



**Message from Jacqueline Reck,  
University of South Florida  
AAA GNP Section President**

Dear fellow GNP colleagues,

Thank you for the honor and opportunity to serve as the president of the Government Nonprofit Section. Since I became involved with the Section as a PhD student at Missouri, the Section has been important to me as both a teacher and a researcher.

It is hard to believe we are approaching the end of the fall semester already. Before you know it you will be visiting me here in sunny Florida for the midyear meeting. Planning for the midyear meeting is underway and you will find additional information concerning the meeting in the newsletter.

Also, thank you for the tremendous response to my request for volunteers to serve on committees. I've contacted the GNP Accounting Standards Committee for its help in addressing issues before the Governmental Accounting Standards Advisory Council (GASAC). As the AAA-GNP representative on the GASAC it is valuable for me to have the thoughts and ideas of other members of the section. Ken Smith and I have even discussed the idea of possibly providing the membership with some simple survey questions on any of the more controversial or high impact standards and issues that might be put forward by the GASB. I'm very excited about the opportunity to better and more fully utilize the talents of those serving on the Accounting Standards Committee.

Alan Styles and I approached Tammy Waymire about including sessions on education at the midyear meeting, and she and her committee member Pam Strickland are on it! They have already contacted me about their plans for the midyear. In addition, they are busy developing ideas for next year's annual meeting.

Ruth Epps and her committee members have been working on membership. One of their suggestions was implemented when we requested that the AAA include the GNP Section's call for papers in the distribution that went to all AAA members. If we can let other members of the AAA know about the opportunities available for presenting their research we may find new members.

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Pat Johnson has been working on development of the newsletter. We have been working on the content to ensure that relevant information is being distributed to the membership. She and her team will be working with committee chairs and others to help get out three newsletters this year. Having served as a newsletter editor for other organizations, I know how difficult it can be to find the information needed for news articles. **Therefore, as a help to Pat please provide her with any information you have that would be of interest to the membership.** Please help her make your newsletter of value to you.

In addition to greater activity on the part of the committees, one of my other goals is to try and start work on a strategic plan for the GNP Section. Very recently I have contacted the past and some future section presidents in an effort to start us moving toward development of a plan. I would like to have the start of a plan to present at the midyear meeting in March.

I look forward to seeing you in March at the midyear meeting!

Jackie Reck  
jreck@usf.edu

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## Have You Seen?

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*Andrew J. McLelland*, Auburn University  
*Alan K. Styles*, California State University -  
San Marcos

GNP research is published in a wide range of journals. Since you cannot read them all, this feature of the newsletter highlights some recent research that you may have missed.

**“Earnings Management Using Real Activities: Evidence from Nonprofit Hospitals”** by Leslie G. Eldenburg, Katherine A. Gunny, Kevin W. Hee, and Naomi Soderstrom. *The Accounting Review* (Volume 86, Issue 5, 2011): 1605-1630

Using real operating decisions the authors extend the literature on earnings management by examining the types of expenditures (core versus noncore and operating versus non-operating activities) for a sample of California nonprofit hospitals partitioned on their earnings management incentives. They find for hospitals with incentives to engage in such behavior that expenditures on non-operating and nonrevenue-generating activities appear

to decrease, while core patient care activities remain unchanged. They also find evidence in non-core operational expenses. Next, they study if pay-for-performance incentives relates to earnings management and find that hospitals with stronger performance incentives exhibit a significant incremental decrease in expenditures. Lastly, the authors provide weak evidence to discriminate between earnings management and good operational decisions using two different kinds of behavior.

**“Institutional Drivers of Reporting Decisions in Nonprofit Hospitals”** by Ranjani Krishnan and Michelle H. Yetman. *Journal of Accounting Research* (Volume 49, Issue 4, 2011): 1001-1039

The authors study publicly reported statements by nonprofit hospitals to examine the influence of normative and regulative institutional factors on cost shifting. They explore whether normative constraints imposed by stakeholders, who prefer that nonprofit hospitals allocate their resources toward patient-related program services, influence the extent to which nonprofit

hospitals shift costs toward program services and away from administrative and fundraising categories, thereby appearing more efficient. They also study if cost shifting behaviors are influenced by regulative factors, such as oversight. The authors' analysis indicates that hospitals shift costs to a greater extent that face higher normative pressures to demonstrate efficiency and lower regulatory oversight. Results also find that hospitals that obtain higher donations revenue shift costs to a greater extent which is consistent with prior research.

**“Do Local Governments Present Required Disclosures for Defined Benefit Pension Plans?”** by Thomas E. Vermeer, Alan K. Styles, and Terry K. Patton. *Journal of Accounting and Public Policy* (Volume 31, Issue 1, 2012): 44-68

The researchers investigate whether local governments follow GAAP disclosure requirements for their defined benefit pension plans as stated in GASBS No. 27. In addition, Vermeer et al. identify characteristics of the local governments that have a propensity not to meet the disclosure requirements. The authors provide a brief overview of the history and extensive coverage of the disclosure requirements of GASBS No. 27. The researchers test the relationship between disclosure practices and various demographic, financial and governance characteristics of the local governments. They measure disclosure practices using a financial disclosure index that has 43 components. Characteristics of the local governments include reporting and disclosure quality, outstanding debt, external auditor, oversight of financial reporting, government governance and size. They test hypothesized relationships between disclosure and the various characteristics using the pension disclosures of a sample of 233 local governments in Michigan and Pennsylvania. The results of the study suggest that quality of financial reporting, outstanding debt, oversight of financial reporting and

governance are factors influencing the adherence to defined benefit pension plan disclosure requirements under GASBS No. 27.

**“Do State Enterprises Manage Earnings More than Privately Owned Firms?”** by Liu Wang and Kenneth Yung. *Journal of Business Finance & Accounting* (Volume 38, Issue 7-8, 2011): 794-812

The researchers investigate the relationship between earnings management and state ownership of enterprises (SOEs) in the emerging economy of China. Wang and Yung test the commonly held belief that SOEs are less efficient and therefore manage earnings more than privately owned enterprises (POEs). The authors provide background to the development of SOEs and the practice of “tunneling” between the SOEs and related parties – the parent company transfers assets and liabilities between subsidiaries in exchange for latter non-operating transactions between related parties post equity offerings of spin-off subsidiaries. Wang and Yung study earnings management for over 500 SOEs and POEs listed continuously on Chinese stock exchanges between 1998 and 2006. The results of their study suggest that Chinese SOEs engage in lower levels of earnings management than POEs. The researchers posit that the SOEs are not necessarily more efficient, but that the involvement of the Chinese government represents protection of the SOE' corporate activities and different incentive mechanisms.

**You may also be interested in *National Tax Journal*, Volume 64, Issue 3 & 4, September and December 2011.**

"Clean and safe" for all? The interaction between business improvement districts and local government in the provision of public goods by Rachel Meltzer

“School district responses to matching aid programs for capital facilities: A case study of New York’s building aid program” by Wen Wang, William D. Duncombe, and John M. Yinger.

“The effect of tax-based federal student aid on college enrollment” by Nicholas Turner.

“Re-thinking the deduction for charitable contributions: evaluating the effects of deficit-reduction proposals” by Joseph J. Cordes.

**Also check out *Abacus*, Volume 47, Issue 4, December 2011.**

This is a special issue on Public Sector Consolidated Financial Statements. It contains six articles that were presented at the Abacus Whole of Government Accounting Forum in December 2009. The articles address various consolidated financial reporting practices examining governments from Australia, New Zealand, United Kingdom, and the European Union.

**Reports recently issued by the GAO that may be of interest:**

The Federal Government Faces Continuing Financial Management and Long-Term Fiscal Challenges, GAO-12-444T, Mar 1, 2012

Improvements Are Needed in Internal Control over Financial Reporting for the Troubled Asset Relief Program, GAO-12-415R, Feb 13, 2012

Government Auditing Standards: 2011 Revision (Supersedes GAO-07-731G) [Reissued on January 20, 2012], GAO-12-331G, Dec 1, 2011

Higher Education: Use of New Data Could Help Improve Oversight of Distance Education, GAO-12-39, Nov 17, 2011

For-Profit Schools: Experiences of Undercover Students Enrolled in Online Classes at Selected Colleges, GAO-12-150, Oct 31, 2011

Department of Defense: Challenges in the Implementation of Business Systems Could Impact Audit Readiness Efforts, GAO-12-177T, Oct 27, 2011

If you have seen any published research papers you think would be of interest to our members, please send them to Andy [mclelaj@auburn.edu](mailto:mclelaj@auburn.edu) or Alan [astyles@csusm.edu](mailto:astyles@csusm.edu).

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## GNP Section Mid-Year Meeting

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Join us March 8-9, 2013 in beautiful downtown St. Petersburg, Florida for the **2013 Government and Nonprofit Section Midyear Conference!** The conference will be held at the Hilton St. Petersburg Bayfront, which is near the Tampa Bay waterfront. Located near the city center the hotel is a short walk to many fine dining areas, several art museums and the University of South Florida-St. Petersburg.

Although the program for the conference is still being finalized, speakers who have indicated they will participate include the following: AAA President-Elect Mary Barth; Marina Pavlov, CEO and President of the Florida Association of Nonprofit Organizations; Lori Nissen, Partner with KPMG will address auditing governments/nonprofits; Dean Mead with a GASB update; Anne Fritz, the Finance Director for the City of St. Petersburg will address financial reporting issues. In addition a special session on teaching and education will be provided Friday afternoon, with working paper presentations on Saturday. You are invited to stay through the noon lunch on Saturday, when the executive board meeting will be held.

Please plan to join us for dinner on Friday night. We will have dinner at a local legend – the Columbia Restaurant, established in 1905. Rather than travel to Ybor City, we will enjoy the restaurant location at the St. Petersburg Pier, providing us with an outstanding view of Tampa Bay and the city. The restaurant is a relatively short walk from the hotel, or for those wanting to experience public transportation, the Looper Trolley runs every 15 minutes from the front of the Hilton to the Pier.

Check our web-site for additional conference highlights as the agenda finalizes! We have also included the web-site for the Columbia Restaurant so you can check out the view from the dining room ([http://www.columbiarestaurant.com/st\\_petersburg.asp](http://www.columbiarestaurant.com/st_petersburg.asp))!

## **Notes from the Governmental Accounting Standards Advisory Council (GASAC) – by Jackie Reck**

As your representative, I have attended two GASAC meetings. There are three meetings each year – spring, summer and fall. Each meeting lasts about 1-1/2 days and has a full agenda. As an academic, I find the comments of preparers, auditors and users very interesting. However, I also find that my approach to an issue is sometimes different! To help ensure that the academic perspective is more completely represented, I welcome any comments you have regarding any of the standards or issues GASB is addressing. To give you a better idea of the agenda topics, I have included some of the press release information from the GASB. I've selected those topics that are on-going or provide important information related to the GASB.

### **March GASAC Meeting**

The fair value measurement and application project is examining how governments determine fair value for investments and other assets. Members of the GASAC offered input on issues including those on fair value measurements of nonfinancial assets considering the highest and best use of those assets as determined by market participants; orderly transactions as defined by the FASB and the International Accounting Standards Board; and fair value measurement of a government's liabilities that take the government's credit standing into consideration. The GASB is expected to issue an Exposure Draft on accounting and financial reporting for fair value measurement and application issues in early 2013.

### **June GASAC Meeting** ***Report of the FAF***

FAF Trustee Dan Ebersole provided an update on various FAF matters. Following the issuance by the Securities and Exchange Commission of an order approving the establishment of an accounting support fee for

the GASB, invoices had been issued by the Financial Industry Regulatory Authority to broker-dealers based on their secondary market transactions during the first quarter of 2012. Given the establishment of the GASB accounting support fee, the FAF Board of Trustees decided to make GASB Statements and other final GASB pronouncements available to download free of charge from the GASB website, beginning June 1.

The final report on the academic study regarding the scope of the GASB's activities is expected to be reviewed by the FAF Board of Trustees this summer. Once finalized, the report will be posted to the FAF's website, along with information about the Trustees' next steps in the process to review the scope of GASB's activities within the context of its mission. (Note: now available at [http://www.accountingfoundation.org/cs/ContentServer?site=Foundation&c=Document\\_C&pagename=Foundation/Document\\_C/FAFDocumentPage&cid=1176160229655](http://www.accountingfoundation.org/cs/ContentServer?site=Foundation&c=Document_C&pagename=Foundation/Document_C/FAFDocumentPage&cid=1176160229655))

### ***GASAC Feedback on GASB Projects***

GASAC members provided feedback to the GASB on two projects—fair value measurement and application, and fiduciary responsibilities—as well as regarding the GASB's draft strategic plan and GASB research on the timeliness of financial reporting.

The fair value measurement and application project is examining how governments determine fair value for investments and other assets and when fair value measurements should be displayed in the financial statements. Members of the GASAC offered input on the major tentative decisions made in the project to date, including those related to valuation techniques, and the hierarchy of inputs to valuation. Separately, GASAC members provided feedback regarding attributes that may distinguish investments from capital assets, and assets and liabilities that are either now reported at fair value or could be reported at fair value. The GASB is

expected to issue an Exposure Draft on this project in early 2013.

The objective of the fiduciary responsibilities research project is to assess whether additional guidance should be developed regarding whether and how governments should report fiduciary activities in their financial reports. Because existing standards do not provide a basis for a clear answer, there is diversity in practice regarding the interpretation of governments' fiduciary responsibilities. Specifically, members of the GASAC provided the GASB with input regarding their views regarding the definition of the term *fiduciary* and what it means to possess a *fiduciary responsibility*.

### **Observations and Comments**

Both the fair value measurement and application project and the fiduciary responsibilities research project are on the agenda for the November GASAC meeting. Additional topics that might be of interest to the membership are: Economic Condition Reporting; Financial Projections Project, Conceptual Framework—Recognition and Measurement Approaches, the GAAP Hierarchy Project, and the Government Combinations Project. Information about all of these topics is available on the GASB web site ([www.gasb.org](http://www.gasb.org)). If you have an interest in any of these topics, please let me know and I will be more than happy to visit with you about the topic.

The GASB has looked carefully at the FASB fair value approach. Therefore, if you have concerns about what FASB has/is doing with fair value, your thoughts would be relevant to me as your GASAC representative. The recognition and measurement project has been on-going for quite some time. It is addressing recognition and measurement for governmental funds. If you have concerns about current recognition and measurement for governmental funds, I would be interested in your thoughts.

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### **In Memoriam**

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It is with great sadness that we note the passing of Dr. Louis Stewart, associate professor of accounting at Howard University, member of the GNP Section. Louis is survived by his wife Valerie; children Patrice, Sarah, Jessica and Louis, Jr. and brother, Nathaniel.

Following are excerpts from his bio as it appears on the Howard University website: Louis J. Stewart, Ph.D., CPA, was born in Charleston, South Carolina and raised in Philadelphia, Pennsylvania. He attended Central High School where he starred in track and cross-country. He earned his bachelor of art degree from the Franklin and Marshall College. Louis continued his education at the University of Chicago where he earned his Master's in Business Administration with a dual concentration in accounting and finance. In the years following his graduation from the University of Chicago, Louis worked as a financial analyst at the United Way of Chicago, was the controller of Chicago Child Care Society, and was also the chief financial officer of the Englewood Community Health Organization. He earned his CPA during this time period. Louis prepared himself for a second career in higher education by earning a doctorate in business administration with an accounting major from the University of Wisconsin in Madison.

Prior to joining the faculty of Howard University, Louis taught at Kean University, Long Island University, the Robert F. Wagner Graduate School of Public Service, New York University, and Florida A&M.

His research, which was focused on the financial management of nonprofit and health care organizations, has been published in the

*Journal of Corporate Accounting and Finance, Journal of Healthcare Management, Research in Healthcare Financial Management, Journal of Health Care Finance, and Journal of Public Budgeting, Accounting, and Financial Management.*

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## **Retired Professor Turned Novelist**

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Since retirement from academe, Wanda A. Wallace (The John N. Dalton Professor of Business *Emerita*, College of William and Mary) has enjoyed writing poetry and fiction (appearing in *The MacGuffin, Space and Time, and Tales of the Talisman*). Her first novel, *The Soothsayers*, launched on September 4, 2012, is on the home page of [champagnebooks.com](http://champagnebooks.com) (and retrievable from many other fiction sites beyond the publisher's).

Dr. Wallace's nonfiction writings include 50 books and 250 articles. A second novel, *Blacksmith* is coming soon from Champagne Books.

Dr. Wallace was a past Chair of GNP section (1987-1988)

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## **Enduring Lifetime Achievement Award**

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The most recent recipient of the GNP section's Enduring Lifetime Achievement Award is Dr. Rita Cheng. Rita is the 15<sup>th</sup> person, and the first woman, to receive this honor since it was created 25 years ago.

Rita's contributions to the field of governmental and nonprofit accounting are too numerous to list them all, so I will focus

on just a sample of her many accomplishments. During her career, Rita has published dozens of articles and book chapters, including a 1992 article in the *Journal of Accounting and Public Policy* that is still frequently cited today. She served as dissertation advisor to a number of Ph.D. students and continues to mentor junior scholars through the early stages of their careers. During her time at University of Wisconsin – Milwaukee, she brought together nonprofit experts from the business and public policies schools to create a graduate program to train nonprofit managers. She sponsored two public policy doctoral students at a GNP midyear meeting in Washington, DC. One of those students remains an active member of our section and has collaborated on several governmental studies with accounting scholars. During her twenty-plus years as a member of the GNP section, Rita served in a number of roles, including as the section president in 2000-01.

While continuing her research and teaching, Rita has taken on a number of increasingly demanding administrative roles. She served as the Associate Dean at the Sheldon B. Lubar School of Business, the Provost and Vice Chancellor for Academic Affairs at the University of Wisconsin – Milwaukee, and today is the Chancellor at Southern Illinois University.

Please join me in congratulating, and thanking, Dr. Rita Cheng.

Linda Parsons, Chair of the Nominating Committee  
Thanks also to the following nominating committee members: Tom Vermeer, Jayaraman (VJ) Vijayakumar, Saleha Khumawala and G. Robert (Smitty) Smith

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## Did You Know?

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Guidestar.org offers free premium to educators and their students for use in the classroom and also for unsponsored research. More information and instructions to request the accounts are available at <http://www.guidestar.org/rxg/products/resources/guidestar-for-education.aspx>

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## Let Us Hear From You

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The deadline to submit items for inclusion in the next issue of **Government & Nonprofit News** is **March 31, 2013**. Submit newsletter items (max 350 words per item) to:

Pat Johnson, Editor  
Government & Nonprofit Editor  
Canisius College  
2001 Main Street  
Buffalo, New York 14208  
Phone: (716) 888-5947  
E-mail: [johnsonp@canisius.edu](mailto:johnsonp@canisius.edu)

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**Following are the GNP section officers for the 2012-13 academic year.**

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