

In Brief

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GFOA COMMITTEES

Committee on Accounting, Auditing, and Financial Reporting

BY MICHELE MARK LEVINE
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In response to the unprecedented crisis facing U.S. state and local governments as a result of the COVID-19 virus, GFOA sent a letter to the Governmental Accounting Standards Board (GASB) in March requesting the GASB's immediate action to provide governments the option of postponing implementation of any GASB authoritative guidance that was not applicable to their previous financial statements, and calling specific attention to the difficulties of implementing GASB Statement No. 87, *Leases*, and related implementation guidance. Based on urgent requests from GFOA and many others, the GASB moved quickly to issue an exposure draft of a new statement postponing implementation of most

statements that became effective for periods beginning after June 15, 2018. While the initial draft postponement proposal would have provided for a full 30-day comment period and resulted in a final standard being issued at the end of May, GFOA had urged a shorter period to provide relief to those governments that needed to issue financial statements by June 30. GASB subsequently changed plans and issued the exposure draft with the minimum-permitted comment period of 15 days.

GFOA's Committee on Accounting, Auditing, and Financial Reporting (CAAFR) provided comments during the exposure period, strongly supporting the postponement and noting that further delay might actually be

required. The final guidance, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provided a one-year postponement of most pronouncements that became effective for periods beginning after June 15, 2018, and a full 18-month postponement for guidance on lease accounting. It was issued on May 7, 2020, and GFOA immediately posted information about the adoption on our social media feeds, notifying members even before the information was posted on the GASB website!

CAAFR Chair Melanie Keeton and Vice-chair Diane Allison convened a meeting of the full committee on April 24, 2020, a key portion of which was devoted to discussing experiences and challenges members are facing related to COVID-19, including remote work and technology, changes to procedures and their effects on internal control, as well as the results and implications of drastic revenue shortfalls, questions about rules governing the use, reporting and auditing of federal funds provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. Committee members representing government audit agencies as well as CPA firm advisors to the CAAFR discussed the standards and implications of remote auditing.

Following consultation with GFOA members and staff as well as other stakeholder groups, GASB staff proposed language for a Technical Bulletin addressing accounting and financial reporting issues related to the CARES Act of 2020 and Coronavirus Diseases, which was issued for public comment on June 9, following a vote by the GASB members. (As staff documents, GASB Technical Bulletins are not formally approved by the GASB Board, which only acts to oppose or not oppose their being proposed for comment or their



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issuance in final form. Board action not to object to the issuance of staff documents are sometimes referred to as “clearance.”)

The proposal included questions and answers to (1) clarify the proper accounting and financial reporting for several CARES Act funding streams, including the Coronavirus Relief Fund,

Provider Relief Fund, Paycheck Protection Program loans, Higher Education Emergency Relief Fund, Airport Grants, Formula Grants for Rural Areas, and the Urbanized Area Formula Grant program; (2) address the possibility of changes to grant requirements that might be made subsequent to financial statement dates; and (3) indicate that costs incurred to respond to coronavirus disease should not be reported as extraordinary or special items.

The CAAFR provided comments to GASB generally supporting the proposals while requesting some additional clarifications. A final version of Technical Bulletin No. 2020-1 was cleared for issuance on June 30, 2020.

OTHER WORK

Even in the midst of the COVID-19 crisis, the CAAFR has continued its ongoing work to further its mission of promoting excellence in state and local government financial management as it pertains to accounting, auditing and financial reporting. In addition to the COVID-related due process documents, CAAFR has provided comments to GASB on several other exposure drafts, all of which have led to new pronouncements issued on or before June 30.

Following a discussion at the winter meeting, the CAAFR submitted a comment letter in April to the American Institute of Certified Public Accountants, strongly dissenting on a proposal to reduce and then eliminate content pertaining to state and local government accounting and financial reporting from the Uniform CPA Examination, passage of which is used throughout the United States as a primary means of qualifying candidates for state licenses as

certified public accountants. The committee's comments read, in part:

The proposed treatment of [state and local government] SLG accounting and financial reporting as a narrow specialty of concern to only the small proportion of Certified Public Accountant (CPA) candidates whose careers are currently expected to be spent serving government does not take into account the centrality of SLG activity to our economy and our democracy. With approximately 90,000 SLGs in the United States comprising approximately 40 percent of the nation's GDP, the current 15 percent maximum contribution of this subject matter to a CPA candidate's score is inadequate rather than being high. Moreover, while only a small percentage of CPA candidates may work in other specialized industries and practice areas, the overwhelming majority are likely to spend their entire careers – indeed, their lives – as citizens of U.S. state and local governments. While job-preparedness may be the appropriate primary focus for the CPA exam, it should never be forgotten that at the center of “Certified Public Accountant” is the *public*. No CPA should be wholly incapable of grasping the basics of financial position and results of operations of their communities' public entities. The AIPCA should not be proposing changes that would increase the likelihood of such an outcome; if anything, we believe that CPAs' education should enable and encourage their civic engagement.

CAAFR taskforces of the appointed by the committee officers are currently at work reviewing and updating best practices pertaining to accounting, auditing, and financial reporting, and we look forward to telling you more about those the next time CAAFR is featured here. ■



GFOA's Committee on Governmental Budgeting and Fiscal Policy

BY MATT BUBNESS AND JOHN FISHBEIN

GFOA's Committee on Governmental Budgeting and Fiscal Policy—the Budget committee, for short—guides GFOA's best practices and recommendations on a range of topics related to the budget process, financial policies, and budget presentation. Chaired by Scott Huizenga, director of the Office of Management and Budget for the City of San Antonio, Texas, with Judith Marte, chief financial officer of the Broward County (Florida) School Board, serving as vice chair, the committee

also provides advice on broader financial management topics, and members come from a broad range of governments—cities, counties, states, school districts, higher education, and other special purpose districts—and a variety of backgrounds. This diversity of experiences and organizations provides a well-rounded perspective in developing guidance for GFOA members and beyond, and also makes for interesting discussion at the committee's two meetings a year.

BEST PRACTICES

Given the nature of budgeting, in addition to the more general financial management topics the committee addresses, the best practices it develops are numerous and wide-ranging. The 35 best practices the committee has developed or been

actively involved in cover budget policies, budget process, the budget document, and monitoring and performance management.

GFOA's best practices are meant to serve as checklists and practical advice for government professionals who want to evaluate current policies and processes. Budget committee best practices are some of the most-viewed best practices of any type on the GFOA website. (All of the Budget committee's best practices are available at gfoa.org/best-practices/budgeting.)

Over the last several years, the Budget committee has worked to identify potential gaps in its budget and financial management best practices and related guidance. It initially used the National Advisory Council on State and Local Budgeting (NACSLB) framework as a basis for its evaluation, but the committee realized there was a significant need for best practices offering support on how to manage the budget after development and adoption—the follow-through that is so important to good budgeting. GFOA's best practice on Budget Monitoring helped to fill this gap after it was adopted in 2018.

LATEST COMMITTEE ACTIVITIES

GFOA committees meet twice a year, once just before the GFOA annual conference in the spring/early summer, and again at a winter meeting in Washington, D.C. At the January 2020 meeting, the Budget committee spearheaded an effort to offer better advice and clarity about business continuity. Three best practices from other GFOA committees that offered commentary and advice on business continuity Business Preparedness and Continuity Guidelines, Disaster Recovery for Technology, and Disaster Preparedness—were combined into

an Enterprise Risk Management best practice. This new, consolidated best practice offers guidance on how to develop and manage a comprehensive risk management program, breaking the process down into five key steps: risk identification, evaluation, treatment, management implementation, and program review.

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Since GFOA's May 2020 annual conference in New Orleans was canceled, the Budget committee met virtually. Meetings primarily focus on developing and refining best practices, but each meeting also includes an opportunity for members to share updates about relevant happenings in their communities. The virtual meeting was no different in that sense, with each committee member sharing more about the impact and responses to the COVID-19 pandemic on their respective organizations.

The committee also formulated tasks forces for examining four areas:

communicating the budget, long-term financial planning, measuring the full cost of government service, and budgetary control. Each task force will discuss and either update or formulate a best practice for each area, as well as finding examples and other resources to serve as practical applications.

Given the impacts of COVID-19, the committee has also talked about examining GFOA's best practice on Fund Balance Guidelines for the General Fund. In addition, John Fishbein, one of the GFOA staff members who supports the Budget Committee, has been interviewing committee members about specific areas of budgeting for a series of 15-minute podcasts.

BENEFITS OF JOINING A COMMITTEE

The Budget committee offers a committee to help members get more involved with GFOA while helping provide valuable resources and advice to others in the public finance profession. The committee serves as a great opportunity to guide GFOA more broadly, as a number of Budget committee members have gone on to GFOA's Executive Board, including GFOA's President-elect, Michael Bryant. Michael, assistant county manager in Mecklenburg County, North Carolina, who was an active Budget committee member for a number of years before being elected to the executive board.

The committee is always looking for members who are willing to share their insights and opinions to inform the broader work of GFOA and its members. In addition, our Washington, D.C., meetings offer a chance for committee members to become more familiar with the legislation that may affect their local communities. ■