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Recommended Citation

American Institute of Certified Public Accountants (AICPA), "Members in Government, October 2003" (2003). *Newsletters*. 2094.

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Members in Government

October 2003

AICPA

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Gerald A. Silva, City Auditor of the City of San Jose, is the 2003 recipient of the AICPA Outstanding CPA in Government Award. The award recognizes CPAs in government who have made significant contributions to increased efficiency and effectiveness of government organizations and to the growth and enhancement of the profession.

The award was presented by Costa Triantaphilides, chairman of the AICPA Government Performance and Accountability Committee, at the AICPA's 20th Annual National Governmental Accounting and Auditing Update Conference in Washington, D.C.

Silva has served as San Jose's City Auditor since 1985. Since he assumed the position, his office has identified nearly \$200 million in cost savings or revenue improvements, at an audit cost of \$25 million. In addition to identifying cost savings and methods to increase revenues, the Auditor's Office has made audit recommendations that benefited the City of San Jose in the areas of improved operations, economy, efficiency and program effectiveness. The City Auditor's Office conducts financial audits, performance audits, special studies, and sales and business tax audits.

Silva has had a long and distinguished record of public service. Before his appointment as City Auditor, he served as the State Budget Director for the State of Arizona for three years, with the California Auditor General's Office for seven years, and for four years in the Arizona's Auditor General's Office, where he established and administered a program and performance audit function of agencies scheduled for termination under Arizona's Sunset Law.

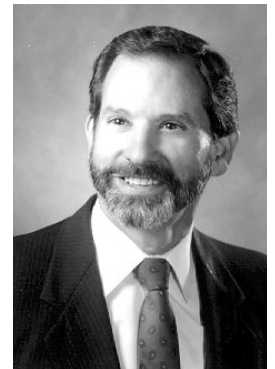
Widely recognized for his outstanding

work in his field, Silva was appointed to the Advisory Council on Government Auditing Standards in 2002 by the U.S. Comptroller General. He also is a member of the Association of Government Accountants (AGA) Financial Management Standards Board.

Other awards Silva has received include the 1993 Jack Birkholz Leadership Award

from the Western Intergovernmental Audit Forum and a Distinguished Local Government Leadership Award from the AGA in recognition of his leadership and achievement in municipal finance reporting and budgeting. In 2000, he received the AGA's Einhorn-Gary Service Award for leadership, integrity, commitment and vision. In 2002, the National Association of Local Government Auditors awarded Mr. Silva its Lennis Knighton Award for having issued the best local government audit report and also recognized him for having produced the best special audit project of any large local government audit office in 2001.

Silva is a member of the AICPA and has served on the AICPA's Members in Government Committee. He was chosen for the Outstanding CPA in Government Award from a group of three finalists by a distinguished panel of judges that included Linda Calbom, U.S. General Accounting Office, Washington, D.C.; Albert Scaperotto, Deputy City Controller, Philadelphia; and Greg Fajt, Pennsylvania Secretary of Revenue, Pittsburgh.



Measuring a Government's Financial Health and Success

This article is based on a session presented by Frank Crawford and Mike Crawford, Crawford & Associates, at the 2002 AICPA National Governmental Accounting and Auditing Update Conference. It was reported by Treba Marsh.

Financial statement users can be broken down into four groups:

- Citizens/public.
- Management/governing bodies.
- Oversight agencies.
- Bondholders/creditors.

The information in a government's financial statements provides useful insights into the government's financial health and success, but not without some financial analysis.

Using financial statements issued under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, Crawford & Associates has developed a set of ratios that allow all users of financial statements to quickly obtain a broad understanding of a governmental entity. This format is patented as the Performer™. Several governmental entities have received the Performer analysis and reading, including the City of Guymon, Okla.; Oklahoma City; the State of Oklahoma; Rose State College; and Washoe County, Nev. For more information and a list of governments that have received the Performer analysis and reading, go to www.crawfordcpas.com.

The Performer uses ratios of a government's post-GASB 34 financial statements to provide a numerical value representing financial health and level of performance. The Performer is presented as a solution to communication problems with lay people. The value is based on a 10-point scale, with 10 representing excellent health and the highest level of performance, while five represents satisfactory and zero indicates poor financial health and performance. The Performer report presents in simple, understand-

able laymen's language the financial information targeted to management and governing bodies, so that it is easily understood by other groups. Common-size ratios are used to compare changes in and distribution of financial statement elements to prior periods and to other governmental units by using percentages rather than dollars. Common-size ratios put financial data in a form that can be compared with other governments regardless of size differences.

Ratios covered in the Performer include liquidity, solvency and funding. To be meaningful, all ratios need an explanation and a benchmark for comparison. Many governments prepare trend analyses as a way to track their financial success. The Performer asks a question for each ratio in very understandable laymen's terms, explains the question in common language and answers the question using graphs and comments. The ratios are more meaningful if governmental activities and business activities are separated. In addition, states should be broken into component units.

A User-Friendly Approach

As an example, one ratio included in the Performer covers intergenerational equity. This is a measure of whether the government lived within its means in the measurement year, was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some current year costs to future periods. The question asked is: Who's paying for this year's services—current, past or future recipients and taxpayers? A good presentation would include a graph to provide answers for the current year and enough prior years for comparison and trending. In addition, it would include a concise explanation in laymen's terms of the graph.

It's possible to follow the Performer or give simple explanations for financial results in a question and answer format with visual aids and concise explanations. Perhaps both methods are partial answers to GASB's desire to make governmental financial statements more user friendly.

Treba Marsh is Associate Professor and Chair, Department of Accounting, Stephen F. Austin State University, Nacogdoches, Tex.

FASAB Issues ED on Heritage Assets and Stewardship Land

The Federal Accounting Standards Advisory Board has issued an exposure draft of a new Statement of Federal Financial Accounting Standards, *Heritage Assets and Stewardship Land: Reclassification from Required Supplementary Stewardship Information*. The proposed standard would change the classification of information reported for heritage assets and stewardship land. Heritage assets and stewardship land information is currently classified as Required Supplementary Stewardship Information, a category unique to federal financial report-

ing and defined in SFFAS No. 8, *Supplementary Stewardship Reporting*. The proposed standard reclassifies heritage assets and stewardship land information as basic information, except for condition information, which would be classified as required supplementary information.

"This reclassification improves the clarity of federal financial reporting by defining heritage assets and stewardship land information as essential to fair presentation," according to David Mosso, chairman of the FASAB. The proposed standard also introduces minor changes to the current disclosure requirements for heritage assets and stewardship land by

requiring additional reporting disclosures about entity stewardship policies and an explanation of how heritage assets and stewardship land are pertinent to the entity's mission.

Specific questions for respondents are included in the exposure draft and other comments are welcome. Responses are requested by Nov. 10. An electronic version of the exposure draft is available at:



www.fasab.gov/exposure.htm

Printed copies can be obtained from FASAB.



202/512-7350

Nominees Wanted for 2004 AICPA Outstanding CPA in Government Award

Apr. 1 is the deadline for nominations to be considered for the 2004 AICPA Outstanding CPA in Government Award. To ensure proper recognition, the award is rotated among CPAs working in the three levels of government. In 2004, only CPAs working in and contributing to state governments will be eligible. The award is presented at the AICPA National Governmental Accounting and Auditing Update Conference.

Each nomination must include a completed nomination form and letter of recommendation from the candidate's govern-

awards

ment employer. In addition, the application should include, at a minimum, either a letter of recommendation from the nominee's state CPA society or other professional association, or an AICPA or state CPA society member. To be eligible, the nominee must be:

- A member of the AICPA and/or a state CPA society employed in state government. Government employees who have been retired for less than one year also are eligible.
- Distinguished by having made a sustained and significant contribution to the increased efficiency and effectiveness of his or her government organization.

- Distinguished by having made a significant contribution to the growth and enhancement of the profession.
- Nominated through a formal process in accordance with the specified requirements.
- Currently not serving as the president of his or her state CPA society, or as a member of the AICPA Board of Directors or AICPA Government Performance and Accountability Committee.

For more information, contact Pam Green, Project Manager, The New Finance:



212/596-6034



212/596-6025



pgreen@aicpa.org

now available

New: Auditing Governmental Financial Statements: Programs and Other Practice Aids

This publication gives you audit programs that address the opinion unit concept and the latest AICPA statements on auditing standards. Following the structure of the GASB 34 Audit Guide, account balance- and transaction class-based chapters explain necessary concepts, include internal control questionnaires, and suggest substantive audit procedures. This publication also includes examples of an engagement letter, a management representation letter, and deposit and investment confirmations, as well as a case study on selecting, evaluating the results of and reporting on opinion units. The case study could be a great training tool for staff. A CD-ROM with downloadable practice aids is also included. This publication, No. 006602CPA10, becomes available this month.

NEW: Applying OCBOA in State and Local Governmental Financial Statements

The professional guidance on other comprehensive bases of accounting (OCBOA) financial statements is limited and sometimes confusing. This new practice aid (No. 006614CPA10) makes sense of the applicable professional standards and provides practical guidance on:

- Differences between GAAP and OCBOA financial statements.
- How to apply the GASB reporting model to OCBOA financial statements.
- Treatment of capital assets and long-term debt in governmental OCBOA financial statements.

This practice aid follows up with frequently asked questions tailored to OCBOA financial statements for state and local governments. Price: member \$59/non-member \$73.75.

Updated: Audit And Accounting Guides

The AICPA has recently issued the 2003 editions of two important Audit and Accounting Guides. These guides have been updated for:

- Recent GASB publications that revise investment and derivative disclosures, budgetary comparisons required by GASB No. 34 and the GASB staff's implementation guides.

- Last year's effective date change in *Government Auditing Standards'* new independence standards.
- Recent statements on auditing standards through SAS No. 101, *Auditing Fair Value Measurements and Disclosures*, including thorough discussions in appendixes of the effects on governmental audits of SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*.

In addition, there are tips and "lessons learned" in the implementation process, and a new report example in the GASB 34 edition.

- *State and Local Governmental Units (Non-GASB 34 Edition)* (No. 012563CPA10) Price: member \$45/non-member \$56.25.
- *State and Local Governments (GASB 34 Edition)* (No. 012663CPA10) Price: member \$45/non-member \$56.25.

State and Local Government Units: Checklists and Illustrative Financial Statements

This practice aid (No. 009033CPA10) is invaluable to anyone who prepares financial statements and reports. All of the material has been updated to reflect AICPA, FASB and GASB pronouncements and interpretations, and, where applicable, certain SEC regulations. Price: member \$32/non-member \$40.

Audit Risk Alerts

These audit risk alerts complement the guidance provided in many Audit and Accounting Guides by describing current economic, regulatory and professional developments that can have a significant impact on engagements.

- *State and Local Governmental Developments*, No. 022433CPA10. Price: member \$20/non-member \$25.
- *Single Audits*, No. 022453CPA10. Price: member \$20/non-member \$25.

To order any of these products:



888/777-7077



www.cpa2biz.com/store



memsat@aicpa.org



OMB Issues Implementation Guidance for the E-Government

The Office of Management and Budget has issued guidance following the enactment of the E-Government Act of 2002, which became effective in Apr. The act is seen as a significant step forward in the way that federal agencies should consider using information technology to transform agency business into a more citizen-oriented and user-friendly process. The E-Government Act:

- Advocates a more citizen-focused approach to current government wide IT policies and programs.
- Establishes an Office of Electronic Government in OMB to coordinate IT policy.
- Formalizes the establishment of a Chief Information Officers Council.
- Permanently reauthorizes and amends agency information secu-

urity requirements through the Federal Information Security Management Act.

- Protects the confidentiality of certain types of data across the government and allows key statistical agencies to share business data through the Confidential Information Protection and Statistical Efficiency Act.
- Supports activities that OMB and the executive branch are already pursuing under the President's Management Agenda's Expanding Electronic Government Initiative.

The recently issued document provides agencies with guidance on specific actions that are now required under the E-Government Act. Agencies should apply the requirements of the act, and the guidance, to any program that uses IT to improve the program's effectiveness and efficiency in delivering services to citizens.

The document is available at OMB's Web site:



www.whitehouse.gov/omb/memoranda/m03-18.pdf

GAO Designates PBGC as High Risk

The U.S. General Accounting Office has designated the Pension Benefit Guaranty Corporation's (PBGC) single employer pension insurance program as "high risk," adding it to the list of major federal programs that need urgent attention and transformation to ensure that the national government functions in the most economical, efficient and effective manner possible.

Programs, functions or activities receiving a high-risk designation receive more comprehensive oversight from GAO, and their progress is assessed in regular biennial reports. To read a recent high-risk update, go to:



www.gao.gov/pas/2003/d03119.pdf

U.S. Comptroller General David M. Walker, head of the GAO, said that "the PBGC single insurance program has a significant accumulated deficit and faces addi-

tional potential losses due to a variety of factors, including certain weaknesses in the current minimum funding rules and insurance provisions. In addition, the PBGC has significant exposure in industries that are affected by increasing global competition and the move from an industrial to a knowledge-based economy."

For more information, go to:



www.gao.gov/cgi-bin/getrpt?GAO-03-1050sp

OPM Plans To Attract the Best and Brightest

The U.S. Office of Personnel Management is sending agency officers out on the road to recruit the "best and brightest" for employment with the federal government. As part of its "Working for America" initiative, OPM officials will travel the country conducting recruitment fairs in a number of U.S. cities and major metropolitan areas, connecting participating federal agencies with high-quality, diverse candidates. OPM says it is seeking to recruit new talent so federal agencies can fulfill their requirements to quickly hire the right people with the right skills.

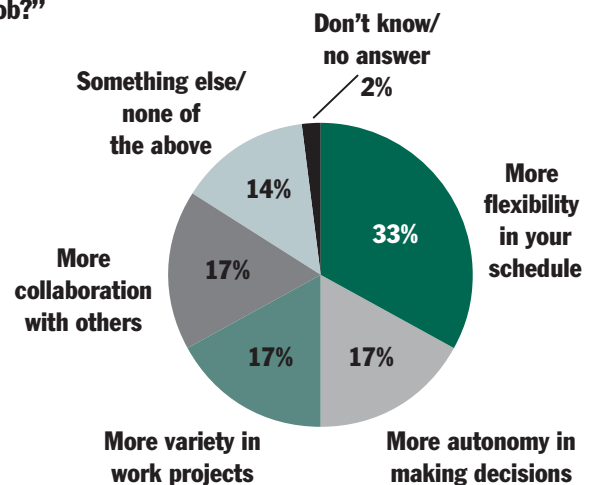
The recruitment fairs will highlight the federal government's many career opportunities and the varied fields of interest available to applicants. In addition, the fairs will showcase the U.S. government as an employer of first choice and an equal opportunity employer.

"We are changing our old hiring practices and looking toward non-traditional, creative ways to market our federal opportunities," said Eduardo Ribas, OPM Assistant Director for Human Capital Management Services Group. "This includes using automation, specifically the Internet and the new USAJOBS.opm.gov Web site to shorten the hiring process." Fourteen recent OPM hires were completed within 49 days, Ribas said, and included not only a diverse candidate pool, but resulted in executives from all sectors of the employment world.

OPM kicked off this initiative in Los Angeles in late Sept. with other fairs following throughout the months of Oct. and Apr.

New Survey Shows Schedule Flexibility Linked To Job Satisfaction

Survey respondents were asked, "Which one of the following would give you greater satisfaction in your current job?"



Source: OfficeTeam, a staffing service specializing in administrative professionals.