



**Message from Smitty
(aka G. Robert Smith Jr.)
Associate Professor of Accounting
Middle Tennessee State University)
AAA GNP Section President**

This is my first message in the newsletter as President of the Section. Want to know something about it? It was late. Thanks to Louis Stewart, our Newsletter Editor, for reminding me to write one – otherwise, we would have a newsletter without a “President’s Message” to kick it off.

I wasn’t sure what to write about, so let me tell you a little story. It has been a quiet week here in Lake Wobegon. Wait a moment! That’s not me; that’s Garrison Keillor’s line on *Prairie Home Companion*. Besides, it has been anything *but* been lately in Murfreesboro. We just had our Beta Alpha Psi “Meet the Firms” event last week, and this week we had our “Beat the Firms” golf outing. It seems that I spent most of the week recovering from one and getting ready for the other.

Any way, I was sitting here in my nice, big, comfortable leather chair looking at my bookcase when I realized one was not as flush against the wall as the other. I stood up for a closer look and realized that the one on the right was about to fall and dump its entire contents atop me. It seems that when they installed it, the carpenters forgot to make sure that the toggle bolts had anchored to the wall correctly. Thanks to the quick response of the University’s maintenance staff, a disaster was averted.

So, what does all this have to do with the newsletter? Well, in order to repair the bookcase, the carpenters had to empty its contents all over my office. One of the 3-ring binders that ended up on my desk was my file of old Section newsletters. The date on the first newsletter in the folder is Summer 1988, Volume 12, Number 3. I’m sure many of you reading this newsletter have older ones, but it is the first one for me.

Wanda Wallace wrote the “Chair’s Message” in that newsletter. Her message is very interesting. She refers to some folks many of you may know and respect. Earl Wilson was the Research Committee Chair then, and Wanda thanked him for doing a good job with the research continuing education for the upcoming Orlando AAA meeting. She said much the same thing about Walt Robbins and the education session. She mentions working with the GASB on joint research efforts, particularly SEA, and mentions projects being worked on by others in the Section, including Teresa Gordon, Bob Freeman, Jim Patton, Dick Brown, W.T. Wrege, Mort Dittenhofer, Kris Raman, Jim Chan, and Penny Marquette.

Why do I bring all of this up? Well, over the years many of the names may have changed, but the issues remain – and members of the Section continue to work on them. We had a good pre-conference research CPE session this year, thanks to the efforts of Linda Parsons. I’d like to say we had a good pre-conference education CPE session, too, but despite lining up some good speakers, we didn’t have a very broad attendance. In fact, I think we had almost as many speakers as participants. I’d like us to work on that issue this year. I know many of us need the CPE hours we get from this meeting, but we need more participation to make it a more interesting session.

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Message from Smitty continued

I've asked Nicole Thibodeau to handle the Education CPE for this year. To make the Education CPE work for more people, we need some fresh ideas. If you have some thoughts on what you would like to see at this session, please communicate them to Nicole at: nthibode@nps.edu.

In the area of research, Tom Vermeer will be heading up the effort for the Chicago AAA meeting. As you know, Tom – working closely with Dana Forgione – did a fine job putting together the midyear conference this year in Miami. I know that Suzanne Lowensohn will do equally as well for our midyear conference at the GASB offices next year.

While I'm on the topic, let me urge you to mark your calendars now for the 2007 Midyear Conference to be held at the GASB in Norwalk, CT, on March 2 & 3, 2007. By the way, I think we have always called it our midyear "Meeting", but I'm officially changing it to "Conference". I'm making this change for a couple of reasons:

- A meeting is something you have at the office; a conference is something you travel to attend.
- A meeting is where minutes are taken and hours are lost; a conference is something you want to go to, and where to is OK to have a little fun.

I know our meeting with the GASB will be a good one. I can't guarantee warm weather, but at least with the March date there is *less* chance of snow.

Earlier, I mentioned that Wanda talked about some joint projects with the GASB. It was happening in the 1980s with SEA and GASB Research Fellowships. Well, the Board is still working on SEA, but the Research Fellowships seemed to have gone the way of the dodo. However, we do have 2 research projects going on with the GASB:

- Saleha Khumawala is examining which governments are following GAAP.
- Craig Shoulders is continuing a topic he has studied since his dissertation by

taking another look at the Financial Reporting Entity (GASB Statement #14).

The GASB is currently looking for another research proposal. Terry Patton has an article about it elsewhere in this newsletter.

At the meeting in Washington I pointed out that many earlier Presidents and Chairs had themes for the upcoming year. I guess I don't remember what many of those were, but that is my fault. I think that it is difficult for a President or Chair to have a theme for the coming year because there is very little we can do to change the way the Section is going over a short period of time. Still, I issued a challenge in Washington: I want each of you to call people in your state that are listed in "Hasselback" as having an interest in governmental or nonprofit accounting. Of course, the letters to look for are "G" for Governmental and "N" for Not-for-Profit.

How many have you called thus far? I must admit my total is zero, nil, nada, none! I feel bad about that, but you know how busy the beginning of the semester can be. I plan on changing that very soon. I plan on making quite a few calls over the next several weeks. In fact, it is my goal to call everyone with a "G" or "N" in the State of Tennessee. We don't have as many universities in Tennessee as some might in states like Texas or Florida, so I don't have as many calls to make. Still, I encourage you to take the effort to call these colleagues and get them "fired up" about taking an active roll in the Section. Also, don't worry about calling the same people as someone else in your state. There is certainly nothing wrong with more than one person calling the same people. In this case, I believe it is definitely a matter of "the more the merrier". Finally, don't feel bad if when you make the call the person says they are already in the Section. If you didn't know that, then maybe that person hasn't been at a meeting lately. Talk to them, find out why they haven't been coming, and let the Executive Committee know so we can change things for the better. Also, please remind them that even if they aren't members of AAA, they can still come to the Section's Midyear Conference. Tell them to send me an e-mail, and I will include them on all the Section's e-mails even though they aren't a member. We need this type of grassroots effort to revitalize our Section, and it can only happen if YOU and I get involved.

Message from Smitty continued

Personally, I would like it if a person could belong to the Section without being a AAA member. However, that is not currently allowed by AAA. Maybe we can change that down the road.

There is another hot button issue going on in the Section. I hope that everyone noticed that our dues went up this year from \$10 to \$15. Do you realize that was the first dues increase *ever* in the GNP Section? We did that because of some cash flow problems we are having in the Section. With our annual grant to the GASB and funding dissertation research and doctoral student travel grants, our cash position was definitely going in the wrong direction. I hope that increase will solve that problem.

Now we are gearing up for another big issue in the Section: our own journal. Unlike previous attempts at a journal, this one is going to be completely electronic. However, that will be the only difference between this journal and other highly sought-after publications. We want to have a quality journal where people with a governmental or nonprofit research interest can reasonably expect a good chance of publishing, and one that will be published on a regular basis. This process will not be inexpensive. That is why we voted at the Washington meeting to increase dues next year another \$15. I know, that means our dues will have tripled in three years. However, it does put our Section on a more level playing field with the other AAA Sections, and gives us all another outlet for our research. I have asked Dana Forgione, Don Deis, and Vaughan Radcliffe to spearhead the effort to get our journal started. Dana will have something in a later newsletter better informing you about what this effort requires.

With these dues increases we may lose some members in the Section. That would be unfortunate. After all, the purpose of the increases is so that the Section can provide more services to our members. Be sure to mention that as you call the “G” and “N” people in your State or others you may know around the country.

There is one last thought I would like to share with you. One of my favorite lines from a television show that went off last year – *The West Wing* – was, “Decisions are made by those who

show up.” That applies to voting for dues increases, officers for the Section, and a host of other activities. In the Section, it is the members of the Executive Committee (current and past Presidents, President-Elect, Secretary/Treasurer, Committee Chairs, and Regional Coordinators) that make recommendations for the Section, but everything is still voted on by members of the Section that are present at the annual Business Meeting (turnout for which, while getting better, is never all that great). But do you know where decisions are made at the AAA? The decisions are made in the Executive Committee. To the best of my knowledge, we have had only one active member of the GNP Section that has ever served as a member of the AAA Executive Committee, and that has been several years ago. As a Section, we need to do everything we can to get one of our members on the AAA Executive Committee so that we can participate in decisions at the AAA level.

That’s enough for this President’s message. There will be another one in a few months. Until then, you can reach me in Murfreesboro, where all the women are strong, the men are good looking, and the children are above average.

The Governmental Accounting Standards Board (GASB) has several resources for teaching and research that are available to academicians. These include several free resources:

- The GASB Web site—plain-language articles and fact sheets about GASB standards and proposals, outstanding due process documents, current information about GASB projects, and much more are available from www.gasb.org. Currently, the Web site includes a link that will allow you to download the Exposure Draft (ED) for a proposed concepts statement, *Elements of Financial Statements*. The comment deadline for the ED is November 17, 2006.
- The User's Perspective—a free electronic newsletter written for financial statement users. If you have an interest in receiving the twice-a-year newsletter and have not already signed up for the GASB's constituent database, you may do so at: <http://www.gasb.org/users/index.html>.

Also, some resources that may be useful for teaching or research may be purchased from the GASB. These include:

- Annual bound volumes—the original text of GASB pronouncements, the codification of the standards, and the comprehensive implementation guide
- GARS—the electronic searchable version of the annual bound volumes

- User guides—inexpensive plain-language books about governmental financial statements
- Board packages—all of the public materials developed by staff for discussion at Board meetings.

These resources and others are described more fully in a two-page brochure that is now available on the GASB Web site.

The GASB continues to encourage academic research that will help meet its goal of establishing high-quality standards that improve public accountability and that result in useful information to decision makers. The GASB is offering a \$5,000 research grant to do research on particular questions that are of interest to the GASB. Research questions have been developed for three topics: the financial reporting model, economic condition reporting—sustainability, and financial performance measurements. The details of the grant can be found at the GASB website (http://www.gasb.org/Request_for_Research_fall2006.pdf). Proposals for research should be received by the GASB no later than November 1, 2006. The grant will be awarded around November 15, 2006. The final research memorandum will be due by January 15, 2008. If you have any questions about how the GASB can help you with your governmental accounting research and courses, please contact Terry Patton (tkpatton@gasb.org).

**2006 AAA Annual Meeting
Washington, DC
Report on GNP Section Activities
By Linda Parson**

Thanks to all the volunteers who made this year's meeting a great success.

**Continuing Education Workshops
August 6, 2006
Linking Practice with What We Do
in the Classroom**

The presenters were:

- G. Robert Smith, Jr., Middle Tennessee State University
- Terry Patton, GASB
- Wendy Comes, FASAB
- Sri Ramamoorti, Grant Thornton
- Clif Williams, Grant Thornton
- Evi Barry, AGA

**Government and Nonprofit Research:
Building the Bridge between
Practice and Theory**

The presenters were:

- John Fawsett, Chief Financial Officer, United States Holocaust Memorial Museum
- Jeanette Franzel, Director of Financial Management, Government Accountability Office
- Dorsey Baskin, Regional Partner In-Charge of Professional Standards, Grant Thornton LLP
- Dan Moore, VP Public Affairs, Guidestar

Concurrent Sessions, August 7-9, 2006

Auditing Research in the Nonprofit Sector
Moderator: William Stout, University of Louisville

An Examination of Audit Fee Determinants in the Nonprofit Sector of the Audit Market
Yvonne Ellis, Morehouse College; Quinton Booker, Jackson State University
Discussant: Susan Cammack, Washburn University

Auditor Attestation of Management's Evaluation of Internal Control: Evidence from the Non-Profit Sector

Thomas E. Vermeer, University of Baltimore; K. Raghunandan, Florida International University; Dana A. Forgione, Florida International University

Discussant: Alireza Daneshfar, University of New Haven

Auditor Change and Auditor Choice in Non-Profit Organizations

Stephanie L. Tate, University of New Hampshire
Discussant: Andrea Roberts, Boston College

Governmental Reporting and Disclosure

Moderator: Barbara Chaney, University of Montana

Estimating the Value Added by Spending on the Administrative Function in Public Education: Evidence from New Jersey Public Schools

Yaw M. Mensah, Rutgers University; Michael P. Schoderbek, Rutgers University; Robert H. Werner, Rutgers University

Discussant: Marc Rubin, Miami University

The Role and Impact of Types of Disclosure and Other Determinants of Borrowing Costs in the Market for Taxable Municipal Bonds

Kenneth N. Daniels, Virginia Commonwealth University; Donald R. Deis, Texas A&M University – Corpus Christi; Jayaraman Vijayakumar, Virginia Commonwealth University
Discussant: Byron Henry, Howard University

Determinants and Implications of Municipal Cash Holdings

Angela K. Gore, University of Oregon
Discussant: Barry Marks, University of Houston – Clear Lake

**2006 AAA Annual Meeting
Washington, DC
Report on GNP Section Activities
Continued**

Communicating Performance

Moderator: Nicole Thibodeau, Naval Postgraduate School

Analyzing the Financial Statements of Nonprofit Organizations: A Study of the Major Sectors

John M. Trussel, Pennsylvania State University at Harrisburg

Discussant: Pamela Smith, University of Texas at San Antonio

Communicating Performance: The Extent and Effectiveness of Performance Reporting by U.S. Colleges and Universities

Teresa P. Gordon, University of Idaho; Mary Fischer, University of Texas at Tyler

Discussant: Alice Ketchand, Sam Houston State University

Communicating Government Performance: The Role of Newspapers

Kenneth A. Smith, Willamette University; Ottalee Schiffel, State University of New York – Geneseo

Corporate Governance in Governments

Moderator: C. Catherine Chiang, North Carolina Central University

Auditor Specialization and Perceived Audit Quality, Auditee Satisfaction and Audit Fees in the Local Government Audit Market

Randal J. Elder, Syracuse University; Laurence E. Johnson, Colorado State University; Suzanne Lowensohn, Colorado State University

Discussant: Marshall Pitman, University of Texas at San Antonio

Should More Local Governments Purchase a Bond Rating?

Arthur Allen, University of Nebraska – Lincoln; George Sanders, Western Washington University

Discussant: Bambi Hora, University of Central Oklahoma

A Municipal Audit Fee Model Using Structural Equation Modeling

Gary Giroux, Texas A&M University; Andrew McLelland, Auburn University and Securities & Exchange Commission

Discussant: Paul Copley, James Madison University

Government and Nonprofit Potpourri

Moderator: Annette Pridgen, University of Mississippi

An Empirical Investigation of Changes in Charity Care Spending by Nonprofit Hospitals in Response to Mandatory Threshold Law

Frances A. Kennedy, Clemson University; Laurie B. McWhorter, Mississippi State University; Jennifer Troyer, University of North Carolina – Charlotte; Caleb Stroup, University of North Carolina – Charlotte

Discussant: Charles Stanley, Baylor University

Founding Family Influence and Private Foundation Performance

Brian McAllister, Wichita State University; Arthur Allen, University of Nebraska – Lincoln

Discussant: Christine Petrovits, NYU Stern School of Business

The Leviathan Dynamic of Statehood: The Fiscal Effects of Statehood in New Mexico and Arizona, 1880s – 1920s

Stephanie D. Moussalli, Nicholls State University

Discussant: Nazik Roufaiel, State University of New York – Empire State College

Panel Session, August 9, 2006

Reporting Government Performance Measures

The presenters were:

- Wilson Campbell, GASB
- Relmond Van Daniker, Executive Director Association Of Government Accountants
- John Hummell, KPMG National Partner
- Ola Smith, Western Michigan University

**2006 AAA Annual Meeting
Washington, DC
Report on GNP Section Activities
Continued**

New Scholar Session, August 8, 2006

Growing Demand for Public Hospitals and Determinants of Their Efficiency Factors

Rabih Y. Zeidan, University of Houston (with Saleha B. Khumawala, University of Houston). Senior Scholar – Mehmet Kocakulah, University of Southern Indiana

Reciprocity and Financial Information Relevance

Evelyn A. McDowell, Rider University. Senior Scholar – Daniel Tinkelman, Pace University

Research Forum

Who, What and How: An Analysis of Fraud in Nonprofit Entities

Janet S. Greenlee, University of Dayton; Mary Fischer, University of Texas at Tyler; Elizabeth Keating, Harvard University; Teresa Gordon, University of Idaho

Sarbanes-Oxley: Impact and Implications for Not-for-profit Organizations

Saleha B. Khumawala, University of Houston; Daniel Neely, University of Houston

Federal Accounting Standards Advisory Board Update

August 1, 2006 NEWS RELEASE

FASAB Issues an Exposure Draft Entitled *Interpretation: Items Held for Remanufacture*

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced today that the FASAB is seeking input on an Exposure Draft for a proposed Interpretation, *Items Held for Remanufacture*. The proposed Interpretation would provide guidance for the classification, valuation and reporting of items that are held for remanufacture prior to sale or issuance.

Items held for remanufacture include items in the process of inspection, disassembly, evaluation, cleaning, rebuilding, refurbishing and restoration

to serviceable or technologically updated/upgraded condition. The proposed Interpretation would not apply to stand-alone items such as entire airplanes, ships, tanks, intercontinental ballistic missiles (ICBMs) or other higher assemblies that function independently.

“The proposed Interpretation would clarify the principles governing the classification, valuation and reporting of items that are in the process of major overhaul or remanufacture for sale or for internal use. This would facilitate work by preparers and auditors in the federal environment while ensuring consistency in the broad principles applied in these cases.” according to Chairman Mosso.

The proposed Interpretation applies existing standards, including Statements of Federal Financial Accounting Standards 3, 6 and 23 to items held for remanufacture. Although the guidance was requested by the Department of Defense, the proposed Interpretation would apply to other Federal entities with items that are held for remanufacture prior to sale or internal use. Respondents are encouraged to provide the reasons for their positions. The exposure draft requests comments by October 16, 2006. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website (<http://www.fasab.gov/exposure.htm>).

July 25, 2006 **NEWS RELEASE**
FASAB to Operate under a Revised Memorandum of Understanding among its Sponsors

The Chairman of the Federal Accounting Standards Advisory Board (FASAB), David Mosso, announced today that the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States have amended the Memorandum of Understanding (MOU) governing FASAB. The amendment provides the sponsors an option to extend the current 90-day review period applicable to proposed Statements of Federal Financial Accounting Standards or Concepts (Statements) for 90 additional days. The option is only available once for each proposed Statement.

**Federal Accounting
Standards Advisory Board Update
July 25, 2006 NEWS RELEASE continued**

The prior MOU afforded the sponsors a 90-day period to consider each proposed Statement submitted by the Board. If, prior to the end of the 90-day period, either the Director of OMB or the Comptroller General objected to the proposed Statement it would not be issued. Absent an objection, the proposed Statement would be issued immediately after the review period. Under the revised MOU, the newly created option to extend the review period could be used to address unanticipated circumstances.

The amendment was initiated in response to unprecedented circumstances. Two of the three Board sponsors were appointed only recently – the Secretary of the Treasury and the Director of OMB. In addition, a 90-day review period will conclude on July 25th and creates a need for an immediate decision on a previously submitted Statement of the Board. In addition, the OMB Board member, who also is newly appointed, did not participate in the development of the proposed Statement and wishes to resolve certain concerns prior to acting on it.

“In light of the highly unusual circumstances regarding the timing of this Statement – almost coincident with the appointment of two new sponsors - and the complexity of the issues at hand, the MOU amendment is a prudent step. It affords everyone involved the opportunity to address concerns that normally would have been resolved during the review period.” according to Chairman Mosso.

ABOUT FASAB

The mission of the FASAB is to promulgate federal accounting standards after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to assess

(1) the government's accountability and its efficiency and effectiveness, and (2) the economic, political, and social consequences of the allocation and various uses of federal resources.

For more information on FASAB, please visit our website: www.fasab.gov.

ANNOUNCEMENTS

2006 Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Conference

Each year, ARNOVA holds an annual conference which brings together researchers, scholars, and practitioners from around the world to present and discuss papers related to issues in nonprofit studies, voluntary action, and philanthropy. This cutting-edge research presented at the conference helps build the body of knowledge about the sector and inform those working in the nonprofit sector. Members receive a reduced conference registration rate.

The 2006 ARNOVA Conference will be held at the Chicago Marriott Downtown in Chicago, Ill., November 16-18.

The theme for the Conference is “Voluntary Action and Government: Interdisciplinary and International Perspectives on Nonprofit Organizations, Philanthropy, and Public-Private Relations.”

Nonprofit and philanthropic organizations in the United States and abroad face tough challenges that affect everything from their management to their mission, from resources to demands, from accountability to technology. “Natural” disasters, war, disease, poverty, inequality, religious and ethnic conflict, and rising expectations feed public demand for philanthropy and nonprofit service. Yet funds do not become easier to find. Across the world and throughout the United States, these realities spark debate about capacity, resources, coordination, legitimacy, and accountability, and the roles of nonprofits, philanthropy, government, and the market. Chicago, where we meet this year, will provide us with an excellent location to discuss these matters. The City of Broad Shoulders is known for creative, and sometimes provocative, private-public partnerships in fields ranging from school reform to race relations to economic development.

Stay Connected with the GNP Section

Smitty, our esteemed and learned section president, is also the person responsible for sending out e-mails announcing various Section activities. Smitty knows he doesn't have everyone's e-mail address. So, if you are not currently receiving e-mail messages from Smitty, please send him your address. We want the Section's distribution list to be as complete as possible.

Please send your e-mail address to:

smitty@mtsu.edu

GNP Website:

GNP archives are up on the website. You can click on the "section archive" item in the border of the website and view files dating back to 1976. These are the items that John Engstrom compiled. Please take a look at the site <http://aaahq.org/GNP/index.htm> and send any corrections, updates and suggestions to Dwayne at:

dmcswain@mtsu.edu

The Government & Nonprofit News is published three times a year (Fall, Winter, and Summer) as a service to the GNP Section Members of the AAA.

The deadline to submit items for inclusion in the next issue of **Government & Nonprofit News** is **January 15, 2007**. Submit newsletter items (max 350 words per item) to:

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