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Members in Government

October 2000

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Highlights

F2

Some Useful Information from the 2000 AICPA National Governmental A&A Update Conference

F2

GASB Position Available: Research Manager

F3

MIG Chair's Chat Room

F3

National Taxpayer Advocate Val Oveson Plans to Leave IRS, Return to Private Sector

F3

California Governor Appoints State Auditor

F4

State Auditors Release Joint Performance Audit on Home Health Care: Oversight Often Insufficient

F4

Highlights of "Yellow Book" Advisory Council Meeting

F4

JFMIP Issues Grant Financial System Document

XBRL: The Universal Language For Financial Business Reporting

The Situation

More than 80% of major U.S. companies provide some type of financial disclosures on the Internet, and this number is expected to increase in the coming years. Soon all public companies will have a Web site where they will make their financial information available to interested parties. Currently, such information is created on a variety of software in many different formats and cannot be easily accessed from all Web browsers.

The introduction of XBRL (eXtensible Business Reporting Language) will remedy this situation and enhance access to and the usability of financial statements for analysts, investors, regulators and other users. XBRL is the digital language of financial reporting. This new programming language formats financial reports for transport across the Internet and viewing on browser-equipped computers.

Formerly known as XFMRL, (*The CPA Letter*, Members in Government Supplement, Oct. 99), XBRL is an XML-based (eXtensible Markup Language) financial reporting language. XML is a self-describing, platform-independent, expandable and standardized method of exchanging information. It can be used independently or incorporated into other computer applications that require flexible information sharing. XML is fast replacing HTML as the language for Web-based documents. HTML, the prevailing language of the Internet, has allowed financial statements to be posted and downloaded from the Internet in their entirety. Unlike HTML, XBRL will permit the automatic exchange and reliable extraction of specific financial statement information across all software formats and technologies.

Importance to Members

In addition to facilitating the exchange and extraction of key financial information, XBRL

technology

addresses another significant need: It provides for more efficient preparation of financial statements. Information is entered once, allowing the same

data to be rendered in any form, such as:

- A printed financial statement.
- An HTML document for a company's Web site.
- A regulatory filing document with the SEC.
- A raw XML file
- Other specialized reporting formats, including credit reports or loan applications.

For CPAs and others involved in preparing such reports, this reduces the risk of data entry error and eliminates the need to manually key information for various formats.

A critical role for CPAs is to help entities change to adapt to this new digital world. As the premier knowledge professionals, we can help entities understand and take advantage of technologies like XBRL and the Internet. In so doing, CPAs will help to enhance the access to and breadth of financial information available to the investing public and other users while also lowering the distribution costs of such information.

Committee Involved

The XBRL Committee is a consortium of over 65 organizations, including the AICPA, six information technology companies and the five largest accounting and professional services firms. For information about this initiative, contact Karyn Waller at the AICPA.

 kwaller@aicpa.org

Core Issues

- XBRL provides the financial community with a standards-based method to prepare,

continued on page F2

continued from page F1—XBRL

- publish in a variety of formats, reliably extract and automatically exchange financial statements of publicly held companies and the information they contain.
- XBRL is a freely available electronic language for financial reporting. The accounting profession is bearing the cost of developing and maintaining this standard.
- XBRL does not change existing accounting standards and does not require entities to disclose any additional information beyond that which they nor-

mally disclose in their financial statements. Rather, XBRL is about enhancing the usability of current standards through the digital language of business.

- XBRL leverages the efficiencies of the Internet as today's primary source of financial information by making Web browser searches more accurate and relevant.

Ultimately, XBRL benefits all users of the financial information supply chain, including public and private companies, the accounting profession, regulators, analysts, the investment community, capital markets and lenders, as well as key third parties,

such as software developers and data aggregators. It does so by providing these users with accurate and reliable information to make informed decisions.

XBRL Resources

XBRL for Financial Statements is the first in a future family of XML-based specifications under development. Other potential XBRL applications include *XBRL for Taxes*, *XBRL for Regulatory Filings* and *XBRL for Accounting and Business Reports*. For more information, visit:



www.xbrl.org

Some Useful Information from the 2000 AICPA National Governmental A&A Update Conference

If you were unable to attend the 2000 AICPA National Governmental Accounting & Auditing Update Conference, here is some information from the conference that may be useful to you and your organization.

Maximizing human capital in the government workplace.

Representatives of the General Accounting Office summarized their efforts on maximizing human capital. They stressed that human capital is an asset to be valued and an investment to be managed, rather than a resource to be consumed and a cost to be minimized. They noted the following related GAO publications:

- *Executive Guide: Creating Value Through World-Class Financial Management* (GAO/AIMD-00-134, April 2000).
- *HUMAN CAPITAL: Key Principles From Nine Private Sector Organizations* (GAO/GGD-00-28 Self-Assessment Guide).
- *HUMAN CAPITAL: A Self-Assessment Checklist for Agency Leaders* (GAO/GGD-99-179).

For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to info@www.gao.gov. Or visit GAO's home page at www.gao.gov.

Performance auditing risk assessment library. Gerald A. Silva, City Auditor, San Jose, Calif., highlighted some of the work his office is doing in performance auditing. He noted that a risk assessment library is available for use by CPAs. He would like others to forward risk matrices that they have developed or use so they can be incorporated into the library.

For more information visit the risk assessment library at:



www.ci.san-jose.ca.us/auditor/threats.htm

To submit files or request a copy of available files:



gerald.silva@ci.sj.ca.us

Compendium 2000 on AICPA Web site. The 2000 Compendium of Government Accounting and Auditing Pronouncements and Financial Publications, which is not an official publication of the

AICPA, was added to the AICPA Web site in Sept. It is a nonauthoritative summary of various governmental accounting and auditing publications issued by the AICPA and other organizations.

To view the document, visit:



www.aicpa.org/members/div/cpagov/index.htm

(Editor's note: If you have or are aware of other useful information and Web sites that you would like to share with others, let me know and I will mention them in future issues of this supplement.)



moraglio@mindspring.com

GASB Position Available: Research Manager

The Governmental Accounting Standards Board is seeking a knowledgeable and highly motivated individual for the permanent, full-time position of research manager on the GASB's technical staff, located in Norwalk, Conn.

Among other duties, the GASB research manager, will:

- Be a senior team member on the GASB's conceptual framework project.
- Assist the director of research to develop an overall research plan for the GASB.
- Work with project managers on research approaches for individual projects.
- Manage the GASB's external research activities.

Qualifications: PhD in business administration or DBA, with a concentration in state and local governmental accounting, or in financial accounting with demonstrated research activity or work experience in state and local governmental accounting, and a demonstrable knowledge of accounting theory and approaches to theory development.

Please send your resume to: Elena Colafrancesco, Director, Human Resources, Financial Accounting Foundation, 401 Merritt 7, P.O. Box 5116, Norwalk, Conn. 06856-5116.



ecolafrancesco@f-a-f.org

MIG Chair's Chat Room

By Ernest A. Almonte, Chair, AICPA Members in Government Committee

Hello to my fellow CPAs in government. These are extremely exciting times for us and I hope that all of you are aware of the changes that are taking place in our profession. Many of the changes will have a dramatic effect on the way that we, our peers and the users of our services view CPAs. I strongly encourage you to visit the AICPA Web site from time to time to stay informed of the latest developments. I will cover some of the activities of the Members in Government (MIG) Committee to give you a brief view of the work it is doing on your behalf.

I am pleased to inform you that our committee has added a new member, Marc Rubin, a professor of accountancy at Miami University. Marc is also the president of the Government and Nonprofit Section of the American Accounting Association. He will be a great addition to our committee and will help us achieve our goals relative to education and interaction with future accountants at the undergraduate and graduate levels.

The MIG committee is very proud to let you know that we have prepared a "Model for CPAs in Government for Alignment with the Vision for the CPA Profession in 2011." This is an extensive document that I am sure you will find useful in preparing for the future. The CPA Vision challenges the CPA in government to provide higher value services as we move into the knowledge age. The CPA Vision suggests that the CPA focus on the upper end of the value chain—creating non-financial performance measures, developing shared services, outsourcing low-value functions, managing business

and financial risk, and helping operations managers deliver value and monitor performance. The document will help you to achieve those goals and to develop your own personal vision of how you can leverage the CPA Vision in your career. I suggest that you review the document and implement the applicable recommendations. I would appreciate your comments and feedback regarding this document. The document can be viewed on the AICPA Web page:



www.aicpa.org

The AICPA "Top 10 Technology Issues," released in Dec. 1999, puts e-business and information security and controls in the first and second positions (*The CPA Letter*, Members in Government Supplement, Apr. 2000). We have all seen the rapid changes made in the information and technology area and its impact on our everyday lives at both home and work. We should all be very aware of the increased risks from our reliance on information systems, including e-business. The AICPA has approved a new designation—CITP or Certified Information Technology Professional—and I strongly encourage you to consider getting this credential. It deals with an area that we all use and rely on. At the very least you will see the enormous areas of risk and ways that you can increase your core competencies.

Please think about how our professional organization can be more helpful to you, as well as any areas that you feel are not being addressed. By dedicating ourselves to finding solutions to the many challenges we face as CPAs in government, we will further enhance the excellent reputation that our profession enjoys. My e-mail address is below and I look forward to your input.



ealmonte@oag.state.ri.us

National Taxpayer Advocate Val Oveson Plans to Leave IRS, Return to Private Sector

Following the successful launch of the new Taxpayer Advocate Service, W. Val Oveson plans to step down as National Taxpayer Advocate this fall and continue his career in the private sector (*The CPA Letter*, Members in Government Supplement, Nov. 1998). Oveson, who was appointed on Sept. 1, 1998, oversaw the transformation of the National Taxpayer Advocate's office to reflect the expanded powers and responsibilities granted by Congress in the IRS Restructuring and Reform Act. Following the 1998 law, the office took on a greater role assisting taxpayers in tax disputes with the IRS, championing taxpayer's rights and providing recommendations for improving tax legislation.

While at the IRS, Oveson oversaw these fundamental changes in the National Taxpayer Advocate's office:

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- For the first time, each state has a Taxpayer Advocate reporting directly to the National Taxpayer Advocate. The move to this nationwide network added more independence. Previously, Taxpayer Advocates reported to District Directors.
- Taxpayer Advocates were reorganized as part of the Taxpayer Advocate Service (TAS). In all, TAS has more than 2,000 employees, including caseworkers, dedicated to helping taxpayers work out problems.
- The National Taxpayer Advocate also prepares a new, expanded annual report to Congress. This report fills a unique niche at the IRS. The National Taxpayer Advocate office prepares its own independent summary of the 20 most serious problems encountered by taxpayers, legislative recommendations for improvements and assessments of IRS efforts to improve customer service and reduce taxpayer burden.

For more information about the

Taxpayer Advocate Service, visit the IRS Web site.



www.irs.ustreas.gov/prod/ind_info/advocate.html

Taxpayers who have been unable to resolve a problem through normal IRS channels can contact the Taxpayer Advocate Service's toll-free help line:



877/777-4778

California Governor Appoints State Auditor

Governor Gray Davis announced in July the appointment of Elaine M. Howle as California's new state auditor. Howle had been deputy state auditor for the Bureau of State Audits since July 1993. Prior to that, Howle worked for the Employment Development Department and the Office of the Auditor General.

She is a CPA as well as a certified government financial manager, and a member of the AICPA, the Association of Government Accountants and the National Legislative Program Evaluation Society.

State Auditors Release Joint Performance Audit on Home Health Care: Oversight Often Insufficient

The National State Auditors Association (NSAA) released in July the findings of a recent joint performance audit on home health care services. The audit, covering nine states, found problems with deficient licensing practices, untimely inspections, limited reviews during Medicare surveys and weaknesses in training. Several states also found that complaint investigations were not timely or that inspectors did not impose sanctions when deficient conditions were identified.

In addition, five states reported problems with payment systems, including improper authorization or approval for some payments and payments made for services that were not allowed or that apparently were not provided. Lastly, the report shows that four of the nine participating states do not have governmental oversight for home health care services or their existing oversight systems need to be improved.

NSAA President and Kansas Legislative Post Auditor Barbara Hinton commented, "Cooperative audits provide states with useful data and often facilitate improved systems through the sharing of information. Each state faces different challenges and can benefit from the expertise of others. The report shows that states are experiencing problems in oversight and quality of home health care, but it also reveals the need for and relevance of these types of audits, and the value of NSAA's joint audit projects."

For additional information, visit:

 sso.org/nasact/Auditors/nsaa_health-care_audit.htm

Highlights of "Yellow Book" Advisory Council Meeting

The Advisory Council on Government Auditing Standards (the "yellow book") met on June 19–20. Following is a summary of some of the issues discussed.

Auditor independence. The staff briefed the council on the status of comments received on the Preliminary Views

(PV) document. The council agreed that no action should be taken at this time on the PV, but asked the staff to keep the council informed regarding the comment letters. The council also suggested that the Independence Working Group meet before the Oct. meeting to carefully consider comment letters.

Other professional services. The council generally agreed with the proposed approach to incorporating the discussion of other professional services in the yellow book. Under this approach, auditors and evaluators would be able to cite compliance with government auditing standards for certain work that involves a level of analysis, research or evaluation; is formally transmitted

by the audit organization; and provides conclusions, observations, recommendations or suggestions, yet is not classified as an audit. The council distinguishes these

other services from audits by their generally prospective focus or focus on providing guidance. The proposed approach allows auditors to use their professional judgment in determining the applicability of the standards to the work being performed.

General standards. The proposed revision requiring that an auditor be a CPA in order to sign a financial statement audit opinion was dropped. Also, the council agreed not to include a proposed standard on integrity, but instead incorporate some of the concepts from the proposed integrity standard into the independence and sound judgment (due professional care) standards.

Attest engagements and other issues related to financial audits. The council discussed the proposed revisions to chapters 4 and 5 of the yellow book, placing special attention on the sections related to attestation engagements (which replace the sections referred to as financial-related audits in the 1994 revision). The council agreed that for examination-level attestation engagements conducted under the yellow book, additional proposed standards in auditor communication; internal control (including internal control over compliance with laws and regulations); and fraud, illegal acts and other noncompliance are appropriate because of the accountability associated with conducting government audits.

The yellow book already has similar standards in those areas for both financial statement and performance audits.

Field work for performance audits. The council generally agreed with the additional revisions to chapter 6 of the yellow book pertaining to the audit follow up standard and the working paper standard with some minor modifications. The council suggested replacing "management controls" with "internal controls," directly recognizing the Committee Of Sponsoring Organizations Framework as guidance for internal control work, and moving some ideas in the internal control and compliance sections to the evidence standard.


Continuing professional education. The council agreed to the contents and tone of a comment letter drafted by a council member on behalf of the council pertaining to the AICPA/NASBA exposure draft on continuing professional education. The council generally endorses the direction the accounting profession wants to go with regard to CPE but does have some concerns with some of the ED provisions.

The council agreed that its next meeting, previously set for Oct. 16–17, could be extended to include Oct 18.

JFMIP Issues Grant Financial System Document

The Joint Financial Management Improvement Program (JFMIP) published the Grant Financial System Requirements document, JFMIP-SR-00-3, in June. The document serves many purposes by identifying financial system requirements necessary to support the financial aspects of grant programs.

JFMIP documents may be accessed electronically on the FinanceNet Internet site:

 www.financenet.gov/fed/jfmip/reports.htm

The JFMIP uses GAO's Document Center to fill orders. The first copy of each publication is free. Additional copies are \$2 each, with discounts for large orders. When necessary, checks or money orders should be made out to the Superintendent of Documents and mailed to U.S. General Accounting Office, P.O. Box 37050, Washington, D.C. 20013. Orders may also be placed by calling 202/512-6000, by fax at 202/512-6061 or TDD 202/512-2537.

