the organizational performance.

[1]J. Bair, J. Fenn, R. Hunter, D. Bosik, Foundations for Enterprise Knowledge Management, "Foundations For Knowledge Management", April 7, 1997.

[2]S. Brelade, and C. Harman, "Using Human Resources To Put Knowledge To Work", Knowledge Management Review, 2000.

[3]John P. Kotter, "Leading Change: Why Transformation Efforts Fail" Harvard Business Review on Change, Harvard Business School Pres, pp. 18-19.

Nominations Are Now Being Accepted for 2001 National Awards

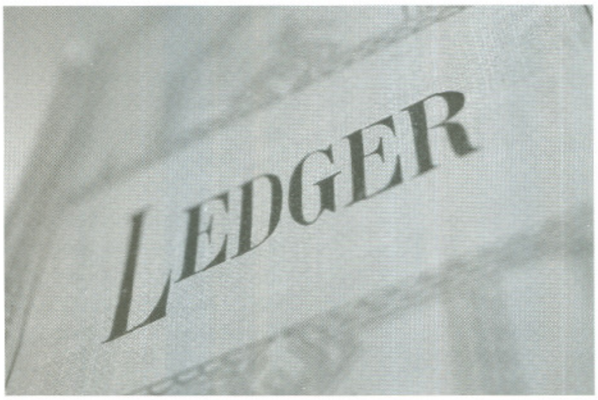
The AGA National Awards Committee is pleased to announce the opening of the nomination period for the Year 2001 National Awards. These awards will be presented during the Professional Development Conference & Exposition (PDC) held in Boston, Mass. on July 2-6, 2001. The deadline for nominations for these awards is March 9. Visit www.agacgfm.org/about/a_awardlist.htm for more information.

Inside the Black Box: Correcting for Upward and Downward Adjustments Inflation ....

by Simcha Kuritzky, CGFM, CPA

Background

Back in June 1999 issue of *The Washington Connection*, I wrote about upward and downward adjustments inflation. The Standard General Ledger (SGL) has separate accounts for reporting upward and downward adjustments, and both the Statements of Financing and Budgetary Resources report downward adjustments on separate lines from upward adjustments. A variety of circumstances can result in activity being reported in both upward and downward adjustments, when it really shouldn't be in either. For example, an order was inappropriately canceled in an expired fund and then re-entered, an accrual was entered and then reversed, an accrual was reversed and the actual spending was recorded, or a duplicate payment was recorded and then canceled.



Detecting Inflation

The first task is to detect cases where adjustment inflation has occurred. While every system has its own peculiarities, it should be possible to sort through the journal, matching entries where the same document and line posted the same amount as a debit to a downward adjustment account (4871, 4872, 4971, or 4972) and as a credit to an upward adjustment account (4881, 4882, 4981, or 4982). This exercise should locate cases where a document was closed and subsequently reopened, entered and canceled, or an accrual was entered and reversed.

If the same document posted both upward and downward adjustments, but not for the same amount, then it may not be clear if these are instances of inflation, or separate transactions that really should be reported as both upward and downward adjustments. The agency will have to make its own determination. With accrual reversals and actuals, the first task is to match the accrual reversal with the actual spending. It would be best if the agency entered accruals that referenced the spending document, or visa versa, or both reference the same obligating document. Failing that, the agency may be able to link the two transactions by their accounting distribution or vendor (for payroll, SSN).

Correcting Inflation

When making corrections to reduce upward and downward adjustments, it is important to keep in mind the effect the correction will have on auditing these accounts. Where the upward and downward adjustments net to zero at the detail level, it should be possible to segregate these transactions, and post a correction at the appropriation level. Segregation could mean flagging these entries in the journal, excluding them from the extract during the audit, or moving them from the regular journal to an auxiliary journal. In systems where segregation is not possible, it may be necessary to record the corrections at the document line level, so the auditors can offset them before they take their sample.

For cases where the upward and downward amounts do not agree, it will not be possible to simply segregate the original transactions, since they do not net to zero, and therefore the remaining transactions will not support the amount on the trial balance. In these cases, only the lesser of the upward or downward adjustment will be backed out, and the back out will need to be recorded at the same level of detail as the determination was made (whether that was at the document line level, accounting distribution level, or vendor level). It is possible to segregate only the back out transaction and whichever adjustment was the lesser. For example, if an accrual reversal posts a downward adjustment of $100 and the actual posts an upward adjustment of $95, then $95 of both upward and downward adjustments are backed out, and one can segregate out the upward adjustment and the back out of $95, but one must leave the downward adjustment of $100 and its back out of $95 (for a net downward adjustment of $5).

Only like adjustments can be set off against each other, so if an order is canceled posting to 4871, and then restored posting to 4881, the correcting entry is to debit 4881 and credit 4871. However, if a document recorded adjustments in different types of accounts, the adjustments will have to be transferred to the related non-adjustment accounts. So if an invoice was erroneously scheduled for payment a second time, posting to account 4981, and then the check was canceled or returned and deposited into 4972, one cannot correct it by simply posting debit 4981 credit 4972, because this would misrepresent payables and cash in the budgetary accounts. The correct entry is to back out the overpayment adjustment with the entry debit 4981 credit 4901, then back out the cancelation adjustment with the entry debit 4902 credit 4972.

All content is the opinion of the author, and does not represent the AGA. Comments, suggestions, and critiques are welcome. Send them to Simcha_Kuritzky@ams.com.

Chapter Officers, Directors, and National Representatives

OFFICERS

President, Michael W. Noble, CGFM
Treasury/IRS (202) 622-8216
Email: mike.noble@irs.gov
President-Elect, Janet McBride, CGFM
JFMIP (202) 219-0534
Email: janet.mcbride@gsa.gov
Past President, Vincette Goerl, CGFM
USDA/Forest Service (202) 205-1784
Email: vgoerl@fs.fed.us
Secretary, Cameron M. Weber, CGFM
USAID (202) 712-1972
Email: cameron@usaid.gov

Treasurer, Chad Davis, CGFM
EDS E Strategy (703) 742-2578
Email: chad.davis@eds.com
Assistant Treasurer, Sue Lazich
Software Performance Systems, Inc. (703) 797-7834
Email: slazich@gosps.com
Assistant Secretary/Web Master, David A. Fitz, CGFM, CPA
KPMG Consulting, LLC (703) 615-9026
Email: dfitz@kpmg.com

DIRECTORS

Administration, Germaine P. Rowley, CGFM
Treasury/Customs (202) 927-0451
Email: germaine.p.rowley@customs.treas.gov
Agency Liaison, Jolene Romanyshyn, CGFM
GSA (202) 501-1084
Email: jolene.romanyshyn@gsa.gov
Awards, Douglas M. Gandy
Transportation/FTA (202) 366-0989
Email: douglas.gandy@fta.dot.gov
Budget & Finance, Margaret L. (Lucy) Lomax, CGFM
FASAB (202) 512-7359
Email: lomaxm.fasab@gao.gov
Community Outreach, Kathryn Healy, CPA
Urbach Kahn & Werlin Advisors, Inc. (202) 296-2020
Email: healy@ukw.com
Education, Karen Holmcrans, CGFM, CPA
Andersen Consulting (703) 947-1847
Email: karen.j.holmcrans@ac.com

Membership, Robert L. Buchanan, Jr., CGFM
Anteon Corporation (703) 246-0298
Email: rbuchanan@anteon.com
Monthly Programs, Phyllis Hunter
Grant Thornton (703) 847-7651
Email: phunter@gt.com
Partnership Liaison, Karl Boettcher, CGFM
Treasury/FMS (202)874-3611
Email: karl.boettcher@fms.treas.gov
Prof. Services/Research, Simcha L. Kuritzky, CGFM
American Management Systems, Inc. (703) 227-5796
Email: simcha_kuritzky@amsinc.com
Publications/Newsletter Editor, Michael D. Sciortino, CPA
Interior (703) 648-7251
Email: michael_d_sciortino@nbc.gov
Assistant Newsletter Editor, Warren J. Cottingham, CGFM
DOT/U.S. Coast Guard (202) 267-0680
Email: wcottingham@comdt.uscg.mil

NATIONAL REPRESENTATIVES

Section Representative, Paul W. Bognaski, CGFM
HUD (202) 708-4932 ext. 3262
Email: paul_w._bognaski@hud.gov
Capital Region Vice-President, William J. Anderson, CGFM
GAO (202) 512-9319
Email: andersonw@gao.gov

Regional Vice-President-Elect, Stuart R. Sklamm, CGFM
HHS (301) 443-5260
Email: Ssklamm@hrsa.gov

ASSOCIATION of GOVERNMENT ACCOUNTANTS

P.O. Box 423
Washington, D.C. 20044-0423
TIN 521102567

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