



The Working Papers

Chapter Newsletter

Advancing Government Accountability

VOLUME XXXV, ISSUE 1

September 2007

PROFESSIONAL DEVELOPMENT MEETING

Topic:

Understanding SAS-112

**September 20, 2007
Thursday**

Speaker:

**David Bullock, CPA
Partner, Macias Gini &
O'Connell, LLP**

Time: 11:30 AM - 1:00 PM
1 hour CPE

Place: Pedro's Restaurant
3935 Freedom Circle, Santa
Clara, CA.
Tel. (408) 496-6777

Cost: Members \$20
Nonmembers \$25
Students/Retirees: \$20

Reservation:

SEPTEMBER MEETING TOPIC

New Statement on Auditing Standards – SAS 112

The invited speaker for the September 2007 Professional Development Meeting is **David Bullock, CPA, Partner of Macias Gini & O'Connell LLP (MGO)**. He is an Assurance and Government Advisory Services Partner in MGO's San Francisco Bay Area Office. He has nearly 15 years of professional experience providing auditing, accounting, tax and consulting services to the private and public sectors. Since joining MGO, David has worked with numerous cities, counties and special districts. In 2005, David served GASB on its Sales and Pledges Task Force.

David will be talking on the new SAS 112 and audit risk alert. He will cover some key concepts that will help in successfully implementing (auditor's role) and complying (client's role) SAS No. 112:

- ❖ SAS No. 112 does not mandate the auditor to search for control deficiencies, but rather to evaluate them if they have been identified.
- ❖ SAS No. 112 requires the auditor to evaluate control deficiencies when identified, and communicates certain deficiencies to management and those charged with governance.
- ❖ To properly apply SAS No. 112 the auditor has to have a working knowledge of the COSO framework - COSO's *Internal Control-Integrated Framework* describes the elements of internal control over financial reporting.
- ❖ What an auditee should know how to comply with SAS 112 audit requirement
- ❖ A system of internal control over financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

David is a member of the Government Finance Officers Association's (GFOA) Special Review Committee for the Certificate of Achievement for Excellence in Financial Reporting Program. This committee, which is dedicated to promoting the highest quality financial reporting for state and local governments, performs reviews of comprehensive annual financial reports.

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CHAPTER EXECUTIVE BOARD

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Board Member – at large
(County of Santa Clara)

COMMITTEE

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AGA Silicon Valley Executive Board

AGA Silicon Valley Chapter received its charter membership from AGA National in 1970. For 37 years, the Chapter has been--and remains today--the educational organization dedicated to the enhancement of public financial management in the Silicon Valley. The Chapter serves the professional interests of financial managers, from local, state and federal governments, as well as public accounting firms, responsible for effectively managing billions of dollars and other monetary resources every day.

In this issue, the Chapter would like to introduce to you the members of its Board, who volunteer their time and efforts to keep the Chapter moving.

PRESIDENT

Rosalio (Jerry) Gandara is a native of Nebraska, but has been in San Jose since the 1960's. Jerry received his bachelor degree from the University of Nebraska and went to a Tour of Duty in Vietnam for 2 years as Commander of the Medical Services Corps. In 1969, Jerry returned from the duty and continued on in the military reserve with the rank of Captain. Thereafter, he went to Stanford University's Medical School for his PHD Molecular Physiology. While working at Stanford Medical Dialysis Center, Jerry attended Stanford University's Law School and graduated in 1981. For over two years, he taught at Cal State Hayward. He received a Master in Taxation from Golden Gate University, Master of Business Administration from San Jose State University, Master of Procurement from University of Phoenix and currently attending University of Santa Clara for his Master of Theology to become a deacon in the Catholic Church. For the last 20 years, Jerry has been working with the US Navy's Department of Contract Management Agency as Contracting Officer/Attorney. He is a member of AGA since 1995 and became a president of the Silicon Valley Chapter in 2001. In 2005 Jerry returned as the chapter president and continues on in that position to this year. Jerry is a lawyer by trade, but decided to follow his interest in government finance and love of AGA. He is currently the AGA Regional Vice President for northern California.

AGA SILICON VALLEY EXECUTIVE BOARD – (Continuation)

PRESIDENT ELECT

Grace Salandanan works for Santa Clara Valley Transportation Authority (VTA) as Fiscal Resources Manager responsible for Accounting and Compliance Review. She is a Certified Public Accountant and Certified Information Systems Auditor (CISA). Aside from being a government finance manager, Grace is also a Lieutenant in the US Navy, Supply Corps supporting USS carriers in the west coast. She regularly spends time in the gym; she's bad racquetball player but fairly good swimmer.

CGFM COORDINATOR & NEWSLETTER EDITOR

Alex Guiang has over 18 years combined experience in governmental accounting with the City of San Jose and the San Jose Redevelopment Agency as Senior Accountant. Prior to joining the City of San Jose, Alex worked for 10 years with the then Coopers & Lybrand, International (Big 4). Alex is a Certified Government Financial Manager. He emigrated from the Philippines into the US in 1980's, bringing with him his professional credential as a Certified Public Accountant. Alex is a holder of Bachelor of Science in Business Administration with a concentration in accounting. Alex is a graduate of the Executive Leadership Program of Harvard University, Kennedy School of Government and GFOA Advance Government Finance Institute. He is also a Graduate of Government Financial Management Program of Rutgers University. Alex has been active with AGA since 1997 and was AGA Silicon Valley Chapter president in 1999-2000. He concurrently serves AGA on a regional level as Northern California Region CGFM Certification coordinator and as a member of the Service Efforts and Accomplishment Committee. Alex is active with his church as a member of Cursillos in Christianity. Alex has been living in San Jose, California together with his wife and 3 children since 1980's. Alex said, "I decided to get involve with AGA because it gives me the opportunity to continue my professional development locally, apprise of the changes in the profession that makes my job easier, and network with people of diverse expertise."

BOARD MEMBER – AT LARGE:

Kristine De Lisle has been a member of AGA since 1987 and on the Board nearly all that time. She has held the Newsletter Editor and Presidency, as well as the Regional Vice President position. She has worked for the Defense Contract Audit Agency for 22 years, 16 of which have been as a Supervisory Auditor. She graduated in 1985 from San Jose State University with a Bachelor of Science, with an emphasis in Accounting. A native of San Jose, she currently resides in Menlo Park, with her husband, three sons, three cats and a dog. She is a Certified Public Accountant in the State of California. Kris said, "I consider the Association of Government Accountants to be an excellent organization, offering the opportunity get quality education, to hold influence in my field, and network with great people."

Vinod Sharma is a Division Manager in the Controller-Treasurer Department at the Santa Clara County. He has over 25 years of experience in the field of accounting and finance through employment in public sector, public accounting, and private industry. For the past ten years, Vinod has managed the accounting and property tax departments for the Santa Clara County. Prior to joining public sector, he successfully managed his own public accounting business in the Silicon Valley for over seven years. He holds a Bachelor Degree in Commerce (Accounting) from the Delhi University in India and is a certified public accountant in California. He lives in San Jose, California with his wife and their teenage son. Outside of work, most of Vinod and his wife's engagements revolve around their son's educational, cultural, and sport activities. Vinod also likes reading about eastern philosophy and loves gardening.

CGFM NEWS

Between January and July 2007, ninety-six candidates passed all parts of the CGFM. Congratulations to the new CGFMs (<http://www.agacgfm.org/cgfm/new.aspx>) from the AGA Silicon Valley Chapter.

CGFM is Rewarded with Raise at Missouri State Auditor's Office

The Missouri State Auditor's Office has begun offering salary increases to employees who earn the CGFM certification. "We recognize it as being a standard that shows excellence in the profession," said John Blattel, a member of AGA's Mid-Missouri Chapter and the Director of Audits at the Missouri State Auditor's office.

Blattel said the continuing professional education is a "big deal" at the State Auditor's office, one of the biggest state employers of auditing and accounting professionals. Employees are required to earn at least 40 CPE hours every year, but they are encouraged to do more and become certified. Employees can make an additional \$150 every month if they earn one of these credentials: the CGFM, Certified Fraud Examiner (CFE), Certified Government Auditing Professional (CGAP), Certified Information Systems Auditor (CISA) or Certified Internal Auditor (CIA). These credentials are in addition to the support the State Auditor's office provides for those employees who become Certified Public Accountants (CPAs).

"We support these professional certifications because they require employees to do additional professional study, and they keep you up to date on your profession," Blattel said. This recent development is yet another advancement for the CGFM in Missouri State government. AGA's Mid-Missouri chapter has an active CGFM Program and has been

working diligently for years to gain recognition for the credential.

Vandee DeVore, CGFM, a chapter member, member of the Professional Certification Board and the national CGFM coordinator, worked with the state Division of Personnel over several years so that the CGFM would be recognized as equal to a bachelor's degree and two years of professional experience for auditors and accountants covered by the state's Uniform Classification System.

Because the Missouri state auditor is an elected official, employee pay and classifications are not covered under the same system but are determined internally. In this case, Auditor's Office officials took up the cause on their own, to the delight of Mid-Missouri Chapter members.

"It's a very nice surprise for us," said Connie Qutami, a past president of the chapter. "We're hoping that it continues. It's a positive thing that shows the growth of the program—the certification is starting to speak for itself."

The chapter also received another boost recently when members got the news that a testing center became available in Jefferson City. Previously, taking the CGFM Exams meant traveling more than two hours to St. Louis, Kansas City or Springfield.

Shawn McCauley, CGFM, the chapter's CGFM chair, said the distance has been a big obstacle. But now, "people have no excuses at all," he said because not only are the exams offered in town, but the chapter reimburses all exam fees for those who pass, AND pay increases are available for those who work in the State Auditor's Office.

Blattel echoed. "The profession is changing so much every day that you need to be apprised of the latest changes to do the best job." - Christina Camara, AGA Publications Manager

NEWS FROM GASB

Norwalk, CT, July 10, 2007—The Governmental Accounting Standards Board (GASB) issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets.

The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks.

Statement 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. Statement 51 provides additional guidance that specifically addresses the unique nature of intangible assets, including:

- Requiring that an intangible asset be recognized in the statement of net assets only if it is considered identifiable
- Establishing a specified-conditions approach to recognizing intangible assets that are internally generated (for example, patents and copyrights)
- Providing guidance on recognizing internally generated computer software
- Establishing specific guidance for the amortization of intangible assets.

“This standard should lead to greater consistency among governments, particularly in the areas of recognition, initial measurement, and amortization,” said Robert Attmore, GASB chairman. “As a result, the usefulness of information provided to taxpayers, municipal bond analysts, and other users of state and local government financial statements will be enhanced.”

The requirements Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The GASB made significant changes to the transition provisions, based on constituent response to the proposed version of the standards, to make it easier for governments to implement.

Constituent feedback also prompted the GASB to exclude from the scope of the standard intangible assets acquired or created primarily for the purpose of directly obtaining income or profit (for example, a patent that is donated to a governmental entity for the specified purpose of generating income for that entity).- source: www.gasb.org

CGFM APPLICATION, VISIT:

<http://www.agacgfm.org/cgfm/downloads/CGFMapplicationform.pdf>

<http://www.agacgfm.org/cgfm/downloads/CGFMworkverificationform.pdf>

<http://www.agacgfm.org/cgfm/downloads/CGFMCandidateHandbook.pdf>

Three National Awards for AGA Silicon Valley Chapter

This is another proud moment for the AGA Silicon Valley for garnering three awards for the program year 2006-07. Jerry Gandara, Chapter President, received the three awards in person at the AGA's 2007 Professional Development Conference & Exposition in Nashville, Tennessee - June 24-27, 2007. .

1. Chapter Platinum Award (Jerry Gandara)
2. Web Site Award (Alex Guiang)
3. Newsletter Award (Alex Guiang)

Platinum Award - The Platinum Award is the highest chapter award to recognize AGA Chapter for promoting and accomplishing AGA's mission, and for operating basic structure needed in developing and maintaining a well-rounded AGA chapter.

NEWSLETTER AWARDS -

Chapter competition for the best newsletter in each of the five chapter groups is judged by past newsletter editors and several member of the AGA Journal Editorial Committee.

WEBSITE AWARDS

Chapter competition for the best website in each of the five chapter groups is judged by a panel of past website award winners and webmasters. Details on participation in this competition, including criteria against which entries are judged, are distributed to each chapter annually.

"Whatever your life's work is, do it well. A man should do his job so well that the living, the dead, and the unborn could do it no better." - Martin Luther King, Jr.

WELCOME NEW MEMBERS

COURTNEY RUBY, - City of Oakland

**HOLLY LE - San Jose Redevelopment
Agency**

VINOD SHARMA - Santa Clara County

Every time a new member joins AGA, we are made stronger. More members mean more visibility in the corridors of the profession and more opportunities for advancement through networking and exchanging best practices. Show off your enthusiasm with firsthand accounts of how your AGA membership has been a great investment in your professional development and career!

We invite each AGA member to recruit at least one new member from October to April 2008. Our goal is to continue the positive net growth in membership that we experienced this past year. AGA Silicon Valley Chapter will cover the first Professional Development Meeting (PDM) registration fee of the new member if he/she joined AGA and our Chapter between October 2007 and April 2008. You, too, as recruiter member get one PDM free registration. It's such a deal!

Why you? We have found that the majority of new members join AGA because a colleague recommended AGA membership to them. You probably do this frequently, maybe without even realizing you are officially "recruiting." Just be sure to have handy an AGA membership application or know our AGA Chapter Web Site address (www.agasiliconvalley.org) to download the form. And don't forget to include your name in the 'sponsor' line on the membership application to receive credit!

AGA SILICON VALLEY EXECUTIVE BOARD – (Continuation)

SECRETARY

Ann Xu joins AGA in 2006. She received a Bachelor of Science in Accounting from San Jose State University and a Master of Science in Information System from Golden State University. Ann currently works for the City of Saratoga as an accountant. She previously worked for Redevelopment Agency of the City of San Jose as Financial Analyst and Arthur Andersen, LLP (Big 6) as an auditor. She passed all parts of the California CPA examination in 1993 and is in process for preparing to take the CGFM examination.

TREASURER

Gary Epstein is a member of AGA since 1998. Gary is Certified Government Financial Manager. He is currently working for the Santa Clara Valley Transportation Authority (VTA) performing compliance and review function. Prior to joining VTA, Gary worked for the DCAA for number of years until his retirement. Gary serves at the Audit Committee of Foster City.

PROFESSIONAL DEVELOPMENT MEETING FOR YOU!

► **Professional Development
Meeting**

**September 20, 2007
(Thursday)**

Time:
1 hour CPE

Topic:
Understanding SAS 112

Speaker:
David Bullock, CPA
Macias Gini & O'Connell, LLP

Location:

Meal Selection:

All served with Spanish Rice, Refried Beans, and a Beverage (Coffee, Tea, or Soda)

- Flauta Gringa (Crisp Jack Cheese-Filled Flour Tortilla)
- Chicken or Vegetarian Burrito

Registration Fee/Cost:
Members/Students/Retirees - \$20,
Nonmembers - \$25

Reservation: Contact Grace Salandanan at grace.salandanan@vta.org or Bill Brown at William.brown@vta.org