



# ACCOUNTING NEWS

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This report is prepared by the Accounting and Financial Management (AFM) Division. It is intended to help keep managers abreast of accounting matters that are of concern to professional organizations. Matters included in this report were topics of discussion at recent professional conferences or meetings attended by AFM Division representatives or were topics that were brought to the AFM Division's attention as part of its official liaison responsibility with professional accounting organizations.

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REVISED FEDERAL AUDIT STANDARDS ISSUED,  
AS REPORTED BY WILLIAM A. BROADUS

GAO has issued in final the revised "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" which all auditors of Federal funds and programs are to follow. Initial distribution already has been made. Additional copies can be obtained for \$4 each from the Superintendent of Documents, Public Documents Department, U.S. Government Printing Office, Washington, D.C. 20402. Its stock number is 020-000-00205-1.

GRANT REFORM BILL, AS REPORTED BY THE  
"AICPA WASHINGTON REPORT"

S. 807, the "Federal Assistance Improvement Act of 1981", a bill to streamline and simplify the requirements attached to Federal assistance programs, was reported out of the Senate Committee on Governmental Affairs on 5/22/81 with eventual consideration by the full Senate in early June. The mark-up session was chaired by Sen. William Roth (R-DE), Chairman of the Governmental Affairs Committee, and author of the bill. Sen. Roth praised the efforts of Sen. David Durenberger (R-MN) for his expeditious movement of the bill through the Subcommittee on Intergovernmental Relations and similarly praised Sen. James Sasser (D-TN) for his handling of a similar bill in the 96th Congress, S. 878. The Committee mark-up reaffirmed an earlier amendment by Sen. Durenberger to strike the word "compliance" from the bill's previous language which called for a "financial and compliance" audit and left intact the following definition of those qualified to conduct the audits: "The term 'public accountants' means certified public accountants, or licensed public accountants licensed on or before December 31, 1970, who are certified or licensed by a regulatory authority of a State."

GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
ORGANIZATION COMMITTEE, AS REPORTED BY  
RONALD J. POINTS

The GASBOC held a 2-day meeting in Detroit last month to discuss the extensive comments received at their May 4th and 5th public hearing. Over 100 sets of comments were received and heard presenting a variety of views on the establishment of an independent accounting standards board for State and local governments. Another meeting will be held in June to arrive at a compromise position for a body to represent State and local governments' interests.

DOD CREATES POSITION TO COMBAT FRAUD,  
AS REPORTED BY THE  
"AICPA WASHINGTON REPORT"

A new position to combat fraud, waste and abuse in Defense programs and operations has been created by Secretary Caspar Weinberger in an effort to secure more efficient management within the Department. Recently appointed to the position of Assistant to the Secretary of Defense for Review and Oversight is Joseph H. Sherick, presently the Deputy Assistant - Program/Budget in the Comptroller's Office. Mr. Sherick's responsibilities will be to develop policy and maintain oversight on criminal investigate programs, as well as to monitor and evaluate the adherence of DOD components to internal audit, contract audit and internal review principles, policies and procedures.

16 IGS APPOINTED, AS REPORTED BY  
THOMAS R. BRODERICK

President Reagan has announced the appointment of 16 Inspectors General. Listed below are the appointments by agency.

<u>Executive Agencies</u>	<u>IG</u>
Department of Agriculture	John V. Graziano
Department of Commerce	Sherman Funk
Department of Education	James B. Thomas
Department of Energy	James R. Richards
Department of Health and Human Services	Richard P. Kusserow
Department of Housing and Urban Development	Charles L. Dempsey
Department of Interior	Richard Mulberry
Department of Labor	Thomas F. McBride
Department of State	Robert L. Brown
Department of Transportation	Joseph Welsch
Community Services Administration	K. William O'Connor
Environmental Protection Agency	Vinton DeVane Lide
General Services Administration	Joseph A. Sickon
NASA	June G. Brown
Small Business Administration	Paul B. Boucher
Veterans Administration	Frank S. Sato

STEINBERG GETS KEY POSITION IN OMB,  
AS REPORTED BY THE  
"AICPA WASHINGTON REPORT"

Harold I. Steinberg, CPA, has been appointed Associate Director for Management at OMB. A partner in the international accounting firm of Peat, Marwick, Mitchell & Company for the last twelve years, he was responsible for coordinating the firm's audit and consulting services to State and local governments. In his new position, Mr. Steinberg will be in charge of management analysis and evaluation, with significant focus on various aspects of the efforts to

reduce fraud, waste and abuse and the Inspectors General program; personnel compensation policy; organization studies; and, intergovernmental affairs. Mr. Steinberg is a member of the AICPA, the New York State Society of CPAs and the Association of Government Accountants.

FRAUD IN GOVERNMENT PROGRAMS,  
AS REPORTED BY GEORGE L. EGAN, JR.

GAO reported on May 7, 1981, that fraud against Government programs is widespread because internal control systems to monitor and regulate them are inadequate. As a result, fraud can easily go undetected.

For those who are caught committing fraud, the chances of being prosecuted and eventually going to jail are slim. The sad truth is that crime against the Government often does pay.

Considering recent initiatives, however, agency inspectors general and the Department of Justice are making progress in the fight against fraud. This report, entitled "Fraud in Government Programs--How Extensive Is It?--How can It Be Controlled?" (AFMD-81-57) makes it quite clear that more must be done to prevent fraud and to punish those who commit it. This report is the first volume of a three-volume report.

W-2 FILING REQUIREMENTS, AS REPORTED BY THE  
"AICPA WASHINGTON REPORT"

Employees who terminate their employment during the year will have to ask for their W-2's or wait until the end of the year, according to the provisions of S. 978, a bill introduced on 4/9/81, by Senator John Danforth (R-MO), Chairman, Federal Expenditures, Research and Rules Subcommittee,

Committee on Governmental Affairs. This bill would eliminate the current requirement for employers to provide W-2's to employees at the time they terminate their employment, unless specifically asked to do so by the employee. If such a request is made, departing employees will be provided with the forms within 30 days of their termination. Absent this request, employees terminating during the year will have to wait until year-end. This bill, according to Sen. Danforth, will save the Government approximately \$300 million a year by eliminating the need to provide duplicate forms to those employees receiving W-2's during the year and then losing them. This bill is similar to H.R. 2929, but does not require the employer to give written notice to employees about the availability of W-2's at the time of termination during the year.

SENATE HEARINGS ON AMENDMENTS TO THE  
FOREIGN CORRUPT PRACTICES ACT, AS REPORTED BY  
THOMAS BITTMAN, NYRO

Senate efforts to amend the Foreign Corrupt Practices Act got Underway with May 20 and 21 hearings on Senator John Chafee's bill, S. 708, which proposes clarification of the FCPA's accounting and bribery provisions. William E. Broch, U.S. Trade Representative, said the Reagan administration strongly supports Senator Chafee's efforts to clean up ambiguities in the FCPA bribery sections. The administration went further than Senator Chafee's bill, however, by calling for repeal of the accounting sections, proposing as a substitute that any attempt to conceal misuse of assets for the paying of foreign bribes--whether material or immaterial--be made a criminal offense.

Donald L. Scantlebury, GAO's Chief Accountant, testified that the FCPA has strengthened corporate accounting controls and reduced illegal payments made to foreign officials.

He pointed out, however, that the FCPA has been steeped in controversy and confusion. Mr. Scantlebury testified that Senator Chafee's bill addresses a number of issues which GAO discussed in its report (Impact of Foreign Corrupt Practices Act on U.S. Business, AFMD 81-34) as causing compliance problems for business.

Nine business representatives, who testified on the second day of the hearing, strongly supported S. 708. These witnesses gave a number of examples of lost export business because of the FCPA's ambiguities regarding bribery. One firm estimated losses to be in the \$20 to \$50 million range, while a small business official detailed a \$140,000 loss.

Senator William Proxmire, who played a key role in drafting the FCPA, said that S. 708 is a "pro-bribery" bill and its passage would be a step backwards. The Senator said the heart of the FCPA is in its accountability sections and that the reasonableness standard requires companies to keep books in sufficient detail to stop bribery and use of slush funds.

A third day of hearings on S. 708 is planned for the middle of June to hear SEC and professional organization representatives. House hearings on H.R. 2530, a bill similar to S. 708, are tentatively scheduled for late July.

## FOREIGN MILITARY SALES, AS REPORTED BY

ROY H. TAYLOR

GAO appeared twice in May 1981 before congressional committees to discuss GAO, DOD, and Army Audit reports on improvements needed in the accounting and financial management of the foreign military sales program. Because of the size of the program, over \$53 billion of unfilled orders as of September 30, 1981, GAO urged action on open

recommendations which are intended to bring the program under control. Specifically, GAO emphasized the need to

- develop an adequate centralized accounting system,
- establish and implement pricing policies that result in full cost recovery, and
- provide the Congress with adequate information for effective oversight and control.

## DEBT COLLECTION BILL PASSES HOUSE,

AS REPORTED BY DARBY W. SMITH

The House of Representatives recently voted to permit Federal agencies to report to credit bureaus those who are delinquent in repaying Government loans. The bill is now in the Senate for consideration. The action by the House is considered by many to be a breakthrough in streamlining the Federal debt collection system. Legislative authority to refer delinquencies to credit bureaus coupled with several administrative actions is expected to add between \$2.1 to \$3.5 billion in additional collections to Treasury's coffers from fiscal 1982 to 1984. These collections will obviate the need for Treasury's borrowing funds and incurring the accompanying interest expense. Compounded at a 12 percent annual interest rate, the increased collections could result in interest savings of between \$500 and \$840 million during these years. An additional \$3.1 to \$4.5 billion in delinquent taxes could be collected by IRS during fiscal 1982 to 1986 if it strengthened its collection efforts.

## HOUSE PASSES FEDERAL MANAGERS ACCOUNTABILITY ACT,

H.R. 1526, AS REPORTED BY DONALD L. SCANTLEBURY

On May 18, 1981, the House of Representatives passed H.R. 1526.

This bill is to amend the Accounting and Auditing Act of 1950 by requiring ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each executive agency.

INTERNAL CONTROL ASSESSMENT GUIDE,  
AS REPORTED BY DONALD L. SCANTLEBURY

GAO has recently received comments from Federal agencies on its draft Internal Control Assessment Guide which GAO prepared to assist Federal managers and auditors in their evaluations of internal control systems. This guide is one of the many products of GAO's Special Task Force on the Prevention of Fraud and Abuse. GAO currently is modifying this guide to incorporate suggestions received from the Federal sector.

STATUS OF SINGLE AUDIT IMPLEMENTATION,  
AS REPORTED BY JOSEPH D. COMTOIS

The implementation of the single audit approach is receiving considerable administration attention and support. The single audit approach is an organization-wide rather than a grant-by-grant financial and compliance audit aimed at eliminating the use of several groups of auditors from different agencies to audit only the funds provided by their agencies. Present compliance requirements for these audits are contained in OMB A-102. The administration is developing comprehensive plans that include the broad participation of OMB, agency Assistant Secretaries for Management, Inspectors General, and the Single Audit Steering Committee (SASC).

The SASC, as discussed in the February issue of "Accounting News," has established four task forces to address issues relating to inconsistencies in the principal documents affecting single audit, reimbursement policy, uniform criteria, and small business and minority firms. Papers on these issues are being developed for consideration by the Committee at its next meeting, June 18-19, 1981.

In addition, legislation is being proposed (S. 807 "Federal Assistance Improvement Act of 1981," also discussed on page 1) that would require the use of single audits and establish a quality review system. It also would require that audits be performed in accordance with GAO standards. Plans are in process for hearings on this legislation.