



PRESIDENT'S MESSAGE

Mary Fischer, The University of Texas at Tyler

As the new year begins, I would like to express my appreciation to all of those who contributed to the GNP section's success in 2003 – 2004 especially Rich Brooks who kept us on task with timely agendas and stewardship. I also would like to thank all of those who agreed to serve as leaders, chairs and representatives for the new year.

As I start my term as GNP section president, I thank the membership for allowing me the opportunity. The membership and particularly the previous officers, regional coordinators, committee chairs and newsletter editor have created a vital and engaged section that enhances GNP teaching, research and service. They promote GNP accounting in the academy and provide contact to professional organizations.

To continue all of this good work, members are encouraged to promote the GNP section so as to provide the services and relationships that enable the section to fulfill its mission obligation to the discipline and membership. There are activities for new and continuing members of the section to help others as well as themselves. I encourage you to select one or more activities of the GNP section in which to participate.

A current section directory of officers, representatives, editors, committee chairs and regional coordinators is posted on the AAA website/directory. Let me share with you some of the activities conducted by these committees and office holders.

Newsletter – The section newsletter is published three times a year. It provides a means of regular communication among the GNP section membership. The editor is always looking for columnists or contributions to the newsletter. If you have a good idea or would like to share information, please contact the editor Saleha Khumawala Saleha@uh.edu at University of Houston.

Webmaster – The GNP website resides on the AAAHQ www page and provides on-line communication opportunities for members. If you would like to make a contribution to the web page, contact editor Suzanne Lowensohn at Colorado State University with your notice, article, etc. submission.

Doctoral Liaison – This is one of the most important committees in the GNP section. This committee promotes the Section's activities to doctoral students, helps with the selection of the Dissertation Award and coordinates the section research awards to doctoral students. If you have or know of doctoral students who might be interested in the GNP section activities, please contact chairperson Jacqueline 'Jackie' Reck at the University of South Florida.

Education – This committee is primarily responsible for developing and staffing educational workshops for the mid-year and annual meetings as well as working with the regional coordinators to develop regional educational activities and events. If you would like to contribute to these efforts, contact Ehsan Feroz at the University of Minnesota, Duluth.

Accounting Standards – The accounting standards committees has been spit into two tracks; government and not-for-profit. Co-chairs of this committee coordinate the response to all policy-making bodies that address government accounting and auditing topics. The committee coordinates the section's response to exposure drafts and helps to

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coordinate participation in hearings or testimony to policy-making bodies. Catherine Staples at Randolph-Macon College coordinates all government related activities while Teresa Gordon at the University of Idaho coordinates the not-for-profit.

Historian – The historian archives section materials. Former historian and now retiree John Engstrom performed yeoman duty in gathering materials from the time the section was formed in the 1970s until 2004. This year, he passed the baton to Barry Marks at University of Houston Clear Lake. Should you have annual meeting or regional meeting materials that document the section’s activities, Barry would appreciate receiving them.

Information Technology – The name of this committee is a misnomer. Actually information technology is the email coordinator and disseminator. Need to get out an announcement or something of interest to section members, contact G. Robert ‘Smitty’ Smith at Middle Tennessee State University. He will be happy to electronically send the information to section members on his list. If you do not currently receive these messages, send your email address to Smitty@mtsu.edu

International – This committee provides the GNP section with an international perspective and keeps members updated on international GNP issues through the newsletter. This committee also coordinates activities with the AAA International section and promotes international membership. Contact Anthony ‘Tony’ Amoruso at West Virginal University if you have international items of interest.

Membership – This committee needs all the help it can get to promote section participation and membership. Keeping in touch with current and

previous members is an ongoing challenge. If you would like to contribute to these efforts, contact Kenneth Smith at Willamette University.

Research and Program Representative – The chair of this committee helps with the mid-year and annual meeting paper reviews, designs pre-meeting workshops, develops meeting sessions and conducts a number of annual award programs including the outstanding paper and outstanding dissertation. Committee Chair Larry Johnson at Colorado State University will soon be sending out submission notices for the 2005 annual meeting. Co-Chair Elizabeth Keating has already posted the call for papers for the 2005 mid-year meeting scheduled April 1 and 2 in Boston.

Regional Coordinators – These are the people who coordinate and promote GNP activities at the regional meetings. They develop paper sessions, workshops, panels, speakers, and many other events that are part of the AAA regional meetings. If you are interested in working at the regional level, go to the AAAHQ website to find the appropriate regional coordinator’s name and contact information.

There are many other GNP section activities that you might join. Let me or President –elect Dana Forgione at Florida International University know if you do not find a coordinator in the directory for your particular interest. Please help to continue the efforts to have an active section and to deliver the services that are important to the Section’s members. I urge you to contact an officer, committee chair, or representative. Volunteer and get involved because the GNP section is a wonderful group of folks.

Again, thanks for allowing me to serve as the 2004-2005 GNP section president.

AAA Annual Meeting - Orlando 2004

The following list includes the Government and Nonprofit sessions held at the 2004 American Accounting Association 2004 Annual Meeting:

Empirical Research in Government and Nonprofits

Moderator: Barry Marks, University of Houston-Clear Lake

Tax-Motivated Earnings Management by Associations.
Mary Ann Hofmann, Andrews University

Discussant: Avinash Arya

The Determinants of Auditee Satisfaction and Perceived Audit Quality in Local Government.

Laurence E. Johnson, Colorado State University;
Suzanne L. Lowensohn, Colorado State University;
Donald Samelson, Colorado State University

Discussant: Marc Rubin, Miami University

Measuring Audit Quality of Local Government Authorities in England and Wales.

Gary Giroux, Texas A&M University; Rowan Jones, University of Birmingham

Discussant: Rabih Zeidan, University of Houston

**Efficiency, Executive Compensation, and Revenues
in Nonprofits**

Moderator: Donald Deis, University of Missouri

Marginal Spending and Efficiency in Charities.

Andrea Alston Roberts, Boston College; Pamela Smith,
The University of Texas San Antonio; Karen Taranto,
The George Washington University

Discussant: Susan Koch, Austin Peay State University

*The Price of Doing Good: Executive Compensation in
Nonprofit Organizations.*

Elizabeth K. Keating, Harvard University; Peter
Frumkin, Harvard University

Discussant: Robert Russ, Virginia Commonwealth
University

Some Time Series Properties of Contribution Revenues.

Charles A. Barragato, Long Island University - C.W.
Post Campus

Discussant: Randal Elder, Syracuse University

Financial Reporting Issues in Nonprofits

Moderator: Laurence E. Johnson, Colorado State
University

*Financial Reporting Factors Affecting Donations to
Charitable Not-for-profit Organizations.*

Linda M. Parsons, George Mason University; John M.
Trussel, The Pennsylvania State University at
Harrisburg

Discussant: Rita Hartung Cheng, University of
Wisconsin-Milwaukee

*Determining Cash Flows from Operations using Form
990 Data.*

Mary Fischer, The University of Texas at Tyler; Teresa

Gordon, University of Idaho; Saleha B. Khumawala,
University of Houston

Discussant: John Trussel, The Pennsylvania State
University at Harrisburg

*Toward a More Powerful Model of Financial
Vulnerability for the Nonprofit Sector.*

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

Discussant: Byron Henry, Howard University

Forum Paper, Government and Nonprofit

*State and Local Government Accounting in 19th-
century America: A Review of the Literature.*

Stephanie Dunham Moussalli, University of Mississippi

GASB Update

by Terry K. Patton

The Governmental Accounting Standards Board (GASB) completed a review of its technical agenda in August 2004. Projects expected to be completed before year-end includes an update of the comprehensive implementation guide and a Statement that would amend GASB Statement 34 to clarify the meaning of net assets restricted by enabling legislation. Also, a preliminary views document on pollution remediation obligations and exposure drafts for a proposed statement on termination benefits and a proposed technical bulletin clarifying the requirements for reporting pension and other post employment benefits as fund liabilities are expected to be issued by December.

At the American Accounting Association's annual meeting in Orlando, several comments were made about the lack of research that is being conducted on state and local governmental financial reporting topics. Obviously, the GASB benefits from the work of academicians, who conduct research in areas that have implications for governmental financial reporting. Since July, the GASB

has been reworking its strategic plan, and one of the points that have been made during the discussions of the plan is the need to learn from the work of other organizations and individuals. One of the tentative strategic plan objectives states that the GASB should "leverage the knowledge and resources of other organizations and their members." Therefore, the GASB would again encourage members of the Government & Nonprofit Section to consider conducting research on projects that will be of interest to the GASB in the coming years.

Generally, the GASB benefits from two types of research. One type considers the results of issuing past standards—of particular interest now would be research on the effects of Statement 34. For example, how has Statement 34 affected the analysis of governmental financial statements? The other type of research that would benefit the GASB is research on projects on the GASB's "research" agenda. Every four months the GASB updates its technical plan. Projects

currently included on the GASB's technical plan as current or long-term research projects include economic condition, intangible assets, financial performance measurements, in-kind contributions, service efforts and accomplishments, and the preservation method for

reporting infrastructure assets. Anyone interested in conducting research on one of these topics should contact Terry Patton at tkpatton@gasb.org or by phone at (203) 956-5203.

GASAC Update

by Sue Kattelus

The Governmental Accounting Standards Advisory Council (GASAC) met in Milwaukee July 18 and 19, 2004 in conjunction with the NACUBO annual meeting. NACUBO Board members joined us for lunch, we attended their welcome reception, and Harvey Eckert—GASAC chair, Bob Attmore—GASB chairman taking over for Tom Allen who held the post for ten years, and David Bean—GASB's Director of Research presented an update session to a large group of NACUBO and GASAC members. This meeting was the second of three this year and focused on strategic planning as Bob and the GASB board and staff set goals and objectives for the next five years. A lively discussion by GASAC members representing 29 constituent organizations ensued that will surely influence how the plan is crafted. Our AAA-GNP members should pass along suggestions about GASB's role in the U.S. and international standards setting arena post-GASBS 34 to David Bean, Dean Mead or our AAA-GNP section member on the GASB staff, Terry Patton.

In this meeting and previous ones in New York City on March 11-12, 2004 and November 13 and 14, 2003 the staff updated the council on its technical agenda (check the GASB website at www.gasb.org for its agenda and recent pronouncements). Statement No. 45 and 43 now complete the other post-employment benefits (OPEBs) project on issues related to employers and to plans; No. 44 was issued as part of the economic condition project and the first review of the statistical section of the CAFR in 25 years; and No. 42 addresses impairment of capital assets. Technical Bulletin No. 2004-01 was

issued to provide guidance on entity and recognition issues to primarily states that set up Tobacco Settlement Authorities. Other projects being deliberated include the communications methods piece of the conceptual framework project, derivatives and hedging, and pollution remediation obligations. An Exposure Draft on net assets restricted by enabling legislation is out with comments due by August 31, 2004. Our members are strongly encouraged to respond during any comment period as the GASB values our insight and perspective in analyzing relevant issues. The fund balance piece of this project was separated from net assets and is still being deliberated. Longer term projects include service efforts and accomplishments and reporting model implementation. A comprehensive implementation guide on GASBS 34 is now available.

In other news, GASAC members are assisting the FAF in a Fair Share Assessment Program, a campaign in which the user and preparer community are asked to support the GASB's work in standards setting with an annual contribution. Sarbanes-Oxley changed the nature of funding FASB and GASB and these contributions, including our section's annual contribution, are more important than ever to support GASB's operations. Also, David Walker, Comptroller General of the GAO (recently renamed the Government Accountability Office), attending the recent GASAC meeting to contribute to the strategic planning discussion and long range vision of governmental standards setting.

NACUBO

By Teresa Gordon

The Accounting Principles Council met in January to both make decisions and to plan projects for the year. The results of some of our projects were presented in April at the annual Higher Education Accounting Forum (HEAF) in Chicago as well as at the annual meeting of the National Association of College and University Business Officers (NACUBO) in July.

Standing committees include profession development, managerial analysis and decision support, the GASB/NASACT and FASB/AICPA committees. The latter two are responsible for responding to exposure drafts and the like. So far this year, we have only commented on the GASB exposure draft regarding other post-retirement benefit obligations. The projects

that are currently underway include follow-up for the Sarbanes-Oxley guidance for colleges and universities released last year (see Advisory Report 2003-3 at <http://www.nacubo.org/documents/news/2003-03.pdf>).

As part of this team's efforts, there was a very interesting panel at the HEAF meeting regarding how three institutions (small private, large private, and large public) are planning to implement some of the

recommendations. I am personally involved with the performance measurement project and reported results of a survey we did as part of the HEAF. We hope to issue a template that institutions could use to report performance indicators in a fashion consistent with GASB's proposed objectives for service efforts and accomplishments reporting. Other projects include benchmarking, endowment investment issues, internal financial reporting, and FASB/GASB differences.

International

by Anthony J. Amoruso

Recent Developments in International Accounting Standards

The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) met in New York in July. Significant developments included the adoption of a new International Public Sector Accounting Standard (IPSAS) and approval of a two-phase project to develop international standards on budget reporting by governments.

The PSC approved a new standard, IPSAS No. 21, entitled "Impairment of Non-Cash-Generating Assets." The final version of the standard reflects public comments on Exposure Draft (ED) 23, "Impairment of Assets," which proposed guidance for identifying, measuring, and recognizing the impairment of non-cash-generating assets. ED 23 also recommended the endorsement of International Accounting Standard (IAS) No. 36, "Impairment of Assets," for accounting for the impairment of cash-generating assets. Accordingly, the PSC voted to develop a separate IPSAS for cash-generating assets that mirrors IAS 36, with the addition of public sector examples. A first draft of the separate standard will be considered at the next PSC meeting in November.

The PSC also agreed to move forward with the development of accounting standards on budget reporting by governments. This action follows the publication of a research report on best practices in budget formulation and reporting by Jesse Hughes, professor emeritus at Old Dominion University. Current international standards do not mandate the disclosure of budgeted financial information at the time of budget approval, nor do they require comparisons of actual results to budget. The PSC has made development of an IPSAS on ex post comparisons between budget and actual a priority project, with plans to review a preliminary version of an exposure draft at its November meeting. In addition, ex ante reporting of budgets at the time of approval will be considered as part of a longer term PSC project.

The new IPSAS and the research report on budget reporting are available for free download on the IFAC website (www.ifac.org). The PSC will hold its next meeting November 1-4 in New Delhi. PSC meetings are open to the public, but seating is limited. Meeting details are available on the IFAC website, and interested parties should contact IFAC staff for further information and the availability of seating.

GNP Section Grants

Midyear and Annual Meeting Travel Grants

The GNP Section is sponsoring \$500 travel grants for the midyear GNP section meeting and the AAA annual meeting. The grants are intended to assist doctoral students interested in GNP research by defraying a portion of the costs of attending these meetings 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 interest in governmental and nonprofit accounting teaching and research and provides support on why they feel they should receive the grant. Please include an e-mail address and phone number.

The deadlines for travel grant submissions are:

December 15 for our **midyear meeting** (Boston, April 1-2, 2005) and

May 1 for the annual AAA August meeting (in San Francisco)

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

Please send your letter of application to:

Dr. Jacqueline Reck
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4202 East Fowler Avenue, BSN3403
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Call for Papers/Authors

2005 GNP Section Midyear Conference Promoting Financial Stewardship in the Public Sector

The conference is jointly sponsored by the Government and Nonprofit Sector of the American Accounting Association and the Kennedy School of Government at Harvard University. It will be held:

April 1-2, 2005
Kennedy School of Government
Harvard University

The Section is soliciting submissions on the subject of financial stewardship in the public sector, including both domestic and international governmental agencies and nonprofit organizations. A better understanding of sound stewardship in these institutions is important to many stakeholders, including taxpayers, service recipients, donors, regulators and employees.

The conference organizers encourage the submissions relating to all aspects of financial stewardship. The conference will be organized as a series of panels on topics, such as:

- Fiscal responsibility
- Financial sustainability
- Financial reporting and transparency
- Budgeting
- Asset preservation
- Intergenerational equity
- Social insurance programs
- Promoting accountability and good governance
- High-impact investment--programs and assets
- Auditing and internal controls, including fraud prevention and detection
- Financial literacy by key stakeholders
- Performance management and measurement

- Procurement and outsourcing
- Role of regulation
- Role of venture capital
- Stewardship in public/private partnerships

Panels will include a mix of practitioners and academics. Practitioners are encouraged to submit a 1-3 page abstract of their intended remarks. Academics are encouraged to submit full-length research papers. There is no charge for submitting papers or abstracts to the conference. The submission deadline is February 1, 2005. Please email a PDF version of your submission and address any questions to:

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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

Governmental Audit Quality Center

G. Robert Smith, Jr.

The American Institute of Certified Public Accountants (AICPA) announced the formation of a Governmental Audit Quality Center today. The Center, which is now accepting member applications, is a firm-based, voluntary membership center designed to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services.

Governmental audits include a wide variety of audit or attestation engagements, including audits of federal, state, and local governments; not-for-profit organizations, such as colleges and universities, hospitals, and charitable organizations; and certain for-profit entities, such as housing projects and colleges and universities, which participate in government programs or receive governmental financial assistance.

The mission of the Center is to:

- Raise awareness about the importance of governmental audits
- Serve as a comprehensive resource provider on governmental audits for member firms
- Create a community of firms that demonstrates a commitment to governmental audit quality
- Provide Center members with an online forum tool for sharing best practices as well as discussions on audit, accounting, and regulatory issues
- List member firms to enable purchasers of governmental audit services to identify firms that are members
- Provide information about the Center's activities to other governmental audit stakeholders

"State and local governments, not-for-profit organizations, and certain for-profit organizations that receive billions of dollars in governmental financial assistance each year and, as a result, are subject to a myriad of unique and complex audit requirements. CPA firms that join the Governmental Audit Quality Center demonstrate their commitment to employing the highest quality audit practices when performing these governmental audits", AICPA Chairman S. Scott Voynich said. "In addition to gaining access to best practices, guidelines, and tools focused around quality governmental audits, members demonstrate their

commitment to audit quality by agreeing to and meeting specific Center membership requirements", he added.

"The Center is intended to make a direct statement to members of our profession about the importance of their audit performance", said Susan Coffey, AICPA Vice President, Audit Quality and Professional Ethics. "The Center will give members the tools they need to adhere to a high standard of quality. It will also be a place where firms dedicated to quality governmental audits will share best practices, learn about emerging issues, and take steps to enhance quality in their practices."

The three new Audit Quality Centers, which were approved by the AICPA's Governing Council in Fall 2003, focus on audits performed in three areas of critical importance to the public interest: public company audits, employee benefit plan audits, and governmental audits. The Center for Public Company Audit Firms was established in January 2004 and offers enhanced resources to firms that audit publicly traded companies. It was followed in March 2004 by the launch of the Employee Benefit Plan Audit Quality Center for CPA firms performing employee benefit plan audits. The Governmental Audit Quality Center, designed to help CPA firms meet the challenges of performing quality governmental audits, is the third Audit Quality Center to launch this year.

The Governmental Audit Quality Center website is <http://www.aicpa.org/gaqc> with a single access point to the latest developments in governmental audits, and is now available to those wishing to learn more about the Center or to join.

Thoughts to Ponder

Governments tend not to solve problems,
only rearrange them.

President Ronald Reagan

The same prudence which in private life
would forbid our paying our own money for
unexplained projects, forbids it in the
dispensation of public moneys.

President Thomas Jefferson

Kudos!!

Cornelius E. Tierney/ Ernst & Young Research Award

This award recognizes individuals who throughout their careers have made continuous contributions to government financial management by their direct participation in research activities and/or through their encouragement and support of others engaged in government financial management research.

John H. Engstrom has contributed to the profession extensively for the past three decades as an educator and researcher in governmental and nonprofit accounting and public sector accounting education. The Governmental Accounting Standards Board, practitioners, and educators have used his research and published writings. Our Congratulations to John on this award that is well earned and well deserved.

Outstanding Dissertation Award

There were five submissions for the Outstanding Dissertation Award. Nicole Thibodeau's dissertation entitled "Improving the Organizational Architecture of Public Enterprise: An Investigation of the Effect of the Federal Government's Latest Effort Through the Veterans Health Administration," was selected for the Award, which was presented at the annual meeting held in August. Nicole completed the dissertation at the University of Pittsburgh Joseph M. Katz Graduate School of Business and is currently at Universit  Laval in Quebec, Canada.

Paper Published

Ken Smith's dissertation paper, which received the best paper award at AAA in Hawaii, was published in the International Public Management Journal.

Smith, Kenneth Alan. 2004 "Voluntarily Reporting Performance Measures to the Public: A Test of Accounting Reports from U.S. Cities", International Journal of Public Administration, 7(1): 19-48.

ANNOUNCEMENTS

The GNP website reconstruction is under way! We were able to retain the contents that Kitty created when we moved to the AAA server. We want to make this site at least as successful as it was when Kitty was running it in Idaho. Now we need to update some portions and expand, if interest exists Please take a look at the site <http://aaahq.org/GNP/index.htm> and

send any corrections, updates and suggestions to Suzanne at:

suzanne.lowensohn@business.colostate.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 **February 15, 2005**. Submit newsletter items (max 350 words per item) to:

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