

ASSOCIATION of GOVERNMENT ACCOUNTANTS

THE WASHINGTON CONNECTION

Washington Chapter • P.O. Box 423 • Washington, D.C. 20044-0423 • (703) 758-0480 • December 1992

WASHINGTON CHAPTER LUNCHEON MEETING

THURSDAY
DECEMBER 3, 1992

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

Social: 11:30 (Cash Bar)
Luncheon: 12:00 NOON
Menu: Broiled flounder
Cost: \$16.00 (Members)
\$18.00 (Non-Members)

- . Reservations strongly recommended.
- . Call (703) 758-4080 Voice Mail through December 1, 1992.
- . Non-Members are welcomed.
- . No-Shows are expected to pay.
- . Walk-ins are welcomed on space available basis.

SPEAKER

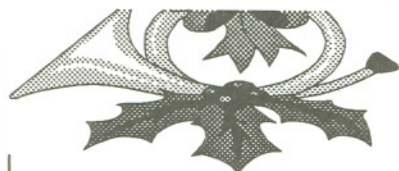
ELLEN M. O'CONNOR

Chief Financial Officer
Government of the District of Columbia

Ms. Ellen M. O'Connor has served as Chief Financial Officer for the District of Columbia since July 1991. She brings more than 20 years of financial accounting and management experience to the Kelly Administration.

As Chief Financial Officer, Ms. O'Connor oversees the city's financial agencies. The agencies are the offices of the Budget, Treasurer, Controller, Financial Information Services and Grants Management and Development and the Department of Finance and Revenue.

Before joining the District government, Ms. O'Connor served two years as the budget director and six years as comptroller of the Commonwealth of Massachusetts. From 1979 to 1983, Ms. O'Connor was assistant commissioner for administrative services in the Massachusetts Department of Social Services.



HOLIDAY SOCIAL

*Come one, Come all, the AGA Social
Activities Committee cordially invites members,
prospective members, and their guests to attend
a social gathering to celebrate and spread the holiday cheer.*

*** See you all there ! ***

DATE: Tuesday, December 1, 1992 TIME: 5:30 PM - 7:30 PM

PLACE: SFUZZI'S RESTAURANT - UNION STATION (Two hour free validated parking)

COST: "FREE BUFFET DINNER", CASH BAR

"FROM WHERE I STAND"
by
Marcus Page
President, Washington AGA Chapter

Based on the size of early registrations, our first educational event on November 12, Traveling in Hard Times, was a success. I will have more on that for next month, but it's not too early to congratulate **Nancy Fleetwood and the Education Committee** for putting together a successful and topical program!

Community outreach programs are the hardest to get started and the most rewarding to participants. Our Director, **Jeff Williams**, has put a lot of effort into finding new options that might attract greater participation of our members. At our November luncheon meeting, members were asked to bring non-perishable food items or monetary contributions for the **Project Harvest**. Its objective is to provide much needed food assistance to hungry families at a time when most of us are worried more about over-indulgence during the holidays. As a starter, the Washington Chapter Executive Board voted on a \$100 contribution which was presented to Project Harvest at the November 5 meeting. Jeff is also working with the **Partners in Education Program** in D.C. to provide the opportunity for our members to make a difference in the lives of high school students who really need to see that there are opportunities available to them. Jeff needs your help! If you want to do more than talk about community problems, volunteer to help. **Call Jeff now on 202-254-8385.**

As part of the Chapter's support for the Lithuanian Accountants Association, we have provided two reference books. These include GASB's Codification of Governmental Accounting and Financial Reporting Standards and a Handbook of Governmental Accounting and Finance (Wiley & Sons Publishing).

If you missed our November educational event, you have two more opportunities. **First, the National AGA's Federal Leadership Conference on January 13-14, 1993.** I might mention here that the Washington Chapter submitted nominations for the awards to be presented at that event. **We nominated Jack Adams, Director of the FMS Kansas City Regional Financial Center for the Elmer Staats Award and D. James Milano of the Pfizer Corporation, a Private Sector Council assignment, for the Andrew Barr Award.**

The second event is the **Capital Regional Conference on February 1-2, 1993.** Our Chapter is participating with the Northern Virginia and Montgomery/Prince George's Chapters in presenting the latest on accounting and auditing policies, techniques and methods. This one is for you, reserve early on our **Voice Mail, line 4.**

THE WASHINGTON CHAPTER EXECUTIVE BOARD AND I WISH YOU THE VERY BEST FOR THE COMING HOLIDAY SEASON!

MARKET VALUE ASSET ACCOUNTING FOR FINANCIAL INSTITUTIONS

The passage that follows represents remarks by Treasury's Deputy Secretary, John E. Robson, to the Financial Accounting Standards Board on September 22, 1992.

In any event, the advocates of market value accounting apparently believe that accounting for assets at historic values always distorts the economic picture of a firm, and that disclosure of current asset values always provides creditors and investors with a truer and more relevant evaluation of the financial health of an institution and the success of its investment strategy.

But the advocates of market value accounting fail to recognize the distortions that can result from partial market value accounting -- that is applying market values only to certain assets and ignoring liabilities. With respect to a bank's securities portfolio, they fail to see that in the real world there is a real difference between investment and trading accounts held by commercial banks -- a difference we think FASB's exposure draft would eliminate with harmful results for the lending environment.

Under FASB's exposure draft, historic cost accounting could be used only for those securities for which the investor -- categorically and with no exceptions -- has the "positive intent and ability to hold to maturity." Now, how often can any investor truthfully say he has a "positive intent and ability" to hold an investment until maturity? Institutions -- like individuals -- often make genuine investment decisions with no intention of future trading, but with the realization that in a dynamic economy it is quite possible that the investment could be sold before its maturity.

This is particularly true for commercial banks, where the investment account often serves as an

important tool of liquidity management. The exposure draft states that a security may not be classified as held to maturity if, among other things, it might be sold in response to changes in general liquidity needs. This poses a serious dilemma for banks: either hold all securities to maturity -- and thus be unable to respond to increased loan demand by liquidating investments -- or mark the investment portfolio to market. Any bank that chooses the latter route is, in effect, opting for more volatile earnings and capital.

Among other consequences, the net effect of the market value approach may be an increased unwillingness on the part of banks to fulfill their proper role in the economy by assuming and managing longer-term risks. This is, of course, directly contrary to the Administration's efforts to put banks back in the lending business, improve credit availability and get the economy moving again.

Of course, there are other general considerations that I am sure FASB weighs in considering its rulings. Obviously the practicality of implementing a prescribed accounting regime is something that must be considered, and perhaps more important, the cost of implementing an accounting rule weighed against the benefits of the particular requirement. Frankly, the weighing of costs and benefits is something that doesn't go on enough in the government regulatory process.

My overall point is simple. I expect there will be numerous instances of potential conflict between your opinions as accounting experts and the interests of this country in stimulating economic growth and winning the economic contest that lies ahead. I hope you will want to manage your professional affairs so that you do not ignore the economic consequences of what you do and put the things that really count for people and businesses in this country ahead of narrow technical considerations.

TREASURY PUBLISHES FINAL REGULATIONS ON CASH MANAGEMENT IMPROVEMENT ACT OF 1990

The Financial Management Service (FMS), a Department of Treasury bureau, has published final regulations designed to achieve more equitable transfer of some \$150 billion annually between the Federal Government and the States.

The regulations, published in the September 24th Federal Register, culminate a decade of negotiations between the Federal Government and the States for more equitable treatment of interest between the two entities.

Publication of the regulations is mandated by the Cash Management Improvement Act of 1990 (CMIA). The CMIA requires the Secretary of the Treasury to regulate and enforce timely disbursement of funds by Federal agencies, and to negotiate and monitor agreements with the States to achieve the efficient transfer of such funds.

Before passage of CMIA, Federal agencies operated under the Intergovernmental Cooperation Act of 1968, Public Law 90-577. This law allowed States to retain interest earned on Federal funds transferred to them pending disbursement of the funds for program purposes. Federal agencies have noted that the Federal Government loses interest earnings when the States draw down Federal funds before those funds are needed by the States to redeem checks. On other situations, States have to pay out their own funds in advance of receiving funds from the Federal Government, costing the States interest earnings. CMIA was enacted to address these timing concerns.

The effective date of the CMIA is October 24, 1992. Congress is considering legislation (H.R. 5377, S. 2970) that would extend the effective

date of the CMIA, giving the States more time to negotiate and implement the new cash management procedures. Treasury supports this legislation.

Treasury's Financial Management Service has been charged with implementing the provisions of CMIA. For further information, please contact John Galligan on (202) 874-6935.

MONTHLY LUNCHEON MEETINGS

MEETING DATES AND SPEAKERS

Dec 3	Ellen O'Connor Deputy Mayor for Finance Government of the District of Columbia
Jan 7	David M. Nummy Assistant Secretary (Management) Chief Financial Officer Department of the Treasury
Feb 4	J. Bryan Hyland Charles L. Dempsey Richard P. Kusserow Former Inspectors General
Mar 4	Mark L. Chastang Executive Director of D.C. General Hospital
Apr 1	Charles Harrison National President, AGA
May 6	To be announced

ASSOCIATION of GOVERNMENT ACCOUNTANTS

AGA VITA PROGRAM VOLUNTEER INFORMATION FORM

PLEASE PRINT THE INFORMATION

NAME: _____

ADDRESS: _____

AGENCY: _____

PHONE NOS: (OFFICE) _____ (HOME) _____

AGA MEMBERSHIP: _____ YES _____ NO

VITA WORK SITE PREFERENCE:

_____ District of Columbia _____ Virginia _____ Maryland

Please tear at the perforation and mail the above to the Washington Chapter. Keep this portion for further reference and/or information.

The Volunteer Income Tax Assistance (VITA) Program is an IRS sponsored program that involves volunteers like yourself in the preparation of tax returns for low income, elderly, disabled and non-English speaking taxpayers. IRS provides instructions and training materials free of charge for the volunteer tax preparer.

There is NO LIABILITY associated with the volunteer work. In fact, you do not sign the returns because a VITA program stamp is entered on all completed returns. We recommend that you volunteer a minimum of 10 hours to the VITA program on behalf of AGA.

The following is a schedule of the **Basic Training Sessions** in Washington, D.C. for December 1992 and January 1993 on **Saturdays**.

Section I	December 5, 1992	Section II	January 9, 1993
	December 12, 1992		January 16, 1993
	December 19, 1992		January 23, 1993
			January 30, 1993

A **Refresher Course** will be offered on **January 9, 1993**, 10:00 A.M. - 2:00 P.M., in the Martin Luther King Library on 901 G Street, N.W., Room A-9, Washington, D.C. 20001. The phone number is (202) 622-6060.

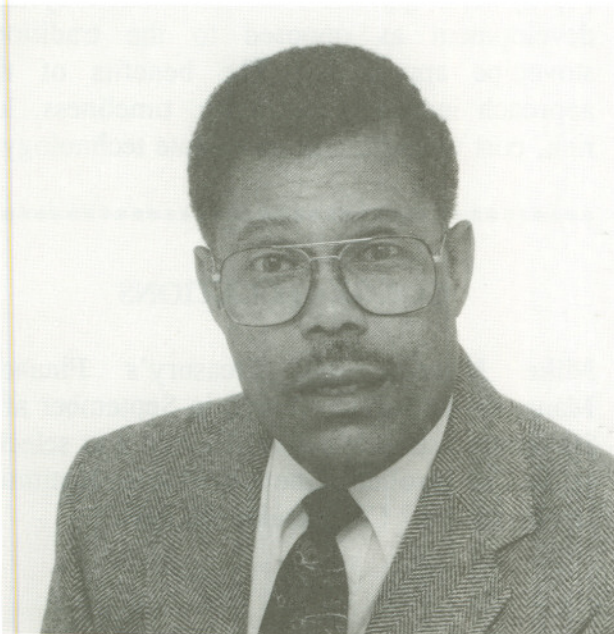
If you need additional information, please contact **Jeff Williams** on (202) 254-8385.

ELMER STAATS AWARD

The Washington Chapter of AGA has nominated John (Jack) Adams for the Elmer Staats Award presented annually at the National AGA Federal Leadership Conference.

Mr. Adams is the Director of Treasury's Financial Management Service's Kansas City Regional Financial Center. The Chapter is recognizing Mr. Adams' commitment to serving his customers and his commitment to the use of technology in payment systems.

Prior to coming to the Financial Management Service, Mr. Adams served with the Environmental Protection Agency and the U.S. Air Force. He began his financial career as an auditor with the Air Force, served as an Accounting and Finance Officer at two bases, and as Base Comptroller at Richards Gebaur Air Force Base. His last assignment, before retiring as a Lt. Colonel, was as Comptroller of Air Forces Korea (314th Air Division).

**NEW REGIONAL VICE-PRESIDENT
by Joyce H. Woodford**

By now, many of you have been informed of Richard A. Kaplan's resignation from the position of Regional Vice-President for the Capital Region for health reasons. To say the least, I was honored that so many of my peers in the Region put forth my name to complete the remainder of his term. The National Executive Committee endorsed my appointment at their quarterly meeting held on September 18, 1992.

Rich had already laid the framework for the year in the establishment of the goals for the Capital Region, and he had already followed through with the first goal, a regional workshop to be held in February 1993. I am in the process of compiling the first Capital Regional Newsletter, and have no doubt that our Region will have a successful year.

I intend on making chapter growth a high priority of mine, and ask that each of you bring a co-worker to your next chapter meeting to introduce them to the AGA. The benefits of belonging to the AGA are worth more than ever in terms of career development and personal growth, as well as being an excellent forum for networking. It is also a relaxed way of exchanging ideas with leaders in the fields of accounting, auditing and financial management, as well as Federal and local government officials.

I will try to attend the continental U.S.A. Chapter meetings at least once this year (my travel budget won't allow me to visit our newly acquired chapters in Guam, Hawaii, Japan, Puerto Rico or the Virgin Islands -- DRAT!!), but I will exchange information from the Regional Newsletter. Have a great year!

**WASHINGTON CHAPTER OF AGA
CHAPTER EXECUTIVE COUNCIL
Highlights of October 28, 1992 meeting
By Pat Wensel, Chapter Secretary**

The Chapter has been asked to provide two moderators for the National AGA Leadership Conference in January. President Page requested that board members provide possible names for consideration.

During our November luncheon meeting, we will have a drive for **Project Harvest**. We will request that members bring non-perishable food or money to support this effort. Project Harvest is a **Community Outreach** activity which provides food for the hungry at Thanksgiving. The Board voted to provide a check for \$100 to support Project Harvest.

AGA's National president is preparing an article for publication in the Topics on Community Outreach. He will include coverage of the many projects we are undertaking for this year. The Chapter received a letter from the AGA Executive Director soliciting articles to feature in future editions of the Topics.

Member Services: Velma Speight reported that the chapter submitted two nominations for the leadership awards. Velma reported that our employment voice mail is updated regularly with names of agencies who are hiring.

Lithuania Project: Two books have been sent to the Lithuanian organization: GASB codification of Accounting and Reporting Standards and a Government Accounting Text published by Joyce Press.

SUMMARY OF LUNCHEON SPEECH

by Patricia Wensel

The speaker for our **November 5** meeting was **Mr. Thomas J. Buckholtz**, Commissioner, IRMS, GSA. The topic of Mr. Buckholtz' presentation was "IRM: Catalyst for the Future." Mr. Buckholtz identified three areas of focus for IRM:

1. Results of Government: Improving Government's service to citizens;
2. People: Information Proficiency - Providing leadership for a proficient workforce. This includes the following components: Awareness; Assessment; Training; Assistance in the workplace; and Tools; and
3. Technology: To include both specific technology and generic technology.

Mr. Buckholtz recommends a modular deployment approach to information systems development as opposed to the traditional stovepipe approach. The benefits of this approach include: flexibility, timeliness, less risk, cost savings, and up-to-date technology.

CONGRATULATIONS

Mike Merson left Treasury's Financial Management Service (FMS) in September after 20 years of service with FMS, and was selected as the Comptroller of the Smithsonian Institution in November. Congratulations Mike!

PRIVATE SECTOR COUNCIL

The Private Sector Council (PSC), founded in 1983, is a nonprofit, non-partisan, public service organization dedicated to assisting the Federal government improve its efficiency, productivity and management through a cooperative effort of the public and private sectors.

Thomas V. Fritz was elected President and Chief Executive Officer of the Council in August 1992, and he succeeded Charles T. Hagel. Mr. Fritz joined PSC after thirty-three years with Ernst & Young, one of the largest professional service firms in the United States.

Through PSC projects, efficient and modern business methods developed in the private sector are introduced to government to improve the management of the Nation's operations.

Examples of PSC project accomplishments are as follows:

Department of Defense Acquisition Practices Study -- produced report highlighting contemporary business ideas for improving procurement practices.

CFO Dialogues - In January 1992, PSC, in conjunction with the Council for Excellence in Government, initiated a series of informal dialogues for the CFO's of government departments to meet with senior executives of PSC member companies to discuss issues of mutual interest. These forums are conducted eight times a year.

Department of the Treasury's Strategic Financial Management Planning Model -- assisted in developing a planning paradigm for financial and program managers throughout Federal government.

Department of the Treasury Performance Measurement Study -- defined crucial areas of research, arranged site visits with member

companies who are pacesetters in utilizing performance measurement standards.

For further information, please contact Cathy Bolinger, PSC, on (202) 822-0617.

EDITORIAL

A NEW PRESIDENTIAL ADMINISTRATION BEGINS IN JANUARY! It is very important that the financial management community be successful in keeping the need to improve this very important function in at least as high a priority position as it has been the last several years. To that end, our Regional Financial Management Conference on February 1 and 2 has been renamed: **"REFLECTIONS AND NEW DIRECTIONS."** The committee will do every thing possible to acquire additional speakers from the next administration.

Speaking of reflections, someone needs to do an honest appraisal of the progress in upgrading financial management systems and the resulting data quality. The current process of endless five-year plans and well-meaning, but often pro forma annual reviews is not doing it. Given the non-federal experience of the next President, a program similar to the Government Finance Officers Association certificate program might serve the purpose. The GFOA offers a Certificate of Conformance in Financial Reporting to governments who meet a set of standards and objectives in their financial reports and the underlying data quality. The certificate program provides a set of finite objectives, easy access to extensive technical accounting and reporting reference data, and recognition for accomplishment. Another advantage of this program is it is a peer review rather than a regulatory review. Given all of that, should AGA or some other independent professional organization offer a similar program for Federal agencies? **Express your views, write us a letter!**

**AGA WASHINGTON CHAPTER
CHAPTER EXECUTIVE COUNCIL
FOR 1992/1993**

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