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## Members in Government, May 1998

American Institute of Certified Public Accountants (AICPA)

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# Members in Government

May 1998

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Highlights

### G2

Single Audit Update  
.....

### G2

Input Requested  
.....

### G3

MIG Chair's Chat Room  
.....

### G3

New AICPA Federal  
Government  
Subcommittee  
.....

### G4

Results of *The CPA Letter*  
Readership Survey  
.....

### G4

Solving the Year 2000  
Dilemma Videocourse  
.....

### G4

Managing for Results:  
Decision Making in the  
Age of Accountability  
.....

## GAO Issues a Disclaimer on Federal Government's Consolidated Financial Statements

The results of the first audit of the consolidated financial statements of the U.S. government for the year ended Sept. 30, 1997, were released recently at a congressional hearing. The hearing was held by the House Subcommittee on Government Management, Information and Technology.

The GAO issued a disclaimer on the consolidated statements and said it could not issue an unqualified opinion because of recordkeeping and documentation problems and other factors. GAO noted as reasons such matters as the government's inability to accurately measure the cost of its programs and to estimate environmental clean-up liabilities. GAO also reported that some agencies could not reconcile their records with corresponding accounts on the Treasury Department's books. However, 10 of the federal government's 24 departments and agencies received an unqualified opinion from their auditors.

In a press release, the AICPA applauded the federal government for completing the first-ever consolidated financial audit of the federal government. It said that while the federal government did not get a "clean opinion," the audit process provides a framework in which to evaluate its financial management systems and to initiate any needed corrective actions.

Four major pieces of legislation led to the efforts to improve the federal government's financial accounting and reporting process:

- The Chief Financial Officers Act of 1990.
- The Government Performance and Results Act of 1993.
- The Government Management Reform Act of 1994, which required the consolidated audit.
- The Federal Financial Management Improvement Act of 1996.

news  
update

## Highlights of "Yellow Book" Advisory Council Meeting

The fourth meeting of the Advisory Council on Government Auditing Standards (GAS) was held recently in Washington, D.C. The council was established to make recommendations to the Comptroller General of the United States on ways to keep GAS current. Following is a summary of the issues discussed:

• *Recognition of FASAB standards.* Council agreed to issue an exposure draft that would propose establishing the meaning of "present fairly in conformity with generally accepted accounting principles" for financial statements of federal government entities. At press time, the ED was scheduled for issuance in Apr. with a 90-day comment period. Check the GAO Web site at [www.gao.gov](http://www.gao.gov).

• *Internal control.* Council discussed a proposal to revise the current standards to require the auditor to communicate to the auditee the auditor's work on internal control and to further clarify that work in the auditor's report on the financial statements. A proposed ED will be discussed at the next meeting.

• *Technology.* Council agreed that GAS should explicitly require documentation of how the auditor intends to achieve audit objectives if the auditor assesses control risk at the maximum for computer-related controls over significant applications. A proposed ED will be discussed at the next meeting.

Future meetings are scheduled for June 8 and 9 and Oct. 19 and 20. For further information, contact Marcia B. Buchanan at the GAO at 202/512-9321; fax, 202/512-9193; e-mail: [buchananm.aimd@gao.gov](mailto:buchananm.aimd@gao.gov).

## AICPA Issues SOP on A-133 Audits

A new AICPA Statement of Position 98-3, *Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards*, includes guidance on the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (June 1997 Revision). It supersedes SOP 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*, and Part VII, "Audits of Federal Assistance," of the AICPA Audit and Accounting Guide, *Audits of State and Local Governmental Units*.

The SOP provides guidance on the auditor's responsibility when conducting a single audit or program-specific audit in accordance with the Single Audit Amendments of 1996 and OMB Circular A-133. In addition to providing an overview of the auditor's responsibility in an audit of federal awards, the SOP describes the auditor's responsibility for:

- Testing and reporting on the schedule of expenditures of federal awards.
- Considering internal control.
- Performing tests of compliance with applicable laws, regulations and program-compliance requirements under generally accepted auditing standards, Government Auditing Standards and Circular A-133.
- Reporting and providing examples of the required reports.
- Testing and reporting in a program-specific audit.

Copies of SOP 98-3 (No. 014904CLC5) are available from the AICPA Member Satisfaction Center:

 888/777-7077

## Nonauthoritative Implementation Guide to Come

This guide will provide auditors with more "hands on" guidance when they are performing single and program-specific audits in accordance with Circular A-133. A number of checklists will also be provided. The guide is expected to be issued in early sum-

mer. Watch future issues of *The CPA Letter* for further information.

## 1998 Compliance Supplement Available Later This Month

OMB issued the *Provisional Compliance Supplement (1997 Supplement)*, Appendix B to OMB Circular A-133, in June 1997 with the expectation that it would be updated annually. OMB has drafted the *1998 Compliance Supplement (1998 Draft)* and expects to publish a Notice of Availability in the *Federal Register* in late May.

The 1998 Draft includes 47 new programs, which almost triples the number of programs in the Supplement. In addition to the increase in the number of programs, OMB also made some other clarifications and improvements.

## Federal Audit Clearinghouse Reported 95% of Data Collection Forms Had Errors

Among other changes in single audit policy has been the advent of the data collection form, which assists the federal government in accumulating information about the thousands of A-133 audits performed. Both the auditor and the auditee are responsible for completing certain portions of the form.

It is important to follow the instructions that accompany the form. Following are some of the errors and problems identified by the Federal Audit Clearinghouse (FAC):

- The data collection form should not be stapled to or bound with the reporting package. It should not be sent in a separate mailing from the reporting package, nor should it be faxed.
- Auditees should not send reporting packages directly to the federal agencies.
- Auditors are to identify as those needing to receive a copy of the reporting package only those federal agencies affected by audit findings, not all federal agencies that provided funding.
- Auditors should complete the applicable section on reporting findings and questioned costs in its entirety, regardless of whether

single audit update

findings and questioned costs were noted.

- Only one federal agency should be identified as the cognizant or oversight agency.
- The dollar threshold used to distinguish between type A and type B programs should always be \$300,000 or more.

The data collection form and related instructions are available on the OMB's home page at [www.whitehouse.gov/WH/EOP/OMB/Grants](http://www.whitehouse.gov/WH/EOP/OMB/Grants). Auditors are not permitted to create their own electronic version of the form. Instead, FAC has developed various word processing packages that are available from the FAC Web site at [harvester.census.gov/sac](http://harvester.census.gov/sac). A hard copy of the form and instructions can be obtained from FAC at 888/222-9907. The form number is SF-SAC. The FAC is also working on a process for electronic submission. Auditors can follow developments on this project by periodically checking the FAC Web site.

## AICPA Audit Risk Alert

The AICPA Audit Risk Alert, *State and Local Governmental Developments-1998*, includes additional information on the data collection form and provides auditors of financial statements of state and local governments with an overview of recent economic, industry, regulatory and professional developments. Watch future issues of *The CPA Letter* for further information about its availability.

## Input Requested

We would like this government supplement to be relevant, informative and interesting.

Please send me your comments and suggestions for improvement, as well as articles on developments and projects in your government or area.

Contact Joseph Moraglio at:

 703/281-2827

 [Moraglio@mindspring.com](mailto:Moraglio@mindspring.com)





## MIG Chair's Chat Room

By Beryl Davis, Chair  
AICPA Members in Government  
Committee

I am excited about attending the 1998 National Governmental Accounting and Auditing Update Conference, which will be held Aug. 17 to 18 in Washington, D.C., and Sept. 14 to 15 in Denver. Although it may sound trite, this conference has "something for everyone." The general sessions provide us with opportunities to hear from key government officials on recent regulatory, accounting and auditing developments. In addition, the concurrent sessions are tailored to the specific interests of CPAs in federal, state and local governments. I know of no other conference that offers a

greater concentration of current topics to help government members better meet today's professional challenges. Let me tell you some of the interesting planned topics and speakers. Susan Kline, member of the AICPA Board of Directors, and Jeanie Patton, Project Director for the CPA Vision Project, will speak about the AICPA's vision for the profession: "Where are we going and how do we get there?" The chair of the Auditing Standards Board, Deborah Lambert, will discuss recently issued audit and attest standards affecting the government environment. David Mosso, chair of the Federal Accounting Standards Advisory Board, will talk about FASAB's agenda and priorities. The Honorable G. Edward DeSeve, controller of the Office of Federal Financial Management, will address accountability to the public and how CPAs can provide reliable information for decision makers. In addition, Tom L. Allen, chair of the Governmental Accounting Standards Board, will speak about the GASB's proposed reporting model and whether 1998 will bring a final standard.

Because the conference offers so many interesting concurrent sessions, it will be difficult for me to choose which ones to highlight. For example, the conference agenda includes an update on the "Yellow Book" and the new SOP 98-3 relating to OMB Circular A-133 audits. There will be discussions on GASB note disclosures and implementation issues for the Single Audit. We can learn about developing quality performance measures, auditing electronic benefit transfers and planning to ensure continuity for information systems in the

year 2000. There will be sessions on the new GASB investment standard, non-exchange transactions and the AICPA's fraud audit standard. We also can hear about the benefits when government Web sites are *CPA WebTrust*<sup>SM</sup> certified.

I could tell you more about the conference, but you really should see firsthand the benefits of attending this conference by reading the brochure, which will be available after mid-May. To obtain a copy, contact the Member Satisfaction Center—after mid-May—at 888/777-7077 and ask for conference brochure No. G50054CLC5.

One more point before I close. The Members in Government Committee's Strategic Plan includes an initiative to promote government accountability and service to the public. One way to accomplish that is to focus on emerging government sector issues. The committee is at work developing a list of those issues and a strategy for facilitating their resolution or forwarding the issues to other concerned groups or organizations for action. If you have ideas you would like to share with the committee, please fax me or send me an e-mail.

We are taking a summer break, so this is the last government supplement you will see for a few months. I hope you can join us at the conference!

Berri Davis:



407/246-2878



bdavis@ci.orlando.fl.us

## New AICPA Federal Government Subcommittee

The AICPA has formed a new subcommittee of the Government Accounting and Auditing Committee (GAAC). GAAC is one of the AICPA's technical committees that includes several CPAs in government among its members. GAAC is responsible for monitoring all significant accounting and auditing matters that arise in the state and local government arena.

The new Federal Government Subcommittee of GAAC will address issues relevant to federal and international government accounting and auditing. It will provide views and comments on Federal Accounting Standards Advisory Board (FASAB) proposals and proposed legislation, regulation and other requirements relevant to federal audits and financial management activities.

David Cotton, managing partner of Cotton & Co. in

Alexandria, Va., will chair the new subcommittee. He and other committee members also will meet with representatives of federal agencies and departments to discuss federal audits and financial management and advise AICPA representatives on the International Federation of Accountants (IFAC) public sector committee. Representatives from the Office of Management and Budget and FASAB will be nonvoting participants in subcommittee meetings and activities.

For more information, contact Wendy Frederick, AICPA technical manager, at:



202/434-9211



wfrederick@aicpa.org

## Results of *The CPA Letter* Readership Survey

The AICPA Market Research Team recently conducted a nationwide survey of readers of *The CPA Letter* to obtain the readership's opinion of the publication. The questionnaire covered a wide range of topics, including views and comments about member segment supplements, including members in government. (See related article in *The CPA Letter*.)

Following are some excerpts from the survey results:

- Almost half of the government respondents are employed in the federal sector (45%), 24% are in state government and 26% are in local government.
- Some of the activities or subjects that the government respondents would be interested in reading about include:
  1. Requirements for CPE, licensing and certification.
  2. Future issues, new models and approaches.
  3. Financial planning.
  4. Information Web sites.
  5. State taxes: income and sales/use.

• Only 27% would prefer to receive *The CPA Letter* online rather than on paper.

• Topics that readers would like covered in the Government Supplement are:

1. Federal auditing issues.
2. Employment opportunities in government.
3. Performance measurements.
4. More items pertaining to states.
5. New trends and regulations affecting government accounting.

• When asked general opinions about *The CPA Letter* government supplement:

1. 81% agreed that it contained useful information.
2. 78% agreed that it addresses issues that are important to them as CPAs.
3. 74% agreed that the articles are relevant to CPAs in their field.
4. 82% agreed that it is a worthwhile addition to *The CPA Letter*.

## Solving the Year 2000 Dilemma Videocourse

New for small organizations and the CPAs that serve them: On Jan. 1, 2000, computers may process data inaccurately—or even stop processing data altogether—affecting an entity's accounting and information systems, its ability to manufacture products or deliver services, and other daily operations, all because software programmers dropped the first two digits of the year. In a two-hour video presentation, moderator Sandi Smith and other top experts explore the issues surrounding this dilemma, and arrive at some expert solu-



tions. The Year 2000 Issue ranks number 2 in the AICPA's 1998 listing of top 10 technologies that will have the greatest influence on all CPAs in the coming months. Time is running out on solving the problem before the damage is done.

Course highlights:

- Definition and scope of the problem.
- Related legal, business and accounting issues.
- Related solutions.
- Personal computers.
- Spreadsheet software.

The course includes the AICPA publication *Solving the Year 2000 Dilemma* by

Sandi Smith—a \$29 value for members. This new softcover, featuring case studies, gives CPAs timely, quality information on the Year 2000 Issue in easily understood language. This is an intermediate course recommended for eight hours group study and self study CPE credit.

One VHS tape, manual and publication (No. 181800CLC5) cost \$129 for members and \$161 for non-members. An additional manual and publication (No. 181805CLC5) cost members \$40 and non-members \$50.

To order after May 31, contact the Member Satisfaction Center:

 888/777-7077

## Managing for Results: Decision Making in the Age of Accountability

By Wilson Campbell, Texas State Auditor's Office

The Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin, along with Texas legislative and state agency leadership and a host of national co-sponsors, will present "Managing for Results: Decision Making in the Age of Accountability" on May 20 to 22 in Austin. The conference will feature keynote sessions by leaders in the field of performance measurement, as well as workshops spotlighting the country's most successful efforts of using performance measurement to improve decision making.

Concepts related to service efforts and accomplishments reporting of the Governmental Accounting Standards Board have been and continue to be an integral foundation for the conferences. The conferences have showcased best practices in the evolution of experimentation in measuring and reporting service efforts and accomplishments information.

As the evolution continues, the public's demand for accountability increases. Much has been learned about the tools of measuring performance in government. Our challenge is to link performance information to the decision-making process. Many pioneers in the effort to enhance decision making will be in Austin during the conference to continue and advance the discussions and learning achieved in earlier conferences.

Conference Information:

The Office of Conferences and Training  
Lyndon B. Johnson School of Public Affairs  
Drawer Y  
Austin, Tex. 78713-8925



512/471-7755



512/471-4746



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