

CPAs in Government Offer Suggestions for Weathering the Financial Storm: Part II

“The question we ask today is not whether our government is too big or too small, but whether it works.”
—President Barack Obama

CPAs in government are in a unique position to offer their professional skills and knowledge, and to ultimately bring change, to government programs and operations as federal, state and local entities consider alternatives and options to weather the current economic storm. CPAs are at the forefront of recommending lasting improvements for how governments and their agencies can serve the public more efficiently and effectively.

As a follow up to their *January 2009 Government Accountability Brief*, members of the AICPA's Government Performance and Accountability Committee (GPAC) have come together to provide fellow CPAs in government with ideas and suggestions for possible short-term or even long-term improvements.

Understand Your Cash Position

- Forecast your cash. Start with daily, weekly, monthly, and quarterly forecasts and review your forecasts annually. Compare it to actual cash flow on a day-to-day basis. Evaluate the risks that might impact your cash forecast.
- Review trusts and other accounts that are dormant but have funds. You may have the ability to sweep cash into the general fund. If it's possible, do it.
- Look at intercepting cash. (For example, if an individual owes on a student loan and is due a tax refund, then consider offsetting his/her due to/due from accounts.) State and local governments should consider trading files with the IRS as well. Some local governments have the opportunity to join state refund setoff programs that allow the local government to collect on unpaid utility bills or other accounts receivables they might be carrying for their customers by filing those claims with the state tax refund departments.
- Search recently abandoned property once a month to see what can be reclaimed.
- Perform vendor credit memo searches. Do not pay vendors with whom you have credit until the situation is resolved.
- Consider changing your methods for distributing funds to localities. In some states, certain functions (for example courts and sheriffs) submit budgets for approval annually that must then be reviewed and monitored by central agency staff and the money distributed based on those budgets. Making a change to a block grant process instead would save time at both the state and local level.

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- Reinforce your efforts to collect outstanding receivables.
- Review laws and agreements with component units (authorities). Can unused operations cash be returned to the primary government?

Pay Attention to Financing Sources and Developments

- Keep abreast of developments in the various stimulus packages which have been approved or are in process. Pay special attention to the expected federal funding for infrastructure projects and maximize opportunities to make lasting improvements that will benefit your community's transportation, water and sewer, and other critical services provisions for the next generation or more.
- Be aware of capital market developments and structure—or restructure—major financings to increase access and help control the cost of borrowing, especially in terms of selecting liquidity providers for variable-rate debt.
- Perform due diligence on financial institutions or other fiduciaries that hold your investment portfolio, especially if you have excess cash or other investments in their custody.
- Look for opportunities to earn higher yields on excess cash with relatively low risk investments that the current securities market situation may provide. Most governments are permitted to invest in variable rate municipal securities, issued by credit-worthy governmental entities. In most cases these remain safe investments despite the intense fear in the market that is driving-up yields.

Look at Long Term Opportunities for Better Asset Utilization

- Consider leasing or renting assets like cars and trucks for your motor pool.
- Look at stranded or little-used assets that could be leased to someone else. Selling assets in this market is akin to buying high and selling low in the stock market.
- Review tax abatement and economic development incentives, such as Payment in Lieu of Taxes (PILOT), agreements to see if any of them need to be updated or modified due to the current economic climate.

Some Final Considerations

- Implement performance measurement management techniques such as Service Efforts and Accomplishments (SEA) reporting. SEA reporting helps to prove that programs are effective and can help citizens understand how well the government services and programs are working (for example, movement in the crime rate compared to dollars spent).
- Be patient with your citizens, particularly when having to enforce collections of penalties and assessments. It could be that some people cannot comply with government imposed financial burdens because of personal financial difficulties. Even in difficult situations where the government employee must enforce the law showing a measure of understanding goes a long way.

CPAs working in government are in the thick of the economic turbulence and have an opportunity to lead and serve the public interest as the nation fights its way through the crisis. The GPAC would like to know what challenges or successes you and your government entities are facing. What's working? What hasn't worked? If you have some additional ideas, please send in an e-mail to GPACNEWS@aicpa.org. Remember, as you look for opportunities to guide change where you live and serve, always maintain your objectivity and independence.