



# The Working Papers

## Chapter Newsletter

*Advancing Government Accountability*

VOLUME XXXVII, ISSUE 4

February 2010

AGA National Web Site  
[www.agacgfm.org](http://www.agacgfm.org)

### American Recovery and Reinvestment Act – Fraud Detection and Investigation

#### PROFESSIONAL DEVELOPMENT MEETING

February 17, 2010  
Wednesday

**Topic:** ARRA – Fraud  
Detection and Investigation

**Speaker:**  
Byron McGinley  
Special Agent, DCIS

Time: 11:30 AM - 1:00 PM

1 hour CPE credit

#### Meeting Place:

Pedro's Restaurant  
3935 Freedom Circle  
Santa Clara, CA 95054  
(408) 496-6777  
(off Freeway 101 & Great  
America)

See page 14 to register

[www.agasiliconvalley.org](http://www.agasiliconvalley.org)

At this month's professional development meeting, our invited speaker, **Byron McGinley**, will present a topic on the American Recovery and Reinvestment Act.



Byron "Mac" McGinley has thirteen years in the Air Force, 3 years as an Air Force Security Policeman and 10 years as a Special Agent with the Air Force Office of Special Investigations conducting Criminal, Fraud and Counterintelligence investigations with a concentration on fraud investigations for the last 6 years of his Air Force Career. He was stationed in Turkey, Germany,

Colorado and Hawaii. He has seventeen years as a Special Agent with the Defense Criminal Investigative Service (DCIS) here in Northern California. He has been the Resident Agent in Charge for the past 9 years supervising the conduct of fraud investigations in regard to DoD programs. Mac was born and grew up as farm boy in Nebraska.

The American Recovery and Reinvestment Act (ARRA) requires that tax monies spent are subject to accountability. This requires that federal, state, and local employees, as well as contractors, private entities, and award recipients are aware of the legal and administrative requirements of the Act. The Recovery Board encourages citizens to report suspected fraud, waste, or abuse. The speaker will give a presentation on fraud detection and investigations relative to the Recovery Act (ARRA). It will include an overview of the ARRA, fraud indicators and other items relative to the Act.

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#### ARRA Funds Awarded

The cumulative dollar figure for Funds Awarded is nearly \$200 billion, according to reports submitted by the recipients of Recovery funds. That figure includes totals for the October-December quarter 2009 (\$41 billion) and for the first reporting period, February-September 2009 (\$159 billion). Source: <http://www.recovery.gov/Pages/home.aspx>

## CHAPTER EXECUTIVE BOARD

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## PRESIDENT'S MESSAGE

By Grace S. Ragni, CGFM, CPA, CISA, CIA



I am sure that during our career or in our workplace we take pride in the quality of our work product and things that we have accomplished. It is also very motivating, in most occasions, that this effort gets recognized by our peers. Our January

speaker, Lynda Brouchoud, City Auditor for Palo Alto, was very encouraging during her speak-up on Service Efforts and Accomplishments (SEA) and Citizen Centric Reporting. Under her leadership, the City's SEA Report was produced for the eight year. SEA Report consists of the city's core activities, standards and performance measures in a concise format. She indicated that while the production of the reports entails a lot of resources and commitment, generating the final products and receiving the recognition from the City Council and AGA is very rewarding. Lynda also shared copies of their City's newly released Citizen Centric Report to the meeting attendees. We hope that other agencies would also find interest in accepting the AGA challenge of putting together their own report as service to their respective organizations and most importantly to the public which they serve.

I would like to extend my personal invitation to AGA members and non-members to our upcoming social event on May 5, 2010 at the Beverly Hotel in Milpitas between 5:30 PM to 7:30 PM. Since this is the first time we will hold this kind of event, we are excited to meet you and get to know you a little better. We would also like to introduce our organization to you and how it could help in the development of your career and professional development. We hope to extend the AGA family to you so together we could make this promising organization continue to thrive.

## Social Event

AGA & Non-AGA Members are invited  
to attend the Social Event at  
Beverly Heritage Hotel  
820 Barber Lane, Milpitas, CA 95035  
May 5, 2010, 5:30 PM– 7:30 PM  
Hors d'Oeuvres (serve complimentary)

### **City of Palo Alto Issues Citizen-Centric Report for Fiscal Year 2009**

[http://www.cityofpaloalto.org/depts/aud/service\\_efforts\\_and\\_accomplishments.asp](http://www.cityofpaloalto.org/depts/aud/service_efforts_and_accomplishments.asp)

City of Palo Alto released its first Citizen-Centric Report (CCR) on January 25, 2010. The CCR is a concise four-page summary of Service Efforts and Accomplishments (SEA) Report highlights, financial data, and an overview of the City's economic outlook. The CCR follows the Association of Government Accountants' recommended report format, designed to be visually appealing and to provide understandable information to the public about the financial condition and performance of the city. The report is intended to foster innovative means of communication between the city and its citizenry.

Under AGA's Citizen-Centric Reporting Initiative, AGA believes that this report will make government more accountable to their citizens, and will help Americans become better educated and better able to participate in government activities. AGA also recognizes governments that produced the SEA and Citizen-Centric Report through a Certificate of Achievement in Service Efforts and Accomplishments (SEA) Report and Certificate of Excellence in Citizen-Centric Reporting. City of Palo Alto received in August 2009 the Circle of Excellence SEA Award, the highest SEA award, for receiving the SEA Gold Award for over five consecutive years.

### **Call for 2010 National Academic Scholarships**

Are you or a family member pursuing undergraduate or graduate studies in disciplines such as accounting, auditing, budgeting, economics, finance, information technology, public administration, etc.? If so, consider applying for an AGA National Academic Scholarship today! Each year, AGA National awards up to four \$3,000 full-time merit scholarships to AGA members and their family members; up to one \$1,000 part-time merit scholarships to AGA members and their family members; and up to one \$3,000 community service scholarship. The deadline for receipt of applications is Wednesday, March 31, 2010. Download a copy of the application, <http://www.agacgfm.org/membership/awards/>, or contact Louise Kapelewski, email: [lkapelewski@agacgfm.org](mailto:lkapelewski@agacgfm.org).

### **The Journal Editorial Board Seeks New Member**

AGA's Journal Editorial Board, which oversees the content of the *Journal of Government Financial Management*, seeks a new member to begin a three-year term on **July 1, 2010**. Journal Board members are responsible for performing critical reviews of submitted articles, guiding the development of the annual editorial calendar and judging the annual national Author Award contest. Members spend between 10 and 15 hours per quarter on board business. Interested AGA members should contact Journal Editor Marie Force at [mforce@agacgfm.org](mailto:mforce@agacgfm.org).

### **From the Editor**

AGA Silicon Valley members are encouraged to send news articles for the Newsletter - *The Working Papers*. We also want to know what you are doing (i.e. promotion, new job, community service, etc.). Email your article(s) by the first day of the month to the Editor, Alex Guiang, at [AGASiliconVal@sbcglobal.net](mailto:AGASiliconVal@sbcglobal.net).

## AGA members are encourage to recruit new members

The "Share the Magic" of Membership, Member-Get-A-Member Campaign is still going on and offers you the opportunity to win great prizes just for sharing the value of your AGA membership with your friends and colleagues and persuading them to join. You only need to recruit one new member to win a prize! The campaign runs through April 30, 2010 and encourages current members to recruit new members. More than 200 members already have won prizes by introducing their colleagues to AGA.

There is still plenty of time to participate. Remember you only need to recruit one new member to win a prize. Better yet, recruit the most new members and win the grand prize of a complimentary registration to AGA's 2010 Professional Development Conference & Exposition in Orlando, FL, and two one-day passes to an Orlando theme park. There are many opportunities to win prizes for you and your chapter. For complete list, check -

[http://www.agacgfm.org/membership/memcampaign\\_prizes.aspx](http://www.agacgfm.org/membership/memcampaign_prizes.aspx)

Best of luck! And may the best recruiter win--for themselves and AGA! *"The more members we have, the more we can do. With strength in numbers, we will be heard!"*

## Silicon Valley Chapter Membership Drive

If you are not a member of AGA yet, you can sign-in as new member at this month's Professional Development Meeting or when you register to attend the meeting. You will then receive a \$20 or 21% discount on your membership dues. Once you sign-in as new member, you are entitled to pay the member's meeting registration rate, which is additional \$15 saving. Overall, you will save \$35.

In five meetings you will recoup your membership dues by paying only the member's registration fee. Take advantage of this month's membership drive. This is a good deal! See application form and member's benefits list, which are included in this Newsletter, and send an email to [AGASiliconVal@sbcglobal.net](mailto:AGASiliconVal@sbcglobal.net).

## CALL FOR NOMINATIONS

You are invited to accept the challenge of AGA Silicon Valley Chapter Leadership. If you are interested in serving as member of the Executive Board or know of potential leaders, please submit your nomination to Chapter President Grace Ragni at [grace.salandakanan@vta.org](mailto:grace.salandakanan@vta.org). Nominations are due Monday, March 15, 2010. To serve in any of the Executive Board positions (see page 2 for the roster), candidates must be AGA members in good standing.



## It's Time to Renew Your AGA Membership

It's time to renew your AGA membership and CGFM certification. Renew online today at [www.agacgfm.org](http://www.agacgfm.org). Chapter members are encouraged to use the quick and easy renewal method. You may also renew via fax, mail or over the phone. Remember that this year's membership and CGFM cards will be attached to your invoice. These cards will be active once you renew your membership.

Renew your membership by **March 31** and continue to enjoy the excellent benefits offered by your Association. Your quick response will help in a number of initiatives intended to make next year's activities as interesting and rewarding as possible.

**How to Renew Online:** Access the [AGA website \(www.agacgfm.org\)](http://www.agacgfm.org) and log in to 'Members Only' on the home page. Login using your membership ID number and password (your first initial followed by your last name, no spaces, unless you have changed it), click on the gray 'billing' button above your name. All you have to do is input your credit card information and hit 'submit.' The transaction will automatically process via our secure server and the renewal information will be automatically updated in AGA's membership database. While you are logged into the Members Only section, be sure to take a look at your contact information and make any updates as necessary (especially your e-mail address).

The deadline for membership renewal is approaching, and if you have any questions regarding your membership or the renewal process, please call AGA at 800.AGA.7211 or send e-mail to Chapter President Grace Ragni at [grace.salandanan@vta.org](mailto:grace.salandanan@vta.org).

## Income Tax Updates

### Qualified Transportation Fringe Benefits

Beginning January 1, 2009, you may be reimbursed for reasonable expenses of qualified bicycle commuting. Reasonable expenses include the purchase of a bicycle and bicycle improvements, repair, and storage. The exclusion for a calendar year is \$20 multiplied by the number of qualified bicycle commuting months during that year.

### Standard Mileage Rate

For 2009, the standard mileage rate for the cost of operating your car for business use is 55 cents per mile.

### Making Work Pay Credits

The credit is 6.2% of your earned income but cannot be more than \$400 (\$800 if married filing jointly).

### Child's Investment Income

The amount of taxable investment income a child can have without it being subject to tax at the parent's rate has increased to \$1,900 for 2009.

Source and details, visit - [www.irs.gov](http://www.irs.gov)



## **Minutes of Chapter Executive Board Meeting**

Place: Denny's Restaurant  
1<sup>st</sup> Street, San Jose, CA  
February 13, 2010  
10:00 AM – 11:30 AM

Board presents: Grace Ragni, Vinod Sharma,  
Bill Brown, Jerry Gandara, Dat Nguyen and  
Alex Guiang

Grace opened the board meeting at 10:00 AM

The discussions included the following Agenda:



1. Meeting Place – Everyone agrees that the chapter's monthly professional development meeting will be held at Pedro's Restaurant to save money from paying the required minimum attendees at Biltmore Hotel.
2. Scrip Certificate will be issued to raffle drawing winner at the monthly professional development meeting. The winner is given the prize to attend one of the professional monthly meetings for free within the next three months.
3. Monthly Meeting Topics and Speakers – Each member of the board is encouraged to take effort to find topics and invite speakers for April, June and July.
4. Joint One-day Conference with San Francisco Chapter – Alex reported that details are in the works for the April 14, 2010 one-day professional development conference in San Francisco. Invited and confirmed speakers are the Honorable Rick Skinner, Vice Chair of Recovery Act Board, Sefton Boyars and Chuck Chester. Topics are updates on the American Recovery Act, Yellow Book, Statements on Auditing Standards, and Internal Controls.
5. AGA Sectional Leadership Meeting (SLM) – Grace, Dat, Bill and Steven indicated their interest to attend the Sectional Leadership Meeting (SLM) in Kansas City, Missouri on May 14 & 15, 2010. Silicon Valley Chapter is allotted four representatives to the SLM. AGA will cover all reasonable expenses associated with the travel to Kansas City, including hotel accommodations, parking, mileage reimbursement and taxi fare.
6. March CGFM Month – Jerry reported that he sent a CGFM Proclamation request to the mayor of City of San Jose, City of Milpitas, City of Sunnyvale and City of Mountain View to proclaim March 2010 as CGFM Month in their city.
7. Community Service – Jerry will make arrangement to serve food at the InnVision Shelter House.
8. Succession Planning, next year's officers and board – Chapter members are encouraged to send nomination to fill next year's Chapter Executive Board to Grace Ragni, Chapter President, by March 15, 2010.



## Dream. Learn. Achieve... And Get Ready for AGA PDC

Mark your calendar and make plans now to join us in sunny Orlando, Florida for AGA's 59th Annual Professional Development Conference & Exposition (PDC) -- the premier education and networking event for government financial managers and accountability professionals.

Worth 24 CPE hours, the conference covers the latest research and information about the American Recovery Act, the constantly changing rules and standards, new management techniques, technological advances and practical tips for bringing greater efficiency to government operations. The PDC offers a comprehensive program, captivating speakers, lively discussions, top-quality education sessions, and equips you with knowledge and skills you need to be more effective leader.

While the PDC has long been respected for offering the best training in the profession, it also offers a number of networking events to help you make new contacts, exchange ideas and collaboratively work on solutions to common problems. Exhibitors are also available to demonstrate the newest products, tools and cutting-edge technology available to help your agency achieve its mission.

**Registration fees are \$800 for AGA members and \$1,000 for nonmembers until June 11, 2010.** Early registration saves you money and increases your chances of obtaining accommodations at the conference hotel.

- Register Online Now - [www.agacqfm.org](http://www.agacqfm.org)

**Hotel Accommodations:** We reserved a block of rooms at the Orlando World Center Marriott to accommodate PDC attendees. The rate is \$108 per night (plus tax) until **June 18, 2010**, or until the room block is sold out. Reservations received after June 18, or after the room block has been filled, will only be made on a space-available basis, and may be subject to significantly higher rates.

- To make a reservation, please call the Marriott at 800.621.0638 and mention the "AGA PDC" to receive the discounted rate. You can also reserve a room online. Check [http://www.agacqfm.org/PDC2010\\_holder/index.htm](http://www.agacqfm.org/PDC2010_holder/index.htm)

Information about the agenda, speakers, travel discounts and tours is coming soon. Stay tuned to the website for more information...See you in Orlando!

## JOBS

Auditor - American Samoa Government (ASG), Territorial Audit Office. \$70,000 to \$85,000 per year. Interested individuals should submit a cover letter and current resume or CV with professional references to the following email address: [auditor.tao@americansamoa.gov](mailto:auditor.tao@americansamoa.gov). Send Arona Maiava an email, [aronamaiava@dhs.gov](mailto:aronamaiava@dhs.gov), to get a copy of the recruitment announcement.

Federal Jobs, visit <http://www.usajobs.gov/>

## Inside the Huddle Vol. IV, Issue 4

### More Thoughts on the Stimulus Money: External Controls and Calculated Efforts at Prevention of Fraud



**Ignorance may sometimes appear to be blissful, but it is no safe harbor when it comes to stimulus funds and fraud.**

In my last two articles I have discussed the potential impact of the stimulus money on internal controls. Like dam structures before a 100-year flood, the basic condition of the controls will depend on their design and how well they have been implemented and maintained. If the controls are already suspect in certain areas, as noted by audit findings or comments, then the risk of failure is greater when the waters of the American Recovery and Reinvestment Act (ARRA) funding start cascading down the pipes from Washington.

#### **Inherent Limitations of Internal Controls**

However, even if the controls appear to be properly designed and effectively operating for typical levels of funding, they may not be adequate for the ARRA funds. The sheer volume of money, along with new programs and/or new or amended requirements, introduce new risks. As all accountability professionals know, the words “new” and “increased” are usually associated with greater risks, all other things being equal (and they never are).

Hence, it is high time (ouch) for all of us charged with the responsibility to account for the expenditure and safeguarding of the stimulus funds to reexamine our basic control systems.

I recently attended AGA’s Fourth Annual Internal Control & Fraud Conference as a speaker and co-chair. The conference could have been called, “The ARRA Shop of Horrors.” From beginning to end, speakers reminded those in attendance that the stimulus funds and fraud are potentially joined at the hip. It was obvious to me that at the state and local level, no one wants to see their jurisdiction hoisted up as “Exhibit A” for how ARRA funds have been misspent.

Like the pathological cynics—I’m sorry, professional skeptics—that we are, everyone is just waiting for the first onslaught of horror stories about how someone ripped off the ARRA funds, giving credence to those who are dismissive of the entire concept of stimulus funding as well as those who are distrustful of government in general (at least when it comes to “helping them” better use their earnings that have been dedicated to government programs through federal taxation).

No sooner had I unpacked my bags that I received a link to a *New York Times* story about one of the first frauds involving stimulus money. It seems that some citizen in Manhattan had cashed his dead father’s Social Security stimulus check of about \$250. As noted in the article, such a fraud “would not ordinarily go down in the annals of crime.” BUT—this here is one of them stimulus checks!!! (That last sentence is mine, in case you couldn’t tell).

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This article has probably made its way around the globe by now so that everyone in state and local government is saying something like, “Oh, please don’t let it be us next, on the cover of [insert your least favorite publication] trying to explain what happened to our stimulus money.”

### **External Controls May Offer More than a Glimmer of Hope**

Transparency and Accountability—The Role of Third Parties and Other ‘Eyes.’

One of the big pushes with the ARRA funds is transparency. And why is transparency so critical to accountability? Well, it turns on the question of who is going to hold the recipients of those funds, or any funds for that matter, accountable. Whoever has immediate control over the assets of a program has the power to misuse them. And when no one is looking, the risk of misuse is great. Said another way, one of the tenets of being truly ethical is asking oneself if you would act the same way if no one would ever know what you are doing.

So who is there to keep people honest? After all, there are just so many auditors, inspectors general and monitors.

Earl Devaney, chairman of the Recovery Accountability and Transparency Board, kicked off AGA’s Fraud Conference with an overview and update of the ARRA issues facing the accountability professional. He noted that one of the positive elements of the ARRA program is that every citizen will be in a position to look for and report fraud, waste or abuse of the funds.

These thoughts were also reflected in the article noted above: “Then I’ve got my millions of citizen IGs that I’m unleashing, who are going to presumably see stuff that we in Washington, inside the Beltway, would never see,” he said. “Stuff like, you know, ‘That’s the mayor’s brother-in-law!’ We’re not going to know that, because it’s a different name. But the people out there are going to know.”

So how do we help to establish these external controls? We cannot simply expect people to help us. We must be proactive. Consider the following actions.

- **Hotlines.** Perhaps your office already has a hotline for reporting fraud, waste or abuse. Consider how effective it has been and whether you need to increase its visibility and user friendliness. Sometimes hotlines are a government’s best-kept secret. The key to an effective hotline is adequate notice to the public. Use your website as well as other tools, such as public service announcements, to get the word out. Where appropriate, place signs reminding the public that an office is handling public funds and they should be alert to possible fraud, waste or abuse. You may determine that a special hotline should be solely dedicated to ARRA abuses. If you don’t have a hotline already, I recommend you contact the Association of Certified Fraud Examiners as an excellent source of information.
- **Coordination with your prosecuting authorities.** This would include state district attorneys general as well as the U.S. attorney for your jurisdiction. Find out what you can do together to prepare cases involving ARRA funds for prosecution. Nothing serves as a deterrent as much as a “perp walk.” In the good old days, I arranged on several occasions for our “subjects” to be arrested at their desks and led out in handcuffs. It is quite effective. Local DAs aren’t always keen on white-collar crimes, so you will need to assure them that you are prepared to work with

## **Inside the Huddle** – Continued from page 9

them to gather the information they need to be successful. Be assertive in asking them what they need on the front end. It can save a lot of heartache on the back end.

- Coordinate your efforts with your state attorney general. In most states, the attorney general has a division that specializes in civil recoveries for fraud, waste or abuse against state government. And most states have some variation of a “fraudulent claims act,” a statute that provides for up to triple damages for such actions. A really neat aspect of such statutes is that they typically provide an incentive for citizens to step forward with information about the fraud, waste or abuse with a reward of a percentage of the recovery. The reward can be substantial, sometimes 40 percent. And, if the attorney general’s office declines to take on the matter, often the citizens can initiate their own action. In those cases, they can receive up to 50 percent of the amount recovered, plus costs and attorney fees. Although civil actions don’t have quite the “sex appeal” of a criminal case, the burden of proof is lower and the prospect of triple damages can be a strong bargaining chip when serious negotiations begin with the miscreant.
- Coordinate your efforts with your state investigative agency. These agencies are usually designated by the name of your state followed by the words “Bureau of Investigation.” State audit shops usually have a good relationship with their respective state investigative agency. The great thing about these agencies is that they usually have badge-carrying agents whose talents for persuasion in interviews can often exceed those of even the best auditor.
- Reach out to your external controls (the citizens) through public service announcements in all media. Consider coordinating the messages with other government officials to demonstrate a concerted effort to detect fraud, waste or abuse of ARRA funds. The messages should include clear references to your website for more information about the specific types of programs in question and how the public can provide information. If you determine that particular programs are especially risky (that’s right, weatherization) you might target those programs in some of the announcements.
- Write editorials in your local newspapers about your efforts and the need for the public to be involved in protecting ARRA funds from abuse. Again, you might want to coordinate your message with other government officials. Of course, we have to have greater coordination among government offices at all levels, including federal inspectors general. In this era, we cannot over-communicate.

It has been noted that the bulk of administrative funding for pursuing problems with the ARRA funds stopped at the federal level without trickling down to the state and local levels. However, Earl Devaney has stated his strong commitment to assisting the rest of us in our efforts. That commitment was echoed by all the federal speakers at AGA’s Fraud Conference. We should take advantage of these offers and make sure that we do our part to provide proper accountability and not just worry about why we haven’t received more federal funds. Regardless of how that shakes out, our responsibilities as government leaders require that we do the best, the very best, with what we have. And we will.

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### **Conclusion—We Must Seize this Opportunity**

I have often said that if there are no consequences for breaching internal controls, the controls don't exist as a safeguard against fraud, waste or abuse. Staff quickly learn if you are serious about controls; and if you aren't, then some of them might take advantage of your negligence. In such cases, shame on you.

No matter how strong our internal controls may be in our offices, much of the real "action" concerning ARRA funds will be beyond our control. The real opportunities for mischief will be outside our offices, in that world that often has disdain for controls and even for government. In the day-to-day world, people give business to friends and family, and people provide gifts to folks who help them out. And that is fine. But when government programs are involved, it is essential that the rules are followed.

Said another way, we can't be successful, or as successful as we really want to be, unless we mobilize the public to assist us. By taking demonstrative steps to enlist the aid of the public, we not only provide for more "oversight" of the funds and programs in question, but we make the citizens a part of their government in a profound way. If there was ever a platform that permitted government officials and the public to think outside the box and renew their partnership, it is the ARRA program.

I'm not suggesting these efforts will be easy. In fact, the hardest part may be trying to get other officials in your own government to work with you. It is always easy to push new projects to the side if they seem to be more work than one can handle and we are all overwhelmed right now. But we can't afford to let these opportunities slip through our fingers. Remember, it is part of our role as accountability professionals to provide leadership in the fight against fraud waste and abuse every day. If we don't do it, it won't get done.

Much is at stake. If we fail to involve the public in the process of detecting ARRA problems, their confidence in our ability to protect their tax dollars will be further eroded. And if the ARRA initiatives turn out to be fraught with fraud, waste and abuse, the public's confidence in government will be shaken even more. I don't think it is an overstatement to suggest that failure to adequately protect these scarce and extremely valuable funds through vigorous legal proceedings will dramatically, and negatively, affect the lives of our children and grandchildren by deepening the distrust that the average citizen has for their government institutions.

As noted in the subtitle of this article, ignorance of the extent of ARRA fraud, waste or abuse is not bliss. But with that increased knowledge comes even greater responsibility for us.

The greatest legacy of the ARRA program may not be the number of jobs created or the degree of stimulus to the economy—these matters will be debated throughout our lifetimes. The greatest legacy may be the renewal of trust in government through the establishment of unprecedented transparency and accountability. Let us never retreat from this moment and this opportunity. If in this we fail, shame on all of us.

*The author: Arthur A. Hayes, JD, CGFM, CPA, a member of AGA's Nashville Chapter, is the Director of State Audit, Comptroller of the Treasury, State of Tennessee. This Article is reproduced from AGA's JOURNAL OF GOVERNMENT FINANCIAL MANAGEMENT - WINTER 2009 Issue*

**CGFM EXAMINATIONS SAMPLE QUESTIONS**



**Subject: Governmental Accounting, Financial Reporting and Budgeting Examination**

1. GASB has responsibility for
  - (A) researching and developing accounting and reporting principles for state and local governments.
  - (B) ensuring that FASB standards are implemented by state and local governments.
  - (C) developing standards for federal and state governments.
  - (D) ensuring that federal and state governments implement FASB standards.
2. The modified accrual basis of accounting is characterized by
  - (A) revenues being recognized when realized.
  - (B) revenues being recognized when measurable and available.
  - (C) assets included in the general fixed asset account group.
  - (D) expenditures recorded when warrants are paid.
3. An ISF has the following capital equipment in service for the stated time. Based upon the information below, using the straight-line method, what should be charged for depreciation at year-end?

Capital Asset	Asset Life (years)	Years in Service	Acquisition Cost
Tire Changer	8	3	\$ 6,500
Tune-up Computer	5	6	\$10,300
Hydraulic Stand	12	6	\$16,300
Truck Wash	6	6	\$25,600

- (A) \$8,155
  - (B) \$6,438
  - (C) \$4,267
  - (D) \$2,171
6. A county fire department receives property tax revenue on a 55% (December), 40% (April), 5% (June) basis. The uncollectible portion is .05%. If the department received \$5.1 million in December, the annual property tax revenues will be
    - (A) \$10,200,000.
    - (B) \$ 9,272,727.
    - (C) \$ 9,268,091.
    - (D) \$ 8,809,091.
  7. The CAFR includes all of the following EXCEPT the
    - (A) basic financial statements.
    - (B) MD&A.
    - (C) RSI.
    - (D) PAR.
  8. A county government requires that no less than 10% of its capital budget be used on park renovations. This requirement is reflected on the
    - (A) special revenue fund statements.
    - (B) capital projects fund statement.
    - (C) basic financial statements.
    - (D) governmental activities fund statements.

(Continue to page 13)

**CGFM EXAMINATIONS SAMPLE QUESTIONS**

(Continued from page 12)

9. A payment to the capital projects fund is recorded in the general fund as
  - (A) an expense.
  - (B) an operating subsidy.
  - (C) an interfund loan.
  - (D) a transfer out.
10. The general ledger management function of a federal agency's financial system
  - (A) must be approved by the Bureau for Program and Policy Coordination.
  - (B) is promulgated by FASAB.
  - (C) must be in full compliance with the U.S. Standard General Ledger.
  - (D) is defined by the CFO Act of 1990.
11. Notes to the financial statements are
  - (A) additional disclosures presented immediately following the government-wide and fund financial statements.
  - (B) RSI following the MD&A.
  - (C) supplemental information provided to transmit financial statements.
  - (D) optional disclosures of management analysis at the end of the financial statements.
12. The Federal Credit Reform Act of 1990 requires that the cost of loan defaults and interest subsidies be estimated and recorded
  - (A) on a FIFO basis as loans are made.

(See page 14 for the answers)

**AGA Silicon Valley Chapter  
Treasurer's Report  
January 31, 2010**

Cash In Bank – December 31, 2009	\$ 2,926
Sources:	
Professional Development Meeting	300
Uses:	
Meeting expenditures	(306)
Cash In Bank – January 31, 2009	<u>\$ 2,920</u>

**Upcoming Chapter Professional  
Development Meetings  
Mark your Calendar!**

**March 17, 2010** - Cash and investing Public Funds, Arn Andrews, Treasury Division Manager, City of San Jose

**April 14, 2010** (tentative date) - AGA Northern California One Day Conference on Yellow Book, GAAS/GAS Updates & ARRA

**May 5, 2010** - AGA Social Event, Beverly Heritage Hotel, Milpitas, CA

January 20, 2010 Professional Development Meeting - Speaker: Lynda Brouchoud, City Auditor, Palo Alto



### **Planning to attend the February 17, 2010 Professional Development Meeting**

Topic: American Recovery and Reinvestment Act – Fraud Detection and Investigation

Make reservation by contacting:

Bill Brown, <mailto:william.brown@vta.org>, (408) 321-5648  
Gary Epstein, <mailto:gary.epstein@vta.org>, (408) 321-5683  
Remi Thomas, <mailto:remegia.thomas@vta.org>, (408) 952-4125

**Cost:** AGA Member/Student/Retiree, \$25, Non AGA member, \$40

*To cancel registration, please provide 24-hour notice to any of the contact persons above or you will be billed for a "no show".*

### **CGFM Sample Questionnaire - Answers**

1: A, 2: B, 3: B, 4: C, 5: D, 6: C, 7: D, 8: B, 9: D, 10: C, 11: A, 12: C