



**American
Accounting
Association**

Government and
Nonprofit

Government & Nonprofit News

Volume 41 Number 2 ■ Spring 2021

Message from Robert J. Eger III, Naval Postgraduate School AAA GNP Section President

GNP Section Members:

I hope you are well and we are moving toward “normality” as we move into the post-COVID-19 era. I wanted to take a moment of your time to review a noteworthy year and provide some insight into the future. I want to thank everyone for their contribution to your GNP Section. How you participate, as a discussant, reviewer, presenter, moderator, committee member, or volunteering in some other capacity, impacts all of our Section in a positive manner and makes our Section remarkable.

It was great to see an incredible number of you in our first virtual Midyear meeting. A big shout out to Erica Harris for her wonderful organization of our Midyear meeting. Erica put together a fantastic and research focused midyear. I want to thank Dean Mead for an excellent presentation on GASB’s objectives. Vaughn Radcliffe, thank you for the update on the *Journal of Governmental and Nonprofit Accounting* (JOGNA). I would like to thank all of our presenters and the discussants. You are what makes the Midyear a superb time to assess research in the GNP. Thank you to our remarkable Executive Board. I appreciate all the help and encouragement. I would be remiss if I forgot a critical aspect of our Midyear meeting, the generous financial support from KPMG and the contributions of our Vice President of Practice, Mandy Nelson. Thank you, Mandy and KPMG!

As we conclude this academic year, I am sure we are praying the COVID-19 pandemic comes to an end so that we can get back to “normal” and have an opportunity to get together again for the GNP Midyear in 2022 in Washington, DC. The next get together for the GNP section is the AAA Annual. I look forward to the virtual meeting and seeing all of you there. Nancy Feng is putting together an exceptional program and pre-program event. Thank you, Nancy! Stay tuned for registration on the AAA website (aaahq.org) and the meeting schedule. I wish everyone my best as we conclude the spring semester and move into the summer.

Thank you for the opportunity to be the President of such an incredible Section,

Robert J. Eger III
rjeeger@nps.edu



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2021 Annual Meeting News

The 2021 American Accounting Association (AAA) Annual Meeting is scheduled to be held virtually on **August 2-5, 2021**.

GNP Section Events at the Annual Meeting:

- Preconference Workshop: Friday July 30 at 1-3 p.m.
- PhD & New Faculty Mentoring Session & Networking Lunch: Date/time (*TBD*)
- Luncheon/Business Meeting: Date/time (*TBD*)
- Concurrent Sessions: Dates/times (*TBD*)
- Dialogue Session: Date/time (*TBD*)

Important Notice: At the time of the GNP newsletter release, the program for the annual meeting has not been released. Please visit AAA's website for information & updates. <https://aaahq.org>

Annual Doctoral Mentoring

By: Amanda W. Beck, Doctoral Program Liaison

The doctoral committee of the GNP section would like to invite you to participate in our research mentoring program.

PhD students, new faculty, and experienced faculty who are interested in the GNP faculty mentorship program should email Amanda Beck (abeck@gsu.edu) about their interest.

Current Events:

- Submissions for the dissertation award are due April 15
- Submissions for dissertation grants are also due April 15

Upcoming Annual Meeting Events:

- In past years, mentors would meet one-on-one with mentees during the annual meeting to provide feedback on a working paper. We would also have a group lunch of all mentors/mentees during the annual meeting.

The structure of the program will be modified this year to accommodate a virtual format, with details *TBD* depending on level of participation.

GNP Sponsored Preconference Workshop at Annual Meeting

By: Nancy Feng, Annual Meeting Program Chair

Working Title: Prospective Nonprofit Publication Outlets – A Panel Discussion with Journal Editors

Presenters: Editors from the GNP-related Journals

Time: Friday - July 30, 2021 at 1:00-3:00pm

Nonprofit research has its unique publication outlets. To promote nonprofit research and increase the awareness of these prospective publication outlets, we invite you to join us for a panel discussion with the editors from some of the journals publishing nonprofit research. The journals include The Accounting Review, Contemporary Accounting Research, Accounting Horizons, Journal of Governmental and Nonprofit Accounting, Journal of Public Budgeting, Accounting & Financial Management, Nonprofit Management Leadership, and Nonprofit and Volunteer Section Quarterly.

In the first part of the workshop, the panelist will share their insights about the types of nonprofit research they are looking for in their journals, publication trends, and suggestions for successful publication. In the second part of the workshop, participants will have the opportunity to ask questions and have a dialogue with the panelists.

2021 Midyear Meeting Recap

By: *Erica Harris, Midyear Program Chair*

The Government and Nonprofit (GNP) Section Midyear Meeting was held virtually on February 26-27, 2021. There were 94 registered attendees, which included 16 Ph.D. students and 1 undergraduate student.

Dean Mead, Director of Research and Technical Activities for the GASB, kicked off the Friday morning session with a GASB Update. Dean presented on a number of standard-setting issues currently on GASB's agenda. He also solicited proposals for the Gil Crain Memorial Research Grant program.

Friday afternoon included 3 research sessions with concurrent nonprofit and governmental topics. The first 2 sessions boasted more than 85 attendees (with approximately a 60/40 split between nonprofit and governmental sessions).

Saturday included 1 additional research session with concurrent international and healthcare research topics followed by the section business meeting. During the business meeting the best paper award was presented to Jared Koreff from Trinity University, Martin Weisner from The University of Melbourne, and Steve Sutton from Norwegian School of Economics for their paper

titled: "Data Analytics (Ab)use in Healthcare Fraud Audits."

We wish to thank the speakers, discussants and moderators who presented during the Friday and Saturday research sessions. We also express our gratitude to Dean Mead at the GASB for his update and Kelli Rickrode from the American Accounting Association for her administrative support both before and during the meeting.

We gratefully acknowledge KPMG Foundation for its generous support in sponsoring the 2021 GNP Midyear Meeting.

Save the Date for:

The 2022 Midyear Meeting

March 10-11, 2022

Mark your calendars now for our next midyear meeting. The 2022 GNP Midyear Meeting will be held in Washington, DC,

on

Friday & Saturday, March 10-11.

It is currently being planned as a hybrid event which means that a virtual option will be available to those who cannot attend in person.

We hope to see you there!

Report on the Governmental Accounting Standards Advisory Council (GASAC) Meetings

Terry Patton, GNP Section Representative to the GASAC Council

The Governmental Accounting Standards Advisory Council (GASAC) will be holding its 1st meeting of the year on April 6th (via Webcast). Updates on the meeting will be provided in the Fall 2021 Newsletter.

Agenda items for the meeting include:

- Report of the Financial Accounting Foundation
- Report of the GASB Chair
- GASAC Member Feedback on the Results of Pre-Agenda Research on Investment Fees

- Report of the GASB Director of Research and Technical Activities
- GASAC Member Feedback on Emerging Practice Issues
- GASAC Member Feedback on the Technical Agenda Prioritization
- Results of GASAC Member Feedback on the Technical Agenda Prioritization
- GASAC Member Feedback on Conceptual

- Framework—Disclosure Framework
- GASAC Member Feedback on Omnibus
- GASAC Member Feedback on Prior-Period Adjustments, Accounting Changes, and Error Corrections

- Report of the Executive Committee and Other Business

Report on the AAA Executive Council Meetings

By: *Suzanne Lowensohn*, GNP Section Representative to the AAA Executive Council

March 2021 Meeting

The AAA Council met on March 26, 2021. Main topics covered include the following:

- Looking forward AAA has plans to partner with the AICPA, AACSB, and FASB for conferences.
- Council recommended that membership dues for full members (\$345) and student members (\$100) remain constant. Two-year college membership dues are slated to increase from \$90 to \$120 to be more in line with the student dues. A new category for all retired members was approved with dues of \$100. There is an ongoing discussion of membership categories (e.g., nontenured, early career, department, etc.).
- The Meeting Models task force continues to evaluate the existing business model for midyear meeting options to address rising hotel costs, section meeting net outflows, and the use of AAA staff time related to the meetings. Ideas being discussed include an enhanced planning model (similar to current model with additional budgeting requirements), a matrix model (AAA staff selects meeting details), joint meetings, hybrid meetings, and the use of university or conference center facilities for the meetings.
- The Diversity Equity and Inclusion (DEI) task force remains active. The task force recommends creating an elected VP position on the AAA Board of Directors with a DEI focus and also creating a DEI standing committee.
- Please contact Suzanne (Suzanne.Lowensohn@uvm.edu) if you are interested in joining this committee. Other strategic plans include the development of trainings for section and journal leadership and support of DEI research and dissemination.
- Within the governance committee discussion, it was suggested that contested elections be eliminated. Discussion ensued, and the section membership will be polled regarding contested elections.

Call for Papers

Journal of Governmental and Nonprofit Accounting

Vaughan S. Radcliffe, Editor
Tom Vermeer, Associate Editor



The *Journal of Governmental & Nonprofit Accounting (JOGNA)* is published by the Government and Nonprofit (GNP) Section of the American Accounting Association.

To promote timely, widespread

dissemination of ideas to the academic and practice communities, the journal is published online. The purpose of *JOGNA* is to stimulate and report premier-quality research on a wide range of governmental and nonprofit accounting issues. The journal is interdisciplinary in scope and welcomes a broad array of research traditions and approaches.

The journal solicits scholarly manuscripts of approximately 7,000 words (20 to 25 total pages). The editor and editorial assistant can be contacted at JOGNA@aaahq.org.

Appropriate topics for the journal include, but are not limited to:

- Financial reporting by Governmental and Nonprofit Organizations
- Governance practices in Governmental and Nonprofit Organizations
- Audit markets for Governmental and Nonprofit Organizations
- Financing Governmental and Nonprofit enterprises
- Budgeting and financial management in Governmental and Nonprofit Organizations
- Evaluating charitable organizations
- Performance audits
- State oversight of local governments
- The role of accounting in political markets

Submitted manuscripts should be original research not previously published and not under consideration at another journal. After screening by the editorial board for suitability, submissions will be reviewed by qualified reviewers under the direction of the editor. Revisions not resubmitted within 12 months from notification will be considered new submissions. *JOGNA* is an online journal. Accepted articles will be published (posted online) shortly after their acceptance.

- The use of accounting information in markets for philanthropic resources
- Financial and nonfinancial performance metrics in Governmental and Nonprofit Organizations
- Compensation in Public Sector and Nonprofit Organizations
- Regulation of reporting requirements for Governmental and Nonprofit Organizations
- Federal Accounting Standards
- Evaluating the public policy objectives, consequences, and performance of Governmental and Nonprofit Organizations
- Government Auditing Standards
- Government Cost Accounting Standards and the CASB

Appropriate methodologies include, but are not limited to:

- Empirical studies using archival data
- Laboratory studies
- Theory-based analysis
- Case studies
- Ethnography and field research
- Accounting history

Submission and Review Process: The manuscript submission/review process is completed online using the American Accounting Association online submission and peer review system available at the link: <https://www.editorialmanager.com/jogna>

The nonrefundable submission fee in U.S. funds is \$70 for members of the AAA Government and Nonprofit Section and \$100 for nonmembers of the AAA Government and Nonprofit Section, payable online by credit card (VISA or MasterCard only). If you are unable to pay by credit card or have any questions, please contact the AAA Member Services Team at (941) 921-7747 or by e-mail at info@aaahq.org.

In Memory of Earl. R Wilson

Earl R. Wilson earned his PhD at the University of Missouri where he then joined the faculty. He quickly earned a national reputation for his research in the municipal bond market. With numerous research publications focused on the municipal bond market, he provided insight into this large and understudied market. Publishing in such prestigious journals as *The Accounting Review*, *Journal of Accounting Research*, *Contemporary Accounting Research*, and the *Journal of Accounting and Public Policy*, his research is highly cited by fellow academics and has been used by government standard-setting bodies in their deliberative processes.

His passion for learning and research acumen led him to serve on more than 30 doctoral committees, helping successfully launch the careers of many professors. However, his commitment to learning extended beyond working with doctoral students to teaching at the undergraduate and graduate levels. His interest and expertise in the government and nonprofit sector resulted in his being asked to join the author team on the *Accounting for Governmental & Nonprofit Entities* textbook.

During his tenure as the lead author of the textbook it was the leading government/nonprofit textbook in the nation and continues to hold that distinction. His innovative ideas and commitment to quality strongly contributed and continue to influence the success and reputation of the textbook.



During his career Earl served as both the Joseph A. Silvoso Distinguished Director and the KPMG Peat Marwick/Joseph A. Silvoso Distinguished Professor in the School of Accountancy. He was an active member of many government related organizations and served the Government Accounting Standards Board in several capacities. He remained actively involved with the Missouri Society of CPAs even after retirement. A few of his many accomplishments included: academic fellow with the Governmental Accounting Standards Board (GASB); member of the Governmental Accounting Standards Advisory Council, the U.S. Comptroller General's Advisory Council on Governmental Auditing Standards, and the American Institute of CPAs Government Accounting and Auditing Committee; president of the American Accounting Association Government and Nonprofit (AAA-GNP) section; recipient of the enduring Lifetime Contribution Award from the AAA-GNP section; and recipient of the Cornelius Tierney/Ernst & Young Research Award from the Association of Government Accountants.

Have You Seen?

Please check out the GNP webpage at <https://aaahq.org/GNP> for sectional news and resources.

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

“Real Effects of Governmental Accounting Standards: Evidence from GASB Statement No. 53 - Accounting and Financial Reporting for Derivative Instruments” by S. Khumawala, T. Ranasinghe, and C. Yan. *Journal of Accounting and Public Policy*. Sept. 2020. **Abstract:** GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, (GASB 53) significantly altered U.S. governmental sector accounting of derivative instruments by mandating the recognition of hitherto off-balance sheet derivative instruments in the government-wide statement of net assets and requiring that ineffective hedges be clearly identified. These requirements have an unfavorable financial statement impact for municipalities with net negative fair value derivative positions and municipalities holding ineffective hedges. Using a hand-collected, comprehensive dataset of municipal derivatives, we examine whether the level of U.S. municipal derivative holdings changed following the adoption of GASB 53. Consistent with GASB 53 affecting municipal officials' derivative decisions, we find a significant post-GASB 53 reduction in derivative holdings for municipalities with net negative fair value derivative positions and ineffective hedges. Our findings suggest that governmental accounting regulations could affect real decisions of municipal officials and therefore could potentially have public policy implications beyond the provision of information to stakeholders.

“Government Procurement and Changes in Firm Transparency” D. Samuels. *The Accounting Review*. Jan. 2021. **Abstract:** The government requires its suppliers to have certain internal information processes to reduce uncertainty about their ability to fulfill their commitments. I argue that these requirements improve suppliers' internal information, which leads to better external reporting. Using a dataset of U.S. government contracts, I find a positive relation between

government contract awards and firms' external reporting quality. Consistent with procurement-related requirements driving this relation, I find that firms improve their external reporting when they begin contracting with the government, and that the magnitude of the improvement varies predictably with contract characteristics imposing greater requirements on contractors' internal information processes. Finally, I use the establishment of the Cost Accounting Standards Board in 1970 as a shock to contractors' internal information requirements and find greater improvements in external reporting among firms subject to the CASB. Overall, these results suggest that the government as a customer contributes to shaping firms' information environments.

“The Association between Board Composition, Board Governance, and Charity Care Provided by Nonprofit Hospitals” by L. Ragland and C. Plante. *Journal of Governmental and Nonprofit Accounting*. 2021 (early online). **Abstract:** In this study, we examine the association between board composition, board governance, and charity care provided by nonprofit hospitals. Using nonprofit hospitals' 990 tax return data, we first investigate whether the composition of nonprofit hospital boards of directors is associated with board governing decisions related to patients' eligibility for charity care. Then, we examine whether these same board governing decisions are associated with the reported amount of charity care provided by hospital management. These research questions are motivated by legislators' and regulators' interest in understanding how nonprofit hospitals behave in terms of their charitable missions (Kennedy, Burney, Troyer, and Stroup 2010). Overall, at the board governance level, we find the percentage of medical doctors on the board is positively associated with governing decisions affecting patients' eligibility for free charity care. Related, we find that percentage of healthcare

administrators on the board is also positively associated with governing decisions affecting patients' eligibility for both free and discounted charity care. At the social performance level, we find that board governing decisions related to patients' eligibility for free and discounted charity care are both positively associated with the amount of charity care provided by hospital management.

“Status of Non-Profits and Fraud: An Exploratory Study of Risks, Controls, and General Organizational Characteristics”

M. Eining, D. Hurtt, R.K. Hurtt, & C. Richards. *Journal of Forensic Accounting Research*. 2020.

Abstract: This exploratory study presents evidence on the general characteristics, risks, and controls of all non-profit organizations (NPOs) reporting a fraud (asset diversion) between 2009 and 2015. Compared to NPOs that did not report a fraud, the fraud-reporting NPOs were larger, older, more likely to be a 501c3, and urban. Data from the Form 990 provided information on the risks and controls present. Risks were positively associated with higher levels of reported fraud for all sizes of NPOs. However, controls were more often related to lower levels of fraud only for larger NPOs, with the level of controls present increasing with the size of the organization. We also identify new variables that should add to our understanding and also variables used in prior studies that may not have enough variance to add any insight. Based on the results from this study, we provide suggestions for future research.

“The Impact of Noncompliance and Internal Control Deficiencies on Going Concern Audit Opinions and Viability of Nonprofit Charitable Organizations”

by N. Feng. *Journal of Accounting, Auditing, and Finance*. 2020.

Abstract: This study investigates whether material noncompliance (*MNC*) with laws and regulations and internal control deficiencies (*ICDs*) in a nonprofit charitable organization (NPO) affect the likelihood that the NPO receives a going concern audit opinion (*GCO*) and the viability of the NPO. I find that noncompliance and *ICDs* are positively associated with the likelihood that an NPO receives a *GCO*. The results also suggest that the entity-level *ICDs* increase auditors' propensity to issue a *GCO* but *ICDs* that occur at the federal program level do not. The evidence from the survival analysis shows that only *ICDs* have significant

influence on the viability of NPOs. The results of the survival analysis also show that *GCO*-receiving NPOs are more likely to discontinue operations than their financially distressed peers, indicating that either auditors are correct in issuing the *GCOs* or *GCOs* become self-fulfilling prophecies. Analyses of Type I/Type II misclassifications suggest that auditors make more Type I errors than Type II ones, and the accuracy of going concern decisions seems to vary by auditor type, sector, and time period. The overall findings of this study provide evidence of hidden costs of noncompliance and *ICDs* in NPOs, which can motivate regulators and the managers of NPOs to enhance NPOs' governance to lower the probability of getting a *GCO* and improve the NPO's sustainability.

“Individual Auditor Characteristics and Audit Quality: Evidence from Nonprofits in the U.S.”

by N. Feng. *Journal of Public Budgeting, Accounting & Financial Management*. 2020

Abridged Abstract: Using a sample of US nonprofit organizations, where the identity of the auditor in charge of the audit is revealed, I investigate whether individual auditor characteristics (gender, engagement size and tenure) are associated with audit quality. My results show that female auditors are more likely to report internal control deficiencies and issue qualified audit opinions (QAOs) to nonprofits. I also find that auditors with more Single Audit engagements within the same year are less likely to report *ICDs*. In addition, auditor tenure is negatively associated with the likelihood of issuing an *ICD* report, suggesting that auditors become complacent as the length of the auditor–client relationship lengthens or, alternatively, that they are better able to assist their clients in correcting *ICDs* and in maintaining stronger internal control environments as they gain client-specific knowledge over time. Additional analysis suggests tenure and engagement load results are sensitive to the sample specification employed.

Let Us Hear From You

The deadline to submit items for inclusion in the next issue of **Government & Nonprofit Accounting News** is tentatively set for **October 31, 2021**. Submit newsletter items (maximum of 350 words per item) to:

Alfred A. Yebba, Editor
(Incoming Editor- Fall 2021)
SUNY-Binghamton
aayebba@binghamton.edu

*** Past GNP newsletters can be found at: <https://aaahq.org/GNP/Publications/Newsletter> ***

CIGAR Network

The Comparative International Governmental Accounting Research (CIGAR) Network is an organization whose mission is to promote worldwide discussion and research on comparative governmental accounting. The group sponsors conferences and workshops dedicated to governmental accounting research themes.

CIGAR will host a virtual biennial conference in the summer of 2021 (June 24-25, 2021). The theme of the workshop is “Public Sector Accounting for a Sustainable Future” Please find conference (and paper submission) details at <https://www.cigar-network.net/>.

Related, the CIGAR network has a call for papers for the 2nd annual issue of Public Money & Management. Papers should be submitted by April

30, 2021. The issue is to be published in 2022. Please visit:

<https://www.cigar-network.net/news/call-for-papers> for more information.

CIGAR was co-founded in 1987 by James Chan (University of Illinois at Chicago), Rowan Jones (University of Birmingham) and Klaus Lüder (German University of Administrative Sciences Speyer). The first conference was held in Chicago, but since that time, US involvement has ebbed and flowed. There are several research outlets associated with the group and/or identified on the CIGAR website at <http://cigar-network.net/>

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