Government & Nonprofit
NEWS
American Accounting Association
Volume 29 Number 1— Spring 2005

PRESIDENT'S MESSAGE

Mary Fischer, The University of Texas at Tyler

Elizabeth Keating has done a wonderful job in putting together the Section's Mid-year Meeting April 1 and 2 at Harvard University in Cambridge. Imagine a registration fee of only $40. Bravo! The preliminary program combines presentations from outstanding practitioners, representatives affiliated with various standard setters and governmental offices as well as academics presenting their government and not-for-profit research. All in all, it should be a dynamite event. Hope to see everyone in Boston April 1 and 2.

As the finishing touches are being made for the Mid-year Meeting, Larry Johnson is working to wind down the reviews to select papers for presentation at the Annual Meeting in August. Thanks to all of you who have given your time and energy to serve as a reviewer for either or both the Mid-year and Annual Meetings.

Additional information regarding the August Annual Meeting in San Francisco should be available by the summer issue of Government & Nonprofit News. As preliminary information becomes available, Smitty's email will keep everyone informed. So if you have anything of interest to Section members or a news update, send it along to smitty@mtsu.edu for Smitty to distribute via email.

See you in Boston in April. If you cannot join us in Boston, hope to see you in San Francisco in August.

contents

10th Biennial CIGAR Conference, May 26-27, 2005

This theme will provide a broad array of cross-country comparisons. It would be especially interesting for Comparative International Governmental Accounting Research to develop this theme through the following topics:

• *Reform of public accounting in developing nations*
• *Accounting versus budgeting: what are the links between accounting documents and budgeting?*
• *Government accounting standard setting: institutions and processes*
• *Unity or diversity of governmental accounting reform: is there only one definition of accrual accounting?*
• *Measurement and recognition of specific topics (fixed assets, liabilities and risks, non transaction revenue, etc.): what are the objectives underlined by these reforms?*
• *National accounting and governmental accounting*
• *Local government authorities: objectives and practices of consolidated information*
• *Computerization: a constraint or an opportunity in the definition of accounting and budgeting information systems*
• *National government audit: towards a standardization in the auditing of public accounts?*

Conference Theme:
Accounting Reform in the Public Sector
Why are these reforms implemented?
Is it mimicry, fad or necessity?

You can either fill in this registration form and send it to:
IAE de Poitiers — CIGAR Conference — Barbara Merigeault
20 Rue Guillaume VII le Troubadour
BP 639, 86022 Poitiers Cedex, France
Or complete the registration form on our Web site :
http://www.iae.univ-poitiers.fr/Colloques/cigar

The deadline for submission of papers is May 1st.

Continuing Education Workshop
Sunday, August 7, 2005,
8:00 – 12 noon

The Sarbanes Oxley Act and the Governmental and Nonprofit Accounting Instruction

Has Sarbanes-Oaxley Act changed the teaching and practicing of governmental and nonprofit accounting, and if so how? Speakers for this CPE session will address these issues from their specific vintage points of standards setters and seasoned instructors of governmental and nonprofit accounting. Volunteers include

David Mosso, Chairman of the Federal Accounting Standards Advisory Board,
Terry Patton, Director of Research, Governmental Accounting Standards Board;
Jim Chan, Professor of Accounting and founding editor of RIGNA, University of Illinois at Chicago, and
Rita Cheng, Professor of Accounting and Associate Vice Chancellor, University of Wisconsin, Milwaukee.

The workshop will consist of four separate presentations each one lasting approximately 55 minutes. There will be plenty of time for questions, so plan ahead and come and join us in San Francisco.

For detail information please contact:
Dr. Ehsan H. Feroz, GNP Education Chair
Department of Accounting 125 SBE
University of Minnesota, Duluth
412 Library Drive, Duluth, MN 55812
Phone: (218) 726 6988 (Office)
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Fax: (218) 726 8510
Email: eferoz@gmail.com (home) eferoz@d.umn.edu(office)

Continuing Education Research Workshop –
Sunday August 7, 2005.
1:00-4:30 p.m.

Future Directions in Government and Nonprofit Research

The presenters are:

Randy Elders - Government Auditing Issues
Don Deis – Government Accounting & Reporting Issues
Ken Smith – Government Performance Measures & Reporting, Issues Related to the Municipal Bond Market
Linda Parsons – NPO Issues

The section received 25 papers to be reviewed for the annual meeting. AAA has allocated the section 5 concurrent sessions (plus some forum slots). We also have 3 submissions in the new scholar's category.

For detail information please contact:
Dr. Larry Johnson
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E-Mail: Laurence.Johnson@business.colostate.edu,

GFOA Certification Program Partners with Radford University by Bruce Chase

GFOA's Certified Public Finance Officers Program has established a strategic alliance with the Radford University Governmental and Nonprofit Assistance Center, directed by RU accounting professor Bruce Chase. RU will provide technical and administrative support for the program, with responsibilities including development of questions for the CPFO exams by faculty in the university's College of Business and Economics, and assistance in promoting the certification program.

Dr. Chase has been a Radford University faculty member for 13 years. His professional background is in the governmental sector. The Governmental and Nonprofit Assistance Center has a long-standing partnership with the Virginia GFOA in public finance officer training, especially GASB 34 training. During the last two years, with grants from the Alfred P. Sloan Foundation and additional support from VGFOA and the Virginia Municipal League, the center developed a Web site making comparative financial information reported by Virginia localities under GASB 34 available to the public. The site has become a model for other states.

Exams will be offered next on Friday, June 24, 2005 in conjunction with the GFOA Conference in San Antonio, Texas. June 17 is the deadline for applications. To learn more, visit www.gfoa.org or e-mail Certification@gfoa.org.

GAO Update

by Ken Smith and Paul Klumpes

News from the GAO – a new NAME – and a new RISK REPORT.

The GAO remains very active in publishing reports and the contents of speeches by the Comptroller General, David Walker (www.gao.gov/cghome.htm). These documents are available at the GAO website (www.gao.gov) and may be a source of interesting research questions. Two specific reports are discussed briefly.

On July 17, 2004, the GAO changed its name from the General Accounting Office to the Government Accountability Office. (www.gao.gov/about/rollcall07192004.pdf). Mr. Walker discusses the need to remove accounting from the title of this important organization. He states the old name "had not kept pace with GAO's evolving role in government. The truth is that "accounting" has never been our chief mission." (italics in original) Mr. Walker also notes that the head of the GAO (himself), serves a 15 year term, "which gives the agency continuity in leadership that is rare in the federal government. As a result, GAO…can afford to take a long-term view and address a range of complex and sometimes controversial issues." A list of potentially controversial issues is included in the High Risk Series discussed next.

On January 25, 2005, the GAO issued an update to the High Risk Series. (www.gao.gov/new.items/d05207.pdf) The High Risk Series was first issued in 1990 under Comptroller General Charles Bowsher and is re-issued every two years. The 2005 version removed three items, consolidated two items and added four new items. The list is summarized at: (www.gao.gov/cghome/highriskslides.pdf) and reflects what appear to be two major themes of the GAO and Mr. Walker: 1) The need for Broad-based Transformations and 2) Concerns over fiscal imbalance – especially in insurance and benefit programs such as Medicare, Medicaid and Social Security.

Researchers are especially encouraged to visit the web page for the Comptroller General frequently (www.gao.gov/cghome.htm) as Mr. Walker has given more than one hundred speeches or comments since 1999. The content of those speeches provide his logic and reasoning that should be useful as motivation for accounting researchers.

GASB Update

By Terry Patton

The year 2004 ended with the Governmental Accounting Standards Board (GASB) issuing Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and Technical Bulletin (TB) No. 2004-2, *Recognition of Pension and Other Post employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*. Both of these pronouncements are intended to clarify previously existing GASB standards.

Paragraph 34 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires net assets to be reported as restricted when *enabling legislation* places constraints on net asset use. Statement 34 explains that enabling legislation includes a *legally enforceable requirement* that resources raised by the legislation be used only for the purpose specified by the legislation. Governments applying this provision of Statement 34 have interpreted the meaning of a *legally enforceable requirement* differently. Because of constitutional or other provisions that prohibit one legislature from binding another, personnel in some state governments did not believe that it was possible for any legally enforceable restrictions to exist and, thus, they reported no restricted net assets. Other governments, in similar circumstances, believed restricted net assets should be reported.

Statement 46 was issued to clarify the meaning of *legally enforceable*. Paragraph 3 of Statement 46 states, "Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation." This clarification does not negate the need for preparers to use professional judgment in determining when restrictions exists; however, comparability in reporting among governments should be improved because the standard does makes it clear that a restriction exists when an *external party* can compel the government to use the resources created by enabling legislation as specified. Statement 46 is effective for periods beginning after June 15, 2005.

TB 2004-2 clarifies the accrual and modified accrual reporting requirements for employers' contractually required contributions to a cost-sharing defined benefit plan. In a cost-sharing plan, multiple individual employers pool their resources to provide benefits to retirees. The plan assumes the responsibility to provide the promised benefits to retirees from the individual employers. The employers then generally are billed for the amount necessary to fund the plan—their contractually required contribution. For governmental fund statements, TB 2004-2 requires that a pension expenditure be recognized for all contractually required contributions for the pay periods within a government's fiscal year, whether or not they are paid. Any unpaid contractually required contributions at the end of a government's fiscal year are reported as a governmental fund liability. TB 2004-2 is effective for financial statements for periods ending after December 15, 2004.

Association of Government Accountants

By Lee Schiffel and Ken Smith

AGA's Certificate of Excellence in Service Efforts and Accomplishments Reporting

In January 2003, the Association of Government Accountants (AGA) launched the Certificate of Excellence in Service Efforts and Accomplishments Reporting (COE in SEA). The Alfred P. Sloan Foundation is funding the certification program which is designed to encourage high quality service efforts and accomplishments reporting at the state and local government levels and to assist in communicating results to the public.

The project's pilot phase, which examined SEA reports for the 2003 fiscal year, was completed in 2004. SEA reports were submitted by 20 state, county, and local governments and were evaluated based on how well they communicated performance results to the public. A review team composed of three individuals with knowledge and experience in state and local government performance reporting evaluated each report, using the GASBs 16 criteria as specified in *Reporting Performance Information: Suggested Criteria for Effective Communication* (GASB, 2003).

This GASB report, which has come to be known as the Green Book for its green ink, is intended to provide a basis for further experimentation in external reporting of performance measures. The GASB proposes sixteen criteria that state and local governments can use to assist them in reporting "relevant, reliable information about the results of government programs and services to elected officials, citizens, and others." Upon completion of the review the AGA provided detailed recommendations for improvement to the participating governments. No certificates were awarded during the pilot phase.

A follow-up survey provides evidence that the reviewer comments were helpful and that the review process provided a valuable learning experience for the participating governments (Pilot Phase Report, 2004). The AGA has published a report citing noteworthy features for each of the 16 criteria from the pilot phase. A copy of this report can be found at the AGA's website: http://www.agacgfm.org/performance/sea/.

The implementation phase reviews are now underway; reviewers have been identified and trained and the AGA has begun to receive fiscal year 2004 SEA reports from participating organizations. Governments participating in the implementation phase will receive a detailed evaluation of their fiscal year 2004 performance report. This is the first year that the Certificate of Excellence in Service Efforts and Accomplishments Reporting will be issued. Implementation Phase Guidelines and information about participating as a reviewer can be found at the URL listed above.

GNP members Lee Schiffel (schiffel@geneseo.edu State University of New York-Geneseo) and Ken Smith (smithk@willamette.edu Willamette University) participated in the implementation phase training and are happy to answer any questions.

Editor's Note: Currently, AGA has 2% of its membership from Academia - this translates into about 300 members (14,000 total membership).
For an academic membership in AGA
http://www.agacgfm.org/membership/join/

NACUBO

By Teresa Gordon

Report from Accounting Principles Council of NACUBO

The Accounting Principles Council (APC) of the National Association of College and University Business Officers (NACUBO) met with both standard setting boards in Norwalk CT on Thursday, January 13, 2005. In the morning, APC members reported to GASB on the outcomes of several projects including performance measurement and industry response to the Sarbanes-Oxley Act of 2002. In turn, GASB board members and staff told us about their strategic plan as well as the conceptual framework projects and other items on the current agenda. In the afternoon, we met with members of the FASB and reported to them on our activities including proposed advisory guidance on an operating measure for independent (not-for-profit) institutions. FASB board members and staff discussed the business combinations guidance for not-for-profit organizations that should soon be released as an exposure draft as well as updates on fair value measurement, revenue recognition, and the codification projects.

The advisory report regarding voluntary compliance with governance standards along the lines of Sarbanes-Oxley can be found at http://www.nacubo.org/advisoryreports.xml but access is restricted to members. Since your institution is probably a member of NACUBO, you should be able to get permission for full access to the web site. Another article of potential interest for GNP members was published in the January issue of NACUBO's magazine, *Business Officer*, and highlights the differences between GASB and FASB rules. While some of our members have published similar articles in the past, this is a short version that might be useful in the classroom. One table presents accounting differences while a second table presents reporting and display differences. Larry Goldstein and Sue Menditto, "GASB and FASB … Can You Tell the Two Part?" *Business Officer*, January 2005, pp. 21-26

Our performance measurement project should be available soon and will include examples of goals with possible performance indicators as well as a reporting format that meets the 16 GASB recommendations on service efforts and accomplishments reporting. In a future newsletter, I will provide a link for the report as well as a link to the advisory report on a performance measure for institutions of higher education that report under FASB standards.
Teresa Gordon,
The GNP Section's representative on the APC

International

by Anthony J. Amoruso

Setting Body Has a New Name to Reflect Its Primary Mission

The Public Sector Committee of the International Federation of Accountants (IFAC) was renamed the International Public Sector Accounting Standards Board (IPSASB) in November 2004. The new name emphasizes the primary role that financial reporting standard-setting now plays in the activities of the Board. The name change also addresses one of the recommendations made by an externally-chaired review panel (the "Panel"), which was commissioned to consider the role, governance, and organization of the Board. The majority of the recommendations made by the Panel were approved in November by IFAC. In addition to the name change, the Panel made a number of significant recommendations and conclusions that aim to strengthen the credibility and modify the governance of the Board, including:

- The Panel recommended that the Board primarily focus its resources on accounting standard-setting, with the long-term goal of convergence of private and public sector financial reporting standards, where appropriate.

- The Panel endorsed the three components of the Board's current work program: 1) development of standards that address issues of particular importance to the public sector, such as accounting for non-exchange revenue, 2) harmonization of standards with International Financial Reporting Standards, where appropriate, and 3) convergence of standards with statistical bases of financial reporting.

- The Panel recommended that the Board appoint public members, who need not be members of IFAC member bodies (major national accountancy organizations recognized by law or general consensus within their countries). The appointment of public members would serve to increase public confidence in public sector reporting standards, broaden the perspectives available to the Board and its working groups, and increase the role of constituencies that are currently underrepresented on the Board.

- The Panel observed that a significant gap exists in the scope of international accounting standards with respect to the private not-for-profit sector, which is currently outside the mandate of both the IPSASB and the International Accounting Standards Board. Due to the substantial overlap of issues facing the public sector and the private not-for-profit sector, the Panel recommended that the Board broaden its scope to include the private not-for-profit sector in the future, subject to clarification of the Board's mandate and sufficient resources.

The Panel completed its report in June 2004, but public release was delayed until the report could be presented to the IFAC Board. The "Report of the Externally Chaired Review Panel on the Governance, Role and Organisation of the International Federation of Accountants Public Sector Committee" is now publicly available for download on the IPSASB website (www.ipsasb.org).

The Issue of Generational Accounting

by Paul J. M. Klumpes & Ken Smith

Under deficit/surplus accounting, governments sum up current period total dollar outlays and revenues of all kinds and express the difference between these as a 'deficit' or 'surplus'. This form of accounting has resulted in public employee pension system borrowing being kept 'off the books' at the whole of government level. Relative to accrual-based accounting principles, a generational accounting perspective serves a broader objective in reporting on inter-generational equity. Generational Accounting allows users to make judgments about (i) the extent of aggregate under funding, (ii) the implicit taxation burden placed on future generations and (iii) implications for inter-generational equity issues It also addresses concerns about the decision usefulness to the citizenry of the application of accrual-based accounting to the public sector, by providing information relevant to a broader user constituency of both current and future generations of taxpayers.

Recently, we (Ken Smith and Paul Klumpes) visited the General Accountability Office in Washington D.C., where we discussed ways in which Federal Government reports can be enhanced to include a 'statement of inter-generational equity'. While the Federal Government, in common with many other national governments, is planning to enhance their accountability in this area, it is not currently envisaged that such disclosures will fully articulate with existing government statements of resources, revenues and expenditures. Yet this approach does not square with the long-term implications of these guarantees. Ironically, such issues have already been addressed in the private sector, with major developments in the on-balance sheet impact of implicit and explicit guarantees such as executive stock options, pension and health care commitments, which eventually impact firm owners via the 'statement of shareholders equity.' However because these expenditures are typically pre-funded, whereas government guarantees are not, and because stakeholders equity of existing or potential taxpayers are neither easily fungible nor can be exchanged in financial markets, equivalent issues are not seen as being critical to the credibility of accrual-based performance financial reports by government. We expect future research to develop methods that allow further examination of the generational accounting perspective in other demographic and inter-generational equity sensitive public policy settings, such as environment, long-term health care and the valuation of infrastructure. We encourage interactions with colleagues on these issues.

GNP Section Grants

Annual Meeting Travel Grants

The GNP Section is sponsoring $500 travel grants for the 2005 AAA annual meeting. The grants are intended to assist doctoral students interested in GNP research by defraying a portion of the cost of attending the annual meeting and to allow doctoral students interested in GNP topics to interact with GNP Section members.

In return for the grant, recipients will be expected to attend GNP workshops (at no cost, of course) where they will be introduced to Section members that have similar teaching and research interests.

Applicants should send a letter, which describes their accounting interest in governmental and not-for-profit teaching and research. Additionally, applicants should provide a statement on why they feel they should receive the grant. Please include an e-mail address and phone number.

The deadline for travel grant submissions is **May 1, 2005** for the annual AAA August meeting (in San Francisco). Please send your letter of application to:

Dr. Jacqueline Reck
GNP Doctoral Program Liaison
School of Accountancy
College of Business Administration
University of South Florida
4202 East Fowler Avenue, BSN3403
Tampa, FL 33620-5500

If you have further questions you can contact Jackie at jreck@coba.usf.edu, (813) 974-6721.

Doctoral Dissertation Grants

The GNP Section sponsors a competitive dissertation grant program to help defray certain costs (up to $1,500) for individuals conducting dissertation research on governmental and not-for-profit topics. An applicant must be a doctoral candidate with a major or emphasis in accounting from a doctoral granting institution in the United States or a foreign country. Applications must be received by **May 1, 2005**, and should include:

1. An application letter explaining the nature of the project, current stage of the project, estimated completion date, how the award of a dissertation grant would contribute to the project, the nature of other grants received for the dissertation, and contact information (address, phone and e-mail).
2. A budget detailing the items and amounts for which funding is requested;
3. A copy of the dissertation proposal;
4. A letter from the dissertation chair stating that the proposal has been defended and accepted, or if not yet defended, that a firm commitment exists to permit the applicant to proceed with the proposed dissertation.

Requested funds may be used to defray or reimburse costs directly related to and necessary for completion of the dissertation. Included among the authorized purposes for grant funding is travel to collect data, purchase of data, and preparation and mailing of questionnaires. With adequate justification other costs essential to completion of the dissertation, such as coding of data and data entry, may also be considered for funding. Funds will not be provided for such costs as tuition and fees, computer use charges, word processing, and printing and binding the dissertation. In addition, grant funds will not be provided for purchase of computer hardware or software.

Send the application letter and attachments to:
Dr. Jacqueline Reck
GNP Doctoral Program Liaison
School of Accountancy
College of Business Administration
University of South Florida
4202 East Fowler Avenue, BSN3403
Tampa, FL 33620-5500

If you have further questions you can contact Jackie at jreck@coba.usf.edu, (813) 974-6721

CALL FOR PAPERS / AUTHORS

Call for Papers

Allied Academies at http://www.alliedacademies.org added a new Academy of Governmental and Not for Profit Issues with a new Journal of Governmental and Not for Profit Issues. As its editor, Treba Marsh is soliciting manuscripts for the new journal. Please send your papers to:
Treba Marsh
Associate Professor and Chair Department of Accounting
Stephen F. Austin State University
Box 13005 SFA Station
Nacogdoches, TX 75962-3005
Phone: (936) 468 3105 FAX: (936) 468 1482

Call for Authors

Frederic Bogui is editing a Handbook in Governmental Accounting and is in search of authors for the following chapters:

- Capital Project Fund
- Special Revenue Fund
- Enterprise Fund
- Internal Service Fund
- Trust Fund
- Agency Fund

If you have further questions you can contact Frederic at Bogui@njit.edu (973) 596-3696

ANNOUNCEMENTS

GNP Website:

GNP archives were just put 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.

Stay Connected with the GNP Section

Do you know Smitty? Well, he wants to know you; or, more precisely, he wants to know your e-mail address. Smitty is 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

The Government & Nonprofit News is published three times a year (Spring, Summer and Fall) 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 **May 15, 2005**. Submit newsletter items (max 350 words per item) to:

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