



Government & Nonprofit

N E W S

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Message from Linda Parsons, University of Alabama AAA GNP Section President

Hello again,

My year as president of the section is nearing an end, so I want to take this opportunity to thank everyone who has worked so hard to make the GNP section the wonderful place that it is. I continue to be amazed by the energy and commitment of the members; without your hard work the success we enjoy as a group would not be possible. I also want to highlight some of the accomplishments of the section during the past year.

First, we had a great mid-year meeting in March – approximately 60 of us enjoyed a couple of spring days in Birmingham. I kept my promise to have the azaleas in bloom, but forgot to warn those with allergies to beware! Despite a few sniffles, we had a great program and enjoyed networking with colleagues. A new feature at this meeting was a series of Emerging Research papers presented during breakfast on Saturday morning. The presenters discussed their research ideas in a casual setting with section members and got lots of feedback about their emerging projects. Based on the positive response to this new session, I expect we'll make it a regular feature of the mid-year meeting.

Second, we have yet another great lineup of sessions at the upcoming AAA annual meeting in Denver: nine concurrent sessions, two CPE sessions, and a host of presentations at the Effective Learning Strategies and Research Interaction Forums. I am also thrilled to have a special presentation by Gene Dodaro, the U.S. Comptroller General and head of the GAO. Mr. Dodaro will be in Denver on Monday, August 8 on GAO business, and has agreed to stop by to talk with the GNP folks about the issues he is dealing with these days.

Third, our new journal, JOGNA, began accepting submissions and is progressing toward its first issue! Thanks to all who have submitted papers or served as reviewers. Your contributions to our new journal are invaluable.

I want to offer special thanks to Vaughan Radcliffe for his work assembling the mid-year

meeting program, especially considering the challenge of doing so while adopting (or should I say wrestling) a new software program designed for physicists, not accountants. Thanks also to Terry Patton for his many hours organizing the annual meeting lineup.

Finally, I wish to again express my gratitude to all of you for allowing me the privilege to serve as the section president. Early in my career I received the following advice: "Say yes often, and no strategically." I am so glad I said yes to this opportunity.

I look forward to seeing many of you in Denver next month. Safe travels!

Linda

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**American Accounting Association
2011 Government and Nonprofit
Sessions at the Annual Meeting**

**August 8 – 10, 2011
Denver, CO**

We have several great GNP sessions at the annual meeting. Please mark your calendars and make plans to join us. Check the program in Denver for room assignments.

Monday August 8, 2011 — 10:15 am-11:45 am

1.15 Gene Dodaro Session

(NASBA Field of Study: Accounting (Governmental))
Moderator: Linda Parsons, University of Alabama

Monday August 8, 2011 — 2:00 pm-3:30 pm

2.26 Governmental Financial Reporting

(NASBA Field of Study: Accounting (Governmental))
Moderator: Jayaraman Vijayakumar, Virginia Commonwealth University

The Relative Influence of Fund-Based and Government-Wide Financial Information on Municipal Bond Borrowing Costs

Jacqueline Reck, University of South Florida; Earl R. Wilson, University of Missouri;
Discussant: Barry R. Marks, University of Houston at Clear Lake

Delays in Governmental Financial Reporting and the Impact on Decision Usefulness

Justin Marlowe, University of Washington; Dean M. Mead, Governmental Accounting Standards Board;
Discussant: Priscilla Wightman, Hartwick College

GASB and Pension Accounting – Proposing More Transparency in Reporting and Disclosing of Pension Obligations

Roberta Cable, Pace University Pleasantville; Patricia Healy, Pace University; Ashton Vines, Pace University Pleasantville;
Discussant: Annette Pridgen, The University of Mississippi

Monday August 8, 2011 — 4:00 pm-5:30 pm

3.21 Performance of Nonprofit Entities

(NASBA Field of Study: Accounting)
Moderator: Dana A. Forgione, University of Texas at San Antonio

The Association between Nonprofit CEO Compensation Change, Performance Signals, and Excess Cash Holding

Qianhua (Q) Ling, Marquette University; Daniel Neely, University of Wisconsin-Milwaukee;
Discussant: Mary Fischer, University of Texas at Tyler

Advancing Nonprofit Organizational Effectiveness and Efficiency - A “Balanced-scorecard” Approach within a Public Service Organisation

Heli Marjut Hookana, University of Turku, School of Economics;
Discussant: Robert J. Eger, Florida State University

Tuesday August 9, 2011 — 10:15 am-11:45 am

4.25 Governmental Governance

(NASBA Field of Study: Auditing (Governmental))
Moderator: Alan K. Styles, CSU San Marcos

Voluntary Formation of Audit Committees by Large Municipal Governments

Brian C. Fitzgerald, Texas A&M University; Gary A. Giroux, Texas A&M University;
Discussant: Alan K. Styles, CSU San Marcos

Initial Evidence on the Association between Municipal Audit Committees, Governance and Internal Controls

Pamela Jean Strickland, Methodist University;
Discussant: Patricia Johnson, Canisius College

The oversight committees in developing countries – public financial control and the expectations gap - Some empirical evidence from Sri Lanka

Prem W. S. Yapa, RMIT University, Melbourne, Australia; Ananda W. Ethugalage, Audit Dept, Colombo Sri Lanka; Sarath L. Jawattege, RMIT University, Melbourne, Australia;
Discussant: Erica Harris, Rutgers University - Camden

Tuesday August 9, 2011 — 2:00 pm-3:30 pm

5.25 Governmental Auditing and Federal Government Accounting

(NASBA Field of Study: Auditing (Governmental))

Moderator: Heli Marjut Hookana, University of Turku, School of Economics

Audit Quality in County Governments: Evidence from Audit Findings

Corey S. Cagle, The University of Mississippi; Annette Pridden, The University of Mississippi;

Discussant: Susan P. Convery, Michigan State University

Auditor Size and Internal Control Reporting Differences in Nonprofit Healthcare Organizations

Dennis M. Lopez, University of TX at San Antonio; Kevin Rich, Loyola University; Pamela C. Smith, University of TX at San Antonio;

Discussant: Dana A. Forgiione, University of Texas at San Antonio

Designing Optimal Defense Contracts: Are Cost-plus Contracts (Justifiably) Out of Favor?

Chong Wang, Naval Postgraduate School; Joseph San Miguel, Naval Postgraduate School;

Discussant: Victoria Shoaf, St. John's University

Tuesday August 9, 2011 — 4:00 pm-5:30 pm

6.25 Governmental and Nonprofit Research

(NASBA Field of Study: Accounting)

Moderator: Susan P. Convery, Michigan State University

Opportunistic Pricing and Incentives in Nonprofit Hospitals

Rabih Y. Zeidan, Texas A&M University-Corpus Christi; Saleha B. Khumawala, University of Houston;

Discussant: Pamela C. Smith, University of Texas at San Antonio

Debt Issuance Behavior in Special Purpose Entities

Robert J. Eger, Florida State University;

Discussant: Jayaraman Vijayakumar, Virginia Commonwealth University

The Actual Evaluation of Demand Risk Management in Operational Public Private Partnership Roads

Richard Michael Burke, Waterford Institute of Technology; Istemi Demirag, Queens University Belfast;

Discussant: Daniel Neely, University of Wisconsin-Milwaukee

Wednesday August 10, 2011 — 10:15 am-11:45 am

7.28 Revised Governmental Independence Standards

(NASBA Field of Study: Auditing (Governmental))

Moderator: James R. Dalkin, GAO - Governmental Accountability Office

Panelists:

Dan Murrin, Partner, large firm perspective
Ellen Gorla, AICPA PEEC, AICPA perspective
Tom Vermeer, faculty, University of Delaware - academic view

Wednesday August 10, 2011 — 2:00 pm-3:30 pm

8.28 International Government and Nonprofit Research

(NASBA Field of Study: Accounting)

Moderator: Catherine Gaharan, Midwestern State University

Not-for-Profit Governance for International Charities – The Governance and Accountability Gap.

Lisa Robyn Barnes, Newcastle University; Keith Howson, Avondale College of Higher Education;
Discussant: Laxmikantham Padakanti, Addis Ababa University, Ethiopia

Reviewing National Fiscal Deficit of Fiscal Sociology: The case of Taiwan

Chia-jen Chang, Chung Yuan Christian University, Taiwan R.O.C.;

Discussant: Michael T. Paz, Drexel University

The Effects of Wealth Transfer and Price Persuasion: Evidence in Taiwan's Elderly Welfare Industry

Ching-Shyh Yeo, National Yunlin University of Science & Technology, Graduate Institute of Management; Chung-Yu Chen, National Yunlin University of Science & Technology, Graduate Institute of Management; Chung-Jen Fu, National Yunlin University of Science & Technology, Department of Accounting;

Discussant: Andrew J. McLelland, Auburn University

Wednesday August 10, 2011 — 4:00 pm-5:30 pm

9.26 Review of Governmental and Nonprofit Literature

(NASBA Field of Study: Accounting (Governmental))

Moderator: Evelyn A. McDowell, Rider University

A Review and Assessment of Behavioral Accounting Research in Government

Linda Kidwell, University of Wyoming; Suzanne Lowensohn, Colorado State University;

Discussant: Linda Ragland, USF (Ph.D. Student)

GASB or FASB? An Analysis Suggesting the Need for a Change

Catherine G. Gaharan, Midwestern State University; Terry K. Patton, Midwestern State University; Benny Zachry, Tulane University; Ronnie Fanguy, Nicholls State University;

Discussant: Timothy Yoder, University of Nebraska Omaha

Disclosure Management in the Nonprofit Sector: A Framework for Past and Future Research

Mary Ann Hofmann, Appalachian State University; Dwayne McSwain, Appalachian State University;

Discussant: Bambi A. Hora, University of Central Oklahoma

Have you seen?

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 can't read them all, this new feature of the newsletter highlights some recent research that you may have missed.

“The Causes and Consequences of Internal Control Problems in Nonprofit Organizations,”

by Christine Petrovits, Catherine Shakespeare and Aimee Shih. *The Accounting Review* (Volume 86, Issue 1, 2011): 325-357.

The authors examine the likelihood and implications of internal controls deficiencies of public charities required to complete a Single Audit. This study examines the relationships between internal control deficiencies and

characteristics of the public charity. The researchers also investigate the correlation between internal control deficiencies and future donor and government financial support. Using probit and regression techniques, the study investigates a sample of 127,988 observations for 27,495 public charities during the period 1999 to 2007. Data was collected from the Federal Audit Clearinghouse's Single Audit database and the IRS Form 990 data from the National Center for Charitable Statistics. The results of the study indicate that public charities with the characteristics of relatively lower assets, relatively higher growth in assets, multiple revenue sources and poor financial health (measured by going concern paragraph in opinion statement) have a higher likelihood of an internal control deficiency. Further, the existence of an internal control deficiency has a negative impact on future donations for charities heavily reliant on donors and contributions from government agencies.

“The Economic Value of Auditing and Its Effectiveness in Public School Operations,” by

Yoshie Saito, Christopher S McIntosh.

Contemporary Accounting Research. (Volume 27, Issue 2, 2010): 639-667.

Saito and McIntosh investigate the effect of auditing on public school operations after the implementation of the Quality Basic Education Act in Georgia. They have two objectives: to examine if audits provide economic benefits to stakeholders and if complex compliance rules impact auditing effectiveness. Using auditing time data and a stochastic frontier estimation technique they estimate the relative performance of school district operations and find auditing produces real economic benefits for stakeholders by mitigating inefficiencies of school resources. In addition, the authors find that stringent compliance rules reduce an audit's effectiveness but auditors' experience can help to overcome the problems. The analysis supports the notion that auditing is vital to establish governance mechanisms and disclosure of auditing costs is important to adequately evaluate a new policy.

(Have you seen...? continued)

“Internal Control Reporting Differences Among Public and Governmental Auditors: The Case of City and County Circular A-133 Audits,” by Dennis M López, Gary F Peters. [*Journal of Accounting and Public Policy* \(Volume 29, Issue 5, 2010\): 481-502.](#)

The authors examine Circular A-133 audits for differences in reporting outcomes in audits performed by governmental auditors versus certified public accounting (CPA) firms. They investigate the association between auditor type and the likelihood of auditor-disclosed internal control concerns. Lopez and Peters test for audit quality differences in the post-SOX environment using 13,386 single audit reports of U.S. cities and counties from 2004-2006. They find CPA firms appear more likely to issue audit reports that identify internal control concerns than are governmental auditors in the context of Circular A-133 audits and the differences are more pronounced for larger CPA firms.

“State Conformity with Federal Tax Changes,” by Michael Morrow, Robert Ricketts. *The Journal of the American Taxation Association* (Volume 32, Issue 2, 2010): 27-51.

Morrow and Ricketts investigate the decisions made by state legislators on whether state tax laws should conform with changes made to federal tax laws. The paper provides a succinct background to the issue and a review of the literature. The researchers develop a model to explain factors influencing the state legislators’ decision process. They test their hypotheses by examining decisions made by 44 states during the period 2002 to 2008. The results of the study highlight the influence of factors such as political affiliation of legislators relative to the political affiliation of the federal administration, the impact of the adoption of federal tax law on the individual state’s budgetary situation and state median income. States with Republican legislatures had a higher likelihood of adopting federal tax law enacted by a Republican administration. A negative impact of conformity with federal tax change on state revenues decreased the likelihood of a state conforming. State conformity was negatively correlated with state median income. As the authors note, the

budget crises facing many states will have a negative impact of states’ conformity with future federal tax legislation.

“Property Value Assessment Growth Limits and Redistribution of Property Tax Payments: Evidence from Michigan,” by Mark Skidmore, Charles L Ballard, and Timothy R Hodge. *National Tax Journal*. (Volume 63, Issue 3, 2010): 509-537.

The authors investigate the change in the distribution of property tax payments after the State of Michigan imposed a property tax assessment growth cap in 1994. The cap, part of an education finance reform bill, restricts growth in property values for tax purposes to the inflation rate, for those maintaining continuous ownership. When a homeowner sells the property then the tax base is adjusted to reflect market value. They collect data from 443 adults using the State of the State Survey from 2008 and find that long-time homeowners enjoy an average reduction in effective tax rates (relative to new homeowners) of 19 percent. The assessment growth cap also appears to have reduced effective property tax rates for older homeowners, and for those with higher incomes.

“Are Local Governments Adopting Optimistic Actuarial Methods and Assumptions for Defined Benefit Pension Plans?,” by Thomas E. Vermeer, Alan K. Styles, and Terry K. Patton. *Journal of Public Budgeting, Accounting & Financial Management*. (Volume 22, Issue 4, 2011): 511-542.

The authors report the findings of their study into the choice of optimistic actuarial methods and assumptions that reduce the annual required contribution to local government defined benefit pension plans. They examined the CAFR financial reporting and disclosures for 219 sole-employer defined benefit plans in Michigan and Pennsylvania. Descriptive data provided, highlights the significant range of actuarial assumptions and methods adopted by the sample of local governments. The results of logistical and regression analysis highlight how local governments with greater levels of monitoring by credit agencies (as measured by debt) and

(Have you seen...? continued)

employees (existence of pension plans for fire or police officers), fiscal constraints (ability to provide future services) and use of specialized auditors, increase the likelihood that the local government will adopt more optimistic actuarial assumptions and methods.

Dodd-Frank Wall Street Reform Act: Role of the Governmental Accounting Standards Board in the Municipal Securities Markets and Its Past Funding. *United States Government Accountability Office*, January 2011. Available at: <http://www.gao.gov/new.items/d11267r.pdf>

The GAO studied the role and importance of the GASB in the municipal securities market and the manner and level at which the GASB has been funded. Among the findings on GASB in municipal securities markets, the GAO reports that stakeholders believe that GAAP-basis financial statements are highly useful for assessing quality of municipal securities, are comprehensive, not the only source of information for analysts, complex, expensive to prepare and often not issued in a timely manner. In its report on the funding of the GASB, the GAO highlights that the Dodd-Frank Wall Street Reform Act and Consumer Protection Act gave the SEC authority to establish an annual support fee to adequately fund the GASB – as of January 2011, the SEC had not acted on this authority.

If you have seen any published research papers you think would be of interest to our section please send them to Andy at mclelaj@auburn.edu or Alan at astyles@csusm.edu.

News from the FASB Not-for-Profit Advisory Committee

Teresa Gordon, University of Idaho

The Journal of Accountancy (J of A) recently published an initial news brief on the work the FASB's Not-for-Profit Advisory Committee (NAC) is doing. A copy of that story, which was taken from the February NAC meeting highlights, is available at

<http://www.journalofaccountancy.com/Web/20114009.htm>

The J of A staff has indicated an interest in continuing to follow what the NAC is doing, and they expect to include a more extensive piece after the NAC's September meeting. A copy of the [February meeting highlights](#) are available online – please feel free to share that information with your colleagues, associations, and other trade publications.

GNP Luncheon Speaker

The GNP section's annual meeting luncheon at the AAA conference is on Monday, August 8 from noon to 1:45 p.m. Please purchase your ticket and join us. Our featured speaker is Gregory W. Smith, General Counsel and Chief Operating Officer for the Public Employees' Retirement Association of Colorado (Colorado PERA).

Colorado PERA is the nation's 21st largest pension plan with \$37 billion in assets and serving more than 467,000 members and benefit recipients. Mr. Smith is responsible for managing all aspects of member contacts and benefit administration, as well as overseeing all legal issues and activities. His article, entitled "Adjusting Public Pension Benefits in Colorado, A Fiduciary Process" was published in the February 2011 issue of *Government Finance Review*. It chronicles the crisis faced by

PERA, the process that led to proposed changes – the country’s first reduction in a fixed statutory cost of living adjustment, and the ensuing legal battles that persist.

In addition to presenting and moderating numerous pension fund related legal matters to a variety of organizations, Mr. Smith has testified before the U.S. House of Representative Subcommittee on Capital Markets, Insurance, and Government, the U.S. Treasury Department’s Advisory Committee on the Auditing Profession Subcommittee on Firm Structure and Finances, the U.S. House of Representatives Committee on Oversight and Government Reform, as well as the U.S. Securities and Exchange Commission (SEC) Roundtable to Examine Oversight of Credit Rating Agencies.

Mr. Smith joined Colorado PERA in February 2002 after a distinguished career as an equity partner at Hamilton & Faatz, P.C. While practicing at Hamilton & Faatz, P.C., Mr. Smith held first chair responsibilities in numerous court and jury trials in both the state and federal courts. Mr. Smith received a B.S. degree in Business Administration from the University of Colorado, Boulder and holds a Juris Doctorate from the University of Denver.

ANNOUNCEMENTS

- **GNP Section Business Meeting:**

The GNP section will have its annual business meeting at the AAA conference on Monday, August 8, from 2:00 to 3:30 p.m. Please mark your calendars and join us. We have several important items on the agenda.

- **Presentations from the mid-year meeting:**

The presentations from the Friday sessions at the March 2011 mid-year meeting in Birmingham are available on our website

<http://aaahq.org/GNP/index.htm>

- **JOGNA Editorial Board:**

Our new section journal, Journal of Government and Nonprofit Accounting, has two new editorial board members. Steve Kachelmeier, University of Texas, and Joe Weber, Massachusetts Institute of Technology, have agreed to join the editorial board effective immediately.

- **2012 Mid-year Meeting**

The 2012 section mid-year meeting will be in San Diego, CA on March 2-3.

The deadline to submit items for inclusion in the next issue of **Government & Nonprofit News** is **October 15, 2011**. Submit newsletter items (max 350 words per item) to:

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Following are the GNP section officers for the 2010-11 academic year.

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Colorado State University
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