

In Brief

FEDERAL UPDATE | GFOA COMMITTEE UPDATE



COMMITTEE UPDATE

The Accounting, Auditing, and Financial Reporting Committee

BY TODD BUIKEMA

The Accounting, Auditing, and Financial Reporting Committee (AAFRC) met on January 24, 2022, in Washington D.C.

AAFRC members received updates from the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel (SLGEP). The AICPA SLGEP informed committee members about auditing issues that impact state and local governments, including the new auditor reporting standards, referred to as the auditor reporting suite, which will change the content of the independent auditor's report on the financial statements. The AAFRC was also informed of the challenges in performing single audits as a result of the American Rescue Plan Act (ARPA) and existing programs that received additional

funding because of COVID-19, including numerous entities having a single audit for the first time. The GASB updated members on their current technical plan, including a new project on going concern and severe financial distress. The AAFRC also learned about due process documents that are scheduled to be issued as final statements in 2022 and received an update on the GASB's big three projects—Disclosure Framework, Financial Reporting Model, and Revenue and Expense Recognition.

Committee members discussed the most pressing accounting, auditing, and financial reporting issues facing the governments they serve. Some of the topics that members mentioned frequently included that their governments were dealing with staffing issues, supply chain issues, implementing

new lease and subscription-based IT arrangements to GASB standards, and ARPA spending and compliance with federal guidelines.

AAFRC reviewed the committee's strategic plan and best practice review schedule. The committee also discussed updates to its Grants Administration best practice and two new best practices, one for preparing a schedule of expenditure of federal awards and one on internal controls necessary in a remote working environment. If the committee votes during its spring meeting, the recommended changes and new best practices will be submitted to GFOA's Executive Board for consideration at its fall meeting. 

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Committee on Governmental Budgeting and Fiscal Policy

BY JOHN FISHBEIN

GFOA's Committee on Governmental Budgeting and Fiscal Policy—the Budget Committee, for short—advises and guides GFOA best practices and recommendations on a range of topics related to the budget process, financial policies, and budget presentation. The Budget Committee also provides advice on broader financial management topics. The committee has 24 active members, two ex-officio members, five advisors, and two GFOA support staff members. The committee chair is Scott Huizenga, assistant city manager for the City of Fair Oaks Ranch, Texas. The vice chair is Judith Marte, Deputy Superintendent, Operations for Broward County Public Schools. Committee members come from a broad range of governments,

including cities, counties, school districts, higher education, other special purpose districts, states, and provinces across the United States and Canada. Their diversity of experiences and organizations provides for a well-rounded perspective in developing guidance for GFOA members and beyond and makes for interesting discussion at the committee's twice-annual meetings.

Budget control

The Budget Committee recently worked on a new budget control best practice, which was approved by GFOA's Executive Board in March 2022. Budget controls help ensure that a government doesn't spend more than the amount legally appropriated by its governing body. Establishing clear spending boundaries promotes accountability

and bolsters trust throughout the organization.

GFOA recommends that governments implement practices to prevent spending more money than what the governing body has legally appropriated in the organization's budget. Budget controls should be automated and built into the organization's enterprise resource planning (ERP) system. Most modern ERP systems offer extensive budget control functions.

While a government's budget is a plan, it is not a static plan. To serve its residents, a government must be able to respond to changing conditions, needs, and priorities. Budget controls are also useful for this purpose. As a management tool, they prevent overspending and highlight potential changes that may be needed to the organization's budget.

Long-term financial planning

The Budget Committee recently worked on a revised long-term financial planning best practice, which was approved by GFOA's Executive Board in March 2022. Beyond the annual budget cycle and multi-year capital plan, governments need to identify long-term financial trends. Long-term financial planning involves projecting revenues, expenses, and key factors that have a financial impact on the organization.

GFOA recommends that all governments prepare and maintain a long-term financial plan that projects revenues, expenses, financial position, and external factors for all key funds and government operations at least five years into the future. The benefits of long-term financial planning include:

- Creating a long-term outlook into other planning processes like budgeting, capital planning, and revenue forecasting.
- Helping to diagnose potential risks and causes of fiscal distress.
- Stimulating “big-picture thinking.”
- Providing a tool for evaluating long-term compliance with financial policies.
- Allowing for pre-emptive action to mitigate forecasted financial distress.
- Defining parameters for decision-making.
- Communicating long-term financial position to residents and other stakeholders, including rating agencies and bond investors.

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Upcoming projects

To move forward with Budget Committee projects, each member has been assigned to one of the following four task force categories:

Equity and fairness (“Establishing Government Charges and Fees and Public Engagement in the Budget Process”—gfoa.org/materials/establishing-government-charges-and-fees). An important part of budgeting is making sure that equity and fairness are part of the budget decision-making process. One function of this task force will be to look at existing budget practices and ways in which equity and fairness can be incorporated into specific best practices.

Strategic planning (“Establishment of Strategic Plans”—gfoa.org/materials/establishment-of-strategic-plans). GFOA's best practice on the establishment of strategic plans was approved by GFOA's Executive Board in March 2005. Trends in strategic planning have changed over the last 17 years, so the Budget Committee is addressing this best practice through a different lens. One of the items that will

be emphasized is stakeholder participation and involvement in establishing strategic plan priorities.

Reserves (“Fund Balance Guidelines for the General Fund and Working Capital Targets for Enterprise Funds”—gfoa.org/materials/working-capital-targets-for-enterprise-funds). GFOA's best practice on fund balance guidelines for the general fund is often used as a guide when establishing general fund reserve policies. Because of the popularity of this topic and the debate that often goes on within governments about their fund balance policies, the committee has decided to review GFOA's recommendations to ensure that they provide clear guidance, reflect current research into the best practice, are easy to understand, and appropriately consider the diverse risk factors that governments face.

Financial forecasting (“Financial Forecasting in the Budget Presentation Process and Inflation Indices in Budgeting”—gfoa.org/materials/inflationary-indices-in-budgeting). Given that GFOA recently approved a long-term financial planning best practice, it makes sense for the committee to take another look at its existing best practice on financial forecasting in the budget presentation process. This best practice would bridge the time gap between the present and longer-term. ■

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