



A Very Long List

By Michele Mark Levine

The CAFR Program's long checklists contain myriad requirements and recommendations that pave the road to excellence, illustrating that much is involved in meeting the highest standards of transparency and accountability.

GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program) more than 70 years ago, in 1945. The program's purpose is to help and encourage state and local governments to go beyond the minimum requirements of generally accepted accounting principles (GAAP) to prepare comprehensive annual financial reports (CAFRs) that evidence the spirit of transparency and full disclosure, and then to recognize individual governments that succeed in achieving that goal.

But what defines "excellence in financial reporting" for governments? The foundation of the CAFR Program is GFOA's best practice, *GAAP Financial Reporting as the Base Line for State and Local Governments* (all best practices are available at gfoa.org), which puts GFOA on record as advocating that governments prepare financial statements in accordance with GAAP and include them in CAFRs. Other best practices inform CAFR Program requirements.

All of the CAFR Program requirements are contained in checklists. While designed to be used by preparer governments and the cadre of volunteer CAFR reviewers who serve as judges, checklists are available freely

to all on GFOA's website. The most widely applicable is a checklist for general purpose governments (<https://www.gfoa.org/sites/default/files/GFOAGeneralPurposeChecklist.pdf>). GFOA recently updated the checklist and believes the approach taken will make the checklist a less daunting resource for governments going forward.

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Previously, the review checklist was what might be termed a "laundry list," as it included lengthy explanations and exhaustive lists of all GAAP requirements, potentially burying readers under a mountain of inapplicable requirements. Instead,

we think the checklist can be an invaluable tool if it helps users determine that their circumstances necessitate disclosures and point directly to the detailed disclosure requirements, without replicating all of the extensive detail. Based on a blueprint provided by Stephen Gauthier, the previous director of GFOA's Technical Services Center, the new checklist has been significantly streamlined and reorganized.¹

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The revised checklist contains robust explanations of new, complex standards such as those on pensions and other postemployment benefits (OPEB). But for other topics, this streamlined version provides a selection of the most frequently applicable guidance as well as references to the authoritative GAAP literature, where complete listings of detailed requirements are found.² In time, when familiarity and experience with the pension and OPEB standards increases, the coverage of those topics will be

scaled back somewhat and newer requirements will be granted more “real estate” in the checklist.

In addition to GAAP, the checklist includes a variety of other program requirements and recommendations. The sources of those non-GAAP items are varied, and include: GFOA's best practices; the contents of GFOA's seminal publication, *Government Accounting, Auditing and Financial Reporting*; common sense — but sometimes overlooked — publication fundamentals (legible printing); and reminders that certain amounts, being reported throughout the CAFR, must be in agreement.

For example, GFOA's *Timely Financial Reporting* best practice³ is the conceptual support for the requirement that a government's CAFR be submitted for the award within six months of the government's fiscal year end. GFOA's best practices constitute the association's official recommendations. They are developed by experienced practitioners, members who serve on GFOA's standing committees, and they are approved by GFOA's Executive Board. Best practices on financial reporting set the “gold standard” for state and local governments in the United States.

Currently, GFOA's Committee on Accounting, Auditing and Financial Reporting is reviewing checklist items to determine which ones rise to the level of substantive recommendations and should therefore be added to existing best practices or formulated into new ones. In this way, we'll “close

the loop” by fully aligning the association's best practices with its definition of excellence. Other checklist items might be used as the basis for additional resources that might be helpful to GFOA members and others in the profession.

The CAFR Program's long checklists contain myriad requirements — and references to others — and recommendations that pave the road to excellence, illustrating that much is involved in meeting the highest standards of transparency and accountability, of which financial reporting is one important component. As part of our mission to promote excellence in state and local government financial management, GFOA seeks to provide the best possible tools, support, and encouragement for our members and all governments to aim for and achieve excellence in financial reporting. ■

Notes

1. The reorganization was a big effort, to which many members of the TSC staff contributed. The lion's share of the work was done by TSC Senior Manager Todd Buikema.
2. As mentioned in a prior Accounting Angle article, GFOA is transitioning to reliance primarily on the GASB Codification for GAAP technical references, so readers are pointed to updated standards. Thus, the new general purpose checklist now includes Codification references. As checklists for special purpose entities are updated, a similar approach will be taken.
3. *Timely Financial Reporting* (2008).

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