



# The Washington Connection

Association of Government Accountants, Washington, DC Chapter

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## Insight into the FY 2003 Budget Process

February 5, 2002 Luncheon Meeting



*Dr. Susan Irving*

oversees work on the structure of the federal budget, the budget process, the U.S. fiscal position and the long-term fiscal outlook, intergovernmental fiscal relations, and the intersection between budget and government restructuring.

**S**usan Irving currently is the Director for Federal Budget Analysis within Strategic Issues at the U.S. General Accounting Office in Washington, D.C. As such she

Prior to joining GAO in 1989, Dr. Irving held a number of positions in and out of government, largely concerned with economic and budget policy. She has served as a Legislative Assistant and Legislative Director to members of the Senate Finance Committee, as Staff Director of the President's Council of Economic Advisers in the Executive Office of the President, and as Vice President of the Committee for a Responsible Federal Budget. Ms. Irving has also been a Fellow at the Institute of Politics at Harvard and has taught public management at the John F. Kennedy School of Government at Harvard University.

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## Luncheon Logistics

### Monthly Luncheon Meeting

Tuesday, February 5, 2002

### Grand Hyatt Hotel

1000 H Street, NW (At Metro Center – 11th Street Exit)

11:30 – 12:00 Social

12:00 – 1:10 Luncheon Meeting (1 CPE)

<b>Cost:</b>	Members	\$20.00
	Non-members	\$35.00

*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 [mkubaki@hq.nasa.gov](mailto:mkubaki@hq.nasa.gov) 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



Janet McBride, President

This month we are extremely fortunate to have Susan Irving of the General Accounting Office as our guest speaker. Sue's area of expertise is the federal budget, and she is a wonderful and informed speaker. I know you will all enjoy her presentation. I say "you" because I will miss the February luncheon because I will be away on business. I know I can count on you to turn out even though I won't be there.

I would like to take the opportunity to address a concern that was raised by one of our members. In past years, the Washington Chapter has hosted a Christmas party for members. For several years now, the Washington Chapter has also supported Toys-4-Tots by asking members to make donations. In the spirit of the holiday, these two events have been held concurrently. Because of our cash crunch, the Chapter could not afford to host a Christmas party this year. However, we did want to continue with our commitment to the Toys-4-Tots program. Therefore, your Board decided to hold this community service activity in conjunction with our regularly scheduled December luncheon meeting. If the

chapter's financial health improves, the holiday party may reappear in the coming years.

Since we are talking about raising money, please remember to register for the February education event—Technology Enabling Financial Management—to be held at the Grand Hyatt on February 19-20. The program will feature current topics such as the new management scorecard and the latest on intragovernmental issues. You can earn 15 hours of CPE, and the chapter might garner a few bucks to keep things rolling along.

See you in March when our featured speaker will be Karen Alderman, Executive Director of JFMIP. •

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# Federal Executive Profile

## A Discussion with Kathy McGettigan, CFO at the Office of Personnel Management

By Amy King

**The Washington Connection (TWC):** You have been in the CFO position for less than two years. With the changes going on in the federal government, how did you approach a new vision for financial management at OPM?

**McGettigan:** Our vision is to be more service oriented and organize ourselves in alignment with our programs. When I was in the private sector at Morgan Stanley, we went to a business unit controller concept, which provided much better service and made our clients happier. Part of our organization's responsibility at OPM is to deliver financial management services from soup to nuts to all of our program areas. By organizing into teams around our clients/programs, it will make staff better financial managers instead of functional specialists. The team will provide service for all aspects of a program from budget to accounts receivable and reporting. This will broaden their skills and allow them to be financial consultants rather than just focusing on one area.

**TWC:** In the President's Management Agenda, there is an initiative on improved financial performance. What are your thoughts on how you can support the Director of OPM and the President to achieve this objective?

**McGettigan:** As an accountant by trade, I am very excited about the emphasis that is being placed on financial management. How we deliver better service to the American public is by having good financial systems. Good systems provide more accurate financial statements that can be audited and better real time information to decision makers so that thorough analysis can be done and adjustments in priorities, funding, etc. can be made in a timely fashion. This enables us to be more proactive rather than reactive in making decisions.

**TWC:** Currently human capital is a hot issue throughout the government. In fact OPM has the lead on this initiative. How is your organization looking to tackle the human capital challenges at OPM?

**McGettigan:** We have done some succession planning, aligned performance standards with results, and assessed where gaps are in terms of competencies. We intend to look at some of the best practices of other organizations. We also participate in a "shadowing" program, which is usually part of an executive development program. It typically lasts anywhere from 1 to 5 days and it allows the "shadow" to learn from watching how other people handle real world situations and allows them to experience first hand how people handle themselves and the solutions that are developed. I really think it is a terrific learning opportunity and over the last year I have had five different candidates shadowing me.

**TWC:** In 2002, what are the major goals you hope to accomplish?

**McGettigan:** We are looking at focusing on two major goals. First, to continue and complete the modernization of the financial systems at OPM. We accomplished Phase I as of October 1, 2001, and will complete Phase II this summer. The second major goal is reorganizing the Office of the CFO from a functional to a service orientation. Both of these goals will greatly improve customer service and satisfaction.

**TWC:** What are your thoughts on process implementation (change management) and how have you implemented it at OPM with what types of results?

**McGettigan:** People don't like change because it is not easy. In order for change to be accepted, they have to see

the benefits. One way is to do process implementation and excite people about it. You have to get them to be involved in the process because they have a stake in its success. That has been what has enabled us to move forward as quickly as we have with our new financial system, payroll system and data warehouse. As an example, nothing is closer to people's hearts than their paycheck. Changing our whole timekeeping process had a big impact on our employees. We found that it helped to get information out there to allay their fears. Communication plans and mechanisms are important. You can't ignore people's anxieties and be successful.

**TWC:** What approach is OPM using to focus on performance based budgeting and results oriented management?

**McGettigan:** OPM has aligned our budget and performance plan for several years now. We haven't closed the gap to report what resources we received, versus what was actually used and the results that were achieved. This gets back to having good systems to capture that kind of information. By moving our payroll to be cross serviced by GSA, we were not only moving to more of a state of the art system, but we now have more information via a new labor distribution system which collects costs at the project and activity level. Once we start to utilize our cost accounting module with the new accounting system we will be tying costs with activities. We are also going back to starting with a zero based budget. For the last few years we have been doing incremental based budgets, but we need to go back and examine our base. We need to prioritize and redirect resources where they will be spent in order to be successful. We will then align our per-

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# Association of Government Accountants Membership Application

## I. Name & Mailing Address

Check here if renewing

Mr.  Mrs.  Ms.  Dr.  Prof.

Please circle: male / female

Name \_\_\_\_\_  
Address \_\_\_\_\_ Apt/Suite # \_\_\_\_\_  
City \_\_\_\_\_ State/Province \_\_\_\_\_  
Zip/Mail Code Country \_\_\_\_\_

Home  Office Address

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  County  
 Management  Academia  Contract Management  
 Grants Management  Program Management  Administration  Consulting  
 Information Systems  Retired  Auditing  Finance  
 Legal  Student  Other \_\_\_\_\_

\*Include multilateral organizations that deal with a region(s) of the world

Education: Highest degree attained \_\_\_\_\_ Accreditation and Certificates \_\_\_\_\_

## III. Sponsor's Name

(if applicable)

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Primary Chapter (Washington, DC - \$10-Full, Early, Special) \_\_\_\_\_ Dues \$10

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

## V. Method Of Payment

Check enclosed (make checks payable to AGA)

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*Twenty-three percent of national dues pays for a member's subscription to The Government Accountants Journal and 6.5 percent pays for the Government Financial Management Topics newsletter.*

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## Job Announcements

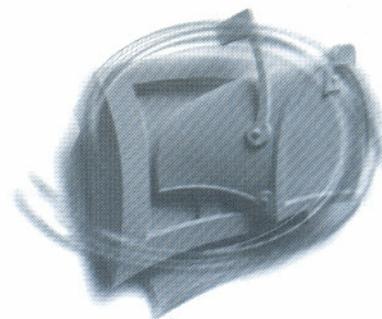
Job type	Series	Agency	Announcement No.	Close Date	Contact
<b>Federal Opportunities</b>					
Budget Analyst	GS-0560-07/07	Navy	NFMC02-OS-BA-001	3/22/02	850.452.3786
Staff Accountant	GS-0510-07/	Commerce	ITA-02-041A-KH	4/29/02	202.482.3060
Staff Accountant	GS-0510-09/	Commerce	ITA-02-041B-KH	4/29/02	202.482.3060
Staff Accountant	GS-0510-11/	Commerce	ITA-02-041C-KH	4/29/02	202.482.3060
<b>Corporate Opportunity</b>					
Systems Accountant		AMS	MBAY-4YDNEW	2/28/02	www.ams.com/careers

If your organization would like to list job announcements in the newsletter, please send announcement information to [diane\\_wright@ams.com](mailto:diane_wright@ams.com).

## Be a CEAR Reviewer

Are you interested in serving as a reviewer with AGA's Certificate of Excellence in Accountability Reporting (CEAR) Program? We are continually seeking senior-level (GS-14 and above) individuals representing the CFO offices, IG offices and private firms who can volunteer their time and expertise to serve in this critical capacity. Reviewers read one

Accountability Report, evaluate it using AGA's checklist, submit detailed recommendations for improving the report, and discuss all recommendations during a team meeting. Visit [www.agacgfm.org/cear/cearreviewer.htm](http://www.agacgfm.org/cear/cearreviewer.htm) for all the details including benefits of participation, eligibility, level of commitment and an application form. •



## E-mail Mailing List

Would you like to receive e-mail reminders of our monthly meetings and conferences? If so, please go to [www.agadc.org](http://www.agadc.org) to sign up for our mailing list in the Member Services section of the website. •

## Recruit New AGA Members and Win!!!

AGA's Member-Get-A-Member Campaign is in full swing and we've got quarterly drawings for terrific prizes lined up, including an overnight duffel bag, a \$100 Hertz rental car voucher or even two round trip airline tickets to anywhere in the U.S. Every time you recruit a new member, the odds increase that you could win big. Don't let your colleagues be left unaware of all that AGA can do for them. Help a friend or business associate improve their professional skills and benefit through increased access to the latest technical information and new business contacts. Become eligible by making sure new members you



recruit return their completed applications no later than April 30, 2002. Remember to print your name on the Sponsor's Line section of the application to receive sponsor credit. Questions? Call 800.AGA.7211. •

## Newsletter Comments or Suggestions?

Do you have any comments or suggestions regarding the newsletter? Do you have an article you'd like to see in print? The deadline for submitting articles to appear in the March, 2002 issue is January 21, 2002. Please send your comments and contributions to the newsletter editor, Diane Wright at [diane\\_wright@ams.com](mailto:diane_wright@ams.com). •

## Insight into the FY 2003 Budget Process

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Ms. Irving is a fellow of the National Academy of Public Administration and is listed in Who's Who in America. Ms. Irving holds a B.A. in United States Studies from Wellesley College and an M.P.P. and Ph.D. in Public Policy from Harvard University. She is a native of Washington, D.C., where she currently resides with her husband and son. •

### Luncheon Meetings

The schedule for the rest of this year's luncheon meetings is:

**February 5, 2002**

**March 5, 2002**

**April 23, 2002  
(Awards Dinner)**

**May 2, 2002**

Ron Longo, our Programs Director, is in the process of lining up an outstanding group of speakers. So far, our speakers include:

**Kay Cole James**  
OPM

**Karen Alderman**  
JFMIP

**Susan Irving**  
GAO

**Richard Norment**  
AGA National President

## Vote to Let Feds Keep Frequent Flier Miles

The Senate Governmental Affairs Committee handed federal workers and military members a morale-boosting benefit earlier in November by letting them keep any frequent flyer miles earned on government-paid air trips. While resisting the temptation to grant such a valuable perk to themselves and their staffs, the senators melded their own bill (S.1498) with a similar House-passed measure (H.R. 2456). In the process, they expanded the House bill to include

members of the military and their dependents. Under a substitute amendment sponsored by committee Chairman Joseph Lieberman, D-CT, those entitled to keep the frequent flyer miles would include virtually all federal employees, members of the foreign service and their dependents, and members of the uniformed services and their dependents—David Hess, National Journal News Service. Read more at [www.govexec.com/dailyfed/1101/111501njns1.htm](http://www.govexec.com/dailyfed/1101/111501njns1.htm). •

### CPE Opportunities

AGA has entered into a partnership with SmartPros Ltd., to offer three new subscription products for continuing education on the AGA website at [www.agacgfm.org/academy/home.cfm](http://www.agacgfm.org/academy/home.cfm). More than 1,200 hours of courses for finance professionals and government accountants is now available at a discount for AGA members. The specific offerings include CPA Report Government, SmartPros Advantage and Financial Management

Network. AGA's online Professional Education Center offers a compelling collection of courses in accounting and auditing, taxation, management, personal development and more. •

*In need of CPE? Have you visited AGA's online professional development center? Act now and take advantage of great courses, affordable prices and desktop convenience. Visit [www.agacgfm.org/cpeonline/index.htm](http://www.agacgfm.org/cpeonline/index.htm).*

### GAO on Avoiding Improper Payments

The GAO has issued new guidance to help agencies avoid making improper payments (GAO 02-69G, October 2001). Improper payments include expenditures that were made for incorrect amounts or should not have been made. Such payments are particularly harmful to federal agencies because they cause higher spending than necessary to meet program goals. Based on a study

of several public and private organizations, GAO found that improper payments signal a breakdown in an organization's internal controls. Therefore, the report concluded that agencies can improve their payment structures by strengthening internal controls in five areas: control environment, risk assessment, control activities, communications and information, and monitoring. More at Federal Financial Management News. •

# Continuing Education Event February 19 & 20

## Technology Enabling Financial Management

Grand Hyatt Hotel in Washington, DC, 1000 H Street, NW

**F**inancial Management systems for federal agencies have evolved from primarily main-frame, custom developed applications, to standard packages based on the same technology as the systems used by leading commercial sector organizations. Federal agencies increasingly implement financial management systems that are equivalent to the best of commercial systems. Like leading commercial firms, agencies are discovering that the technology to support the powerful new systems is complex and very rapidly evolving. The group of products that support financial systems can be confusing to the non-technically inclined; the standards governing operation and integration of the tools can be incomprehensible; and if the full set of products and software that make the system work are not properly implemented, the financial system as a whole will very likely also fail, as viewed by senior management.

Technology Enabling Financial Management will present a combination of traditional speaker forums and interactive demonstrations by federal agencies and vendors to provide a primer for financial professionals on the products that support financial systems.

### Keynote Speakers Include:

- Mark Everson, Controller, Office of Management and Budget.
- Mark Forman, Associate Director for Information Technology and E-government, Office of Management and Budget.
- Don McCrory, Deputy CFO, National Science Foundation and Chair, CFO Council Committee on Systems and E-Government.

### Session Topics Include:

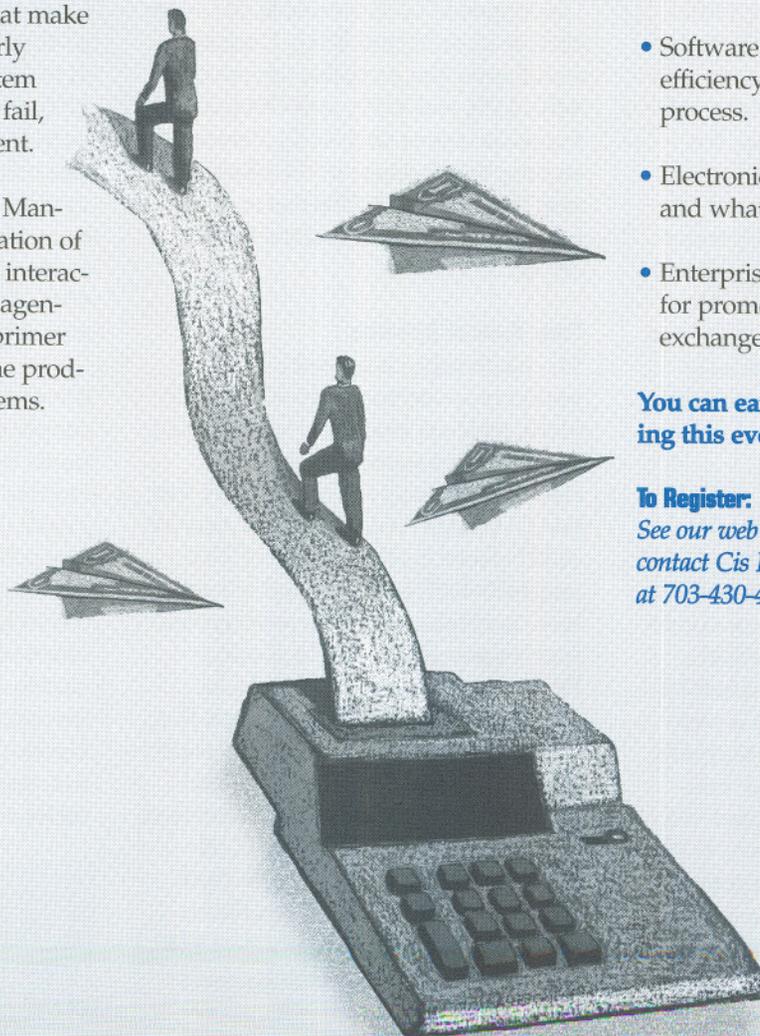
- The latest information from JFMIP on core requirements and qualification testing.

- Central Contractor Registry—a key component of the Integrated Acquisition Initiative and the impact on financial management systems.
- A round table discussion with agency CFOs who are facing many challenges are they continue efforts to improve financial management.
- The new focus on security.
- eProcurement—using purchase cards to improve efficiency in the management of small purchase transactions.
- Enterprise Application Integration (EAI) and its role in integrating legacy systems and improving access to financial data.
- Software solutions for improving efficiency in the budget formulation process.
- Electronic invoicing—how it works and what it means.
- Enterprise architecture—a strategy for promoting integration and data exchange among financial systems.

**You can earn 15 CPE hours for attending this event.**

### To Register:

See our web site <http://www.agadc.org> or contact Cis Kuennen, Education Director at 703-430-4535 or [cisakuennen@aol.com](mailto:cisakuennen@aol.com).



# Inside the Black Box

## Linking Equity with Budgetary Account Balances

By Simcha Kuritzky, CGFM, CPA

### Account Structure

Proprietary accounts record the financial accounting impact of transactions, while budgetary accounts record their impact on legal authority. While these two might coincide, often they do not. For example, my November, 1998 column explored the differences between the proprietary concept of expenses and the budgetary concept of expenditures. One area where there is often agreement, though, is in unexpended appropriations, which is a budgetary concept that the SGL Board has included in the equity section of the proprietary accounts.

The equity section has two sets of accounts: unexpended appropriations (accounts 3100-3109) and cumulative results of operations (account 3310). Originally, the equity section included other results-type accounts, such as Invested Capital, Donated Items, and Future Funding Requirements, but those were all merged with 3310 in 1997. The 3100 series of accounts was only two accounts, 3100 Unexpended Appropriations and 3105 Appropriated Capital Funding Canceled Payables. For FY2002, 3105 has been deleted and a set of six new 3100 accounts have been added, though all these accounts close to 3100 at year end.

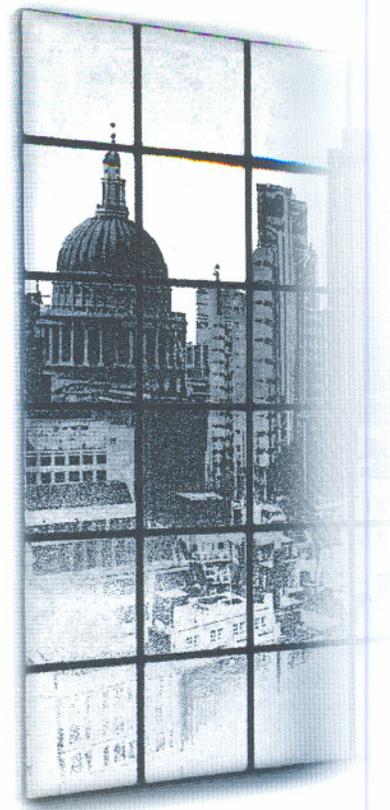
### Direct Appropriation Model

The 3100 series is credited when appropriated authority is received, and not debited until an expenditure takes place. On the budgetary side, account 4450 (Unapportioned Authority) or 4620 (Unobligated Funds Not Subject to Apportionment) generally is credited when the appropriation authority is received. As these funds are budgeted, committed, and obligated, the balance in 4450 is moved down to 4610 (Allotments—Realized Resources), then the 4610 or 4620 balance moves to 4700 (Commitments), and then generally to 4801 (Unexpended Obliga-

tions—Unpaid). If the funds expire, they move to 4650 (Allotments—Expired Authority). None of these transactions affects the equity account, however. Only when an expenditure takes place, and the balance that had been in 4610, 4620, 4650, or 4801 is moved to a 4900 series expenditure account (usually 4901 Expended Authority—Unpaid or 4902 Expended Authority—Paid), is the balance in the 3100 series moved to 5700 Expended Appropriations Used (which closes to 3310). Thus, for appropriated funds, the post-close balance of 3100 should equal the combined balances of accounts 4450 through 4882. There are agency balance sheet footnotes which split the equity account Unexpended Appropriations (post-close 3100) into Unobligated Funds Available (accounts 4510-4610, 4620, and 4700), Unobligated Funds Not Available (accounts 4450, 4630, and 4650), and Obligated Funds (accounts 4801-4882), demonstrating the closeness of the relationship between the 3100 series of proprietary accounts and the budgetary set of accounts.

### Other Kinds of Authority

The relationship is caused by the receipt of a warrant (debit 1010 credit 3100), which is associated with a direct appropriation (generally, debit 4119 credit 4450). Any type of authority that has no warrant will have no associated 3100 balance. So the balance of 3100 and 4450-4882 will not equal where there is reimbursable, borrowing, contract, or any anticipated authority. However, the formula itself can be modified to take this into account. For example, reimbursable authority starts off with a debit to Anticipated Reimbursements (4210), which is transferred to Unfilled Customer Orders (4221 or 4222). If 4221 or 4222 are credited simultaneous with the expenditure, then adding the debit balances of 4210, 4221, and 4222 to the credit balances



4450-4882 will bring them down to the 3100 balance. Similarly, the balances of funding source accounts 4000 through 4070, 4114, 4120, 4125 through 4137, 4139 through 4149, 4151 through 4167, 4180, and 4255 through 4310 have to be included. On the other side, accounts that hold available amounts temporarily adjusted (with no warrant) have to be included with the available amounts, so the credit balances of 4395, 4397, 4398, 4420, and 4430 also have to be added to 4450-4882.

Many agencies might find it easier to simply exclude from this test those funds that have no appropriations. For this reason, I have always recommended that agencies keep separate trial balances for the appropriated and non-appropriated (generally reimbursable) activities of a fund, even when both pieces use the same Treasury Symbol. Agencies have found that separating these activities in the accounting system increases their control, and makes financial analysis both easier and more useful. •

*Comments, suggestions, and critiques are welcome. Send them to [Simcha\\_Kuritzky@ams.com](mailto:Simcha_Kuritzky@ams.com), and not to the AGA.*

## Federal Executive Profile

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formance plan actions with results. For the second half of 2002 we are doing zero based budgeting along with the prioritization and distribution of resources. It will help us to prepare

for the full budget cycle starting with the 2004 budget.

**TWC:** OPM has several new e-government initiatives that it will be focusing on for this year. What challenges do you see?

**McGettigan:** OPM is the managing partner for several e-government initiatives

such as e-training, e-clearance, and management of one stop recruiting. The government needs to look at more standardization because resources are shrinking and unless we leverage people with technology, we will not be able to achieve our goals that the administration wants and that the public demands and deserves. •

### Upcoming Chapter Social Events

In response to our membership survey, Membership and Early Careers are scheduling the following events for the coming 2001-2002 membership year

**February 15, 2002**

**Skiing at Liberty in PA**

**April 2002**

**Attend Baltimore Orioles Game**

**March 10, 2002**

**Visit National Zoo**

**May 2002**

**Golf Tournament**

Additional event information will be provided as the activity draws near and more information becomes available. Some of the activities may be subject to change due to our partnership with the ASMC and the AGA-NOVA, PG and Baltimore chapters. Please check your newsletter, web site or agency liaison for the latest event update. Due to advance notification requirements and space limitations, most activities will have a response cut off date. If you are interested in an activity please let us know as soon as possible. Send your electronic responses or direct any questions to phunter@gt.com (703.847.7651) or Karl.boettcher@fms.treas.gov (202.874.3611). •

### Ski Trip

Membership Services and Early Careers are sponsoring a day ski trip to Liberty Mountain Resort on Friday February 15, 2002. We will meet at the Clock Tower circle entrance area at 10am. Liberty is conveniently located just one hour from the DC area. Just take 495 to 270 North to Frederick. Then take 15 North to Emmitsburg exit into South Seton Avenue. Left on to Rt 140 west which becomes Rt. 16. Follow Rt. 16 to 116E. Right on 116E for 3 miles. Complete ski packages (equipment, lessons and lift tickets) are available at reasonable prices. The date of this activity may be subject to change due to weather conditions. Alternate date is Friday February 22. Please check the AGADC web site for any last minute changes. If you are interested in attending this activity, or for more information, please contact karl.boettcher@fms.treas.gov (202)874-3611 or Phunter@gt.com (703)847-7651. •

### New Chapter Members

Our chapter has 1,626 members as of December 14, 2001. Three new members have joined AGA and our chapter since our last newsletter. Please help us extend a warm welcome to our newest government financial management colleagues.

New Members	Employer	Sponsor
Sarka Barinkova	Pricewaterhouse Coopers	
Ralph Coleman	RGS Associates, Inc.	
Daniel Costello	JFMIP	Doris A. Chew, CGFM

## Summary of December's Luncheon Speaker's Remarks

### Gaston Gianni, Inspector General of the Federal Deposit Insurance Corporation (FDIC)

By Michael D. Sciortino, CPA



Gaston Gianni

Over the last couple of month's Chapter members have listened to speakers comment on President Bush's management agenda. The chapter kept

the same theme at the December 6th monthly luncheon. Gaston Gianni, the Inspector General from the Federal Deposit Insurance Corporation (FDIC), provided the IGs perspective on the management agenda.

Mr. Gianni began by explaining that the IG concept began twenty-five years ago, and today's IGs are nothing like they were back in the early days. The IGs role has evolved and the number of personnel in the community has increased significantly. Currently, there are roughly 11,000 people working in the IG community with one-third being on the investigations side and two-thirds being on the audit side. Mr. Gianni stated that the IG community is one with a common mission of trying to do the work of the public. He remarked that in the past twenty-five years IGs, as an organization, have gotten better. Agencies have also improved their operations, but unfortunately fraud and abuse don't go away with time. IGs are participating with the agency heads and our common goal is to make the organization successful. Mr. Gianni said that the key to this success is good communication throughout all levels of the organization. "Good communication is time consuming, but it is essential," he went on to add.

Mr. Gianni then described the President's Council on Integrity and Efficiency. The council is chaired by the Deputy Director for Management at OMB and is vice-chaired by a member of the IG community. The council has many committees under it, such as the integrity committee (headed by the FBI), the legislative committee, the investigations committee, and the inspections and evaluations committee

Last year, the IG community reported 9.5 billion in potential savings (5 billion of which was recovered). The IG community was responsible for 7,000 suspensions of individuals, 2,600 personnel actions, and 120 testimonies to Congress. Mr. Gianni then went on to describe some of the council's other initiatives. One initiative is the protection of the information technology and central infrastructure of the federal government. This effort began under the Clinton administration and is ongoing in the Bush administration with some modification. Another initiative is the formation of a workgroup within the council that meets monthly to discuss improving government performance. On the financial statement audit side, the IG community is continuing with the audit of agency financial statements and the IGs and GAO recently agreed on a common audit manual to support this process. The council is working with Congress to identify and work toward resolving the top management challenges at agencies. Finally, the council has developed an IG strategic plan and is working toward refining the document. He remarked that the strategic planning process isn't quite like producing a plan at an agency. Within the IG community there are fifty-seven different viewpoints that need to come together to make an effective plan. In the strategic plan they came up with a framework and the following four specific goals:

1. Improve Federal Programs and Operations.
2. Establish an Understanding with Capitol Hill.
3. Focus on Human Resources Management.
4. Improve Efficiency and Effectiveness of the IG Council.

Mr. Gianni then turned his attention to the President's management agenda and how the IG community sees the plan. To review, the five cross-cutting initiatives of the president's management agenda are:

- Human Capital Management
- Competitive Outsourcing
- Financial Management Improvement
- Enabling Electronic Government
- Integrating Budget and Performance Measurement

#### Human Capital Management

Eighteen of the twenty-seven IGs identified human capital management as a major challenge for the federal government. Mr. Gianni stated that many of his colleagues are currently addressing this issue and his recommendation is to look at the GAO guidelines to determine how to plan for human capital management. "If we don't implement modern personnel systems, we won't be able to get people into the workforce," Mr. Gianni stated.

#### Competitive Outsourcing

The private sector is extremely interested in competitive outsourcing. "We owe it to the taxpayers to, at least, think about ways to deliver services more effectively. Twenty of the twenty-seven IGs identified this as important to the federal government, and many IGs will be focusing on outsourcing and contracting out services in the months to come.

*continued on next page*

### Financial Management Improvements

The IG community is firmly involved in this issue. Eighteen of the twenty-four CFO agencies received clean audit opinions last year. Mr. Gianni remarked that agencies are making progress and they are moving in the right direction. He did say, however, that future improvements will require significant system investments. Whether or not we have the will to make these investments and improvements has yet to be seen, but, he stated, "We must have an IT architecture to ensure that the systems developed are what we want and not just what you get."

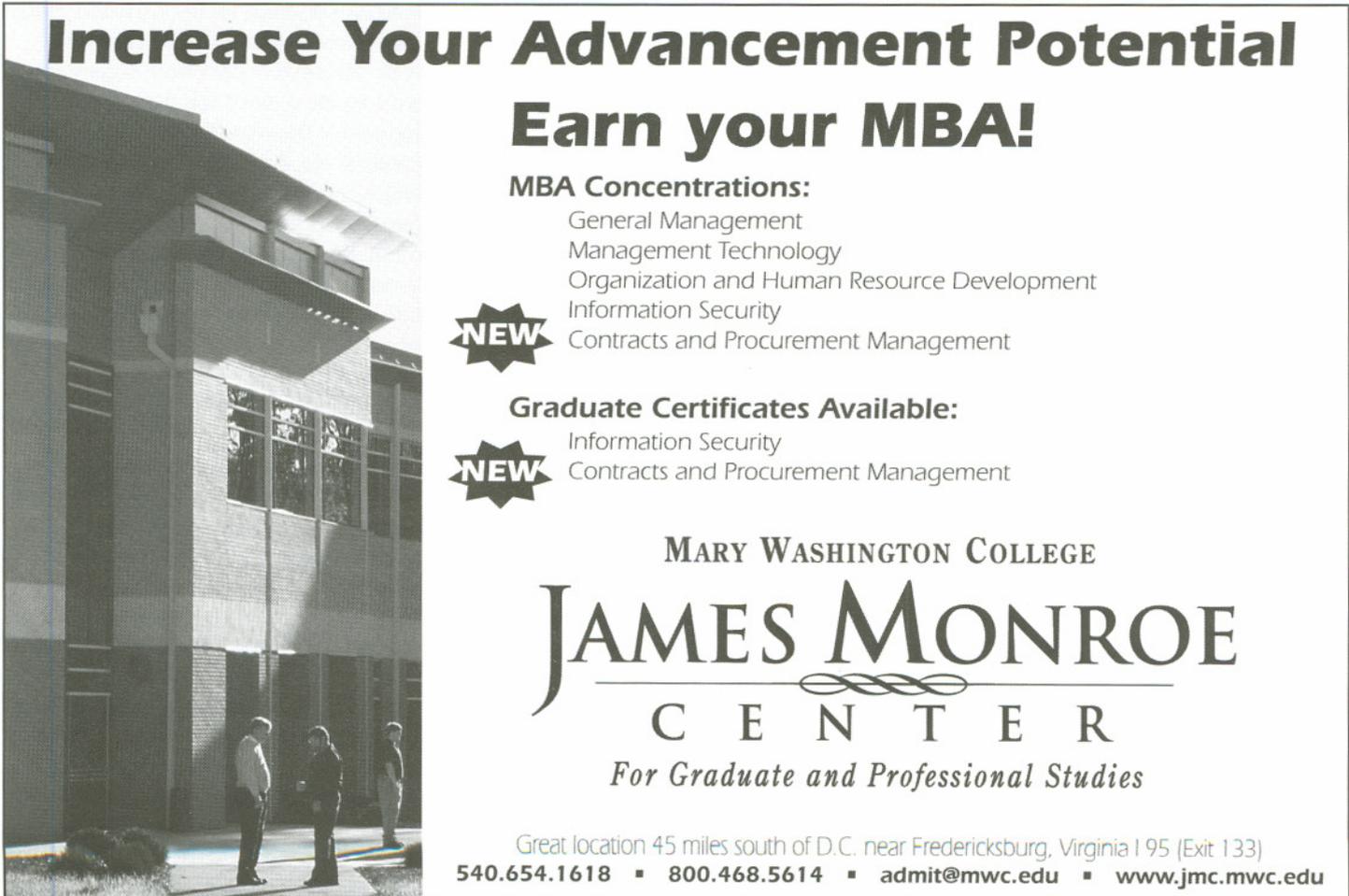
### Electronic Government

All of the IGs identified electronic government as a critical area for the federal government. We will see more emphasis on e-government in the aftermath of the September 11 events. The IG community is looking at those agencies that have dealt with the security issues surrounding electronic government as models. We need to make progress in this area, and the first report card wasn't good. "Keep in mind that the first report card on CFO statements wasn't very good either," Mr. Gianni remarked. He went on to say that, "We need to celebrate the progress that we do make."

### Integrating Budget and Performance Information

Mr. Gianni remarked that the process for integrating budget and performance information is in place but he asked three questions: 1) do we have the right metrics? 2) do we have the right systems? and 3) can we overlay costs with the metrics?

In closing, Mr. Gianni remarked that the president's management agenda is a good framework for addressing issues that affect the federal government. He went on to conclude that, "Good government is everyone's business and we are called upon, as public servants, to ensure that government works effectively and efficiently." •



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# Six Commonly Held Beliefs about the Benefits of Commercial-off-the-Shelf Software

By Bob Freeman

As noted in the introductory article, GAO and the Administration have set a common financial management goal: “federal financial systems [must] produce accurate and timely information to support operating, budget, and policy decisions.”<sup>1</sup> Many agencies perceive that a major step toward this goal is the replacement of legacy administrative support systems with modern, web-based commercial-off-the-shelf (COTS) systems. There is a belief that these systems provide better internal controls and audit trails, offer greater integration across an agency’s enterprise, allow easier access to management information, and require less resources to operate and maintain.

This article examines the first of these beliefs:

## COTS implementations require fewer resources because the agency is starting with a finished software product.

This belief is based in part on two general premises. First, the functions incorporated in a COTS package accurately represent the business requirements of an agency;

therefore new software will not have to be developed. Second, the price of a COTS package is less than the cost to develop new software. In theory, these premises may be accurate; however, in practice issues arise that may dilute the benefits derived from a COTS implementation.

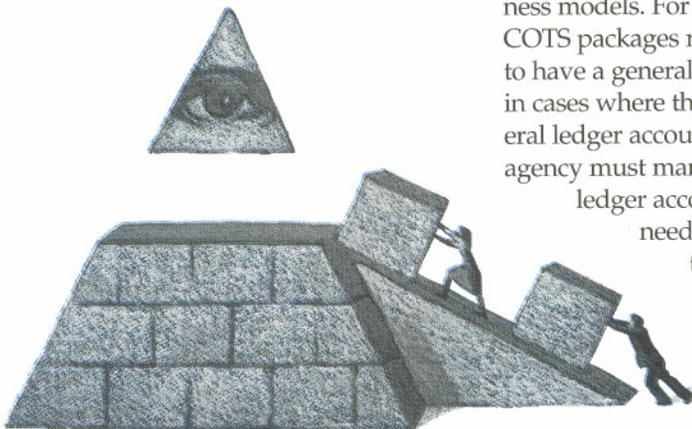
Both premises assume a close fit between the requirements of an agency and the functions incorporated in a COTS package. When acquiring a new COTS package, the degree of fit is difficult to determine because the “true” requirements are often unknown by an agency and are only discovered by developing a detailed map between an agency’s business requirements and the capabilities of a COTS package.

One way to avoid this issue is to assume that an agency will revise its business model to fully utilize a COTS’ capabilities. This could lead to two problems. First, for legal or policy reasons an agency may not be able to modify its business practices easily. Second, the basic business model upon which a COTS package was built may differ significantly from an agency’s business model. Companies build their COTS packages based on specific business models. For example, certain COTS packages require all transactions to have a general ledger posting even in cases where there is no logical general ledger account. In this case, an agency must manufacture general ledger accounts to meet the needs of a COTS package, thus creating additional work for an already over-worked staff.

There is a third premise—the acquisition cost of a COTS package encompasses a significant percentage of the overall implementation costs to an agency. Again, this premise is generally true; however, it fails to recognize the amount of work required to implement a COTS package in a large federal agency.

Implementation tasks consume an enormous number of resources—agency dedicated staff, quality contractor implementation services, and time. Moreover, the agency and contractor must assign intelligent, skilled staff to the project. The detailed mapping of COTS to an agency’s requirements will take months. After completing the mapping an implementation team (agency and contractor staff) must: (1) set all the switches in a package; (2) load all reference tables; (3) build many interfaces—many of which are two-way; (4) convert data from legacy systems to the new COTS package; (5) figure out the workflow and security profiles, etc. And, of course, test the entire configuration including interfaces, workflow, etc. A COTS implementation may be phased in over several years in which case all the tasks indicated above are repeated for each phase.

If an agency understands the implications of these three premises and proactively addresses the associated risks, a COTS package implementation will foreshorten the transition to a modern financial management system. •



<sup>1</sup> President’s Management Agenda, Government-wide Initiatives, *Improved Financial Performance*, page 20, Dated August 2001

## Federal Outsourcing Primer

By Bill Topolewski

Commercial business organizations increasingly understand the value of outsourcing their non-core functions. Outsourcing allows companies to retain their focus on their core tasks so they can remain competitive, along with many other benefits. The prime issue is that companies need to demonstrate to their shareholders ways in which to increase share value. The greater use of outsourcing is seen as a way to achieve that goal.

For the federal government there are very similar reasons to pursue outsourcing. Notwithstanding current policy and statutory requirements, it must make economic sense to outsource commercial activities currently performed by government employees. The decision to outsource requires a standardized, structured process to determine the most efficient and cost

effective method of performing commercial functions.

When federal government agencies began outsourcing, cost was the sole consideration. More recently, cost has been declining as a reason to outsource. Today, other issues have increased importance as the purpose to outsource. They include: workforce flexibility, innovation, quality improvement and access to resources and skills that agencies do not have in house. As these factors become more important, the kinds of processes that government elects to outsource are changing. In the past, simple tasks such as janitorial services were contracted out. It was a simple process to calculate costs and make a sensible decision based on dollars and cents. Now the driving force behind government outsourcing is to gain access to new technology or to

improve the quality of service delivery. This type of outsourcing is a more complex process. With more complicated services, cost becomes less important.

### OMB CIRCULAR A-76

The federal government's requirements related to outsourcing are contained in OMB Circular A-76. This Circular establishes federal policy regarding the performance of commercial activities and implements the statutory requirements of the Federal Activities Inventory Reform (FAIR) Act of 1998. A Supplement to this Circular sets forth the procedures for determining whether commercial activities should be performed under contract with commercial sources or in-house using government facilities and personnel. A foundation of this law is that

*continued on page 14*

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