

THE COMMUNIQUE NEWSLETTER

Dinner Meeting – Wednesday, February 17, 2010

with Lenny Moore, Montgomery County Controller

“Who Made Those Promises? How Stakeholder Expectation Complicates an ERP Implementation”

Time: Reception: 6:00 p.m.–6:30 p.m.
Dinner and Meeting: 6:30 p.m.– 8:30 p.m.
(approximate ending time)

Location: Hilton Hotel, formerly the DoubleTree Hotel, (1750 Rockville Pike in Rockville, MD. 301-468-1100). See our Web site at www.marylandaga.com for directions. Self-Parking is complimentary in the hotel garage. Metered parking is available behind and on either side of the hotel

Cost: \$30 for members and nonmembers. \$15 for government employees. Cash, checks made payable to “AGA,” and credit cards accepted.

RSVP to Jimmy Hauer at 202-533-3624

You may also RSVP for the dinner meeting by visiting our Web site

CHAPTER PRESIDENT'S MESSAGE



Dear Fellow Chapter Members:

We had a great turnout at our January dinner meeting. This was our first meeting where we introduced a reduced fee of \$15 for government employees. Our guest speaker was Al Runnels, the Deputy CFO of the U.S. Department of Treasury. Mr. Runnels spoke about the Troubled Asset Relief Program (TARP) and the results of the FY 2009 audit.

I hope to see you at our next dinner meeting, which will be held on Wednesday, February 17, 2010 at the Hilton in Rockville, Maryland, our scheduled speaker is Lenny Moore, the Controller of Montgomery County. Originally, the Chapter uses moneys collected from the raffle at the dinner meeting to go to HABITAT for Humanity. However, since the widespread natural disaster that occurred in Haiti in January, we have decided to refocus our efforts to contribute to the Haitian Relief Fund being sponsored by UNICEF. The Chapter is encouraging members attending this event to donate spare change to contribute to the Haitian Relief Fund being sponsored by UNICEF. Please contact our community directors at communityservice@marylandaga.com for more details or if you are not going to be able to attend the dinner meeting but still would like to contribute. Thank you in advance for your generosity.

We are planning for our spring workshop, which will be held at the NIH campus in April or May. Please contact our education directors at education@marylandaga.com with any suggestions on topics and speakers.

Also, annual dues for membership have been sent out by AGA National. Renewal of these dues is due by March 31, 2010. Please make sure that you continue your membership with the Chapter. If you have any questions regarding membership please contact our membership directors at membership@marylandaga.com. If you asked a member which of the benefits they value the most, they probably would say education and networking, which often occur at the same time and place. Here are some of our members' favorites:

- Continuing Professional Education and Networking Opportunities
- Keep Up-to-Date on Current Issues
- Keep Abreast of the Latest Technologies and Financial Systems
- Professional Guidance and Certification
- Committee Involvement and Awards/Scholarships

The Chapter is looking forward to some exciting developments related to our CGFM program. We have gotten confirmation that the month of March will be declared CGFM month by the State of Maryland, Montgomery, Prince Georges, Anne Arundel, and Frederick Counties.

For this month's newsletter article, Jim Merrill has provided an interesting perspective on outsourcing in the government from two perspectives: first, the necessity for outsourcing given the scale of the federal programs that rely on contractors, and from the auditor's perspective when auditing an outsourced operation. Jim is a member of the AICPA's Auditing Standards Board's task force on SAS 70 reports. I think you will find the article thought-provoking.

I would like to thank our corporate sponsors. We appreciate your continued support of and commitment to our Chapter and its members!

I encourage everyone with questions, suggestions, or ideas to make our Chapter the best it can be to let me know. The Chapter serves you and we are always looking for ways to improve our services to you. So please, keep the feedback coming. I look forward to seeing everyone at our upcoming events!

Sincerely,

Angela Walter, CPA
President, AGA Montgomery/Prince George's County Chapter

AGA EVENTS

NLC Registration and Hotel Reservations Now Available



Make plans now to attend AGA's National Leadership Conference (NLC), to be held **Feb. 18–19, 2010** in Washington, DC. Hear from a stellar lineup of speakers, participate in informative sessions, share best practices, discover innovative management techniques, and see the technological tools that can aid efficiency and improve effectiveness.

In addition to an outstanding technical education program, and the ability to earn 14 CPE hours, AGA's NLC is packed with opportunities to network, make professional connections, and meet new friends. Show your commitment to a more accountable future—[register by fax](#) or [online](#) today!

We reserved a block of rooms at the JW Marriott to accommodate NLC attendees. The rate is \$207 per night (plus tax) until **January 29, 2010**. Reservations received after January 29, or after the room block has been filled, will be made on a space-available basis, and may be subject to higher rates.

Please call the JW Marriott at 800-393-2503 and mention you are attending the "AGA NLC" to receive the discounted rate. [You can also reserve a room online.](#)

Hotel Reservations Now Being Accepted For 2010 PDC in Orlando

Make plans now to attend AGA's 59th Annual Professional Development Conference & Exposition (PDC)—the premier education and networking event of the year!

Dream. Learn. Achieve. The PDC has it all! Join us **July 11–14, 2010**, in Orlando, Florida, to hear dynamic speakers, participate in informative sessions, learn about the latest research, share best practices, discover innovative management techniques, and see the technological tools that can aid efficiency and improve effectiveness.

In addition to an outstanding technical education program, and the ability to earn 24 CPE hours, AGA's PDC is packed with opportunities to network with colleagues from around the country and make new friends. While you're here, be sure to experience all the attractions, shopping, fine dining, and recreational activities Orlando has to offer.

Information about the agenda, speakers, travel discounts, and registration is coming soon. In the meantime, you can reserve your spot at the official conference hotel.

We have reserved a block of rooms at the Orlando World Center Marriott to accommodate PDC attendees. The rate is \$108 per night (plus tax) for single and double occupancy. However, **rates are only guaranteed until June 18, 2010, or until the room block is sold out.**

Reservations received after June 18, or after the room block has been filled, will be made on a space-available basis, and may be subject to significantly higher rates. Rooms sell quickly...we encourage you to make your hotel reservations early, for the best price and availability.

To make a reservation, please call the Orlando World Center Marriott at 800-621-0638 and mention you are attending the "AGA PDC" to receive the discounted rate.

MONTGOMERY/PRINCE GEORGE'S COUNTY CHAPTER EVENTS

WELCOME NEW MEMBERS

On behalf of our chapter, we would like to welcome our new members! We are excited about your decision to join our chapter. We put our members first in this chapter! There are a lot of great events planned and many opportunities to earn free CPEs!

Fellow members, please join us and welcome the following new members:

Michael Bravman	January 2010	National Geospatial Intelligence Agency
Ashley Hagans	January 2010	KPMG
Jeffrey Pullen	January 2010	DEA
Vance Smith	January 2010	Clifton Gunderson LLP
Darien Thall	January 2010	Kearney & Company

Thanks from your Membership Co-Directors! Please contact us at membership@marylandaga.com with any questions or comments. Hope to see you at our next dinner meeting on February 17.

CHAPTER WEBMASTER CORNER

Let AGA Transport You to New Horizons in Networking

Did you know that you can stay connected with the Chapter through Facebook? With AGA members of all career levels and backgrounds embracing the growing trend of online networking, the Chapter is increasing its presence on sites like Facebook.

The Chapter's page on Facebook keeps its subscriber base current with a feed of recent financial management news, upcoming events and articles, plus photos and announcements.

Facebook is one of the premier networking sites on the Web, allowing users to join networks organized by city, workplace, interests, and region to connect and interact with other people. As the New Year approaches we look to new ways to engage members. As leaders in the AGA community, we encourage you to become a fan of the Chapter on Facebook today.

So, get online today to check out the Chapter on Facebook to see what's new. Get exclusive content, find friends, view photos, and much more!

TAKE YOUR CAREER TO THE NEXT LEVEL – VOLUNTEER TODAY!

At the Montgomery/Prince George's AGA Chapter, we are actively seeking volunteers. Volunteering is a great opportunity to meet new people and network with others. If you are interested in serving on a particular committee, please contact the individual board members directly for additional information. A full listing of board members can be found on our Web page at <http://www.marylandaga.com>. Please click on "about" then "leadership," and then "board members." To learn more about volunteer opportunities, please ask any Montgomery/Prince George's AGA Chapter board member.

CHAPTER NEWSLETTER RESEARCH, ARTICLES, AND BOOK REVIEWS

The chapter encourages volunteers to provide newsletter articles on relevant subjects. We encourage all members to consider providing information that can enhance our knowledge base.

Outsourcing in Government – A Brief History and Auditor’s Reports

By James Merrill

Outsourcing as a word sounds like a recent phenomenon. The media regularly runs stories about corporations outsourcing business functions like information technology to other companies that specialize in providing such services, in the name of saving money and permitting the corporation to focus on its core business. The media slant is usually couched in negative terms, focusing on the impact on personnel headcount. Some states have passed laws that restrict such outsourcing for fear of job cuts. State workers’ unions have banded together in these efforts.

But in fact, outsourcing has been used by the U.S. government since the days of President George Washington. An early example was the contract let out in the 1790s for the construction of the six ships to a shipyard in Boston for the fledgling U.S. Navy; today, one of those ships, the USS *Constitution*, remains in commission in Boston. Outsourcing to commercial companies in the times of war is necessary and expedient. In World War II, the Navy operated its own shipyards but in the war effort increasingly turned to shipyards run by private corporations to build hundreds of warships. Today, all ships built for the Navy are built this way. Closer to home, outsourcing has proven to be an elemental part of the social fabric of the United States. When President Lyndon Johnson signed the Title XVIII legislation that created the Medicare and Medicaid system in 1965, a sense of urgency was created. To get these important health insurance programs off to a good start, the government turned to the Blue Cross Blue Shield Association (BCBSA) in an effort to speed up the process. The BCBSA brought together numerous state-chartered individual health insurance companies under a common image and licensing brand in the post-war boom and was a natural way for the government to leverage the Blues’ experience in the sixties. Today, more than 40-million Americans receive Medicare coverage through the ongoing partnership of outsourcing with commercial companies that continues through today. Even some of the Blues’ Medicare contractors in turn outsource functions to additional private IT and other medical organizations.

Medicaid (Title XIX) took a slightly different route since the intent of that program was to help the states deal with the health care needs of lower-income Americans. States were in a different but similar position in terms of the availability of relevant claims systems. However, commercial companies have helped fill the gap and today about 40 percent of the states outsource a large portion of their daily Medicaid processing need to outside organizations. It is not size dependent; Rhode Island outsources its Medicaid processing as does California. One state, Hawaii, outsources a part of its Medicaid processing to another state altogether.

There are other federal examples such as the National Finance Center, the National Business Center, and the Bureau of Public Debt – full-fledged outsourcing capabilities on behalf of other federal agencies. Similarly, states have created consolidated data centers with the help of commercial vendors.

The relevant issues for accountants and auditors in the federal and state sectors center around the management of expenditures and budgetary amounts. With commercial companies, most outsourcers charge a fixed fee but have provisions for extra fees for extra services. This requires accurate and timely oversight of payments made to these vendors. Another aspect is the issue of system obsolescence. The tendency may be to run a system at an outsourcer longer than was anticipated because of changes in administrations, new laws and regulations, increased constituent/resident demands making system replacement activities difficult to perform and schedule, and, in 2010, budgetary pressures. However, it is important that cognizant agency management be fully engaged around the topic of outsourcing. Outsourcing has its advantages but also has its pitfalls too. Careful planning and analysis is needed with every potential outsourcing arrangement. Continuing oversight is necessary.

The auditing profession, led by the American Institute of Certified Public Accountants (AICPA), developed common reporting standards to help auditors and users of such outsourced operations. In 1993, the AICPA introduced its seminal Statement on Auditing Standards (SAS) No. 70, *Service Organizations*. This important standard quickly became a global de facto standard and has been recognized in vari-

ous Office of Management and Budget (OMB) Memorandums as a method of gaining an understanding of controls at an outsourcer. State contracts regularly insert SAS 70 reporting as a standard audit requirement for outsourcers. In 2008, the National AGA organization sponsored a research project on the use of SAS 70 reports in government. The author of this essay worked with the Director of Research at the AGA to develop the accompanying report and the results were presented at the 2008 PDC. Several important conclusions were drawn from that research, based on nearly 100 responses to a survey, as well as interviews of various federal oversight officials at the OMB and the Government Accountability Office (GAO) and state-level officials ranging from state auditors to treasury and budget officers. Further updates were presented jointly by this author and the GAO at the 2009 PDC in New Orleans. Today, all Medicare and most Medicaid claims processors receive SAS 70 reports on their controls, as do the National Finance Center, Bureau of Public Debt, and the National Business Center.

The author of this essay is also an active member of the AICPA's task force on service organization reports. The task force reports to the Auditing Standards Board of the AICPA. Since 2007, the task force has worked on a replacement for SAS 70 due to general changes in auditing procedures in the years since the Enron and Worldcom accounting frauds. In 2011, SAS 70 will be superseded by a new Statement on Standards for Attestation Engagements (SSAE). The objective of the new standard is to align the AICPA's standards with a similar international standard that will become effective at the same time. The fundamental change introduced by the new standard relates to a written assertion made by service organization management to support the auditor's opinion on the outsourced services' controls.

Outsourcing is here to stay. To keep pace, the auditing profession continues to evolve and has developed new standards of reporting to provide more accountability and transparency in the outsourcing industry that supports government.

CHAPTER UPCOMING EVENTS CORNER

The following are the Chapter's upcoming monthly program highlights. Please visit our Web site at <http://www.marylandaga.com> and click the **Chapter News and Events** for more details.

March

March 3

***FREE* AGA Audio Conference: Fraud**

Event Description: AGA is pleased to announce its latest audio conference on Fraud.

Date and Time: This conference is scheduled on Wednesday, March 3, 2010 from 2:00 – 3:50 p.m. EST

Location and Cost: Clifton Gunderson, one of our chapter's esteemed corporate partners, has agreed to sponsor this event *free of charge* for our chapter members.)

The conference will take place at Clifton Gunderson's corporate offices (1710 Beltsville Drive, Suite 300, Calverton, MD 20705)

Contact: Elizabeth Robinson

Phone: 301-943-3371

For More Information: [*FREE* AGA Audio Conference: Fraud](#)

March 17

Monthly Dinner Meeting

Lisa Casias, Department of Commerce Deputy CFO & AGA National President-Elect

Topic to be announced.

CHAPTER UPCOMING EVENTS CORNER

March 24

***FREE* AGA Audio Conference: Suggested Guidelines for Voluntary Reporting: Sharing the Government's Story Using Non-Financial Resources**

Event Description: AGA is pleased to announce its latest audio conference on Suggested Guidelines for Voluntary Reporting: Sharing the Government's Story Using Non-Financial Resources.

Date and Time: This conference is scheduled on Wednesday, March 24, 2010 from 2:00 - 3:50 p.m. EST

Location and Cost: KPMG LLP, one of our chapter's esteemed corporate partners, has agreed to sponsor this event *free of charge* for our chapter members.

The conference will take place at KPMG LLP's Washington, DC office (2001 M Street, NW, Washington, DC 20036)

Contact: [Maria Rosse](#)

Phone: 202-533-6396

For More Information: *FREE* AGA Audio Conference: Suggested Guidelines for Voluntary Reporting: Sharing the Government's Story Using Non-Financial Resources

April

April 21

FREE* AGA Audio Conference: The Latest Tools and Techniques for Auditors

Date and Time: Wednesday, April 21, 2010 from 2:00–3:50 p.m. EST

Location and Cost: Clifton Gunderson, one of our chapter's corporate partners, has agreed to sponsor this event *free of charge* for our chapter members.

The conference will take place at Clifton Gunderson's corporate offices (1710 Beltsville Drive, Suite 300, Calverton, MD 20705)

Contact: Elizabeth Robinson at 301-943-3371

For More Information: *FREE* AGA Audio Conference: The Latest Tools and Techniques for Auditors

April 21

Monthly Dinner Meeting

Larry Bedker, Director of Financial Management Service, DHS

Topic to be announced.

April 27–30

4th Annual National Community Service – Habitat for Humanity

The dates for our Fourth Annual National Community Service project are April 27–30, 2010 and is again sandwiched between the two weekends of the New Orleans Jazz and Heritage Festival. We will again seek lodging in the beautiful new University of New Orleans dormitory (actually two bedroom furnished apartments) with a rate of only about \$30/night/person. Like last year, we will also create a second opportunity to experience what it's like to work with Habitat for Humanity in conjunction with the PDC in Orlando, which also faces an affordable housing shortage. We will have a one-day community service event with Habitat in Orlando on Thursday, July 15, the day after the PDC ends. For this event, we will seek to extend AGA's special hotel rate to include this extra night.

Contact: Jeff Hart at 303-312-6169

For More Information: 4th Annual National Community Service – Habitat for Humanity

May

May 6

Spring Workshop

Early May – We are currently working on finalizing the details for our spring workshop. Visit our website in a few weeks for more details.

May 13

Montgomery/PG County Chapter is currently planning a 9-hole golf tournament at Needwood golf course in Rockville.

Visit our Web site for more details.

May 19

FREE* AGA Audio Conference: Ethics

Date and Time: This conference is scheduled on Wednesday, May 19, 2010 from 2:00 p.m.–3:50 p.m. EST

Location and Cost: KPMG LLP, one of our chapter’s corporate partners, has agreed to sponsor this event ***free of charge*** for our chapter members.

The conference will take place at KPMG LLP’s Washington, DC office (2001 M Street, NW, Washington, DC 20036)

Contact: [Maria Rosse](#)

Phone: 202-533-6396

For More Information: *FREE* AGA Audio Conference: Ethics

For additional information and to register for any of the above Chapter events, please go to our Web site at www.marylandaga.com.

Our Chapter wishes to thank the following corporate sponsors:

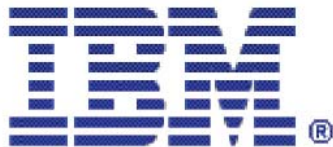
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