



GOVERNMENT E-NEWS

E-NEWSLETTER FOR AICPA MEMBERS IN GOVERNMENT

September 3 , 2008— Issue #23



DEAR MEMBERS

Can it really be time for the leaves to start turning colors in many places, for football games and for pumpkins to start appearing? In a word ... yes.

It was a great opportunity for me to attend the first day of the Governmental Accounting & Auditing Update Conference (GAAC) which was held on August 18-19 in Washington DC (there will be a repeat session September 22-23 in Denver, CO).

We presented the Outstanding CPA in Government Award which recognizes CPAs who have contributed to both effective government accounting and to the profession to two very deserving individuals. They were Kurt Kawafuchi and Bob Scott. For more information on these outstanding government CPAs please see the article below or visit the [Outstanding CPA in Government Awards](#) webpage.

In addition to the numerous topics covered at the GAAC we had the unique opportunity to hear Mr. David Walker, former Comptroller General of the United States and head of the GAO, continue his eye-opening advocacy for addressing the major fiscal and other sustainability challenges facing the country. You may want to check out a recently released movie entitled I.O.U.S.A. for more on what David's current work is focused on www.iouathemovie.com

On September 10-11 we will have our semi-annual Government Performance and Accountability Committee (GPAC) meeting at the Massachusetts Society of CPA's offices in Boston, MA. The Committee meeting will also be attended by Ernie Almonte, the incoming Chairman of the AICPA. It will be a treat to hear more about Ernie's platform and goals for his tenure as the first AICPA Chair to come from the ranks of our Government members.

And once again, this very passionate and dynamic group of our fellow professionals from all levels of government around the country will be making a presentation to college students about government career options for CPA's. This session will be held at Bentley College in Boston. .

Please remember that our goal is to provide you with valuable programs, information and other membership benefits that will help you be successful in your career and to help you advance your organizations. Please do not hesitate to contact me directly at cmckittrick@aicpa.org if you have any questions, comments, thoughts or ideas as to how we can help you.

Best regards,

IN THIS ISSUE

[Bob Scott and Kurt Kawafuchi named 2008 Outstanding CPAs in Government](#)

[Don't Miss these articles in the Journal of Accountancy](#)

[New Guideline – "Managing the Business Risk of Fraud: A Practical Guide"](#)

[GOVERNMENT ACCOUNTING NEWS](#)

[OMB now requiring online submission of Single Audit Results](#)

[GASB issues a Request for Response on SEA Performance Information](#)

[GASB Seeks Comment on Postemployment Benefit Guidance](#)

[GASB Issues](#)



Christopher T. McKittrick, MBA, CPA
Director of Members in Business, Industry and Government.

[Statement No. 53,
Accounting and
Financial Reporting for
Derivative Instruments](#)

[CONFERENCES](#)

[PUBLICATIONS](#)

AICPA NEWS

Bob Scott and Kurt Kawafuchi named 2008 Outstanding CPAs in Government

The winner of the AICPA's 2008 Outstanding CPA in Government award are Kurt K. Kawafuchi, CPA, J.D.-M.B.A., LL.M of Honolulu, HI and Robert B. Scott, CPA of Carrollton, Tex., Kawafuchi received the state government award and Scott earned the local government award. These awards recognize CPAs working in government who have made significant contributions to increased efficiency and effectiveness of government organizations and to the growth and enhancement of the profession.

Kurt Kawafuchi, director of the Hawaii Department of Taxation, has significantly streamlined the operations of the department increasing both efficiency and performance. His guidance and leadership includes one-stop taxpayer support, faster refunds, better correspondence that is easier for taxpayers to understand, automated 24/7 telephone support, improved implementation of legislative changes and audit selection tools. Implementation of these and other programs have generated a record additional \$308 million in collections over a previous record high of \$113 million. He personally attends the department's free workshops throughout the Hawaiian Islands to reach out to practitioners, taxpayers and new business owners in an ongoing effort to increase the understanding and reduce the necessary burden of state tax administration. Kawafuchi has been a consummate volunteer, serving as director of the Hawaii Society of CPAs Board of Directors, chair of the Tax Section of the Hawaii State Bar Association and co-chair of the Advisory Board of the Tax Committee for the School for the School of Accountancy at the University of Hawaii at Manoa.

Bob Scott serves as chief financial officer and assistant city manager and is credited by many city officials across Texas as a champion of change for the Texas Municipal Retirement System, the state-wide retirement system covering employees in over 800 cities. Through his research and questions of its financial practices he found that the actuarial methods used to determine funding rates did not take into account annual repeating service and annuity increases granted by many governments. As a result of his actions, the Board of Directors of TMRS changed the actuarial methods and assumptions to include these repeating increases, thus restoring TMRS's credibility as a viable retirement plan. He currently serves as chair of the Accounting, Auditing and Financial Reporting Committee of the Government Financial Officers Association and for more than 10 years served as chair of its Texas Finance Reporting and Regulatory Response Committee. Scott is an active lecturer for the GFOA and the AICPA and has co-authored several professional journal articles.

Financial Literacy and Education Programs – Get Involved Share Your Best Practices

By: Patricia Reese, Member of the AICPA's National CPA Financial Literacy Commission and Director, Division of Financial Integrity, at the Health Resources and Services Administration in Rockville, Maryland

Financial illiteracy affects every income and age group in America. Family deficits, lack of savings and planning for retirement, college student credit card debt and students' poor performance on finance-related tests indicate an alarming crisis. In response to this crisis, the CPA profession launched the 360 Degrees of Financial Literacy program. Supported by the AICPA and every state CPA society, this volunteer effort of the CPA profession is aimed at improving the financial literacy of Americans. Connected with this program, the AICPA teamed up with the Ad Council and created the Feed the Pig public service campaign. Together, this outreach is making a difference in the

lives of everyday Americans.

Every week, CPAs volunteer in their communities as part of the 360 effort. Free volunteer resources, including PowerPoints and handouts, are available on www.aicpa.org/financialliteracy. In addition the 360 consumer Web site, www.360financialliteracy.org offers more than 700 articles, tools and FAQs. When I decided to organize a brown bag series for my Federal agency, I used the materials on these websites as a starting point. With input from the participants, I targeted future brown bag sessions to their financial areas of interest. The www.360financialliteracy.org website provided me with all the materials I needed.

I encourage you to organize a session/event in your workplace. If you already have a program in place, please share your best practices for promoting and sponsoring financial literacy and education. Together, we can support each other by leveraging our resources and activities to address this financial literacy crisis. Email details and tips to Melora Heavey at mheavey@aicpa.org.

Don't Miss these articles in the Journal of Accountancy

In August the Journal of Accountancy featured the article "[Successfully Navigating OPEB](#)" by Eric Berman and Donald Rahn. The article overviews the changes to financial reporting of postemployment benefits required by GASB statements 43 and 45 and some tips on successfully managing the implementation of those changes. The September edition features a Q&A article with Ian Dingwall, chief accountant of the Department of Labor's Employee Benefit Security Administration and 2007 winner of the Outstanding CPA in Government award.

New Guideline – "Managing the Business Risk of Fraud: A Practical Guide"

The AICPA, in collaboration with the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE) has developed "[Managing the Business Risk of Fraud: A Practical Guide](#)".

According to the ACFE's 2006 Report to the Nation on Occupational Fraud, U.S. organizations lose an estimated 5 percent of their annual revenues due to fraud. When applied to the estimated 2006 GDP, those losses added up to approximately \$653 billion. The report also concluded that organizations without anti-fraud programs - such as fraud hotlines, internal audit departments, and anti-fraud training - lost approximately twice the amount of revenue to fraud when compared to organizations with anti-fraud programs. For example, organizations without an anonymous fraud hotline suffered a median annual loss of \$200,000, whereas organizations with hotlines suffered a median annual loss of only \$100,000.

The Guide outlines five key principles for establishing effective fraud risk management, regardless of the type or size of an organization. These five key principles address governance, risk assessment, fraud prevention and detection, investigation, and corrective action. Following the guidance will help ensure that there is suitable oversight of fraud risk management, that fraud exposures are identified and evaluated, that appropriate processes and procedures are in place to manage those exposures, and that fraud allegations are addressed in a timely manner.

[>Top](#)

OMB now requiring online submission of Single Audit Results

Last Friday, the [Federal Audit Clearinghouse](#) (FAC) posted the [Internet Data Entry System \(IDES\) instructions for the 2008 – 2010](#) Data Collection Form (the Form or DCF) and began accepting submissions of the Form and related single audit reporting packages for fiscal periods ending on or after January 1, 2008. The issuance of the final instructions for the IDES for 2008 – 2010 concludes the Form update process and puts into place the electronic submission process. **For 2008 fiscal year-end submissions and beyond, there will no longer be any paper copy submissions of the Form and reporting package to the FAC.** Previously, OMB had issued an extension for all 2008 Forms and reporting packages due on or before September 15, 2008, and stated that an application was not necessary to apply for the extension (note that this extension only applied to single audits for fiscal periods ending in 2008). So, if you or your auditors have been holding off on submitting completed 2008 single audits (waiting for the new 2008 Form), you can now complete the Form online and make the electronic submission. A [Q&A document](#) is also available on the FAC website.

GASB issues a Request for Response on SEA Performance Information

A Request for Response titled, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*, was issued for comment by the Governmental Accounting Standards Board (GASB) on July 31, 2008. The document can be downloaded free from www.gasb.org/exp. The goal of the Request for Response is to seek public input on the GASB's proposals on these suggested guidelines at an early stage of this project, before deciding how to proceed with the project. Comments are due by October 31, 2008. GASB is providing several methods of providing input.

- Written comments can be submitted until October 31, 2008, through the mail or through filling out the Internet-based form at www.gasb.org/survey/cgi-bin/searptguide.html.
- Alternatively, written comments can be emailed to director@gasb.org or mailed to the Director of Research and Technical Activities, Project No. 20-2, Governmental Accounting Standards Board, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116.
- A public hearing will be held in conjunction with the National League of Cities' annual Congress of Cities & Exposition in Orlando, Florida, on November 14, 2008, beginning at 8:00 a.m. Individuals and organizations can participate in person or by telephone. The deadline for notifying the GASB of an intention to participate is October 31.
- A user forum will be held on November 7, 2008, beginning at 2:00 p.m., in New York City. Participation in this forum is open to users of SEA performance information such as elected officials, legislative staff, citizen or citizen organizations, taxpayer associations, media representatives, and municipal analysts. Participation in the forum can either be in person or by telephone. The deadline for notifying the GASB of an intention to participate is October 31.

GASB Seeks Comment on Postemployment Benefit Guidance

GASB has issued for comment a proposed Technical Bulletin, *Determining the Annual Required Contribution for Postemployment Benefits*. This document will clarify that the use of actual known amounts for purposes of calculating the annual required contribution (ARC) adjustment relating to pensions and other postemployment benefits (OPEB) is consistent with the intent of existing standards. The proposed Technical Bulletin will further make clear that use of the known amount in place of the estimation procedure in GASB Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is encouraged. The proposed Technical Bulletin may be downloaded free of charge through the GASB website at www.gasb.org/exp. The comment deadline is September 30, 2008.

GASB Issues Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

On June 30 GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments — financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for

financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. More information, including a [Q&A fact sheet](#), is available on the [GASB website](#).

Conferences

[AICPA National Governmental and Not-for-Profit Training Program](#)

Oct 27 - Oct 29, 2008

Rio Hotel & Casino

Las Vegas, NV

If you need hands-on training then this conference is for you! You'll hear directly from the standards setters and industry leaders, on a variety of topics including developments in governmental accounting and auditing, the latest in proposed regulations and laws on the local, state and federal government levels and more.

[AICPA National Governmental Accounting and Auditing Update Conference \(GAAC\) WEST](#)

Date: Sep 22 - Sep 23, 2008

Location: Hyatt Regency Tech Center

Denver, CO

The GAAC Conference features interactive sessions for federal, state and local governments. Receive timely guidance along with practical advice on how to handle new legislation and standards from key government officials and representatives of the accounting profession – including the standard setters themselves.

Publications

[State and Local Governments Audit and Accounting Guide](#)

Be prepared for you next audit! This Audit and Accounting Guide provides the latest information on accounting and auditing issues affecting State and Local Governments. Updated with conforming changes as of March 1, 2008, it includes guidance in planning and performing audits under the risk assessment standards (SAS Nos. 104-111).

[State and Local Governmental Developments Audit Risk Alert](#)

While this publication was developed for the auditor who needs to know what risks and issues are present when it comes to auditing the financial statements of state and local governments it is also useful for government organizations preparing for an audit. This audit risk alert addresses:

- Regulatory and legislative developments, including IRS rulings
- Recent GASB pronouncements and guidance
- Economic and industry developments

[State and Local Governments: Checklists and Illustrative Financial Statements](#)

This financial accounting and reporting practice aid is invaluable to anyone who prepares financial statements and reports for state and local governments. The checklists have been updated to reflect AICPA, GAO, and GASB standards and interpretations issued as of April 30, 2008. These checklists can be used by preparers of state and local governmental financial statements prepared in conformity with generally accepted accounting principles.