



# GOVERNMENT E-NEWS

E-NEWSLETTER FOR AICPA MEMBERS IN GOVERNMENT

February 7, 2005 — Issue #11



## DEAR MEMBERS

In an earlier issue of GPAC News, we committed to making this a monthly publication, but that's not working for us. We are trying to balance delivering to you on a regular basis with providing you with news and information you might not get elsewhere. We also don't want to deliver something every month just to have something to deliver... we want it to be meaningful. As a result, we anticipate delivering an issue to you when we have a reasonable amount of information. Hopefully this means that you will recognize this as meaningful information and read it, rather than pass it over and delete.

Just to give you an update on a few projects that we have underway through the Government Performance and Accountability Committee (GPAC): (1) a video to encourage CPAs and other accounting professionals to careers in government is in its final editing, before distribution, and (2) results of the GPAC survey are being analyzed and will be reported to you in an upcoming issue of GPAC News, and (3) the Government Audit Committee Toolkit is planned to be completed in the coming months and available in the late Spring. We are pushing hard on all these projects and will keep you informed through GPACNews.

Best regards,

John F. Morrow, CPA  
AICPA Vice President  
The New Finance

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## TOP STORIES

### **2005 AICPA Outstanding CPA in Government Award**

April 1 is the deadline for nominations to be considered for the 2005 AICPA Outstanding CPA in Government Award. To ensure proper recognition, the award is rotated among CPAs working in the three levels of government. This year we are accepting nominations for CPAs working in and contributing to federal governments. 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 government employer. To be eligible, the nominee must be:
- A member of the AICPA and/or a state CPA society employed in the federal government. Government employees who have been retired for less than one year are also 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 a [pgreen@aicpa.org](mailto:pgreen@aicpa.org).

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### **Federal Government Financials Are More Timely but Continue to Receive Disclaimer**

In December GAO reported on its audit of the U.S. government's consolidated financial statements for the fiscal years ended September 30, 2004 and 2003. Because of material weaknesses in internal control and in certain accounting and financial reporting practices, GAO was unable, for the eighth year in a row, to give an opinion on whether the statements are fairly stated.

A significant number of material weaknesses that are related to financial systems, fundamental recordkeeping and financial reporting, and incomplete documentation continued to (1) hamper the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; (2) affect the federal government's ability to reliably measure the full cost as well as the financial and non-financial performance of certain programs; (3) impair the federal government's ability to adequately safeguard significant assets and properly record various transactions; and (4) prevent the federal government from having reliable financial information to operate in an economical, efficient, and effective manner.

Since 1997, the Secretary of the Treasury, in coordination with the Director of the Office of Management and Budget, has — as established by the Government Management Reform Act of 1994 — annually submitted to the President and the Congress the financial statements for the U.S. government. GAO is required to audit the statements. The federal government is also responsible for maintaining and assessing internal control in accordance with the Federal Managers' Financial Integrity Act of 1982 and for complying with other applicable laws and regulations.

In fiscal year 2004, timeliness of reporting improved. Twenty-two CFO Act agencies met the fiscal year 2004 reporting date, which the Office of Management and Budget had accelerated, moving the deadline to November 15, 2004, from the January 30, 2004, date for fiscal year 2003 reporting.

The individual statements of 18 of 23 major agencies included in the Chief Financial Officers (CFO) Act of 1990 received unqualified audit opinions on their fiscal year 2004 financial statements. However, at least 10 agencies restated certain of their financial statements for fiscal year 2003 to correct errors, an increase from at least 4 in 2003 and a trend that, in his introductory letter to the audit report, Comptroller General David M. Walker said "merits concern and close scrutiny."

In the letter, the Comptroller General emphasized, "Proper accounting and financial reporting practices are essential in the public sector." He said, "Sound decisions on the current results and future direction of vital

federal programs and policies are made more difficult without timely, reliable, and useful financial and performance information. Until the problems discussed in our audit report are adequately addressed, they will continue to present a number of adverse implications for the federal government and the taxpayers.” He also put financial reporting in a broader perspective: Truth and transparency in the federal government’s financial reporting and budgeting, he said, “are essential elements of any attempt to address the nation’s long-term fiscal challenges.” Fiscal risks, he said, “can be managed only if they are properly accounted for and publicly disclosed, including the many existing commitments facing the government.”

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### **AICPA 360 Degrees of Financial Literacy**

360 Degrees of Financial Literacy Campaign is a multi-faceted effort, spearheaded by the AICPA with the support of state CPA societies. It encourages CPAs to take a broad leadership role in volunteering to educate the American public, from school children to retirees, on financial topics that apply specifically to their particular stage of life.

The new 360 Degrees of Financial Literacy offers a number of resources to support CPAs and the state CPA societies in developing financial literacy programs in their own communities.

A new web site — [www.aicpa.org/financialliteracy](http://www.aicpa.org/financialliteracy) — furnishes financial literacy education tailored to the 360 Degrees of Financial Literacy life stage approach. When the site is mature, consumers will find information they can use to support sound financial decision making at every stage of their lives. The site will also contain, in a special password-protected area, resources for CPAs and the state CPA societies to use in educating and supporting consumers in making significant financial choices.

The AICPA has established a volunteer database where members can register their interest in participating at both the national and local levels in the financial literacy effort. The database is available on line through the AICPA Volunteer Central. The state societies can use the database to view members who have signed up as well as list interested members in the appropriate state. Go to <http://volunteers.aicpa.org/financialliteracy>.

CPAs who perform a specified number of volunteer hours in financial literacy will be able to apply to receive a new certificate honoring their achievement. To make sure CPAs are prepared to be successful volunteers in their communities, the AICPA has a new online CPE course, free of charge, to cover the crucial issues of financial literacy.

Getting involved in this program is a good way to distinguish yourself in your organization. Consider holding brown bag lunches among your colleagues covering a different life stage each month, using our financial literacy website for supporting materials.

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### **OMB Strengthens Agency Requirements on Internal Control; Revises Circular No. A-123**

The Office of Management and Budget (OMB) has released a revised Circular No. A-123, *Management’s Responsibility for Internal Control*. To strengthen the internal control requirements over financial reporting in Federal agencies, this revised Circular A-123 provides updated internal control standards, as well as new specific requirements, for conducting management’s assessment of the effectiveness of internal control over financial reporting. “Effective internal control is the foundation of reliable financial reporting and effective and efficient program operations. This revision will help us better achieve this,” said OMB Controller Linda M. Springer.

OMB Circular A-123, which implements the Federal Manager’s Financial Integrity Act of 1982 and applies to all executive agencies and corporations, was last updated in 1995. The revised circular is effective beginning in fiscal year 2006.

A major enhancement of the revised circular is the new Appendix A, which prescribes a separate assurance statement on the effectiveness of the internal controls over financial reporting. Appendix A applies to the 24

CFO Act agencies, including the Department of Homeland Security.

The revised circular reflects the work of a joint committee of representatives from the Chief Financial Officers Council (CFOC) and the President's Council on Integrity and Efficiency (PCIE). OMB had convened this joint CFOC/PCIE committee to review the current federal internal control requirements and compare them to the requirements for publicly-traded companies prescribed by the Sarbanes-Oxley Act of 2002 (SOX).

OMB is planning a March release of an implementation guide for applying Circular A-123's Appendix A to major Federal agencies. The guide is intended to provide agencies with an efficient and effective step-by-step approach for assessing internal control over financial reporting.

[Click here](#) to view the revised Circular A-123. For additional information, please contact OMB Communications at 202-395-7254.

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### **Historic Number of Federal Agencies Meet Administration's Goal for Timely Financial Information**

A record 22 Federal agencies completed their Performance and Accountability Reports just 45 days after the end of the 2004 fiscal year — a process which used to take as long as five months to complete. This year's performance meets the new deadline set by the OMB several years ago. With this year's successful efforts, the public and Congress have information in a more timely manner to assess how well an agency is meeting its mission.

Only two agencies did not meet the accelerated deadline — the Departments of Health and Human Services and Homeland Security. Those agencies are expected to issue their final reports by the end of this week.

"We are pleased that Federal agencies are now able to issue financial and performance information in a timeframe that is comparable to the private sector. Members of Congress and American taxpayers can now readily access information showing them how their tax dollars are used much sooner than before," said Linda Springer, OMB Controller and head of the Office of Federal Financial Management. The release of the reports is required under the CFO Act of 1990. In addition, under OMB direction, agencies have been required for the first time to prepare interim financial statements throughout the year. During fiscal year 2004, all relevant agencies prepared quarterly financial statements on a timely basis.

The Department of Treasury issued the consolidated *Financial Report of the United States Government* on December 15, one month after the report submissions.

For more information please contact OMB Communications at 202-395-7254, or visit [www.omb.gov](http://www.omb.gov).

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### **AICPA 2005 Top Ten Technologies Survey Results**

For the third consecutive year, Information Security is the country's number one technology concern, according to the results of the 2005 AICPA Top Technologies survey which seeks to determine the 10 most important technology issues for the coming year. There were more than 300 participants in the 2005 survey, a 30 percent increase over the previous year.

Interestingly, Spam Technology — an issue closely associated with Information Security — apparently has lost some currency. It made its debut on the 2004 list at number two. On the new list, it falls to number four. The Top Technologies Task Force also identifies a "watch list" of emerging technologies. Radio Frequency Identification (RFID) tops that list of technologies having the potential for major impact in the 24-36 month time horizon. For a more complete summary of the findings click on the following link [Top Ten Tech Survey](#).

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**Strategies for taking the CPA Exam — FREE Webcast**

In past surveys you have told us that you encourage non-CPA accountants in your organization to take the CPA exam as a means to further their career. We appreciate that support and want to pass on the following information for you to share with exam candidates.

The AICPA is hosting a free, interactive webcast on **Wednesday, February 16, 2005, from 4:00pm to 6:00pm Eastern Time** on strategies for taking the CPA exam. The webcast will feature a candidate who recently passed the exam, an accounting professor, and AICPA's Director of Exam Strategy. They will offer tips on how to prepare and successfully pass the exam, review the simulation portion of the exam, and discuss ways to take control of the examination process.

Click [HERE](#) for additional information about this program and how you can register on [www.cpa-exam.org](http://www.cpa-exam.org).

Please forward this email to your students, employees or others who may benefit from this important information. **Since there is limited registration, we encourage people to view the webcast in a group setting.**

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### **Stress Management Tips**

AccountingWeb.com reports on a study of 46,026 employees conducted by The HERO Group, that workers with unmanaged stress had 46 percent higher medical costs than those without unmanaged stress. This study also showed that unmanaged stress was the second leading cause of rising health care costs. We are now in a very stress-filled time of year for most members of our profession, so stress management is something to keep at top of mind.

The article which can be accessed at AccountingWeb.com offers the following tips to handle your workplace stress:

- Exercise. We've all noticed top execs going to the gym at lunch, well there's a good reason and it's most likely stress. Maybe you can't suit up with the CEO, but you can join the local 'Y' for yoga or a swim, don running clothes in the restroom and jog around the building, or just go for a walk — go shopping, go outside, change your environment for 30 minutes.
- Manage your time. Prioritize tasks, write them down, and enjoy crossing them off the list when they're done.
- Turn off the cell phone and email — at least for a little while.
- Watch what you eat. Many of us compensate by eating candy, lapping up fancy coffee drinks and consuming other goodies when we're stressed. That's only a temporary feel good fix and will probably do more harm than good.
- Alcohol is another outlet people use to escape the hands of stress, which could eventually lead to abuse, dependence and medical consequences. Be aware that alcohol is never the best stress management solution.
- Take a short relaxation break. Take a few quiet minutes; close your eyes and take several deep breaths. Read the daily comics in your paper — laughter is healthy.
- Talk about it. Sometimes talking about your stress to family members or close friends is all it takes to provide you with needed relief. Another thing to keep in mind is that many companies offer an Employee Assistance Program (EAP) where you can call to talk about your stress with a professional counselor. If your employer doesn't offer an EAP, try United Way's 211 information line.

That's it for GPAC News for now. We look forward to our next issue and will keep you informed of various developments!

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## **AICPA CAREER RESOURCES**

Looking to make a career move? Need to find someone with CPA skills for your staff? Or, just want to learn more about career issues? Visit the [CPA Career Center](#).

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