



Government & Nonprofit

N E W S

American Accounting Association

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

When I began to write the President's Message for this issue of the GNP Section Newsletter, I was going to write about how successful our recently completed mid-year conference was. It was, you know, quite a success. We had a pretty good turnout—not as much as I had hoped, but not as bad as it has been in some years. However, given the seating arrangements in the GASB conference room, I don't know where we would have put any more attendees. I guess you could say we had a SRO crowd.

I could also talk about the sessions we had. Friday, of course, was pretty much a GASB day. That arrangement might turn off some of our members because not everyone is interested in state and local government accounting and reporting. However, it wasn't strictly a GASB day since we also had two presenters from the FASB talking about some recent nonprofit (or is it not-for-profit) activity from that Board. I believe there was a good mix of topics on Friday.

And, of course, Saturday was an even better day, and not because I arrived a little late that day. There were topics and paper presentations for all interests, including nonprofits, auditing, and accounting and reporting, topped of with a session on emerging research in our areas. If there wasn't something for just about everyone in this meeting, I just don't know what else we could have done.

I could keep going on this topic, but there are some things shaking out there that we as a Section need to be aware of. Also, I think it is time for the Section to stand up and be counted on these issues. At its core, we could be talking about the survival of the GASB as we know it today.

We are witnesses to what may be the greatest upheaval in the way accounting standards are set that this country has ever witnessed since the first standard-setting bodies—the Committee on Accounting Procedure for the private sector and the National Committee for Municipal Accounting for the public

sector—were created over 70 years ago. What is bringing about this upheaval? It is difficult to say. On the one side, you have that organization that has the legal authority to set accounting standards for publicly-traded companies in the United States: the Securities and Exchange Commission. On the other side, you have an organization that represents the preparers of governmental financial reports: the Government Finance Officers Association. Who is in the middle of all this? It is the Governmental Accounting Standards Board.

Let's start with the SEC. In a recent editorial appearing in *The Wall Street Journal* (Friday, March 9, 2007, Vol. CCXLIX, No. 56) Arthur Levitt, Jr., (Chairman of the SEC from 1993 to 2001) calls for reconfiguring the FASB and the GASB to reinvigorate the capital markets. Mr. Levitt believes that the Boards are becoming hostage to constituent organizations that pressure them resulting in overly complex and confusing standards.

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President's Message (continued)

Mr. Levitt traces part of the problem to the composition of the Boards. He is particularly tough on the FASB, pointing out that the seven positions on the Board have three members from public accounting, two from corporations, one from academia, and the last from the financial analysis arena. He doesn't point out that the GASB has a similar constituency for its members. The Chairman of the GASB has always been a State Auditor. Further, one member is from a CPA firm, two are from local governments, and, since 1990, one has been from academia. When the Board was expanded to seven members, one came from the comptroller area and the seventh represents users of financial statements.

Mr. Levitt believes that the Boards should be comprised of members that will serve the investing public and those who rely on financial statements to make market decisions. While I wouldn't claim to be on the same level of expertise as Mr. Levitt, I find one thing missing from his argument. No where does he mention the other users of government reports—citizens and decision-makers at the local level. Without question, Mr. Levitt has some important concerns in the global financial markets. However, he seems to forget that the public sector also includes citizen groups, legislators, and government executives. I would say to him that governmental financial reporting has a much wider audience than just his financial markets.

So, while there is a call to reorganize the standard-setting boards from Mr. Levitt, there are those on the other side that want to do away with the GASB entirely. Have you read the GFOA position yet? If not, you really need to do so. You can find it at this web site:

<http://www.gfoa.org/gasb.shtml>

It is an amazing document. The GFOA Executive Board wants to do away with the GASB. Why? Because they are going beyond accounting standards that address the traditional accounting and reporting model. Really? I have only one thing to say to that: hey guys, it is a whole new world out there with a whole new set of accounting issues.

I think the issues raised by the GFOA are very interesting. The organization's Executive Board seems to believe that the GASB needs to be in a

“maintenance mode” of focusing on accounting guidance that arises naturally from practice rather than creating new outlets for standards. Reflect on that position for a moment. Take a look at the standards issued since Statement No. 34 and tell me which ones have come from the “maintenance mode” and which ones just popped up from the great GASB. I have my opinions—what is your's?

What really seems to be driving the GFOA is the GASB's attempt to get service efforts and accomplishments reporting rolling again. This topic has only been on the GASB agenda since about Day-1, but the GFOA would have you believe the GASB are trying to start something new. The research done by Section members back in the late 1980s tells you this isn't true. The first mid-year meeting I attended at the GASB (as a doctoral student) had several presentations made by these researchers. For some reason, the one that sticks in my mind is Marc Rubin's work in sanitation. It seems like I remember him having a bunch of new words for different types of garbage!

In any event, SEA is not news. In all fairness, in the long history of this project, the GFOA has consistently opposed including SEA measures in traditional external reports. From my point of view, the worst part is that these organizations seem to be reacting to what the GASB might do in the area of SEA, not what they are setting out to do. What the Board is *not* doing is setting benchmarks against which to measure government performance. What the Board *is* attempting to do is to provide guidance on how governments prepare external reports (outside the CAFR) that provides their own benchmarks and how actual performance compared to these benchmarks. Which leaves the question: what is the GFOA getting so excited about? Maybe we can get an answer to that and other questions at the annual meeting in Chicago where Stephen Gauthier, the Director of Technical Services for the GFOA, will be our luncheon speaker.

I *highly* encourage you to keep abreast of these developments. Go back and read Levitt's editorial. Review the GFOA position on their web site. Watch for future articles in this newsletter. In other words: **GET INVOLVED!**

2007 Government and Nonprofit Section Conference Norwalk, Connecticut

Friday March 2, 2007 Schedule

Welcome and Introductions

Robert Attmore, Chairman, GASB
David Bean, Director of Research, GASB
G. Robert Smith, Jr., Middle Tennessee State University, President GNP section, AAA
Terry Patton, Research Manager, GASB

GASB Technical Agenda

OPEB/Pensions Standards and Research

Karl Johnson, Project Manager, GASB
Michelle Czerkawski, Assistant Project Manager, GASB
Eric Berman, Deputy Comptroller, Commonwealth of Massachusetts
Justin Marlowe, University of Kansas

Pollution Remediation Obligations and Environmental Accounting Research

Wesley Galloway, Project Manager, GASB
Kathryn Jervis, Florida International University

Conceptual Framework—Elements of Financial Statements

Roberta Reese, Project Manager, GASB
Penny Wardlow, Consultant, FASAB

FASB: Not-For-Profit issues (Mergers and Acquisitions, Fair Value Measurements, Statement 136)

Jeffrey Mechanick, Project Manager, FASB
Alicia Posta, Project Manager, FASB
Mary Fischer, University of Texas—Tyler

Derivatives Reporting and Research

Randy Finden, Project Manager, GASB
Louis Stewart, Kean University

Service Efforts and Accomplishments Project and Research

Wilson Campbell, Project Manager, GASB
Jay Fountain, Consultant
Rita Cheng, University of Wisconsin—Milwaukee
Lee Schiffel, State University of New York—Geneseo
Ken Smith, Willamette University

Conducting Research for the GASB

Terry Patton, Research Manager, GASB
Penny Wardlow
Gil Crain, Montana State University
Craig Shoulders, University of North Carolina—Pembroke
Saleha Khumawala, University of Houston

Saturday March 3, 2007 Schedule

Concurrent Sessions

Concurrent Session 9 - GNP Auditing Issues

Moderator: Charlotte Pryor,
University of Southern Maine

Determinants of Municipal Audit Committees

William R. Baber, The George Washington University
Angela K. Gore, University of Oregon
Kevin T. Rich, University of Oregon
Jean Zhang, The George Washington University

Discussant: Randy Elder, Syracuse University

The Role of Audit Committees in Nonprofit Organizations: An Empirical Investigation

Annette Pridgen, The University of Mississippi
Karl J. Wang, The University of Mississippi

Discussant: Dana Forgione,
University of Texas at San Antonio

Government Procurement Fraud

Gerald H. Lander, University of South Florida
Valerie J. Kimball, University of South Florida
Kimberly A. Martyn, University of South Florida

Discussant: J. Donald Warren, Jr., Rutgers University

**Saturday March 3, 2007 Schedule
continued**

Concurrent Session 10 - NonProfit Issues

Moderator: Nicole Thibodeau,
Naval Postgraduate School

*Does the Use of Efficiency Data Make
Donors Behave More Rationally?*

Evelyn McDowell, Rider University

Discussant: Royce Burnett,
University of Miami

*Misreporting Fundraising: How do nonprofit
organizations account for telemarketing campaigns?*

Elizabeth Keating, Harvard University
Linda Parsons, George Mason University
Andrea Roberts, Boston College

Discussant: Dan Neely, University of Houston

*The Avon and Komen Breast Cancer Walks:
Case Studies in Questionable Special Events
Reporting*

Dan Tinkelman, Pace University

Discussant: Catherine Plante, University of
New Hampshire

**Concurrent Session 11 - Governmental
Reporting Issues**

Moderator: Dwayne McSwain,
Middle Tennessee State University

Municipal Restatements and Governance

William R. Baber,
The George Washington University
Angela K. Gore, University of Oregon
Kevin T. Rich, University of Oregon
Jean Zhang, The George Washington University

Discussant: Ken Smith, Willamette University

*The GFOA Certificate revisited:
Excellence in financial reporting and
the costs and benefits of high disclosure*

Kenneth N. Daniels, Virginia Commonwealth
University
Angela K. Gore, University of Oregon
Jayaraman Vijayakumar, Virginia Commonwealth
University
Discussant: Paul Copley, James Madison University

*Debt Related Derivatives, US State and Municipal
Governments, and Evolving Financial Reporting Standards*

Louis Stewart, Kean University
Carol A. Cox, Middle Tennessee State University

Discussant: Joan Hollister, SUNY – New Paltz

Concurrent Session 12 - Governmental Accounting Issues

Moderator: Randy Kinnersley, Western Kentucky University

*Accrual Accounting in the Public Sector:
Why this Successful Trajectory?*

Vincente Pina, University of Zaragoza
Lourdes Torres, University of Zaragoza
Ana Yetano, University of Zaragoza

Discussant: Cathy Scott, Jackson State University

Cash to Accrual Accounting: One Nations Dilemma
Geoffrey Tickell, Indiana University of Pennsylvania

Discussant: Heli Hookana,
Turku School of Economics and Business Administration

Unfunded Public Employee Health Care Benefits and GASB 45

Eric S. Berman,
Deputy Comptroller, Commonwealth of Massachusetts
Elizabeth K. Keating, Harvard University

Discussant: Rabih Zeidan, University of Houston

Session 13 - Emerging Research

Moderator: Barbara Chaney, University of Montana

*Methods, Management, and Misstatements: An exploration of
Management and General Cost Allocations in the
Non-For-Profit Sector*

Rinku Bhattacharya, Pace University

*Governmental/Nonprofit Accounting:
Its Place in the Accounting Curriculum and Research*
Connett Powell, Argosy University

A Framework for Microfinance Supported Education Programs

Saleha B. Khumawala, University of Houston
Brian Frazier, University of Houston

*Does Electronic Disclosure Affect Contributions to
Nonprofit Organizations?*

Shirley A. Hunter, Tufts University
Royce D. Burnett, University of Miami
Janet Takaringwa, Simmons College

FASAB Chairman Seeks Your Input on Accounting for Social Insurance

Tom Allen, Chairman of the Federal Accounting Standards Advisory Board, wishes to remind you of the Preliminary Views document seeking comments on Accounting for Social Insurance. He notes that "programs such as Social Security and Medicare present the most challenging governmental accounting questions most of us will face in our lifetimes. This topic has been considered by many illustrious bodies over the past several decades and should only be resolved by FASAB after consideration of a broad base of responses. It is critically important that we hear both from our usual respondents and those outside the beltway."

The two of the five social insurance programs, Social Security and Medicare, is of special significance. These two programs involve a high rate of participation among citizens, the fiscal challenges related to the programs and the challenges associated with incorporating estimates of future cash flows of this magnitude in financial statements. The Preliminary Views offers two differing views, supported by different Board members, on accounting for social insurance.

Members believe that financial reporting can answer fundamental questions about social insurance. Key questions include whether the Government's financial position and condition improved or deteriorated as a result of providing these and other programs, and what is the likelihood that these programs will be able to provide benefits at current levels to those who are planning on receiving them. Ultimately, financial reporting should help users make these assessments while providing for the complexity of these programs and the uncertainty of long-term projections.

All ten Board members support the PV and its underlying objective to identify and assess potential methods for improving financial reporting of social insurance programs. This is evidence that all Board members wish to evaluate alternative methods for enhancing the transparency of the fiscal sustainability of social insurance programs, Board members propose two alternative approaches or "views" for accounting for social insurance programs.

A key difference between these views is the point in time that a liability for social insurance

benefits and related expense are recognized. Six members believe that for social insurance programs an expense is incurred and a liability arises when participants substantially meet eligibility requirements during their working lives in covered employment, and that some portion of the benefits accumulated at the balance sheet date should be recognized as a liability. Three members believe that for social insurance programs, consistent with current reporting requirements, an expense is incurred and a liability arises when the participants have met all eligibility requirements and the benefit amount is "due and payable;" for example, a due and payable liability would be payments due to the participants at the end of a reporting period but not yet disbursed.

Both views would present a statement of social insurance (SOSI) showing the present values of projected future program revenues and scheduled benefits, changes in such present values during the reporting period, and other sustainability disclosures; although the proposed information presented and presentation format differ.

The three members would add to the current sustainability reporting by requiring a statement of fiscal sustainability and additional sustainability information, in the context of all federal programs, as an integral component of social insurance reporting, subject to additional refinement through a broader FASAB project on sustainability. The six members would continue the sustainability reporting required under the current standard, and agree in principle with the need to consider through a separate project a statement of fiscal sustainability and additional sustainability reporting.

Exposure for comment is an essential part of due process. Respondents are encouraged to provide the reasons for their positions. The Preliminary Views document requests comments by April 16, 2007. The Exposure Draft in PDF format and the specific questions raised in Word format are available at the FASAB website

<http://www.fasab.gov/exposure.html>.

In addition, the Board plans to hold a public hearing on the Preliminary Views document at the May 23, 2007 FASAB meeting.

For more information:

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The Governmental Accounting Standards Board (GASB) continues to work on several important projects with three final documents and two additional due process documents expected to be issued by June 2007. The GASB expects to issue final Statements on the accounting and financial reporting of intangible assets and pension disclosures—conforming changes to the other post employment benefit standards disclosures. The GASB also expects to issue a concepts statement on elements of financial statements in June 2007. An exposure draft for a potential statement on derivatives is planned for June 2007. Also, an exposure draft for a potential statement on the accounting and reporting for land and other real property held as investments in endowment funds was issued in March 2007.

At this point, our typical GASB Update provides additional details about the projects (which can be found at our website: www.gasb.org). The GASB and its staff, however, would like to take this opportunity to thank all the section members who attended the GNP's mid-year meeting on March 2 and 3, 2007 at the GASB's offices in Norwalk, Connecticut. Almost sixty section members attended portions of the meeting along with most of the GASB staff and the GASB chairman, Robert H. Attmore. Chairman Attmore thanked the section for all the research that it has contributed to further improve state and local governmental financial reporting, and he encouraged section members to continue to work with the GASB on future research projects.

The GASB continues to seek help from academic researchers to meet its goal of establishing high-

quality standards that improve public accountability and that result in useful information to decision makers. The GASB is offering a \$5,000 research grant to do research on particular questions that are of interest to the GASB. Research questions have been developed for five topics: the financial reporting model, economic condition reporting, electronic reporting, financial performance measurements, and popular reporting. The details of the grant can be found at the GASB website

(http://www.gasb.org/users/Request_for_Research_Mar2007.pdf).

Proposals for research should be received by the GASB no later than June 1, 2007. The grant will be awarded June 15, 2007. The final research memorandum will be due by August 15, 2008. If you have any questions about how the GASB can help you with your governmental accounting research and courses, please contact Terry Patton (tkpatton@gasb.org).

2007 AAA Annual Meeting
August 5-8, 2007 Chicago, Illinois
Thomas E. Vermeer, University of Baltimore

This year's annual meeting in Chicago, Illinois will be an active one for the GNP section. We have two CPE sessions and seven concurrent sessions and panels.

The Research CPE session is scheduled for Sunday, August 5, 2007 from 1:00 to 4:00 pm. The title and description of the session are as follows:

Government and Nonprofit Research for Dummies: A New Avenue of Research to Consider

Are you interested in discovering a new avenue of research to consider? Whether you have or have never published in the government or non-profit area, this session will provide a "detailed road map" for publishing applied research in the government and non-profit area. This session will provide a:

- Detailed overview of what journals are available for applied research in the government and non-profit area, types of articles they desire, what editors do and do not prefer, and others "tips" to get your paper accepted.
- Panel of accounting, reporting, and auditing practitioners from CPA firms. Their discussions will focus on topics they have seen in their practices that are conducive to applied research.
- Panel of academics that have published applied research in the government and non-profit area. Their discussions will focus on things they have learned to increase the probability of getting a paper accepted.

If you attend this session, we will provide a "road map" to publish applied research in the government and non-profit area. Don't let this opportunity pass you by to increase your research productivity.

Thanks to everyone who volunteered to serve as a reviewer, moderator or discussant. Your assistance and support have been invaluable.

See you in Chicago!!!!

ANNOUNCEMENTS

The Governmental Accounting Standards Board (GASB) is seeking qualified candidates for an Assistant Project Manager position. The successful candidate will work with others on outreach and communication activities with the GASB's constituents, the preparers, auditors, and users of state and local government financial reports.

The position entails implementing initiatives from the GASB's five-year strategic plan related to communicating with and educating the GASB's constituents and engaging them in the process of establishing accounting and financial reporting standards. Responsibilities may include assisting with planning outreach efforts, drafting a variety of plain-language communications about the GASB's projects and endeavors, managing website content, maintaining a constituent database, and similar activities.

Candidates should have at least 5 years experience in and knowledge of the governmental environment, though not necessarily within government itself. An academic background of equal duration as a professor or researcher in public administration, accounting, or a similar field also would qualify. Candidates should have experience with outreach and communication activities. A Bachelor's degree is required. A graduate degree in public administration, accounting, or similar field is preferred.

Candidates should be well organized and possess strong written and oral communication skills and research skills. Candidates should be able to develop a good understanding of Governmental Accounting Standards while in the position (prior knowledge of accounting is a plus, but not required).

Interested applicants should submit a resume, writing sample, salary requirements, and references to Elena Colafrancesco at ecolafrancesco@f-a-f.org or the following address:

Elena Colafrancesco
Director, Human Resources
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Call for Papers
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IJIPS is a forum for analytical and comparative articles, essays, case-studies, and book reviews on such topics as innovation and research, intellectual property, entrepreneurship, and products.

The journal acknowledges the interdisciplinary nature of such studies. Topics could include, but are not restricted to:

- I. User-centred design, usability, usefulness, citizens perspectives
- II. Customer relations, different forms of interactions
- III. Quality and security
- IV. Governance and democracy, political prerequisites
- V. Decision support systems, risk and decision analysis
- VI. Accounting Information Systems
- VII. Integration and segregation, cooperation between public administrations/government agencies
- VIII. Digital archives
- IX. Multimedia communications

Submission guidelines and the blind review process are at: <http://www.ijpis.net/>

Stay Connected with the GNP Section

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

Please send your e-mail address to: smitty@mtsu.edu

GNP Website:

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

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

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

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