



GOVERNMENT E-NEWS

E-NEWSLETTER FOR AICPA MEMBERS IN GOVERNMENT

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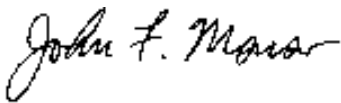
DEAR MEMBERS

In our last issue of *GovtEnews* we told you about the newly published *AICPA Audit Committee Toolkit: Government Organizations*. This publication was created by your peers – members of the Government Performance and Accountability Committee (GPAC) from federal, state and local levels of government, as well as a member in public practice that focuses exclusively on the government industry.

So far, many hundreds of copies of the *Toolkit* have been downloaded for free from our website. This message is to tell you that the Toolkit is now available in print for a nominal amount to cover the cost to produce the book.

We are very excited about the print version of the Toolkit, and already many copies are in distribution. See the article below for more details.

Regards and Happy Holidays,



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

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TOP STORIES

AICPA Releases Tax Reform Report

The AICPA recently released its nonpartisan tax reform report: *Understanding Tax Reform: A Guide to 21st Century Alternatives*. This easy-to-read-and-use report will serve as a guide to the upcoming debate that will commence when the Bush administration releases its own tax reform report based on the recommendations of the President's Advisory Panel on Federal Tax Reform. The AICPA report highlights 10 policy objectives it recommends *any* tax reform proposal be measured against and serves as a roadmap to the details that can trip up tax reformers as they consider the different types of tax reform proposals. As with similar papers issued earlier by our Tax Team, the paper does not take a position on any tax reforms, but seeks to educate readers so they can make their own informed decisions on these issues. Copies of the report are available at www.aicpa.org/taxreform. This report could help you educate elected officials and taxpayers in your area about different approaches to tax reform. Feel free to use all or parts this report for education purposes with attribution to the AICPA.

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GAO Publishes Executive Guide: Effectively Implementing the Government Performance and Results Act

GAO published an executive guide on implementing the Government Performance and Results Act (GPRA). GAO noted that:

- GPRA forces federal agencies to focus on their missions and goals, how to achieve them, and how to improve their structural organizations and business processes
- agencies must define their missions and desired outcomes, use strategic planning, involve stakeholders, assess their environments, and align their activities, core processes, and resources to support mission-related outcomes
- agencies need to measure their performance to ensure that they are meeting their goals and making informed decisions
- performance measures need to be based on program-related characteristics and performance data must be sufficiently complete, accurate, and consistent
- agencies must use performance data to improve organizational processes, identify performance gaps, and set improvement goals
- GPRA success depends on strong leadership practices that devolve decision-making authority with accountability, create incentives, build expertise, and integrate management reforms

For more information on GPRA, visit the [GAO](#) website

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Lessons on Disaster Relief

Hurricanes Katrina and Rita gave us all a wake-up call about the need for disaster planning. While we did have several days warning of these hurricanes, the fact is that we don't always have these warnings and disaster, of any intensity, could strike at any time. Even if you are aware that a disaster is pending, human nature seems to minimize the risk, or overstate their ability to cope. As a result, we don't always do the things that should or could be done to help minimize the impact of the disaster.

Lena Ellis, a member of GPAC who works for the city of San Antonio, TX, has experienced this first hand and offers her experiences on things that should be in place in preparation for a disaster situation. Although these tips can apply for various scenarios, they are given here from the perspective of an organization that was involved in the "relief effort" of a disaster rather than actually being a victim of the disaster itself. It is also focused on a finance/procurement perspective which is a perspective that many of you share.

Lena's Lessons on Disaster Planning

1. Does the organization have a developed plan that has been communicated and tested?
 - a. Does the plan include pre-coded forms to differentiate relief efforts from normal day-to-day operations so the organization can isolate the cost of the disaster?
 - b. Are key people identified (police, fire department, Red Cross, Salvation Army, internal/external officials, state/federal organizations, service and product providers, IT, budgeting) with contact information (including "off-hour" contact info) so they are easily reached?
 - c. Does the plan include an employee home readiness program so that employees involved in the relief effort have their families and homes taken care of so the employee is ready to respond to the recovery/relief effort?
 - d. Are vendor/contractor relationships or tentative contracts/agreements established? (contracts/agreements for various goods and services should be pre-arranged to the degree possible, ensuring product/service availability, competitive pricing, and efficiency in purchasing/delivery)

2. Does the organization guard against over purchasing?
 - a. Are federal and state regulations understood to ensure that purchases made are things that are allowed? (Reimbursement from relief agencies is only permitted for items specifically related to the relief – meaning that items that could benefit the relief provider beyond the time frame of the relief effort will not be reimbursed.)
 - b. Are appropriate accounting systems in place to ensure that lease/service agreements are understood and can be routed to the responsible agency?
 - c. Is there a centralized purchasing process?
 - d. Is inventory monitored at multiple sites with checkout logs for tracking purposes? ie: rentals, items over \$5000, items under \$5000 (lesser value, and easy to walk away but the cost of these items add up)

3. Are proper internal controls in place to
 - a. guard against duplicate payment?
 - b. coordinate/authorize payments through "Command Central" purchasing departments and finance?
 - c. guard against double dippers (vendors who submit for payment to local, state, and/or federal agencies)?
 - d. ensure maintenance of original records?
 - e. maintain a clear trail for subsequent audit?

4. Be flexible, patient and firm in dealing with other relief agencies, whether governmental, or independent; e.g., FEMA and/or its equivalent state agency, American Red Cross, Salvation Army and other organizations.

Also keep in mind that disaster relief doesn't always mean a major natural disaster. It could happen on a much smaller scale, or within an organization rather than involving a city, region or state, but can still be harmful to the organization and the people in that organization (think of September 11, 2001 – whether as a terrorist act or accidental). So, it's always best to expect the unexpected and have a plan that is never used (though periodically practiced) than to need a plan and not have one!

We are turning this list into a tool that we will make available in the AICPA Disaster Recovery Center. Although the tool is not yet available, we wanted to take this opportunity to get the summary of the tool to you via GovtEnews.

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Benefits of a Government Audit Committee

A government is publicly accountable for the services it provides its taxpayers, and for the way it uses its resources to provide those services. The latter, fiscal accountability is demonstrated through strong internal controls, budgetary and other legal compliance, accurate and timely financial reporting, sound business practices, and a culture of strong moral and ethical behavior.

The creation of an effective audit committee function can help a government establish this accountability because it can focus specifically on issues related to fiscal accountability. Furthermore, a government audit committee can devote more time to fiscal accountability matters, resulting in greater benefits. For example, government audit committees can:

Improve financial practices and reporting. An audit committee can periodically meet with the government's chief executive and financial officers to review, monitor, and direct activities and results related to the government's maintenance of internal controls and preparation of financial reports.

- **Enhance the internal audit function.** When an internal audit team reports directly to the audit committee, the internal audit team can be the "eyes and ears" of the audit committee about how well the government is doing to meet its financial and compliance responsibilities, and effect change in practices and internal controls when necessary.
- **Enhance the external audit function.** An audit committee can meet with government officials and auditors to monitor the external auditor's services and activities to ensure that independence is maintained between the external auditor and those involved in managing the government's affairs. In addition, an audit committee can meet with the external auditors to get independent observations about management's efforts to maintain strong internal controls, appropriate financial reporting, and sound business practices.

For governments wanting to establish an audit committee, the *AICPA Audit Committee Toolkit: Government Organizations* provides valuable information and tools that will help a governing body and its officials create an effective audit committee function to help improve fiscal accountability. For governments who already have an audit committee, the *Toolkit* can help fine-tune audit committee functions for efficiency or completeness. In either situation, the *Toolkit's* easy-to-use set of checklists, questionnaires, and other useful information can make the audit committee's job easier to accomplish.

The *Toolkit* is available for [free download](#) and can be customized to your organization's needs. [Printed copies](#) of the *Toolkit* are available for \$20.

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LEARNING LINKS

Financial Training Decision-Makers: For information on in-house training and tools to manage professional development, go to [AICPA Learning](#) or call 1-800-634-6780, Option 1.

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AICPA CAREER RESOURCES

To make sure you have the competencies needed to take charge of your career and keep you on the learning curve, assess your own proficiencies using the [Competency Self-Assessment Tool](#). Remember, this is FREE to AICPA members. Also, consider using this tool with non-CPAs in your organization for only \$49 per user per year. It does take a couple of hours to complete, but you need not complete the whole self-assessment in one sitting.

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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