



# THE WASHINGTON CONNECTION



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### Upcoming Events:

November 1-2: Chapter Educational Event on Financial Statements at the Crystal City Marriott, Crystal City

December 7: Monthly Luncheon Meeting/CPE Session featuring Morgan Kinghorn, PricewaterhouseCoopers, at the Grand Hyatt.

December 14: Holiday Reception and Annual Toys for Tots Campaign, at the Grand Hyatt.

January 25-26, 2001: AGA's 12th Annual Federal Leadership Conference at the Ronald Reagan Building, Washington DC.

January 27-28, 2001: AGA Leadership Training Workshop for RVPs and RVPs-Elect.

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## Luncheon Speaker



*Edward (Ned) A. Powell, Assistant Secretary for Financial Management, Department of Veterans Affairs*

Our speaker for November will be Edward (Ned) A. Powell, Jr., from the Department of Veteran's Affairs. Mr. Powell was confirmed by the Senate on October 21, 1998 as the Assistant Secretary for Financial Management at the Department of Veterans Affairs. Mr. Powell is the principal VA executive responsible for directing Department-level budgeting, finance, and procurement.

Mr. Powell is the chief financial officer (CFO) for the Department, which operates on a \$43 billion budget. As VA's senior procurement executive, Mr. Powell is responsible for overseeing the Department's acquisition and materiel management system, including development and implementation of policies and regulations.

### Monthly Luncheon/Financial Statements Symposium Day Two Thursday, November 2, 2000

\*\*\*Please note the temporary location for this month\*\*\*

*Crystal City Marriott  
1999 Jefferson Davis Highway, Arlington, VA 22202*

8:00 to 11:45 am	Morning Sessions
11:45 am to 1:10 pm	Luncheon Meeting (1 CPE):
<i>Announcements</i>	
<i>Lunch</i>	
<i>Luncheon Speaker</i>	
1:15 to 4:30 pm	Afternoon Sessions

	<b>Costs:</b>	
Luncheon Only:	Members	\$19.00
	Non-members	\$30.00
Luncheon and Day-Two Sessions	Members (credit/cash)	\$145.00
	Non-Members (credit/cash)	\$165.00
	Members (SF-182)	\$165.00
	Non-Members (SF-182)	\$185.00

To register for the full symposium see the chapter web site at [www.agadc.org](http://www.agadc.org) or call Karen Holmcrans at 703.947.1847

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 [chad.davis@eds.com](mailto:chad.davis@eds.com) or you can register at our homepage: [www.agadc.org](http://www.agadc.org). Please forward your name, agency/company, and telephone number.

## President's Message .....

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*Mike Noble, CGFM, Chapter  
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### The New AGA and its Logo

AGA's 50<sup>th</sup> Anniversary celebration is officially over and from all indications it was a huge success. The luncheon, symposium, and gala event were fun, exciting, and went off with no major hitches (well, I did forget the candles for the anniversary cake at the luncheon). I particularly enjoyed the gala—it was so nice to see everyone decked out in their finest and having a good time. It was fun to meet spouses and escorts. It was fun to interact with everyone on a purely social basis and forget, for awhile, that these were the government officials and contractors you deal with on a regular basis. All the laughter and small talk indicated to me that everyone else was also having a good time, but I couldn't help thinking that we were actually celebrating the end of an era (with a little help from Shoo-Shoo and the rest of the girls!).

The AGA Era started as the Big Band Era was winding down. It was the dream of a small number of government accountants and progressed from the Federal Government Accountants Association to the Association of Government Accountants to Advancing Government Accountability to just plain AGA. I fully support our goal of moving forward in the new century with the acronym "AGA" representing a professional organization that focuses on advancing government accountability rather than just government accounting. We are already so much more than that. How

many people remember what the letters IBM or RCA or BMW or KPMG or even GAO stand for? But most of us know what those organizations stand for—what they do or produce. That's a corporate image and that's how we want AGA to be perceived and remembered—as an organization of professionals leading government financial management into the 21<sup>st</sup> century.

The corporate logo represents the corporate image. I was sorry to see AGA's 50<sup>th</sup> Anniversary logo bite the dust—it was attractive and classy and said "look at the great things we've done." The new AGA logo, which you can see on the cover of this newsletter, represents our new image and the beginning of a new era, but is a bit of a disappointment IMHO (that's In My Humble Opinion for those of you not Internet literate). It is intended to link AGA with government and public service and I think it does that well, but it doesn't grab me and say *excitement, new direction, or follow me*. We'll probably get used to it in time, but I think it is rather bland. After what I saw at the Gala, this organization is anything but bland! Judge for yourselves—and, let me know what you think.

### 50<sup>th</sup> Anniversary Redux

Before I leave the 50<sup>th</sup> Anniversary forever, I want to send a thank you to Bill Taylor from the Institute of Internal Auditors. Bill was a member of "The Future of Governmental Auditing" panel at the symposium and quoted this column in his remarks. Bill, it's nice to know that someone actually reads this and uses it for reference!

### Certified Government Financial Manager

Are you a CGFM? Are you a wannabe? AGA has a new CGFM brochure that is slick and deserves to be circulated. Pick up some copies at the next luncheon and give them to your staff, friends, and co-workers who are not yet certified. Very compelling reasons are listed in the bro-

*(Continued on next page)*

*(President's Message, continued)*

chure: "The CGFM is recognized as the mark of excellence in government financial management. It defines the future. It's where the jobs and the profession are going." Or, as the Washington Post might put it, "If you don't get it, you don't get it!"

The CGFM designation showcases the skills of professionals who practice financial management in a government environment. It signifies individuals who have knowledge in many functional areas and know how to apply that knowledge in a governmental setting. The CGFM program is distinguished by academic achievement and experience in government financial management, adherence to AGA's *Code of Ethics*, three required exams, continuing professional education (CPE) requirements, and an annual renewal process. Many agencies will even pay the fees for application, refresher courses, and examination. For more information on the CGFM program and how to apply, visit the AGA website [www.agacgfm.org](http://www.agacgfm.org). Get certified—you can't afford not to.

**November Educational Event and Monthly Luncheon**

Speaking of CPE's, we have an exciting, two-day educational event on November 1 and 2: The Financial Statements 2000 Symposium. By the time you get this newsletter, it is a last minute event, but it's not too late and should definitely be worth the effort. Featured speakers include Bert Edwards, CFO, Department of State; Wendy Comes, Director of FASAB; Don Hammond, Asst. Secretary, Treasury Department; Joe Kull, Deputy Controller, OMB; and Ned Powell, CFO, Department of Veterans Affairs. An impressive lineup and one that should have the latest information on how to do your FY2000 state-

ments.

In addition, our November Monthly Luncheon will also be the Symposium's luncheon on the second day, Thursday, November 2. If you attend the Symposium, the luncheon is included – or you can attend just the luncheon. The luncheon speaker will be Ned Powell (noted above), CFO, Department of Veterans Affairs.

Note that the symposium and the luncheon will be held at the Crystal City Marriott in Crystal City (Crystal City Metro stop on the blue and yellow lines). For many of you, this is like getting out of town without all the travel costs!

If you have any questions on this event, please call me or contact our Education Director, Karen Holmcrans, at 703-947-1847

**December Means Toys for Tots**

Mark your calendars for two AGA events in December: the Monthly Luncheon on Thursday, December 7, and the Holiday Reception/Toys for Tots Drive on Thursday, December 14. Both events will be held at the Grand Hyatt at Metro Center (our usual meeting place). The luncheon speaker will be Morgan Kinghorn, Partner at PricewaterhouseCoopers, and a CPE session will follow. The Holiday Reception is a luncheon that is free to members (our holiday gift to you). We only ask that you bring a toy (or make a cash donation) for the Toys for Tots Campaign sponsored by the U.S. Marine Corps. Look for detailed information on both of these events elsewhere in this ~~Mike~~ newsletter.

**Fall Chapter Membership Recruitment Challenge .....**

*by Bob Buchanan, Director of Membership*

To reach AGA's goal of 20,000 members by December 31, 2000, and help get the chapter back on track to its goal of 2,000 members, the National Membership Committee unveiled some exciting member recruitment incentives in the current issue of *Topics*.

*Recruitment Incentives...*

- ★ From now through December 31, 2000, members who recruit five new members (Full or Early Career) will receive a \$25 American Express gift cheque.
- ★ Members who recruit ten new members (Full or Early Career) will receive another \$25 gift cheque, and so on. The sky's the limit!
- ★ Plus, the member who recruits the most new members during the August 1 through December 31<sup>st</sup> period wins a \$250 American Express gift cheque in addition to the \$25 cheques.

**Help Needed...**

AGA asks members to send in their dues payments by March 31 each year. To date, many of our chapter's members have not yet done so and they have subsequently been suspended from the active rolls of membership. About fifty percent of those members suspended each year end up renewing their membership. We'd like to get a lot closer to a 100% renewal rate. If you would like to help your chapter achieve this by contacting a few of the suspended members and encouraging them to renew, please call Bob Buchanan, Membership Director at 703.246.0298.

**From the National Office.....**

*AGA to Drop CGFM Exam Fees and Offer Online Training Through New Partnership*

AGA's partnership with NetCertification is set to move into high gear with the online offering of CGFM training Course 1, The Governmental Environment, by late October. Not only will participants be able to take the online course at their convenience, but they will also enjoy a reduced fee of \$109 per exam. This course complements CGFM Exam 1. Continue to visit [www.agacgfm.org](http://www.agacgfm.org) for further information and updates.

*The October Issue of CGFM TOPICS Has Arrived!*

AGA's latest electronic venture is now available on the website. To subscribe to this free service go to [www.agacgfm.org/cgfm/cgfm\\_listserv.htm](http://www.agacgfm.org/cgfm/cgfm_listserv.htm). Check out the latest news relating to your certification, educational opportunities, and profiles of two CGFMs who also passed the Certified Defense Financial Manager exams. The next issue will be posted in January. Stay tuned!

*AGA Seeking a Deputy Executive Director of Professional Certification*

AGA is conducting a nationwide search for a Deputy Executive Director of Professional Certification. This individual will be responsible for planning, organizing, directing, and growing AGA's Certified Government Financial Manager (CGFM) Program. If you or a colleague is interested in learning more or applying for this position, visit [www.agacgfm.org/news/Press%20rel/pr\\_092000.htm](http://www.agacgfm.org/news/Press%20rel/pr_092000.htm).

*CFOs Join Forces to Recruit Graduates*

As reported on the Planetgov.com site, the Chief Financial Officers (CFO) Council and the Office of Personnel Management (OPM) are pooling with eight federal agencies to recruit accountants, budget analysts, and financial management specialists at ten college campuses this fall. Their goal is to lure talented graduates to government positions before the private sector wins them over. According to Kenneth Bresnahan, CFO at the U.S. Department of Labor, "We're trying to build long-term relationships with the schools themselves to have a sustainable pipeline." To follow the progress of filling the empty federal pipeline, visit [www.opm.gov/gpra/opmgpra/index.htm](http://www.opm.gov/gpra/opmgpra/index.htm).

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Note: The services offered in particular areas may depend on local regulations. In some locations, legal and/or tax services are provided by Andersen Legal, the international network of law firms that is associated with Andersen Worldwide SC.

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The mind at work

## Community Service Corner: The Fifth Year for Toys for Toys .....

by Marcia Caplan and Michelle Lewis, Toys for Tots Chairpersons

We are proud to announce that for the fifth time, AGA Washington DC Chapter has selected the Marine Corps Reserve Toys for Tots Campaign as our community activity for the Holiday Reception on December 14, 2000. Our chapter has become a major contributor to this fine organization, and we hope it will be a banner year for us to provide toys for the children in the District of Columbia, Northern Virginia, and Suburban Maryland.

The Toys for Tots Campaign has been active since 1947. Each year, they have donated hundreds of thousands of toys through local social welfare organizations. The U.S. Marine Corps Reserve

Toys for Tots Campaign is one of the nation's flagship Christmas charitable endeavors and the U.S. Marine Corps' premier community action program. Over the past 52 years, U.S. Marines have distributed over 257,000,000 toys to 127,000,000 needy children throughout the nation. The 1999 Toys for Tots campaign surpassed all previous records. Marines and volunteers distributed over 13.8 million toys to nearly 5.9 million needy children. Campaigns were conducted in 342 communities—the broadest coverage achieved to date.



Marine representatives will be attending our holiday reception to thank our members for their contributions. Please bring a new unwrapped toy when you come to celebrate the holidays with us. Since this may be the only toy a child might receive this holiday season, we have been asked to provide toys that have a perceived value of \$10 or more. The ages of the children in the program range from newborn to fifteen years of age. In accordance with the requests of our Marine coordinators toy guns, knives or other dangerous items can not be accepted. If you prefer to donate, a check made payable to the TOYS FOR TOTS FOUNDATION would be welcome.

If you will not be available to attend the Holiday Reception, have a friend or co-worker bring the toy. Or you can mail a donation to P.O. Box 423, Washington, DC 20044 and mark the envelope "Toys for Tots." We will make sure it gets into our Chapter's donation. Also, feel free to call Marcia at 202.565.7048 or Michelle at 202.565.8907 if you have any questions.

So watch for those sales that are coming and shop early, shop often. This is the time of year when being a "shopaholic" is a good thing!

## Implementing SFFAS 10 - Part 1 .....

By Bert Edwards, CPA, CGFM and Richard Fontenrose, CPA, CGFM

The Statement of Federal Financial Accounting Standards Number 10, *Accounting for Internal Use Software*, was finalized in 1998 and is effective for FY2001. SFFAS 10 provides accounting standards for internal use software. It classifies internal use software as “general property, plant, and equipment” as defined in SFFAS 6, *Accounting for Property, Plant, and Equipment*, and requires software costs meeting certain criteria to be capitalized whether purchased as “commercial off-the-shelf” (COTS), or developed by a contractor or internally developed. SFFAS 10 provides guidance regarding the types of cost elements to capitalize, the timing and thresholds of capitalization, amortization periods, accounting for impairment, and other issues.

During the fall and winter 1999-2000, an ad-hoc task group (see page 7) of over twenty-five federal accountants, financial and information technology managers, and others from eighteen federal agencies met under the auspices of the Chief Financial Officers Council’s (CFOC) Standards Committee to develop implementation guidance for SFFAS 10. The group developed guidance under ten topical areas using the “frequently asked question” (FAQ) format. Ultimately, the group developed twenty-two FAQs.

The group submitted the FAQs to the CFOC for its consideration and submission to the Federal Accounting Standards Advisory Board (FASAB) and/or FASAB’s Accounting and Auditing Policy Committee (AAPC). The AAPC develops implementation guidance for FASAB standards regarding certain issues. The CFOC asked the AAPC to consider issuing the FAQs as AAPC guidance. After considering all twenty-two FAQs, the AAPC decided to develop six of the FAQs as an AAPC technical release for publication in the near future.<sup>1</sup>

This article—and one to be published in the December issue of this newsletter—discuss the sixteen FAQs that were not taken up by the AAPC. The AAPC referred two of the FAQs to the FASAB. These two FAQs essentially dealt with the permissibility of capitalizing, after the implementation date for SFFAS 10 had passed, costs incurred and expensed before the implementation date. For example, the entity may have been expensing costs for software in process at the implementation date, but would be capitalizing such costs after the implementation date. Could the entity capitalize all costs incurred for that project?

The task group concluded that SFFAS 10 was sufficiently flexible to allow such capitalization. In essence, it interpreted SFFAS 10, paragraphs 7 and 36, and the discussion in the basis for conclusions as allowing, after the implementation date of SFFAS 10, the voluntary retroactive capitalization of costs incurred for ongoing software projects before the implementation date.

The AAPC disagreed with that conclusion. It decided that once the implementation date had passed, i.e., the standard was ef-

fective, SFFAS 10 precluded the entity have retroactively capitalizing costs previously expensed. The AAPC decided that such retroactive capitalization would require an amendment or official interpretation of SFFAS 10, which was beyond the AAPC’s scope. The AAPC forwarded the issue to the FASAB for its consideration.

The FASAB discussed the issues in early June 2000. The FASAB agreed with the AAPC that SFFAS 10 did not allow such retroactive capitalization and that an amendment of SFFAS 10 would have been required. The FASAB decided not to amend SFFAS 10. The FAQ immediately below summarizes the effect of these actions.

The AAPC decided not to address the other fourteen FAQs discussed in this article in a technical release. The AAPC members considered them either beyond the AAPC’s scope (e.g., budgetary guidance) or insufficiently critical to warrant AAPC action.

### Pre-Implementation Costs<sup>2</sup>

*SFFAS 10 is effective for reporting periods that begin after September 30, 2000. Early implementation is encouraged.<sup>3</sup> Whether implementing on October 1, 2000 or at an earlier date, costs may have been incurred and expensed for software under development at the entity’s implementation date. For some applications the pre-implementation costs may be the majority of such costs in total. For example, an entity implements SFFAS 10 on October 1, 2000. As of that date the entity has incurred \$900,000 of costs on a software project. An additional \$100,000 is incurred in October to complete the project. The question is whether the entity can capitalize, after October 1, 2000, the entire \$1,000,000, that is, retroactively capitalize the \$900,000, so that all costs of the system in progress as of the implementation date are captured and capitalized.*

Regarding retroactive capitalization, SFFAS 10, paragraph 36, provides that “cost incurred prior to the initial application of this statement, whether capitalized or not, should not be adjusted to the amounts that would have been capitalized, had this statement been in effect when those costs were incurred.”<sup>4</sup> Thus, costs incurred and expensed (i.e., not capitalized) before the implementation date of SFFAS 10—which would be October 1, 2000, unless the entity implemented early—cannot be capitalized after the implementation date.

### Enhancements to Preimplementation Systems<sup>5</sup>

*How will software improvements be capitalized if they are enhancements to (1) software fully capitalized or (2) software that need not be capitalized?*

(Continued on next page)

*(Implementing SFFAS 10, continued)*

The costs of improvements would be capitalized only if (1) they meet the entity's capitalization threshold and (2) the improvements extend the functionality of the software.<sup>6</sup> If the improvements are above the threshold but only extend the useful life of the software, the costs would be expensed.<sup>7</sup>

**Project Budgets<sup>8</sup>**

*Capital projects authorized prior to the effective date of SFFAS 10 generally will have been estimated and budgeted according to previous entity practices. Thus, some software development activities, which would now be capitalized under the provisions of SFFAS 10, are currently not included in the total estimated capital cost of the project. Should project budgets be "re-baselined"?*

Implementation of SFFAS 10 would not change existing budgetary practice. Therefore, existing budgets or line items would not be re-baselined solely for the purpose of implementing SFFAS 10. Costs for software development activities under the provisions of SFFAS 10 would be collected, regardless of their funding source, and included in the full cost of the software asset.

**Trigger Point:<sup>9</sup> Systems Readiness<sup>10</sup>**

*How should an entity accumulate the capitalizable software development costs? Are estimates acceptable vs. a project cost accounting system? How are indirect costs determined and applied to direct costs?*

All concerns about indirect/direct costs and how to apply them would be implemented consistent with SFFAS 4, paragraphs 117-143. Estimated costs would seem to be acceptable under certain conditions, e.g., when direct determination is not possible, and should be well documented. Additionally, an entity may want to consider developing these procedures in consultation with its independent auditor.

*Expenditures Which Extend the Life of a System/Application<sup>11</sup>*

*When is it appropriate to capitalize new development costs that extend the life of software beyond its original life? SFFAS 10 requires such costs to be expensed<sup>12</sup> while, for regular fixed assets, they would normally be capitalized and depreciated over the newly extended life (together with any previously undepreciated costs).*

When enhancements to a system increase its functionality, the costs would be capitalized (assuming they meet the capitalization threshold). The cost of enhancements that may extend the useful life of the software *without* adding functionality would be expensed. The FASAB concluded that costs to extend the life of software could easily be confused with the normally expected maintenance costs, and thus, concluded such costs were period costs rather than capitalizable costs.

**Capitalization Threshold<sup>13</sup>**

*SFFAS 10 does not prescribe capitalization dollar thresholds. Federal agencies intend to use thresholds ranging from \$25,000 to \$1,000,000. Should the threshold be the same as the fixed asset threshold in the applicable entity? Should the threshold be the same for all entities?*

Since SFFAS 10 does not prescribe a dollar threshold or state that there should be symmetry between PP&E and software capitalization thresholds, an entity is free to establish any software threshold it deems appropriate and can justify on the basis of materiality. Additionally, the capitalization threshold will not necessarily be the same across agencies because each entity is unique and has different functions and objectives. Due to the diversity among the entities, it is important for each entity to retain flexibility in establishing capitalization thresholds.

*If the capitalization threshold for internal use software is not the same for all entities, or is not the same as other general PP&E within an entity, an entity's policies may be questioned by outside parties. How can concerns of auditors, Congress, OMB or other parties in this regard be minimized?*

To minimize objections to management's capitalization thresholds, the entity would adhere to Federal accounting guidance. SFFAS 6, *Accounting for Property, Plant, and Equipment*, states that, because entities are diverse in size and uses of PP&E, agencies must consider their own financial and operational conditions in establishing capitalization thresholds.<sup>14</sup> Fixed capitalization thresholds are not required in generally accepted accounting principles (GAAP) pronouncements by Financial Accounting Standards Board, Governmental Accounting Standards Board, or FASAB. Consistent with SFFAS 6,<sup>15</sup> SFFAS 10 states that the entity should consider whether period costs would be distorted or asset values misstated by expensing certain purchases or software project components.<sup>16</sup> Additional FASAB guidance on materiality is found in SFFAS 3, *Accounting for Inventory and Related Property*.<sup>17</sup>

**Offsetting Credits<sup>18</sup>**

*How should an entity that receives license fees for transferring software to another entity or an outside party treat such fees and unexpected fees arising from unplanned licensing? This could happen from so-called Government Off-the-Shelf Software (GOTS) sales or license fees.*

Receiving license fees for transferring software to another entity or outside party would be treated as exchange revenue.<sup>19</sup> The receipt of such fees does not alter the normal capitalization amounts or process for such software. If an entity were in the "business" of developing software, usually in a working capi-

*(Continued on next page)*

*(Implementing SFFAS 10, continued)*

tal fund environment, revenue from sales or licensing would normally be recorded in the working capital fund. In the rare instance that an entity engages to develop software for another entity, guidance in FASB Statement 86 would apply.<sup>20</sup>

*Bert T. Edwards, CPA, CGFM, is the Chief Financial Officer of the U.S. Department of State. He was an audit partner in the Washington DC office of Arthur Anderson for 24 years prior to his retirement in 1994, and is the chairman of the Chief Financial Officers Council Standards Committee.*

*Richard Fontenrose, CPA, CGFM, is a member of the Federal Accounting Standards Advisory Board staff. He was the project director for the internal use software accounting standard and was a member of the CFOC Standards Committee ad-hoc task group regarding implementation guidance for SFFAS 10.*

<sup>1</sup> The AAPC has agreed to take up the following FAQs, in order by "Topic," the alpha-numeric numbering scheme used by the task group:

- Topic B1 — How can management determine the point in time when it is more likely than not that a proposed software project will be implemented, and thus when the capitalization period starts?

- Topic C2 — Should the "capability" and "functionality" be defined in the standard?

- Topic C3 — To what extent should the useful life of software be based on the hardware on which it runs?

- Topic D1 — When should software license fees be capitalized?

- Topic D2 — How should a Federal agency capitalize a license agreement that may contain executory costs (i. e., maintenance and technical support), as well as software upgrades?

- Topic D3 — How should bulk purchases of individual software packages that cover the entire site or enterprise as a whole be accounted for?

<sup>2</sup> Topics A1 & A2—The task group listed their FAQs under ten "topics" coded alphabetically A-J, with one or more subject under each.

<sup>3</sup> SFFAS 10, paragraph 7.

<sup>4</sup> SFFAS 10, paragraph 36.

<sup>5</sup> Topic A3.

<sup>6</sup> SFFAS 10, paragraph 25 (capitalizing improvements that add capabilities).

<sup>7</sup> SFFAS 10, paragraph 27 (expensing improvements that extend only the life of software).

<sup>8</sup> Topic A4.

<sup>9</sup> See SFFAS 10, paragraph 16a.

<sup>10</sup> Topic B2.

<sup>11</sup> Topic C1.

<sup>12</sup> See SFFAS 10, paragraph 27.

<sup>13</sup> Topic E1 & E2.

<sup>14</sup> See SFFAS 6, paragraph 13. Also see the SFFAS 6, Basis for Conclusions, paragraphs 148-9.

<sup>15</sup> See SFFAS 6, paragraphs 10 & 11.

<sup>16</sup> See SFFAS 10, paragraph 24.

<sup>17</sup> See SFFAS 3, paragraphs 7-15.

<sup>18</sup> Topic F1.

<sup>19</sup> See SFFAS 7, paragraph 33.

<sup>20</sup> SFFAS 10, paragraph 65.

### ***SFFAS 10 Task Group***

Bert Edwards, Chair, State  
 Tracy Dahbura, CFO Fellow, NSF  
 Sue Yu, Commerce  
 Linda Lloyd, Customs  
 Bill deBardelaben, DoD  
 Mike Powers, DoD  
 Robert Schwenk, Army  
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 Washington DC Chapter  
 web site at  
[www.agadc.org/liaisons](http://www.agadc.org/liaisons)



**Using ABCM for Strategic Decision Making  
A Tool for Improving Government Operations**

A Breakfast Seminar for Financial and Program Managers  
November 8, 2000  
Army-Navy Club, Washington, DC

**AGENDA**

<b>Continental Breakfast</b>	8:00 am
<b>Welcome and Introduction</b>	8:30 – 8:45 am
Joe Donlon, Arthur Andersen LLP	
George Orrell, Armstrong Laing Group	
<b>ABC — Providing Critical Data for Managers</b>	8:45 – 9:30 am
Amy Vandenburg & Jay Dodd, Arthur Andersen LLP	
<b>ABC Software — How it Supports Managers</b>	9:30 – 10:00 am
Vic Kinnunen, Armstrong Laing Group	
<b>Break</b>	10:00 – 10:30 am
<b>ABCM — A Powerful Tool for Decision Making</b>	10:30 – 11:15 am
George Orrell and Vic Kinnunen, Armstrong Laing Group	
<b>Using ABCM to Make Decisions — Success Stories From Government and the Private Sector</b>	11:15 – 12:00 am

Arthur Andersen helps clients find new ways to create, manage, and measure value in the rapidly changing global economy. With world-class skills in assurance, tax, consulting, and corporate finance, Arthur Andersen has more than 77,000 people in over 80 countries that are united by a single worldwide operating structure that fosters inventiveness, knowledge sharing and a focus on client success. The firm has wide-ranging experience helping clients implement activity-based management solutions. Since its beginning in 1913, Arthur Andersen has realized 86 years of uninterrupted growth, with 1999 revenues over \$7 billion. Arthur Andersen is a business unit of Andersen Worldwide.

Armstrong Laing Group is a worldwide software and services company that specializes in providing value-based management solutions. As a leading supplier of activity-based costing and management software, the company's solutions have enabled customers like PNC Bank, British Telecom, Warner-Lambert, and other leading firms to achieve measurable outcomes that focus on strategies, improve customer relationships and boost profitability. Armstrong Laing has offices throughout Canada, Europe, and the United States.

RSVP Nancy Jean Finney at 202/481-3631 or email  
nancy.jean.finney@us.arthurandersen.com

The Army-Navy club is located at 901 17<sup>th</sup> Street, NW. This informative ABCM seminar is free of charge but seating is limited.

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# THE WASHINGTON CONNECTION



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### Inside:

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Page 3: A Free Lunch in DC

Page 4: Community Service Corner: Toys for Toys

Page 5: Implementing SFFAS-10 Part 2

Page 7: Inside the Black Box

### Upcoming Events:

December 14: Holiday Reception and Annual Toys for Tots Campaign, at the Grand Hyatt.

January 11, 2001: Monthly Luncheon meeting featuring Bob Hale, Assistant Secretary of the Air Force at the Grand Hyatt.

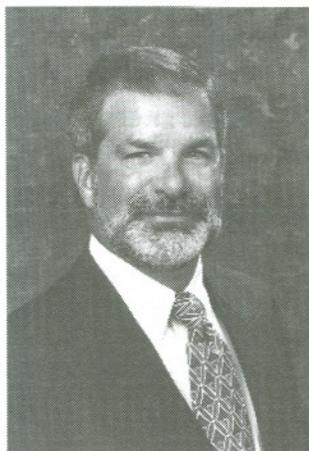
January 11, 2001: CPE Session on CGFM Training presented by Management Concepts, Inc. following the monthly luncheon at the Grand Hyatt.

January 25-26, 2001: AGA's 12th Annual Federal Leadership Conference at the Ronald Reagan Building, Washington, DC.

January 27-28, 2001: AGA Leadership Training Workshop for RVPs and RVPs-Elect.

*This newsletter is printed by Balderson's Insty-Prints 3211 Jermantown Road, Fairfax, Virginia 22030-2801, Phone 703.273.8878*

## Luncheon Speaker



*Morgan Kinghorn, Partner, PricewaterhouseCoopers*

Morgan Kinghorn is a Partner at PricewaterhouseCoopers LLP in Washington, DC. He leads the Financial and Cost Management Practice, which involves nineteen partners and over 500 consultants. He has thirty years of experience in reengineering and managing complex organizations, and providing leadership in a wide range of financial, operational, and policy positions. Mr. Kinghorn has provided consulting services for a wide range of organizations.

Immediately prior to joining PricewaterhouseCoopers in 1995, Mr. Kinghorn served as the first Controller and Chief Financial Officer of the U.S. Internal Revenue Service from 1990 until 1995. In that capacity, he was one of six members of the Executive Committee reporting directly to the Commissioner of Internal Revenue. Mr. Kinghorn will speak about the new role of the CFO in government and how the role will transition.

### Monthly Luncheon and CPE Session Thursday, December 7, 2000

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):
<i>Announcements</i>	
<i>Lunch</i>	
<i>Luncheon Speaker</i>	
1:15 to 4:00 pm	Afternoon Session (3 CPEs):
<i>1:15 to 2:30 pm</i>	<i>CPE Session</i>
<i>2:30 to 2:45 pm</i>	<i>Break</i>
<i>2:45 to 4:00 pm</i>	<i>CPE Session</i>

#### 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 [chad.davis@eds.com](mailto:chad.davis@eds.com) or you can register at our homepage: [www.agadc.org](http://www.agadc.org). Please forward your name, agency/company, and telephone number.

**President's Message** .....

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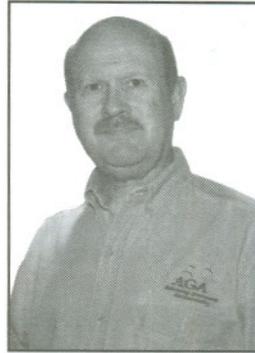
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Mike Noble, CGFM, Chapter President

**AGA Honors Two Federal Agencies with Accountability Awards**

In 1997, the U.S. Office of Management and Budget (OMB) and the federal Chief Financial Officers (CFO) Council called for a certificate program to encourage and recognize excellence in accountability reports. AGA was asked to answer that call and, in response, established the Certificate of Excellence in Accountability Reporting Program in conjunction with the CFO Council. The program's goal is to recognize federal agencies that have achieved excellence in the preparation, issuance, and timeliness of accountability reports. This distinction is a significant accomplishment and honor for a federal agency and its management.

Last year, AGA made its first Accountability Awards to NASA and the Social Security Administration (SSA). This year's awards were announced in October and went to the National Science Foundation (NSF) and, for the second year, to SSA. The following information is from the National AGA press release: "The National Science Foundation and the Social Security Administration were honored with Certificates of Excellence in Accountability Reporting from the Association of Government Accountants (AGA) on October 17, 2000. A distinguished panel of government financial managers chose to honor these two federal agencies for their exceptional accountability reports."

"The public needs to realize that the production of an outstanding accountabil-

ity report requires a grand cooperative effort among many agency departments and staff," stated AGA Executive Director, Charles W. Culkin Jr., CGFM. "We witnessed this concept throughout our entire review process and we are extremely pleased with the progress that government agencies have made." AGA honored the two agencies at an awards ceremony held at the Library of Congress.

The Washington DC Chapter congratulates NSF and SSA for this superior achievement. We also congratulate those employees of the two agencies, some of whom are Chapter members, who contributed to the preparation of the accountability reports—it was your hard work and dedication that resulted in these honors.

**Monthly Luncheons**

AGA members, like Napoleon's army, must travel on their stomachs! Many of you have asked me about the menus for our monthly luncheons—what are we going to have and will there be chocolate for dessert. Part (some would argue "all") of the attraction of the Grand Hyatt Hotel has been the excellent food. Forthwith, here are the menus for the rest of our program year:

*December*

Butternut Squash & Sweet Potato Soup  
 Pork Sirloin w/Apple Peach Compote  
 Raspberry Mousse in Chocolate Cup

*January*

Caprisi Salad  
 Chicken Florentine  
 NY Style Cheesecake

*February*

Vegetable Soup  
 Cedar Roasted Salmon  
 Alsatian Apple Tart

(Continued on next page)

*(President's Message, continued)*

*March*

Ranch Salad  
 Chicken with Pasta  
 Chocolate Silk Pie

*April*

Caesar Salad  
 Lasagna  
 Chocolate Truffle Cake

*April Dinner Meeting*

Red Oak Salad w/Cheese Napoleon  
 Prime Rib of Beef  
 White Chocolate Mousse Cake

*May*

Chilled Gazpacho  
 Tortilla Crusted Chicken  
 Blueberry Crumble w/Vanilla Anglaise

I'm getting hungry just writing this. I hope the menu alone will attract an extra 10-20 members to the luncheon meetings!

**December Monthly Luncheon and Toys for Tots Drive**

Mark your calendars for two AGA events in December: the monthly luncheon on Thursday, December 7, and the Holiday Luncheon/Toys for Tots Campaign on Thursday, December 14. Both events will be held at the Grand Hyatt at Metro Center (our usual meeting place). The luncheon speaker will be Morgan Kinghorn, Partner at PricewaterhouseCoopers, and a CPE session will follow.

The Holiday Party is a buffet luncheon that is free to members (our holiday gift to you). We only ask that you bring a toy (or make a cash donation) for the Toys for Tots Campaign sponsored by the U.S. Marine Corps. Look for detailed information on both of these events elsewhere in this newsletter.

On behalf of the Officers and Directors of the Washington DC Chapter, I would like to wish you and your families a joyous, reverent, and safe holiday season.

Happy Holidays.

*Mike*

**There Really is a Free Lunch in DC.....**

*by Bob Buchanan, Director of Membership*

**A**s an incentive to prospective members to join our Chapter, the Chapter Executive Council is pleased to announce it has reinstated the Chapter's policy of providing free attendance at one of the Chapter's regular monthly luncheon meetings. This is a \$36 value (considering the \$17 subsidy the chapter pays in addition to the \$19 member charge for luncheon attendance) and offsets a large part of the first year dues.

So tell your non-member friends "Yes, there really is such a thing as a free lunch in Washington, DC. and you can get it for them." And guess what, if you recruit five new members, they'll each get a free lunch and you will too! If you recruit ten new members you'll get two free lunches. This recruiting incentive is a bonus in addition to the \$25 American Express gift cheque award from the AGA National Office you have read about in *Topics* that is available through December 31, 2000.

So what are you waiting for? Make copies of the membership application insert of this newsletter, write your name in the sponsor's name section, help our chapter grow, and get ready to collect your rewards. Please be sure to use the AGA membership application form, as all incentive awards will be based on the AGA National Office membership data. If you would like some recruiting tools, please call Bob Buchanan at 703.246.0298 or email to rbuchanan@anteon.com.

**December CPE Session**

The December CPE session will feature a discussion on e-Government and Knowledge Management. The session will take place immediately following the December monthly luncheon from 1:15 to 4:00 pm at the Grand Hyatt. The speakers have yet to be determined but the information will be posted on the chapter web site ([www.agadc.org](http://www.agadc.org)) and the chapter voice mail line at 703.758.4080 when it is available.

For the latest list of agency liaisons, visit the Washington DC Chapter web site at [www.agadc.org/liaisons](http://www.agadc.org/liaisons)

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## Community Service Corner: The Fifth Year for Toys for Toys .....

*by Marcia Caplan and Michelle Lewis, Toys for Tots Chairpersons*

**W**e are proud to announce that for the fifth time, AGA Washington DC Chapter has selected the Marine Corps Reserve Toys for Tots Campaign as our community activity for the Holiday Event, December 14, 2000. Our chapter has become a major contributor to this fine organization, and we hope it will be a banner year for us to provide toys for the children in the District of Columbia, Northern Virginia, and Suburban Maryland.

The Toys for Tots Campaign has been active since 1947. Each year, they have donated hundreds of thousands of toys through local social welfare organizations.

The U.S. Marine Corps Reserve Toys for Tots Program is one of the nation's flagship Christmas charitable endeavors and the U.S. Marine Corps' premier community action program. Over the past 52 years, U.S. Marines have distributed over 257,000,000 toys to 127,000,000 needy children throughout the nation. The 1999 Toys for Tots campaign surpassed all previous records. Marines and volunteers distributed over 13.8 million toys to nearly 5.9 million needy children. Campaigns were conducted in 342 communities - the broadest coverage achieved to date.



Marine representatives will be attending our Holiday Reception to thank our members for their contributions. Please bring a new unwrapped toy when you come to celebrate the holidays with us. Since this may be the only toy a child might receive this holiday season, we have been asked to provide toys that have a perceived value of \$10 or more. The ages of the children in the program range from newborn to fifteen years of age.

In accordance with the requests of our Marine coordinators; toy guns, knives or other dangerous items can not be accepted. If you prefer to donate, a check made payable to the TOYS FOR TOTS FOUNDATION would be welcome.

If you will not be available to attend the Holiday Reception, have a friend or co-worker bring the toy. Or you can mail a donation to P.O. Box 423, Washington, DC 20044 and mark the envelope "Toys for Tots." We will make sure it gets into our Chapter's donation. Also, feel free to call Marcia (202-565-7048) or Michelle (202-565-8907) if you have any questions.

So watch for those sales that are coming and shop early, shop often. This is the time of year when being a "shopaholic" is a good thing!

# Association of Government Accountants

## Membership Application

### I. Name & Mailing Address

Mr.  Ms.  Mrs.  Dr.  Prof. Please circle: male/female

#### Preferred Address

Name First \_\_\_\_\_ Last \_\_\_\_\_ Middle \_\_\_\_\_

Address \_\_\_\_\_ Apt/Suite# \_\_\_\_\_

City \_\_\_\_\_ State/Province \_\_\_\_\_

Zip/Mail Code \_\_\_\_\_ Country \_\_\_\_\_

Home  Office Address

Business Phone \_\_\_\_\_ Business Fax \_\_\_\_\_

Home Phone \_\_\_\_\_ E-Mail \_\_\_\_\_

#### Second Address

Address \_\_\_\_\_ Apt/Suite# \_\_\_\_\_

City \_\_\_\_\_ State/Province \_\_\_\_\_

Zip/Mail Code \_\_\_\_\_ Country \_\_\_\_\_

### II. Business Information

Job Title \_\_\_\_\_ Dept. \_\_\_\_\_

Organization \_\_\_\_\_

Employer: (Government):  Federal  State  County  City

International

Private

Academia

Student

Retired

Private International

Responsibility Area:

Accounting

Budgeting

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Management

Academia

Contract Management

Grants Management

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Other

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### III. Sponsor's Name

(if applicable) \_\_\_\_\_ Member ID # \_\_\_\_\_

### IV. Membership Data/Dues

Please choose a membership category. Retired? Call the AGA Customer Satisfaction Center at 800.AGA.7211 to find out about our retired membership category.

Full - \$70/year - Career professionals performing financial management activities, for at least six years, in an operational, administrative and/or supervisory capacity.

Early Career - \$35/year - Practicing professionals who have fewer than six years of financial management experience.

Special Early Career - \$15/year - Full-time students and those in their first year of employment.

Primary Chapter: Washington DC

Dues \$10.00

Additional Chapter Membership(s) Optional \_\_\_\_\_ Dues \_\_\_\_\_

\_\_\_\_\_ Dues \_\_\_\_\_

### V. Method of Payment

Check enclosed (make checks payable to AGA)

Visa  MasterCard  AMEX  Discover

Total Amount Enclosed \_\_\_\_\_

Card number: \_\_\_\_\_

Expiration date: \_\_\_\_\_

Signature: \_\_\_\_\_

Please send of fax completed application and payment to:

**AGA**

Advancing Government Accountability

Association of Government Accountants

2208 Mount Vernon Avenue

Alexandria, Virginia 22301-1314

*Is it important that all entities use the same overhead method, or that functions within an entity use the same overhead method? What can be done to minimize concerns of auditors and other parties?*

All entities do not necessarily use the same overhead method. SFFAS 4 discusses several methods for tracing, assigning, or allocating costs to objects.<sup>10</sup> SFFAS 4 and other accounting principles require individual reporting agencies apply consistent cost methodologies and other accounting principles.<sup>11</sup> Thus, an entity would apply consistent overhead methodologies to its own operations where feasible and appropriate to the operating environment.

*respect to identifying these grassroots efforts at their inception in order to capture all costs.*

SFFAS 10 would apply to user-developed applications, including web pages and spreadsheets. It would be prudent to review and assess projects from both financial and technical perspectives to determine whether the resulting product is a capital asset. The assessment would consider the type of software, the related life cycle phase, and the intended function of the software product.

*(Continued on next page)*

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