AGA MONTGOMERY/ PRINCE GEORGE'S COUNTY CHAPTER

THE COMMUNIQUE

October 2010

Chapter President's Message

Our 2010–2011 program year is off to a fabulous start! At our kick-off meeting on September 8, 2010, Kim Farington of the U.S. Office of Management and Budget (OMB) presented a compelling and engaging discussion about OMB's latest initiatives, such as efforts on addressing improper payments, decreasing the cost of Federal financial management system modernizations, improving data quality for Federal spending, and strengthening the Federal financial reporting model. Many of these issues are affecting our organizations directly, and all of our attendees got first-hand knowledge about the impact of these efforts to share with our colleagues.

Our chapter leaders are busy planning out additional events for this year. One key effort that we're busy planning is our winter and spring workshops. If you have ideas for topics that should be covered, please speak up! Please contact Hector Maysonet and Carol Boothe, our education co-chairs, by e-mailing them at education@marylandaga.com.

We have a number of other events in process. Keep checking the events tab on our website (*www.marylandaga.com*), and you can see all of the upcoming events, including dinner meetings, workshops, audio conferences, community service programs, and early careers events. More events are added every week, so check back often. Also, check us out on Facebook for updates as well!

As mentioned last month, one of my goals as chapter president is to work with key area employers, such as Federal and local government agencies in Montgomery County and Prince Georges County, to remind them of the benefits that they and their employees can gain through support and attendance at our events and programs (known as our FIMBY initiative, or "Friends in My Back Yard"). If you would like to help us inform the leadership at your employer about the great things going on at the AGA, please reach out to me to discuss outreach opportunities within your organization.

It's important to me that this chapter meets all of your needs. If you have comments to share or would like to learn more about how to get involved, please don't hesitate to contact me at aclewis@kpmg.com, or by calling me at 202-533-4886.

I hope to see you all at our next dinner meeting on Wednesday, October 13!

—Andrew C. Lewis, CPA, CGFM
Chapter President

October Dinner Meeting

October 13, 2010

with John Hummel, CPA, CGFM
KPMG Partner and Federal Sector Leader

"What's Important In Federal Financial Reporting"

Time: Reception: 6:00pm–6:30pm
Dinner Meeting: 6:30pm–8:30pm

Location: Hilton Hotel
1750 Rockville Pike, Rockville, MD

Cost: $15 for government employees
$30 for members and nonmembers

RSVP: Register at *www.marylandaga.com* (credit card payment required), or contact Jimmy Hauer (202-533-7292) or Tom Birchall (202-533-3624), or by e-mail to meetings@marylandaga.com.

AGA Hosts Emerging Leaders Roundtable

AGA National hosted an emerging leader roundtable for early and mid-career professionals during the Internal Controls and Fraud Conference that took place in September. Turn to page 6 more information and pictures from the roundtable.

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Chapter Upcoming Events

Oct 13 | **Monthly Dinner Meeting with John Hummel, CPA, CGFM: *What's Important In Federal Financial Reporting* (1 CPE)**

RSVP: Register online at *www.marylandaga.com* (credit card payment required), or by e-mail to Jimmy Hauer or Tom Birchall at meetings@marylandaga.com.

October 2010						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Oct 20 | ***FREE* AGA Audio Conference: *Was It Fraud or Just Audit Quality?* (2 CPEs)**

Time: 2:00p.m.–3:50p.m.

Location: KPMG LLP's Washington, DC Office (2001 M Street, NW; Washington, DC)

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

RSVP: Contact Maria Rossel at 202-533-6396.

Nov 4 | **Early Careers Mentoring Event with the DC and Northern Virginia Chapters**

Time: 6:00p.m. to 8:00p.m.

Location: Elephant and Castle, 1201 Penn Ave NW (Near Metro Center station on the Red line or Federal Triangle on the Orange and Blue lines)

RSVP: Contact Carla Flores (202-447-5905) or Christine Tritsch (301-443-7093), or by e-mail to earlycareers@marylandaga.com.

November 2010						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Nov 17 | ***FREE* AGA Audio Conference: Achieving Transparency—The Next Step to Integrating Your Data (2 CPEs)**

Time: 2:00p.m.–3:50p.m.

Location: The conference will take place simultaneously at the following locations:

Clifton Gunderson's Corporate Offices
710 Beltsville Drive, Suite 300,
Calverton, MD 20705
To RSVP, contact Elizabeth Robinson at 301-931-2050.

KPMG LLP's Washington, DC Office
2001 M Street, NW
Washington, DC 20036
To RSVP, contact Maria Rossel at 202-533-6396.

Cost: Clifton Gunderson and KPMG LLP, two of our Chapter's esteemed corporate partners, have agreed to sponsor this event ***free of charge*** for our chapter members.

Nov 17 | **Monthly Dinner Meeting (1 CPE)**

Time: Reception: 6:00pm–6:30pm;
Dinner Meeting: 6:30pm–8:30pm

Location: Hilton Hotel (1750 Rockville Pike; Rockville, MD)

Cost: $15 for government employees; $30 for members and nonmembers

RSVP: Register online at *www.marylandaga.com* (credit card payment required), or by e-mail to Jimmy Hauer or Tom Birchall at meetings@marylandaga.com.

For additional information about these and other Chapter events, go to *www.marylandaga.com/events* or find us on Facebook.

October Dinner Meeting Keynote Speaker's Bio

John Hummel, CPA, CGFM

Partner, KPMG LLP

John is a Partner at KPMG LLP and leads KPMG's federal audit and advisory practices. During his 35 year career at KPMG, John has led approximately 80 annual federal financial statement audits. He is the chairman or vice chairman of several federal support organizations, such as the AGA's Certificate of Excellence in Accountability Reporting Board, the FASAB's Appointments Panel, the AICPA's Government Accounting and Auditing Conference Panel, and the Greater Washington Society of CPA's Government Committee. He is also a member of the FASAB's Reporting Model Task Force. He is a CPA, a CGFM, and a Certified Fraud Examiner. Mr. Hummel will retire this December 31.

Note from the Editor

Welcome to the October issue of our newsletter. Thanks to each and every one of you who took the time to comment on last month's issue. As we refine our new design to better meet your needs, we truly appreciate your feedback.

Also, we are currently looking for volunteers to provide newsletter articles on relevant government accountability subjects. If you have any items that may be of interest to our federal, state and local members, please send your contributions to Carla Flores at carla.flores@dhs.gov. The deadline for submitting articles to appear in the November 2010 issue is October 20, 2010.

Finally, the Fall 2010 Issue of the *Journal* is available online. This issue celebrates AGA's 60th anniversary and includes great articles looking back to the last 10 years, and looking forward to what AGA will look like 10 years in the future. I encourage you to take some time to read through the issue.

—Carla B. Flores
Newsletter Editor

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Membership

Welcome New Members!

On behalf of our Chapter, we would like to welcome our newest members! We are excited about your decision to join our Chapter. There are a lot of great events planned and many opportunities to earn free CPE hours!

Fellow members, please join us in welcoming—

- Tammy Doege, Quality Health Strategies
- Bebe Oh, Department of Defense
- Mehulkumar Patel, Maryland Aviation Administration
- Nicholas Rajewski, Clifton Gunderson LLP

If you have any questions, please contact our Membership Co-Directors at membership@marylandaga.com.

Hope to see you at our next dinner meeting on October 13. *Don't forget, your first dinner meeting as a new member is on us!* To register, contact Jimmy Hauer or Tom Birchall at meetings@marylandaga.com.

Member Highlights

Congratulations to Andrew Lewis for becoming a Partner with KPMG!

Andrew has been with KPMG for 12 years. During that time, he has managed several large, complex Federal audits and participated in various advisory services to Federal agencies. For the past 5 years, Andrew has been serving as an adjunct professor at the George Washington University (GWU), where he teaches a graduate course on government and not-for-profit accounting and auditing in GWU's Masters of Accountancy program. Andrew also served as the primary recruiter for the KPMG Washington, DC office for over two years. He is a member of KPMG's Training and Methodology Team (TMT) and has been involved in the development of various federal audit self-study courses. Andrew is a CPA and a CGFM. In addition of being our Chapter President, Andrew chairs the Federal Issues and Standards Committee of the Greater Washington Society of CPAs. Please join us in congratulating Andrew for his success!

September Dinner Meeting

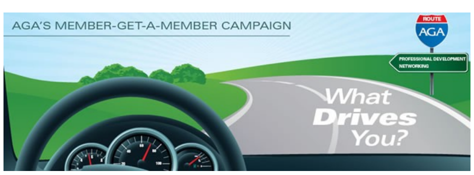
The Montgomery/Prince George's County Chapter was pleased to welcome Kim Farington, CPA, Policy Analyst at the Office of Management and Budget, at our September dinner meeting.

Ms. Farington presented highlights from OMB's latest initiatives. Among other things, Ms. Farington discussed the three priority areas, which include (1) eliminating waste, (2) closing the efficiency and technology gap in financial operations, and (3) promoting accountability and innovation through open government.

Other items in OMB's radar include launching a dashboard that will highlight the progress on key initiatives, developing and implementing a new standard inter-agency agreement template, and coordinating working groups regarding the Tax Increase Prevention and Reconciliation Act (TIPRA).

For more information, download the "OMB Highlights" presentation.

"What Drives You?" Member-Get-A-Member Campaign



Don't forget to get involved in AGA's "What Drives You?" Member-Get-A-Member Campaign. AGA's newest membership recruitment and rewards program running from May 1, 2010 until April 30, 2011. With great new incentives, members are driven to recruit colleagues by sharing the value of their association membership!

The more members you recruit, the more chances you have to win. Incentives include: AGA sponsor pins, AGA Dollars, membership dues, conference registrations, American Express gift cards and lodging at the 2011 PDC in Atlanta.

- Read more about the "What Drives You?" Member-Get-A-Member Campaign.
- Download the membership application and check out AGA's recruitment tips!

Community Service Committee Seeks Volunteers for Habitat for Humanity

The community service committee is searching for volunteers to assist the Prince George's County Habitat for Humanity with building a house. The project is anticipated to take place in about three weeks. If you are interested in participating, please contact Troy Hailey or Joan Hebron at communityservice@marylandaga.com.

Education and Research

Depreciation in the Public Sector

AGA Today's Federal Accounting Corner
September 27, 2010

In the private sector, depreciation matches the acquisition cost of the asset against the revenues the asset makes possible. Because the revenue flow is uncertain, companies often depreciate assets quickly (that is, it is usual for an asset to be fully depreciated before it is retired). This goes hand in hand with the conservative principle and also tends to more closely match net book value with market value, though there is no guarantee of the latter. How should depreciation be viewed and calculated in the public sector?

Allocation Purpose

Most public sector activities do not result in revenues or a profit. For example, many agencies (at all levels of government) maintain a fleet of motor vehicles to assist their employees in carrying out their mission. Let's just assume for simplicity's sake they aren't leased. The budget is expended when the vehicles are procured (the use of appropriations for the acquisition will result in a financing source for the full cost). Capitalizing the initial cost of these vehicles and depreciating them over time does not match expenses against revenues or budget expenditures, but it does allocate the cost across those periods that benefit from the asset. The Federal Accounting Standards Advisory Board's Standard Statement 4 on Managerial Cost Accounting includes depreciation in full cost for a segment. Standard Statement 6 on property, plant and equipment says that including depreciation in entity operating results assists report users in evaluating the service efforts, costs and accomplishments of the reporting entity.

Asset Life

However, many governments keep assets such as vehicles much longer than the average private sector company. At the PDC this year, I heard one government employee say they fight with their auditors concerning whether to depreciate their fleet over five years, which is the private sector standard, or over 20 years, which is their actual average life span.

If an agency buys a vehicle with the intention of holding it for 20 years, they obviously are committed to spending a lot more on maintenance than an agency that plans to hold it for five years and then sell it when the next major problem arises. They are also going to spend more on maintenance the older the vehicle gets, though those types of costs tend to clump in random years rather than grow along a smooth curve. While it is not proper to book a liability for the expected maintenance and repairs when a vehicle is acquired, one can smooth out expenses over time by using a depreciation method that reduces the amount charged over time.

Depreciation Methods

One of the most common depreciation methods used where the amounts fall over time is double declining balance (DDB). Instead of charging 5 percent of the cost less expected salvage value each year for 20 years, one charges 10 percent of the net book value less salvage each year. For each $10,000 of depreciable amount, one charges $1,000 the first year, $900 the second, down to $387 in the 10th year and $135 in the 20th. However, DDB has a major disadvantage in that there is always a significant remainder. If the agency disposes of the vehicle at the start of year 21, they have to write down $1,216 per $10,000 of original depreciable amount, which is more than the depreciation charge in the highest (first) year.

A better method is sum of the years' digits (SYD), where the first year charges 20 / 210 = 9.52 percent the first year, 19 / 210 = 9.05 percent the second, down to 11 / 210 = 5.24 percent in the 10th year and 1 / 210 = 0.48 percent in the 20th. DDB is higher the first year and the last three years of a 20-year life, but overall, the amounts are similar. However, SYD leaves no residual book value. By the time the average private sector life of five years has been reached, SYD leaves less than 60 percent of the original depreciable amount as opposed to 75 percent using the straight-line method, which may ease auditor concerns that the cost allocation is not sufficiently conservative.

If the agency has good records and a large enough fleet to allow accurate prediction of maintenance costs over time, they could use a custom allocation formula to try to even out the expenses by year.

Conclusion

The total cost associated with an asset includes the acquisition cost, which is frequently capitalized, and ongoing maintenance, which is expensed. Depreciation allocates the acquisition cost over the presumed life of the asset in a rational manner, while the maintenance costs are haphazard and continue as long as the asset is in service. Since maintenance costs usually climb as the asset ages, owners must choose at what point to continue maintaining the asset versus purchasing a replacement. If the owner is committed to performing the maintenance necessary for an unusually long asset life, they may want to choose either a shorter depreciation life, or use a depreciation method where the annual amount declines over time, to help smooth out the total annual cost of the asset. In reality, though, most agencies use straight-line depreciation as it is the simplest to implement and depreciation costs are not material to their financial statements.

—Simcha Kuritzky, CGFM, CPA

This column is provided as part of a free exchange of ideas in federal accounting, and is reviewed by a member of AGA's Journal Editorial Board. Please send all comments to Simcha.Kuritzky@CGIFederal.com.

AGA Today is a biweekly electronic news briefing, which covers the latest information about accounting and auditing standards, appointments and other news of your profession; upcoming CPE opportunities; new products and services; membership statistics; CGFM news, etc. Subscribe Today!

FASAB Issues Exposure Draft on the Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording

FASAB is seeking input on an exposure draft of a Statement of Federal Financial Accounting Concepts, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*. The ED identifies conceptual issues for the Board to consider when deliberating measurement standards in the future. It does not propose changes to existing standards. A statement resulting from the ED would be the seventh in the FASAB's series of concepts statements setting forth objectives and fundamentals on which financial accounting and reporting standards will be based. Please note that this concept statement does not propose changes to existing standards.

The principal question addressed in the ED is whether and under what circumstances it might be more useful for users' decision making to report an asset or liability in periods after its acquisition or incurrence (a) at the amount initially recorded, subject to appropriate adjustments for amortization, depreciation, or depletion ("initial amount"—e.g., historical cost) or (b) at an amount measured at each financial statement date ("remeasured amount"—e.g., fair value). The analysis suggests that different measurement approaches, attributes, and methods may be needed to convey useful information about different transactions and underlying events.

Comments are requested by November 30, 2010. The exposure draft in PDF format and the specific questions raised in Word format are available at the FASAB website.

Early Careers

Government Finance Case Challenge

The best undergraduate accounting/financial management students in the country are invited to compete in the Fourth Annual Government Finance Case Challenge, sponsored by AGA. Student teams will collaboratively analyze and offer a written response to a case centered on how a U.S. city government creates a citizen-centric report. All members of the three highest-scoring teams will receive a scholarship to attend AGA's National Leadership Conference; set for Feb. 17–18, 2011 in Washington, D.C. Teams will present their solutions to a panel of federal/state/local government leaders, corporate partners and CFOs. The winning teams will be announced at the awards luncheon on the final day of the conference. Cash prizes will be awarded to the winning team. Each student participant will receive a free one-year membership to AGA. Visit the website for further information or to register. Questions? Contact Jennifer Curtin at jcurtin@agacgfm.org.

The registration deadline is Monday, Oct. 3, 2010.

Early Career's Meet & Greet

Our Early Careers officially started the program year with a meet and greet at Riff's Lounge on September 8th. Early Career members met fellow members and Chapter leadership, and learned first-hand from Board members about the benefits of the AGA membership, the CGFM, etc. Members also received welcome packages courtesy of AGA. National

Early Career's Kick-Off BBQ

Early Careers in the Capital Region kicked-off their program with a BBQ at Hains Point (East Potomac Park) on September 18th. Over 50 attendees from the Montgomery/PG , DC and Northern Virginia Chapters' early careers and Board members were treated to a BBQ meal catered by Famous Dave's. And the weather could not have been more beautiful!

Gladys Ramirez, Scott Bell, Eric Rasmussen, Marlon Perry, Carla Flores, Christine Tritsch, Flora Milans, Troy Hailey and Danielle Rosemond at the Early Careers Kick-Off BBQ.

AGA National Events and Updates

AGA's 2010 Performance Management Conference

Accountability! Transparency! Performance! The public is demanding these things, and governments must comply.

For the first time, AGA's Sixth Annual Performance Management Conference (PMC) will be held on the East Coast! We'll talk about what works and what doesn't in performance management. New ideas, successful practices and lessons learned are all a part of this event. Attendees are passionate about their role in government and that enthusiasm is infectious. They want to share their experience, and the best venue is AGA's PMC. **Register today!**

Date: October 13–14, 2010
Location: Embassy Suites Baltimore at BWI
300 Concourse Drive;
Linthicum, MD
Cost: $445 for members;
$495 for non-members
CPEs: 11 CPE hours

For more information, visit *www.agacgfm.com/pmc*.

Emerging Leaders Roundtable

AGA National hosted an emerging leader roundtable for early and mid-career professionals on September 15th.

The event started with Ms. Jeanette Franzel, CPA, CGFM, Managing Director of the Government Accountability Office, speaking about the dimensions of leadership and the characteristics of a good leader. After Ms. Franzel's presentation, attendees divided into smaller groups, where they spoke to leaders in the government accountability profession about career development tips, establishing successful relationships with mentors, leadership, etc.

Roundtable leaders included—

- Carl Hoecker, CGFM, Inspector General, US Capitol Police
- Lynne A. McFarland, Inspector General, Federal Election Commission
- Melinda Parton, CGFM, Director of Management Services, Tennessee State Comptroller
- Bill Hughes, CPA, CGFM, Managing Director, Morgan Franklin
- Louise Campanale, Booz Allen Hamilton
- Stephanie Irby, Assistant Director, Department of Justice

Check out all the pictures online!

Emerging Issues Committee Seeks Members

Do you want to be part of a dynamic think tank on the leading edge of government accountability issues? AGA has one and you can participate. The Emerging Issues Committee can have up to 11 members; the committee is looking for AGA members in good standing to serve a three-year term. Committee co-chairs Jeanette Franzel, CGFM, CPA, and Tony Rainey are primarily looking for applicants who are with state or local levels of government to strengthen committee representation in those constituencies, but feds are also welcome!

The committee's mission is to identify and elevate awareness of significant emerging issues that impact government accountability at the federal, state and/or local level. Once issues are identified, the committee can take a range of possible actions to assist other AGA members in dealing with these issues. The committee also provides input to the technical committee for the Professional Development Conference & Exposition and to the Corporate Partner Advisory Group Research Program.

If you are interested in serving on this prestigious committee, please contact AGA director of Research Anna Miller at AMiller@agacgfm.org.

Connect with AGA National

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