The most important financial report in history of the United States government was issued on March 31, 1998. For the first time, the federal government prepared and formally issued consolidated financial statements in accordance with the Statements of Federal Financial Accounting Standards. Material intragovernmental transactions were eliminated in consolidation for the year ended September 30, 1997 with exceptions reported in a note to the statements.

Representing the culmination of an effort begun many years ago and strongly supported by former U.S. Comptroller General Charles A. Bowsher, the Consolidated Financial Statements of the United States (CFSUS) demonstrate the government’s dedication to full and complete accountability within the context of professional standards of financial management, reporting and auditing. US Treasury Secretary Robert E. Rubin stated that further improvements are clearly necessary” recognizing that much additional work will be needed to perfect the government’s financial systems, controls and reporting mechanisms covering “its myriad activities.”

Among many reforms in financial management legislated by Congress during recent years are requirements for the preparation and audit of individual financial statements of the government’s 24 largest departments and agencies plus the annual submission of consolidated financial statements. Rubin’s message transmitting report enumerated the many efforts still in process to improve federal financial management and reporting concluding. “We believe that the publication of these audited statements is an important step in providing American citizens with more information about the operations of their government.”

The report issued contains, in addition to narrative and graphic management comments and GAO’s report, three consolidated financial statements: a Balance Sheet, Statement of Net Cost and Statement of Changes in Net Position. These are accompanied by 17 notes to the consolidated financial statements.

The full report was downloaded from the Internet, printed and distributed to all participants in the XII International Conference on New Developments in Governmental Financial Management in Miami on the day it was issued. It may be similarly downloaded in PDF format from websites of the Treasury Department “http://www.fms.treas.gov/cfs” and GAO “http://www.gao.gov/97cfs.pdf”.

-- Jim Wesberry
Cassals & Associates
The President’s Message
The International Consortium on Governmental Financial Management -- Who Are We?

The representatives through their thoughtful deliberations outlined some 20 objectives they felt the ICGFM should pursue in the public, financial management community. They reduced these objectives to writing and used action words to describe the challenges the ICGFM should pursue. They used such terms as “Encourage, Collaborate, Stimulate, Sponsor, Promote, Guide, Coordinate and Organize.” The representatives suggested that the Consortium implement and accomplish these objectives through periodic meetings, conferences, newsletters and research programs.

In December 1979, formal Bylaws and Policies were drafted and approved by the Board of Directors of the ICGFM. The Bylaws included key provisions for membership, governance, dues, meetings, composition of a board of directors and committees. The Bylaws have not changed since December 1979. Formal Policies (Standing Operating Procedures) were also established to expand upon certain provisions of the Bylaws. For example, membership was further defined to include different classes of members. Group members were to include professional organizations, government institutions/ministries, educational institutions, and private organizations. The policies also outlined the requirements for individual members. Annual dues were established for each membership class and a Secretary General was to be appointed to handle the affairs of the ICGFM. A Secretariat was to be appointed to document the affairs of the Consortium. These policies have not changed since 1979.

This is how we began, how we operate and who we are today. We are a grassroots organization trying to improve financial management in the public sector around the world.

(Continued on Page 3)
EXECUTIVE PROFILE

DR. CORNELIUS E. TIERNEY
George Washington University

Cornelius E. Tierney, a member of the ICGFM’s Board of Director, is a certified public accountant, general partner, and for almost 25 years, the Chairman and National Director of Ernst & Young’s (formerly Arthur Young’s) government practice, since August 1998 he has been a full-time professor at George Washington University. In September 1996, Professor Tierney was also requested to establish and be the initial director of GWU’s Center for Public Financial Management.

For the decade of the 1960s, he was an Assistant Director of Auditing and an Assistant Director of Accounting (serving with the U.S. General Accounting Office, later the Office of Economic Opportunity and then the Civil Aeronautics Board). Professor Tierney chaired the task force that drafted the AICPA’s guide to the accounting profession for implementing the Single Audit Act of 1984. He also chaired the Association of Government Accountant’s and the AICPA’s task forces. He was a principal author of reports that were essentially codified by Congress as the Chief Financial Officers Act of 1990. Professor Tierney was an original member and served to 1997, the maximum term of six years on the Federal Accounting Standards Advisory Board, having been appointed by the Secretary of the Treasury, Director of the Office of Management and Budget and the Comptroller General of the United States. In 1996, he was appointed by the Comptroller General to a four-year term on the Government Auditing Standards Advisory Council.

In addition to his work in the federal government and academia, he has done extensive work with city and county governments. He led a three-year study regarded as the largest study ever made of city and county financial statements. The study was instrumental in setting generally accepted accounting principles for state and local governments. Although his books and other publications are too numerous to mention, it is noted that three books that he co-authored cover state and local financial management. They are: Governmental Accounting Procedures and Practices (1983); Governmental Accounting Procedures and Practices (1985); and Financial Reporting for American Cities and Counties (1986).

Professor Tierney holds a BA in Accounting and Finance, an MBA, and a DBA. He has been a CPA since 1964 and a Certified Government Financial Manager since 1995.

He has chaired many national committees and task forces including the Education and Research Foundation and the National Headquarters Building Fund for AGA and has contributed to numerous Committees and task forces of the AICPA.

-- Virginia Robinson
Consultant

The President’s Message
(Continued from Page 2)

As I have mentioned before, we have established a Strategic Planning Committee which is reviewing our Bylaws and Policies, established over 20 years ago. They are polling our membership, officers and directors and other interested parties with the goal of making recommendations to improve or fine-tune our operations, our Bylaws and our operating Policies. They will probably recommend some changes, but I don’t see anything drastic at this time. If you have some ideas or want to be heard, please contact Linda Weeks, Virginia Robinson, or Audrey Dysland. They are seeking your input.

I hope this gives you a more in-depth background on the Consortium, stimulates some thinking on your part and encourages you to become more involved in our efforts to improve public financial management around the world.

-- Jim Durnil, ICGFM President
Two decades ago, the duality considered in organizing electronic data processing (EDP) support was centralized versus distributed processing. Typically, centralized processing minimized direct and overhead costs. The opposing view was that the opportunity costs associated with the inability to respond quickly to changing circumstances outweighed the easily identified cost savings associated with centralized EDP support. Like many dialogues in the business community, this one was resolved with the passage of time and new technology. The personal computer (PC) is now the essential tool for nearly all white collar, and many blue collar, workers. What made the PC possible was an inexpensive central processing unit, operating system, application software and input/output devices. Like all markets, the market for computing was driven by economics. Because the cost of storing, retrieving and manipulating data declined substantially, individuals could obtain control of computing resources and minimize opportunity costs.

Implementing these models became feasible with the introduction of third generation computers (mid-1960s), but only the largest, wealthiest and most sophisticated organizations could take advantage of inventory management. Now, anyone with a PC, even a small convenience store, can implement automated inventory management. Another form of the lost sale situation arises from the inability of a customer or clerk to locate a desired product. Perpetual inventory records are readily accessible and can assist the sales person in locating or back ordering the desired item. For more than one user, a centralized electronic set of information is essential, and that is what a client/server system can provide at a low cost. This type of application can benefit both the government sector and the private sector. In the government sector, it results in the fast and efficient retrieval of needed documents for operations, research or distribution to the public.

Before the popularity of client/server systems, mainframes were the the central repository of multi-user electronic information. Most organizations’ basic data requirements involve the management of information (storage, retrieval, manipulation and printing) with a modest requirement for computation. Comparatively few

(Continued on Page 8)
This year’s Conference will feature some of the best speakers who will discuss--

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- The Status of Governmental Financial Management at the Beginning of the Millennium
- The 20 Century’s Leaders
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- Managing Finances of the 21st Century City/State

**Information on Conference Cost and Hotel Reservations:**
- Conference Cost: $475.00 per person
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For More Information Visit:
- “http://www.casals.com/20-20vision.htm”
  - Tel: (703) 920-1234
  - Fax: (703) 920-5750
The International Consortium on Governmental Financial Management

MEMBERSHIP APPLICATION

Complete the application and return to: International Consortium on Governmental Financial Management (ICGFM), P.O. Box 8665, Silver Spring, MD 20907-USA, Tel: (301) 681-3836, Fax: (301) 681-8620.

Enclosed are annual dues for calendar year(s) 19___ (indicate following years if applying after August) for membership indicated below. Membership entitles you to the Consortium Newsletter and the annual Public Fund Digest subscription (English language).

Organization Name ____________________________________________________________

Responsible Individual Name ____________________________________________________

Title ________________________________________________________________________

Mailing Address ______________________________________________________________________

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Individual  ____________________________ US $ 20

** Optional

☐Organization __________________________ US $1,000  ☐Individual ___________________________ US $50

Authorized Signature __________________________________________________________

Name and Title (if different from above) _____________________________________________

Organizations may optionally attach names and mailing addresses of up to four additional persons designated to receive Consortium mailings in the official language (English). Addresses and title should be concise.

**A special discount is offered to developing countries and regional groups of countries to encourage their participation. Their dues are as follows: Major Professional Organization, US $400; National Organization, US $30; Government Organization, US $30; Private Organization or Firm, US $30; Educational Institution, US $15; Individual, US $20; and Regional Country Group, US $30 per country member. This discount is available to all countries other than Australia, Brazil, Canada, China, Egypt, all European countries, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kuwait, Libya, Mexico, New Zealand, Nigeria, Oman, Saudi Arabia, Scandinavia, United Arab Emirates, United Kingdom, USA, Russia, and Venezuela*

***Optional membership (instead of or in addition to regular dues rates) for the support of Consortium programs and publications.
In December 1997, the Hungarian Parliament overwhelmingly elected Dr. Arpad Kovacs as President of the State Audit Office. Dr. Kovacs received his Doctorate Degree from the Budapest Technical University in 1979. He has served in a number of important Government posts and is no stranger to the State Audit Office, having served as a Director in the Office from 1990 until October 1996. On October 25, 1996, Dr. Kovacs was named as President of the Board of Directors of the Hungarian Privatization and State Holding Company and served in this capacity until elected President of the State Audit Office.

Dr. Kovacs is a contributor to a number of professional journals, having written articles in publications of the International Government Auditing as well as in periodicals of research centers and scientific institutions of the United States and United Kingdom. He is regularly invited to lecture at the Hungarian University of Economics and other institutions of higher education, as well as international forums of trade institutions dealing with privatization. Dr. Kovacs was awarded the Officer’s Cross of the Honor of the Republic of Hungary in 1996.

Shortly after assuming his position as president, Dr. Kovacs hosted the Auditor General from the Republic of Latvia, Mr. Raits Cernajs, and some senior Latvia State Audit Office officials to explain how the Hungarian State Audit Office is organized and functions, and he shared his auditing experiences. In February 1998, Mr. Kovacs hosted a delegation from the Republic of Croatia State Audit Office, including Ms. Sima Krasic, Auditor General.

After spending a day in Budapest meeting with key Hungarian State Audit officials, the Croatian delegation traveled about one-half hour outside of Budapest to Velence, the site of the State Audit Office’s Education Institute. The Croatian delegation was briefed there on the State Audit Office’s training program and given a tour of this well-equipped and very modern training facility. The facility has over 30 rooms to house participants, each equipped with all the modern conveniences. In addition, the training center has equipped conference/training rooms — one which can handle 80 participants, one with a capacity of 30, and three with a capacity of 12 participants. Most impressive is that the facility has a computerized training hall (eight computers) and interpretation equipment suitable for translation in four languages simultaneously. The Hungarian State Audit Office has hosted several international conferences at this facility.

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Elected Hungarian State Audit Office President
(Continued from Page 7)

The Hungarian State Audit Office provides each new employee a one-week orientation program and requires all its staff to have 15 days of training each year. Training consists of two to four days of specialized training related to particular audit subjects and computer training courses.

-- James R. Bonnell, USAID Regional Inspector General
Budapest, Hungary

The New Paradigm for Managing Business and Government Data: Client/Server Systems
(Continued from Page 4)

organizations have a need for computation which would require a mainframe. For many organizations, PCs provide most of the computational resources. The typical file server for a client/server application might range in cost from $5,000 to $50,000. The typical range in software cost (operating system, data base management system and development system) is $2,000 to $300,000. Even for the smallest multi-user environment, cost is not a barrier. Even at the high end, the total cost of a client/server system excluding manpower would be less than $500,000. For a single application, incremental costs would then be upgrades to file servers, such as additional storage, or an additional file server, both of which are small in comparison to the initial outlay. Particularly cost effective are off-the-shelf applications which require minimal manpower to implement.

Mainframes are not dead, but the demand for them is flat. One of the major reasons the demand for mainframes is flat is the proliferation of client/server systems. Client/server systems provide effective means for managing large databases without the wasteful duplication of computational resources. The library of the off-the-shelf client/server applications is enormous and continues to grow. With an effective and efficient information technology infrastructure, client/server systems provide unprecedented flexibility in the management of multi-user data economically.

-- Richard H. Ronneberg
Senior Audit Principal, IMF

Mr. Ronneberg completed the Sloan Management Program, earning an MS in Management. He holds an MA in Accounting, and is a CPA, CIA, and CISA.
For the first time the Supreme Audit Institution of the United States, The General Accounting Office (GAO) has performed an independent audit of the consolidated financial statements of the federal government and reported its findings to Congress. Acting Comptroller General of the United States James F. Hinchman summarized conclusions in a letter transmitting the audit report to Senate and House of Representatives leaders dated March 31, 1998.

He stated that “significant financial systems weaknesses, problems with fundamental record-keeping, incomplete documentation, and weak internal controls, prevent the government from accurately reporting a large portion of its assets, liabilities and costs...”

After enumerating 10 broad areas of deficiencies, Hinchman concluded, “These deficiencies prevented us from being able to form an opinion on the reliability of the consolidated financial statements.” Thus, GAO issued a “disclaimer of opinion” in accordance with professional audit terminology presenting its reasons in detail. GAO also recognized that financial management improvements underway represent the administration’s commitment to eventually gain unqualified audit opinions for all major federal agencies and for the government as a whole.

For many years the United States government did not require individual entities to prepare their own financial statements nor have independent audits made of their financial condition and results of operations. Reliance was placed upon selective audit of revenues, expenditures and specific areas, while financial reporting primarily focused upon revenues and expenditures and budgetary compliance. The comprehensive reforms of recent years at the urging of GAO and professional organizations reflect the recognition of the government that it must comply with modern methods of accountability that are widely accepted in the private sector.

In addition to the 10 major deficiency areas, GAO expressed concern that “serious computer control weaknesses expose the government’s financial information to inappropriate disclosure, destruction, modification, or fraud.” It also noted that “material control weaknesses affect the government’s tax collection activities” but pointed out that several agencies that have faced serious deficiencies for years in their audits have “made good progress in resolving them.”

Because of the enormity of the US government in addition to its own work, GAO relied upon its review of the quality of audits by federal Inspectors general and private auditing firms. The GAO report recognized that eight major agencies had received unqualified audit opinions for the fiscal year 1997.

--- Jim Wesberry
Cassals & Associates
UPCOMING EVENTS

OCTOBER 1-3, 1998
1998 International Accounting Conference
(English) Urbana-Champaign, Illinois, USA
Contact: Andrew D. Bailey, Jr.
E-mail: b-smith@uiuc.edu
Center for International Education and Research in Accounting
320 Commerce West Building, Box 109
1206 South Sixth Street
Champaign, IL 61820, USA

OCTOBER 5-7, 1998
Ethics and Fraud Conference
Corporate Governance Conference
(IIA) The Institute of Internal Auditors
(English) Baltimore, Maryland, USA
Contact: Ms. Judy Burke
The Institute of Internal Auditors
Website: http://www.rutgers.edu/Accounting/raw/iia/conf/mar_conf.htm
Tel: 1-407-830-7600 ext. 249

OCTOBER 8-10, 1998
XIII International Financial Management Conference
20/20 Vision: The Past 20 and next 20 years of
Governmental Financial Management
(English, Spanish) Arlington, Virginia, USA
Contact: Taryn Costanzo, Events Coordinator
E-mail: forum@casals.com
Tel: 1-703-920-1234
Fax: 1-703-920-5750
Casals & Associates
Crystal Park Three, Suite 814
2231 Crystal Drive
Arlington, VA 22202, USA

OCTOBER 11-16, 1998
VIII OLACEFS General Assembly
(Spanish, English) Caracas, Venezuela
Organization of Supreme Audit Institutions for Latin America and the Caribbean (OLACEFS)
Open to members and observers by invitation only
Contact: Dr. Armando Guedez Alejo
Office of the Comptroller General of the Republic of Venezuela
E-mail: aguedez@cgr.gov.ve
Fax: 582-508-3604 or 582-571-8402

OCTOBER 26- NOVEMBER 20, 1998
Corruption and Anti-Corruption: Professional Short Course
(English) Canberra, Australia
Contact: Meera Nair
Professional Short Course Officer
National Centre for Development Studies
Tel: 61-2-6249-4351
Fax: 61-2-6248-8805 or 6249-5570
The Australian National University
Canberra, ACT 0200, Australia

DEADLINES

December Issue -- November 6, 1998

Please send all items to:
Dolores D. Padgett
910 Moorefield Creek Road
Vienna, VA 22180-6244, USA

E-mail to “dolores.padgett@cfomail.fin.irs.gov”
Tel: (202) 622-8991 (daytime)