

17349

The GOVERNMENT ACCOUNTANTS JOURNAL

Note field

In The Government Accountants
Journal, Vol. XXIX, No. 4, Winter
1980-81, pp-27-31. **In this issue**

The "Audit Tolerance Level"
in an Organization

GAO's Title II: An Analysis

Schools of Accountancy

ZBB and PPB

Resource Reallocation

Government Accounting
Standards Board: Not Needed



FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR

Published by

The Association of Government Accountants

WINTER 1980-

Vol. XXIX, Number

015982

THE GOVERNMENT ACCOUNTANTS JOURNAL

- 1** **USEFUL AUDIT RESULTS DEPEND ON THE ORGANIZATION'S "AUDIT TOLERANCE LEVEL"**
Edward W. Stepnick
Useful audit results depend not only on the validity of the audit findings and the effectiveness of the audit followup system, but also on the agency's "audit tolerance level"—its capacity to accept public criticism.
- 5** **AN ANALYSIS OF ACCOUNTING PRINCIPLES AND STANDARDS FOR FEDERAL AGENCIES (TITLE II)**
Ronald J. Points & Bruce Michelson
GAO recently issued a research paper as part of its series on the conceptual framework for government accounting and reporting. The paper, which is the basis for this article, analyzed Title II of the "GAO Policy and Procedures Manual for Guidance of Federal Agencies."
- 12** **NOT NEEDED: A GOVERNMENT ACCOUNTING STANDARDS BOARD**
Robert N. Anthony
This article, based on the author's presentation at AGA's National Symposium, summarizes the present state of financial accounting in states and municipalities. The discussion leads into the question of *who* should eventually set standards for government accounting and reporting.
- 18** **SCHOOLS OF ACCOUNTANCY: BRIDGING THE PROFESSIONAL SCHISMS**
William L. Campfield
Avoiding the current controversy over establishing professional schools of accountancy, the author addresses the disharmonies and schisms between various people and situations that impact heavily on the accounting profession and the education related thereto. He discusses these schisms in three categories: structural, functional, and societal.
- 27** ✓ **THE INTERNATIONAL CONSORTIUM ON GOVERNMENTAL FINANCIAL MANAGEMENT—ORGANIZATION, GOALS AND BYLAWS**
James Hamilton
What is the International Consortium, to which AGA has committed significant support? Who started it? Who can be a member? How is it organized? How can you and your organization benefit from membership? The author answers these and other questions in this definitive description of this vital new organization.

32

39

47

56

62

67

Opinion
contribute
Accounta
COUNTA
the Unite
Abstracts

- 32** **RESOURCE REALLOCATION: THE MOST CRITICAL BUDGETING DECISION FOR STATE UNIVERSITIES**
Thomas C. Stanton, Bernadine McGuire, & Thomas M. Bertsch
Resource reallocation is a continual management activity, since requirements change during the long lead time between planning the budget and making use of it. This article, while oriented toward universities, puts forth some ideas that outline decision rules that are necessary for a successful reallocation process.
- 39** **ZERO-BASE BUDGETING IN ARIZONA STATE GOVERNMENT**
Bill N. Schwartz
The author describes the Arizona Department of Transportation's experiences with ZBB and examines the attitudes of individuals in the ZBB process about the reported benefits ZBB offers.
- 47** **ZERO-BASE BUDGETING AND PLANNING-PROGRAMMING-BUDGETING: WHAT ARE THE CONCEPTUAL DIFFERENCES?**
William C. Letzkus
ZBB was introduced as a major conceptual change to extant budget procedures. This article argues that conceptually ZBB differs from its predecessor, PPB, only in its requirement to formally rank all programs and activities on an annual basis, plus the ZBB requirement to annually reevaluate all programs and activities.
- 56** **ACCOUNTING EDUCATION DEPARTMENT**
Edited by Stephen E. Loeb
- 62** **STATE/LOCAL GOVERNMENT DEPARTMENT**
Edited by Robert J. Ryan
- 67** **PROFESSIONAL READING**
Edited by James P. Bedingfield

Opinions and belief in THE GOVERNMENT ACCOUNTANTS JOURNAL are those of editors or contributors and do not necessarily reflect the views or policies of the Association of Government Accountants or agencies of the Federal Government. Contents of THE GOVERNMENT ACCOUNTANTS JOURNAL are indexed in The Accountants' Index and the Tax Institute Bookshelf in the United States, in the Management Index in Canada, and in the Indian Public Administration Abstracts in India.

ING SYSTEMS

The International Consortium on Governmental Financial Management— Organization, Goals and By-Laws

Jim Hamilton



James R. Hamilton

Mr. Hamilton is a management analyst in GAO's International Division. He has an M.B.A. in international business from the George Washington University. Recently, Jim worked with members of the Consortium in Latin America and Asia on GAO reviews of their auditing practices and training programs. Jim is a member of AGA's International Affairs Committee.

SOME OF the most frequently asked questions about the Consortium are:

- Who started it?
- How long has it been around?
- Does it duplicate what others are already doing?
- Who can be a member?
- Is it going to be involved in training Conferences?
- Is it a U.S.-based group? How is it organized? What is its relationship with AGA?
- How can I and my organization benefit from membership in the International Consortium?

The organizing members were: the Association of Government Accountants, the Municipal Finance Officers Association (USA and Canada), the Chartered Institute of Public Finance and Accounting (United Kingdom), the Canadian Auditor General's Office, the Philippine Commission on Audit, and the Latin-American Institute of Auditing Sciences (ILACIF). In addition, the U.S. General Accounting Office has recently become a member.

How Long Has It Been Around?

The International Consortium on Governmental Financial Management, a relative newcomer to the field of financial management associations, was founded in 1977 and incorporated in the District of Columbia. Having recently adopted its policies and by-laws, it is now developing programs and activities for the coming years. A previous article, "International Dimensions of Governmental Financial Management" in the 1980 Spring edition of the *Government Accountants Journal* provides some insights into the need for and creation of the Consortium. This article provides additional information on its organization, goals and by-laws.

What Does It Expect to Achieve?

The Consortium, as a grouping of organizations and people involved in governmental financial management, hopes to encourage the members to work together to promote a better

understanding of professional financial management among public officials at all levels of government through:

- exchange of information and ideas—providing an international clearinghouse of information relevant to governmental financial management;
- research, training and publication of results;
- development of guidelines and reporting standards;
- liaison between our individual organizations to better promote mutual objectives;
- maintenance of high professional standards among governmental financial managers; and
- stimulating governments to recognize the critical importance of improved professional management of public financial resources.

The Consortium expects to limit the range of the aforementioned activities to governmental financial management disciplines. The following areas constitute the disciplines of governmental financial management. They provide the general frame of reference for the programs, activities and operations of the Consortium, as well as the delimitations of areas of its individual and organization members: accounting, auditing, budgeting, data processing, debt administration, retirement administration, and treasury management.

Does It Duplicate What Others Are Already Doing?

At present there are a lot of associations of financial managers at the national and regional levels. And there are a few international bodies at work harmonizing accounting and audit standards, such as the International Federation of Accountants (IFAC), but primarily for the commercial and CPA sector. Other than the Consortium, there is no existing framework for bringing together governmental financial managers and auditors at the state, municipal, and federal levels internationally. The International Organization of Supreme Audit Institutions (INTOSAI) brings together most of the world's principal national government audit

organizations—but does not represent countless government financial managers and their associations in each country, nor auditors at other governmental levels.

The Consortium wishes to cooperate and coordinate its activities with all national, regional and international associations of financial managers and auditors. No one benefits from needless duplication. On the other hand, in several areas in which the Consortium operates little is presently being done internationally. For example, many countries, especially the smaller ones, do not have, and in fact cannot justify, their own national professional groups.

Who Can Be a Member?

The Consortium has been established primarily as an international grouping of already established, operating and active organizations functioning within the public sector at the international, regional, national, provincial, state or local level.

The organizations which compose the Consortium and those which may join it in the future are diverse in nature, activities, membership, interests and applicable governing provisions. Their operations encompass the major areas of: (1) government management, and (2) financial management.

The principal class of membership is that of the founding organizations and other similar ones which may in the future join the Consortium. This class is described as Major Organization Members, and it is understood that these will provide the leadership and the principal financial support of the Consortium. However, to ensure the maximum coverage possible, a series of other levels of membership are provided for, each of which has a specific interest in improving government financial management.

Because of the international nature of the Consortium and the wide geographical areas covered, membership in it does not contemplate participation in general membership meetings, world congresses, regional conferences, etc. These may or may not prove convenient and practicable in the future. For the present, meetings of all classes of members are not contemplated especially since most organization members presently conduct their own membership meetings.

The following are the members of the Consortium:

- Major Organizations** covering governmental financial management disciplines which:
- (a) are countries or individual provinces or territories;
 - (b) are associations, professional or technical, or trade unions;
 - (c) public bodies or news organizations;
 - (d) manufacturing or service firms;
 - (e) demonstration projects;
 - (f) have a special interest in the subject.

In exceptional cases, other organizations may be admitted.

Organizations which are engaged in any geographical area and financial management but do not meet the criteria for Major Organization Members.

Governmental Institutions, primarily departments, agencies, or commissions, which are engaged in financial management.

Educational Institutions, which are engaged in training and research in financial management.

Private Organizations, which are engaged in financial management.

Individuals, who are engaged in financial management.

- (a) Individuals

not represent countless managers and their associates, nor auditors at other

ies to cooperate and with all national, re-associations of financial No one benefits from the other hand, in sev- onsortium operates lit- ne internationally. For , especially the smaller in fact cannot justify, sional groups.

member?

een established primar- uping of already estab- ive organizations func- sector at the interna- l, provincial, state or

h compose the Consor- y join it in the future are ies, membership, inter- rning provisions. Their he major areas of: (1) , and (2) financial man-

membership is that of ons and other similar future join the Consor- bed as Major Organiza- understood that these ip and the principal fi- onsortium. However, to erage possible, a series rship are provided for, ific interest in improv- management.

ational nature of the de geographical areas it does not contemplate membership meetings, onal conferences, etc. prove convenient and For the present, meet- members are not con- nce most organization uct their own member-

The following classes of members compose the Consortium:

Major Organization Members: Organizations covering any geographical area, level of government and financial management discipline which:

- (a) are composed of not less than 1,000 individual members or an association comprised of not less than ten government entity members;
- (b) are actively conducting programs of training, professional development, research or technical advisory assistance;
- (c) publish an official technical journal or newsletter at least quarterly;
- (d) manifest a willingness to participate in the affairs of the Consortium;
- (e) demonstrate willingness to assume responsibility; and
- (f) have a capacity to provide technical assistance from within their membership.

In exceptional circumstances, the Board of Directors may waive any one of the above except (a).

Organization Members: Organizations covering any geographical area, level of government and financial management discipline which do not meet the requirements for Major Organization Members.

Government Institution Members: Public institutions, organizations, agencies or units primarily dedicated to one or more of the financial management disciplines at any level of government including appropriate divisions of regional and international government organizations.

Educational Institution Members: Educational institutions or units primarily interested in training and/or professional development directed toward the public sector in one or more of the financial management disciplines.

Private Organization Members: Private sector organizations entities that are interested in governmental financial management.

Individual Members: Persons directly interested in and/or dedicated to activities directly related to one or more of the financial management disciplines as follows:

- (a) Individual Members of Major Organization Members and Organization Members

automatically become members of the Consortium by virtue of their individual membership in an organization, suborganization, affiliated organization, chapter or other group which is a member of the Consortium either directly or through the organizational structure in force. (For example: Members of a state or provincial organization which is in turn a member of a national organization which is a member of the Consortium).

- (b) Individual Members may be designated as such by the Government Institution Members by whom they are employed. Each Government Organization Member has the right to designate up to five individual members annually and may designate more upon the payment of additional dues as authorized by the Consortium Board of Directors.
- (c) Individual Members may be designated as such by Educational Institution Members by whom they are employed. Each Educational Institution Member shall have the right to designate one individual member annually and may designate more upon the payment of additional dues as authorized by the Consortium Board of Directors.
- (d) Individual Members may affiliate directly with the Consortium in the absence of organization or institution membership possibility within their country or area or when for other reasons they desire to maintain a direct relationship with the Consortium.

The dues payable by each class of member are established by resolution of the Board of Directors and are maintained as economical as possible, especially as regards individual members in developing countries where organizations and institutions may not yet be members.

The Secretary General maintains the roster of all directly affiliated members; however, organization and institution members are responsible for furnishing him annually a roster of automatically affiliated or designated members. The individual memberships of Government and Educational Institution Members may be transferred from the name of one individual to another within the institution. No other memberships may be transferred from person to person.

Is It Going to Be Involved in Training? Conferences?

The Consortium hopes to promote training seminars and conferences for its membership. The initial effort will be in the role of "international clearinghouse" to better inform individual members of activities planned and sponsored by other members. Thus, a member can expect to be kept informed of training activities about which he would otherwise not have known about, in time to plan and register for it.

Eventually, the Consortium will sponsor training events, utilizing the know-how and experience of its combined membership. For example, an international training event on comparative municipal government accounting systems would likely draw heavily on the expertise and experience of MFOA and its counterpart organizations overseas. The first Consortium effort in this regard will be to sponsor companion workshops in the English and Spanish languages at the AGA Symposium in Miami Beach on the subject "Worldwide Developments in Governmental Financial Management."

Is It a U.S.-Based Group? How Is It Organized? What Is Its Relationship With AGA?

The Consortium is incorporated in Washington, D.C. and the Secretariat is maintained in the national offices of the AGA in Arlington, Virginia. The Executive Vice President of AGA presently is serving as Secretary General of the Consortium until the Board of Directors elects a Secretary General. Conceivably, any member organization could serve as the secretariat, but AGA was selected because of its willingness to absorb some of the start-up costs before the dues structure was operational and the Consortium became self-supporting. Lacking a salaried staff, AGA's *International Affairs Committee* acts for the time being as the Consortium's operational arm. In time, as the Consortium becomes self-supporting this operational mode will no doubt change.

How Can I and My Organization Benefit from Membership in the Consortium?

The Consortium will only be as successful as the combined contributions of its members. We hope that a group dynamic will emerge that will push the Consortium into initiating new activities which its members could not envisage or accomplish on their own.

Some of the activities the Consortium wants to engage in follow:

- (a) Encouraging the participation and affiliation of individuals or groups from any part of the world concerned with specialized areas of activity or interests within the broad field of governmental financial management;
- (b) Promoting a tangible exchange throughout the world of programs, information, documents and ideas related to governmental financial management;
- (c) Developing and disseminating international guidelines of professional financial management in government and encouraging adherence by government financial staff at all levels. Recently, for example, the GAO report entitled *Training and Related Efforts Needed to Improve Financial Management in the Third World* was translated into Portuguese by the Accounting Institute, of the Vargas Foundation in Brazil. GAO, a Consortium member, had originally published the report in both Spanish and English editions and provided copies to this Foundation. Copies in all three languages are now available.
- (d) Providing a permanent international organizational structure including mechanisms for collaboration across national boundaries;
- (e) Collaborating with international, regional, national and local organizations, institutions, governments and quasi-governmental bodies;
- (f) Encouraging, sponsoring, conducting or collaborating in appropriate research and the publication of its results;
- (g) Providing an international clearinghouse of information relevant to government financial management and conducting

liaison
out t
moti
(h) Prom
siona
respo
level
(i) Ensur
menta
by as
caree
fessio
(j) Provi
cussi
cial p
(k) Coll
gran
in hi
velo
prof
eval
(l) Enco
colla
nars,
othe
recte
nanc
tinui
cial
(m) Dev
ern
tion
par
gov
for
(n) Acti
mul
guic
cabi
mer
a m
acci
(o) Stir
gral
gov
fina
(p) Enc
ten
hon
ame
and

fit from

y be as successful as
of its members. We
will emerge that will
o initiating new ac-
could not envisage or

he Consortium wants

icipation and affilia-
or groups from any
concerned with spe-
activity or interests
d of governmental fi-
t;

le exchange through-
ograms, information,
as related to govern-
mentation;

sseminating interna-
professional financial
government and en-
e by government fi-
levels. Recently, for
report entitled *Train-
efforts Needed to Im-
Management in the*
translated into Por-
counting Institute, of
ion in Brazil. GAO, a
r, had originally pub-
both Spanish and Eng-
provided copies to this
in all three languages

ment international or-
ure including mecha-
ation across national

th international, re-
d local organizations,
ernments and quasi-
es;

soring, conducting or
propriate research and
ts results;

national clearinghouse
vant to government fi-
ment and conducting

liaison with those organizations through-
out the world potentially capable of pro-
moting the objectives of the Consortium;

- (h) Promoting an understanding of profes-
sional financial management as a basic
responsibility of all public officials at all
levels of government;
- (i) Ensuring continuity of effective govern-
mental financial leadership and direction
by assisting governments in motivating
career-minded financial management pro-
fessionals to serve in government;
- (j) Providing an international forum for dis-
cussion of common governmental finan-
cial problems;
- (k) Collaborating in development of pro-
grams which channel technical assistance
in higher developed technologies to de-
veloping countries, assisting in assuring
professional quality control reviews or
evaluations of such programs;
- (l) Encouraging, sponsoring, conducting or
collaborating in training courses, semi-
nars, workshops, technical meetings and
other professional development events di-
rected toward improving governmental fi-
nancial management and providing con-
tinuing education for governmental finan-
cial managers;
- (m) Developing uniform international gov-
ernment financial reporting classifica-
tions and formats which permit com-
parability and increase utilization of
governmental financial management in-
formation;
- (n) Acting as a forum for the purpose of for-
mulating, proposing and disseminating
guidelines and preferred practices appli-
cable in public sector financial manage-
ment disciplines or areas and establishing
a mechanism for achieving their general
acceptance;
- (o) Stimulating the establishment of inte-
grated financial management systems in
government capable of producing useful
financial statements;
- (p) Encouraging the establishment and main-
tenance of high standards of integrity,
honesty, morality, ethics and character
among governmental financial managers
and staff members;

- (q) Stimulating recognition by governments
of the critical importance of professional
management of ever more scarce public
financial resources so as to increase the
efficiency, effectiveness and economy of
the programs financed by them.

The Consortium also plans to set into mo-
tion the following:

- (a) Organize periodic meetings with repre-
sentatives from other similar worldwide
organizations, such as the American
Consortium for International Public Ad-
ministration (ACIPA), the International
Federation of Accountants (IFAC), and
the International Organization of Su-
preme Audit Institutions (INTOSAI);
- (b) Seek funding from international and gov-
ernmental organizations or foundations;
- (c) Develop a quarterly newsletter;
- (d) Sponsor companion Spanish and English
workshops at the 1981 AGA Symposium
in Miami Beach.

The Consortium hopes to make a significant
impact internationally for the professional de-
velopment of its members in governmental fi-
nancial management and auditing. However,
progress in implementing these activities is de-
pendent upon the extent of its membership and
degree of their participation. We hope you will
find it in your interest and the interest of your
organization to become an active member of the
Consortium. Please address your inquiries to:

The International Consortium on
Governmental Financial Manage-
ment
727 South 23rd Street
Washington, D.C. 22202

Third of a Series

This represents the third in a series of articles
on the International Consortium on Govern-
mental Financial Management. The next will ex-
plore recent gains made by the Consortium's
membership to the South, in Latin America, in
implementing improved government financial
management and auditing systems.