

ASSOCIATION of GOVERNMENT ACCOUNTANTS

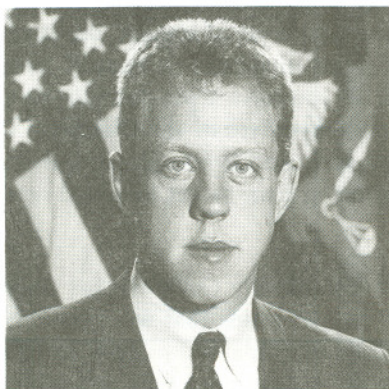
THE WASHINGTON CONNECTION

Washington Chapter • P.O. Box 423 • Washington, D.C. 20044-0423 • (703) 758-0480 • January 1993

WASHINGTON CHAPTER LUNCHEON MEETING

THURSDAY
JANUARY 7, 1993

SPEAKER



DAVID M. NUMMY
ASSISTANT SECRETARY (MANAGEMENT)
CHIEF FINANCIAL OFFICER

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

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

- Reservations strongly recommended.
- Call (703) 758-4080 Voice Mail through January 5, 1993
- Non-Members are welcomed.
- No-Shows are expected to pay.
- Walk-ins are welcomed on space available basis.

Mr. David M. Nummy was sworn in as the U.S. Department of the Treasury's Assistant Secretary for Management and Chief Financial Officer on November 15, 1991. He served as the Deputy Assistant Secretary for Departmental Finance and Management at Treasury from February 2, 1989, until his appointment as Assistant Secretary.

Mr. Nummy was born in Oklahoma City, Oklahoma, and received both a bachelor of science and a master of science degree from Oklahoma State University in 1979.

After graduation from Oklahoma State University, he joined the accounting firm of Ernst & Whinney and became a Certified Public Accountant in 1980. Mr. Nummy subsequently served on the staff of the Senate Budget Committee for several years as an Analyst for the Federal Credit Programs, as Senior Analyst for Tax Policy, and as Special Assistant to the Staff Director. He served in the private sector as Business Manager for a consulting firm before becoming the Comptroller for the Bush-Quayle '88 campaign. He served in this capacity for two years.

*** Capital Regional Conference *** on Accounting and Auditing February 1 - 2, 1993

Objective: To provide the latest on accounting and auditing policies, techniques, and methods.

Who should attend: Accountants, auditors, financial managers, and others concerned with federal accounting and auditing.

<input checked="" type="checkbox"/> Auditing	<input checked="" type="checkbox"/> Accounting
<ul style="list-style-type: none">• Financial Audits under CFO<ul style="list-style-type: none">• Planning issues• Testing controls and balances• Auditing the overview and supplemental schedules• Reporting under the CFO Act• Contemporary Audit Issues<ul style="list-style-type: none">• Contract auditing• Computer auditing• FMFIA issues• M accounts• Credit reform	<ul style="list-style-type: none">• Impact of Treasury's automation efforts on agency systems and reporting requirements• Preparation of financial statements• Emerging accounting issues--includes FASAB standards• M account requirements• FMFIA• Fastest payment mechanisms to travelers, vendors, and other recipients• Agency performance measures• Accounting view of the legislative process

Cost: AGA member - \$195 • Non-AGA member - \$215

The Washington Marriott Hotel
1221 22nd Street, NW
Washington, DC

Recommended 14 hours of CPE

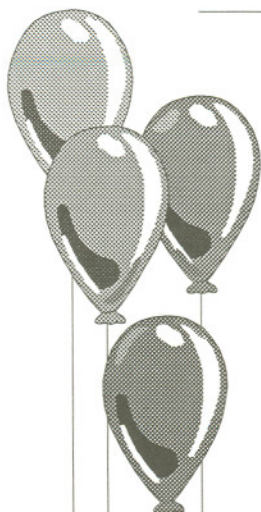
For information contact John Balakos, Conference Chair, at (202) 927-5200 or Maureen Barry, Treasury OIG, at (202) 927-5872.

FROM WHERE I STAND
BY
MARCUS PAGE
PRESIDENT, WASHINGTON CHAPTER

No doubt about it, the first Chapter educational event, TRAVELING IN HARD TIMES was a major success. One hundred and sixty one paid attendees were treated to a very topical subject and from the early feedback, we have gotten good reviews and even requests for a repeat session from those who could not make the November 12th date. We and our Chapter Treasury applaud the successful efforts of Nancy Fleetwood and the Education Committee. Now, have you signed up for the three Chapter Capital Regional Conference on Accounting and Auditing; Reflections and New Directions on February 1,2, 1993. Given the success of TRAVELING, I suggest you do it now on voice mail, line 4. This session will cover reflections on where we are in accounting and auditing and what new directions might be expected in the new administration.

Next month, I will report to you the status of the Chapter in a mid year review. Here's my early observations. We are doing very well in several areas; monthly meetings, educational events, finances, the newsletter, social events, Chapter recognition points (5197 to date), and a real good beginning in community outreach projects. I am not happy with the level of member participation. To move to the next level of impact, we need more of you to get involved. I keep hearing anecdotes about members who want to get involved but haven't been able to get on a committee in the past. Call our directors, they need your help. If you have a problem there, call me, personally. It doesn't take that much time if many share the goals and objectives of the Chapter. It does take a lot of time if only a few respond. There are going to be many changes in financial management over the next several years. You may need a strong professional association representing you, so get involved now. Come on, make my day!

Speaking of involvement, I want to thank Jeff Williams, Director for Community Outreach for organizing our contribution to Project Harvest. Hopefully, the \$200.00 in cash and canned goods that were contributed helped some needy people get some small comfort out of the season. Look for an article and picture on Project Harvest in National AGA's Topics newsletter. Jeff is also organizing a Partners in Education program with the D.C. schools. You can make a difference here that faceless governments can't. Call Jeff on 202-254-8385. Call Jeff!



POST INAUGURAL SOCIAL

The AGA Activities Committee cordially invites members, prospective members, and their guests to attend an after work social to wish success to President Clinton.

DATE: *Thursday, January 28, 1993* **TIME:** *5:30 PM - 7:30 PM*

PLACE: *"National Press Club" - Truman Lounge*
National Press Building - 14th Street between E and F Street

Near Metro Center Metro Station - Parking available at PMI Parking in building.

Complementary Hors d'oeuvres and Cash Bar

**** Take elevator to 13th Floor, mention to receptionist that you are guests of Past AGA President, Sam Mok - GL Associates **.**

For further information, contact Brian Lee at (202) 622-1450.

TOTAL QUALITY MANAGEMENT IN THE FEDERAL GOVERNMENT

By Dr. Roger H. Bezdek

I. THE HISTORY OF QUALITY MANAGEMENT

The perception of quality affects how organizations are managed. Modern industrial arrangement and production techniques were perfected in the United States 90 years ago, when the U. S. broke with European tradition to adopt Frederick Taylor's system of "scientific management." This system dramatically changed the way organizational processes are managed, it separated planning and execution, and led to the concept of the professional manager.

The system worked relatively well for seven decades. However, by the late 1970s, it was evident that the traditional American Taylorite approach to management was seriously flawed. For example, between 1978 and 1982, Ford's U.S. sales fell by 49 percent, resulting in an operating loss of more than \$3 billion. Xerox's share of the North American market declined from 93 percent to 40 percent during the 1970s. Many other examples of declining U.S. competitiveness exist. Underlying all these cases was the realization that an international quality revolution had arrived and that U.S. companies did not know how to respond.

II. THE TQM GURUS

In the late 1940s, Japanese industrialists invited several Americans to advise them on how to convert their devastated, war-focused industries to serve domestic consumption and to improve the image and quality of their products. Dr. W. Edwards Deming is well known for his work in Japan, where he led a revolution in quality and economic production. Other Americans, including Joseph Duran, Dr. Armand V. Feigenbaum (originator of total quality control) and Philip Crosby (pioneer of the "zero defects" concept) also played significant roles in the quality revolution in Japan. All stressed the importance that top management plays in establishing the climate and systems for quality enhancement.

III. THE U.S. PRIVATE SECTOR RESPONSE

The major impetus for U.S. companies' response is the same that led the Japanese to embark on their quality effort: survival in the world market-place. U.S. business leaders went to Japan to observe first-hand how the Japanese managed such a transformation in their produc-

tion processes and have taken similar approaches in their own companies. The results have often been as remarkable as those in Japan. A decade after the introduction of quality management principles in the United States, many private sector organizations have adopted them to varying degrees. Some of the achievements of these organizations are:

- (1) excellent reputations among consumers and industry peers (USAA Insurance Company, Xerox, Florida P&L);
- (2) profitability (3M);
- (3) regaining of market share (Ford, Goodyear, Xerox);
- (4) innovation (Digital, 3M);
- (5) savings (Westinghouse); and
- (6) quality improvements (Motorola, Federal Express).

Private-sector U.S. companies have generally led their public-sector counterparts in implementing quality management, but even in the private sector, change has been slow. To encourage American companies to improve their quality, in 1987 the Federal Government established the Malcolm Baldrige National Quality Award. Similar in purpose to the Deming Prize in Japan, the award is presented annually to U.S. companies that excel in quality achievement.

IV. THE FEDERAL GOVERNMENT'S TQM CHALLENGE

Implementation of TQM in the Federal Government is a monumental task, and making far-reaching, lasting changes will be difficult. It is a huge conglomerate of activities generally operating under inflexible and outdated management practices and principles. Federal agencies are managed in a top-down, hierarchical, bureaucratic mode and operate through highly structured administrative rules and procedures. Thus, management styles generally tend to be "Taylorite" -- non-participatory and rigid:

- Annual appropriations and the short tenure of political appointees result in a short time horizon for management decisions, and important longer term management investments often are sacrificed in favor of immediate needs;
- One consequence of the short time horizon of key management decisions is that resources for modernizing and updating technology are frequently inadequate; for example, GSA estimates that the Government's medium-to-large computers are, on average, three years older than those of Fortune 500 companies;
- The short time horizon of management decisions means that inadequate funds are devoted to human resource development. The Government spends

TQM (Continued)

TQM (Continued)

less than 1 % of its payroll on employee training and development, compared to 1.5 % in the private sector as a whole and 2 to 3 % in the better managed firms;

- Tightly defined and inflexible job classifications permit little mobility from one job category to another, and Federal managers and workers function under rigid salary and performance appraisal systems; and
- Federal organizations have numerous management layers -- in many agencies there are five or more organizational layers between Washington and field.

V. IMPLEMENTING TQM IN THE FEDERAL GOVERNMENT

Some analysts conclude that the Federal Government is different, or even a "lost cause." However, significant gains in quality have been realized by application of TQM principles in a wide range of Federal agencies involved in numerous functions. Many segments of government have now embarked on a long-term TQM effort, and a government-wide effort to encourage adoption of TQM is under way.

The Defense Department began a formal program of productivity improvement in the mid-1970s. These and related efforts were gradually transformed into a TQM approach by 1987, and in 1988, the Secretary of Defense formalized the DOD's commitment to TQM.

The IRS also has pioneered the application of TQM principles. In 1986, IRS established an organization-wide quality improvement process in which executives were first trained in TQM. The agency has developed a quality vision, policy, and strategic plan, and numerous quality improvement projects are under way involving tax processing, examination, taxpayer service, and other functions.

The Financial Management Service of the Treasury Department is implementing TQM, building on a sophisticated Quality Circle Program that had already been put in place with the help of a consultant. It has the commitment of the FMS Commissioner, top executives, and the Union.

Similar efforts are currently underway in many other Federal agencies.

The overall government-wide quality improvement effort

began as a productivity improvement program in 1986, under direction of OMB. By mid-1988 the program had gradually evolved into a TQM effort, and since then the process has accelerated:

- The Federal Quality Institute (FQI) was established in 1988 to be the primary source of information, training, and consulting services to agencies on TQM;
- Each year agencies are identified that can serve as models of quality improvement, and the Quality Improvement Prototype Award is given annually in recognition of excellence in implementing TQM;
- The President's Award for Quality, similar to the Baldrige Award for the private sector, was instituted to recognize Federal agencies; and
- In 1990, the Government-wide leadership functions and resources devoted to TQM implementation in OMB were consolidated into the FQI, the responsibilities of the FQI were broadened, and additional resources added.

VI. CONCLUSIONS

TQM is not restricted to the private sector. Many Federal agencies have chosen this new direction and, in some cases, have proceeded expeditiously. However, since most of these efforts have been initiated recently, a comprehensive assessment is not yet possible. Nevertheless, several observations can be made:

- Through the early 1990s, Federal agencies implemented employee involvement, quality circles, reward/ recognition programs, and similar initiatives. Experience with these programs has served as a base from which to move on to TQM;
- A customer satisfaction orientation, use of management structures that foster employee involvement, and a training component are at the center of most of the initiatives;
- Top level commitment was specifically cited as critical to the early stages of establishing a TQM process, as well as to its continued maturation and impact;
- Rather than pursue a single prescribed TQM methodology, agencies have tailored their own approach, drawing components from a range of models;
- There was no clear pattern regarding the use of private TQM consulting services;

TQM (Continue)

TQM (Continued)

- Frequently an overseeing body such as a steering committee or council was established to advise on and/or coordinate TQM implementation;
- Many Federal efforts lacked special funding at the beginning, but more recently, some report achievement of a dedicated budget for TQM;
- Agencies have recognized the importance of publicizing achievements, and best practices are being highlighted by conferences, newsletters, and special awards; and
- There was evidence of resistance to TQM on the part of certain players, especially middle and upper level managers. As those affected became better informed about the approach and grew accustomed to a new mode of working, and as positive outcomes emerged, cooperation increased.

EDITORIAL

BY
 Marcus Page

If you went around government and surveyed finance people to select the three most successful accomplishments in financial management in the past five years, you would get a lot of votes for the Department of Agriculture's National Finance Center in New Orleans. Most of us in government are served well in one way or another by that center. If you are not getting payroll or accounting services, you may be getting Thrift Fund services from NFC-New Orleans. And almost synonymous with that service success is the name, Clyde G. McShan.

Clyde has been Director of the center since 1981 and has provided the best example in government for the concept of cross servicing. Let's face it, people, every agency is just not capable, in terms of systems expertise, computer support, and resources, of maintaining up to date, low cost financial services. So there's cross-servicing as an option. Why shouldn't those agencies who do develop the capability to do something well, offer it for a fee to other agencies who need it. OMB, Treasury, and GAO have supported the concept of cross servicing for some years now. The principal obstacle has been availability of resources and parochialism.

Well, Department of Agriculture has removed Clyde McShan from the position of Director of NFC-New Orleans. As of the day I am writing this, the Department has not offered an explanation to the center's customers

and that includes most of our readers. There may be good and valid reasons for the Department's action. But without those reasons, what it looks like is opposition to cross servicing and that is not good for government and the 450,000 federal employees who are payrolled by NFC. I would hope that by the time this is printed that a clear explanation will be available. Otherwise, it looks like another SUPERMAN gets killed off for questionable motives. Another irony is that the NFC just received two recognition awards from Federal Computer News for the NFC payroll/personnel system and the Thrift Savings support system.

In any event, we thank you, Clyde McShan, for showing us that good financial services can be provided by government at a reasonable price and we hope you understand that you have the admiration of your peers in the financial management community for the level of service that you achieved.

Any comments or opinions about this issue, write the editor.

IN REMEMBRANCE

Lindsey Noble, a founding member of AGA (FGAA), has died at the age of 91 in Kennett Square, Pennsylvania. Mr. Noble is survived by his wife, Anne Noble. Mr. Noble was active in AGA for many years during a very notable career in the federal government. He served as Deputy Comptroller and later as Comptroller of the Atomic Energy Commission. Mr. Noble is well known as the architect of a cost based budget structure at AEC that drew praise and support from Congress and much of the federal financial community. After AEC, Mr. Noble served in Comptroller positions in the U.S. Post Office and the Panama Canal Company. He was a charter member of the Accountants' Round Table.

ATTENTION!!!

The Center for Applied Financial Management, Treasury's Financial Management Service (FMS), will be sponsoring its third **Annual Government Financial Management Conference** on July 20 - 21, 1993, at the Sheraton National Hotel, Arlington, Va. Details of the conference will be announced later in the newsletter.

LETTER TO THE EDITOR

BY

Joseph A. Capuano, Jr.

THE CFO ACT...HAVE WE MISSED THE OBVIOUS

During this time of election year politics when change and political plum jobs are on the mind of Washington power brokers, it's difficult to talk about what effect, if any, has resulted from the implementation of the Chief Financial Officers (CFO) Act of 1990. When the CFO legislation was signed by the President it was heralded by the financial management community as one of the most important and needed pieces of financial reform legislation since the Budget and Reform Act of 1950. Accountants and budgeteers saw the CFO Act as the potential cure for all the Government's financial systems problems and the vehicle to get the badly needed dollars to fix them and, the "honeymoon began"...or did it?

Well about 1000 days have passed since the signing of the Act and are we any better off because of this far-sweeping legislation? The public accounting and consulting firms would probably answer a resounding, "Yes!" This assumes they continue to get part of the millions in audit work windfall to implement the requirements of the Act. The personnel and management types would probably answer, "yes" as their jobs have been enriched by putting together the reorganization plans to established the newly mandated Agency Chief Financial Officers and their supporting organizations. The report card from the newly established Office of Federal Financial Management at OMB leaves a not so rosy picture. The "Editorial" in the September edition of the Chapter's Newsletter summarized it very well. In case you missed the editorial I think it's worth repeating the following two sentences: "Unfortunately, no comprehensive assessment of federal financial systems is currently available. However, OMB's data call in preparation for this submission yielded the following information. ... OMB concludes that this data indicates that a number of federal financial systems still cannot meet basic government-wide requirements, much less the CFO Act requirements. "

Before you get too disillusioned, let's try and find the silver-lining in the Act's requirements. In my opinion, the drafters save the best requirement for last...the sections providing the annual reporting requirements to OMB and Congress. The Act's reporting requirements mandate that each Agency's CFO and OMB's CFO submit an annual management report. Well you may be saying, "What's the big deal? One more report that the accountants will have to prepare." If this thought crossed

your mind I can see why with all the "essential" financial management reports accountants prepare each year! However, if we step back for a moment and put our creative juices to work I believe we can see that the CFO Act's annual management report has the potential, and I emphasize the word "**POTENTIAL**", to be one of the two most important documents Agency's CFOs develop each year. The other, of course, being the budget.

In my opinion, the annual CFO management report provides a tremendous opportunity for the CFOs to prepare, for the first time, a document which covers the entire spectrum of the state of their Agency's financial condition and provides the strategic and tactical road map for priorities and plans for the future. Specifically, the requirements of the annual management report include:

- A statement on the internal accounting and administrative control systems;
- A description and analysis of the status of financial management including the overall cash flows;
- A summary of completed financial statements;
- A report on the results of the audits of the financial statements; and
- Any other comments or information to inform the Congress about the Agency's operations and financial condition.

Well you may still be thinking, "What's the big deal? So we have an annual report that provides the Congress and the Executive Branch with all the management information they need to know about the financial operations and condition of each Agency."

Well the big deal is...now we have the opportunity to eliminate or combine reporting that is no longer necessary. The potential efficiencies resulting from the redirection of manpower and administrative streamlining of existing redundant reporting could be staggering. For example, the following are just a few of the reports that could be eliminated:

- Year-end Federal Managers' Financial Managers Integrity Act (FMFIA);
- Prompt Payment Act;
- Five-year Financial Systems Plans; and
- Year-end OIG Audit Report to the Congress and Management's Annual Status of Audits;

Letter (Continued)

Letter (Continued)

Now is the time for the newly established CFOs at OMB and the Agencies to take administrative action (legislation is not necessary) to use the reporting requirements of the CFO Act in a meaningful way and reduce "the financial management waste fraud and abuse" in the reporting process. It's time to see the obvious and do something to change the status quo. As designer Scott Love said: "Only the most foolish of mice would hide in a cat's ear, but only the wisest of cats would think to look there." It's time to recognize the financial management reporting reform possible under the CFO Act and do the obvious ...use it to eliminate bureaucratic duplication and outdated reporting processes.

MONTHLY LUNCHEON MEETINGS**MEETING DATES AND SPEAKERS**

Jan 7	David M. Nummy Assistant Secretary (Management) 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.G. General Hospital
Apr 1	Charles Harrison National President, AGA
May 6	To be announced

ATTENTION

The January 7, 1993 luncheon will be a joint meeting with the American Society of Military Comptrollers (ASMC). The ASMC contact is Janet McNair, please call her on (703) 614-3311.

MEMBERSHIP

BY Evelyn A. Brown

Director, Membership Services

The Membership Services Committee is looking forward to working with you as we proceed into 1993. The efforts to recruit and to retain members enhances not only the quantity but also the quality of the organization.

In support of one of the five major goals communicated from National President Charles Harrison to recruit 3,000 new members. We are pleased to announce a National Membership Incentive Program.

**PRESIDENTS MEMBERSHIP SWEEPSTAKES,
"3 IN 1993"**

Earn a chance to receive a trip to the National PDC in Orlando, Florida by recruiting "3 in 1993". To be eligible, recruit three (3) new members from December 1, 1992 to April 30, 1993.

A member will be awarded airfare to Orlando. Hotel reservations at the Clarion Plaza for 5 nights. Registration fees for the PDC, and on Saturday, June 19, a director's tour of NASA. In addition, all members who qualify for the fish bowl drawing by recruiting three new members will receive a certificate of recognition from the National President and be recognized in TOPICS.

The member recruiting the most new members during the membership program year, May 1, 1992 through April 30, 1993, will receive a \$500 U.S. Savings Bond.

As you can see, we have a tremendous challenge and extra incentive before us to strengthen our association. Let us all join in and answer the call. You may find yourself on a plan in June headed to Orlando, Florida.

Remember, membership is the lifeblood of the organizations. Your continued support and cooperation in recruitment and membership retention is always greatly appreciated, and we look forward to working with you in the new year. If you require additional information concerning membership or details about the sweepstakes, please contact me at (202) 366-0269, Judith Parsons at (202) 874-4781, or Yash Parekh at (202) 366-5760.

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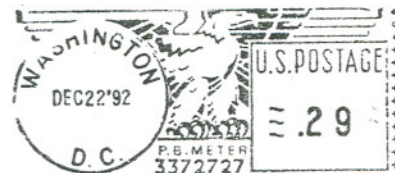
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