



NASHVILLE NOTES

December 2012
Volume 36, Number 2

President's Message



Ray Register
2012 - 2013 AGA Nashville
Chapter President

One of the many benefits of membership in the Association of Government Accountants is the number and variety of continuing professional education offerings by the chapter, region, and national organization. Education is integral to one of our strategic goals: "Empowerment – AGA educates and empowers professionals to advance government accountability." The education and program committees work hard toward achieving this goal by planning and providing quality education and development opportunities relevant to the needs of the government accountability community at our monthly chapter meetings, audio conferences, and special training events.

At the December 3 chapter meeting, I really enjoyed the presentation by Mark H. Crocker, CPA, CGMA, Executive Director of the Tennessee State Board of Accountancy. He provided a good deal of important information on state-specific ethics for CPAs in an engaging and entertaining way which is not an easy feat.

Next up, AGA National President Evelyn Brown will be our speaker at the January 7, 2013 meeting. Retired after more than 34 years of government financial management service, Ms. Brown will offer her insight on "Our Professional Journey – Paths to Success." Although not a technical topic, many will find value in her perspective as it may apply to their own personal and professional development.

Coming on January 10 and 11, 2013, we'll have the Nashville Chapter AGA Winter Seminar in the Tennessee Room of the William R. Snodgrass Tennessee Tower.

The seminar will once again offer 16 hours of high quality continuing professional education at a very reasonable price of \$125 for AGA members. Registration is now open, and you'll find more information elsewhere in this newsletter.

Looking ahead, the Nashville Chapter will host the 2013 Southeast Region Professional Development Conference (PDC), April 4 - 5 at the DoubleTree by Hilton Hotel. We'll invite our colleagues from the Atlanta, Chattanooga, East Tennessee, Northern Alabama, and Central Kentucky chapters to join us in Music City for a program with the theme, "The Sounds of Accountability." Again, 16 hours of continuing professional education will be offered.

Finally, it's not too soon to begin thinking about the National AGA PDC, "Big Challenges, Bigger Thinking." This event will take place July 14-17 at the Gaylord Texan & Convention Center in Dallas and will include over 85 training sessions to choose from to earn up to 24 CPE hours.

Whether you're maintaining one or more certifications or none at all, I hope you'll take advantage of the many educational opportunities the AGA Nashville Chapter has to offer.

Ray



UPCOMING EVENTS

| | |
|----------------------------------|--------------------|
| CEC Meeting | 1/3/13 |
| Chapter Meeting | 1/7/13 |
| Winter Seminar | 1/10/13 1/11/13 |
| Nashville Rescue Mission Project | 1/24/13 |
| Southeast Region PDC | 4/4/13 4/5/13 |

January Luncheon Speaker



Evelyn Brown, CGFM-Retired AGA 2012-2013 National President

Evelyn Brown, who has more than 34 years of government financial management experience, retired as Deputy Chief Financial Officer (DCFO) of the U.S. Office of Personnel Management (OPM) in September 2006. In the DCFO role, she directed the OPM's day-to-day financial management, including budgeting, accounting, information systems, and financial reporting. As DCFO, she worked with the Chief Financial Officers Council to improve federal financial management throughout government. Prior to joining OPM, Evelyn was the Chief Executive Officer for the National Archives Trust Fund (NATF) where she directed the investment strategy and portfolio, user fees, and overall policies and procedures. Employment prior to NARA includes Director of Financial Reporting, accounting policy, financial systems, and serving as audit liaison with the Office of Inspector General and the Government Accountability Office for the U.S. Department of Transportation (DOT). Ms. Brown also served as the Accounting Officer for the Office of the Secretary at DOT. Prior to her service at DOT, she was Director of Accounting at the International Trade Administration at the Department of Commerce exercising financial management of both domestic and overseas operations. In addition, she was Chief of Financial Systems at the Federal Transit Administration, and she worked in accounting operations at the Maritime Administration. After retiring from federal service, she has worked on special projects as a financial management consultant for Suss Consulting and has worked with both Deloitte and IBM.

She has been active in AGA on the chapter, regional, and national levels. She is a past National Treasurer, past Chapter President of the Washington DC Chapter and ended her second term in 2011 as Regional Coordinator for Chapter Development and Assistance for the Capital Region. She has served on the National Executive Committee and numerous other AGA committees.

Her community service activities include a 14-year stint with the IRS' Volunteer Income Tax Assistance program. She also served as an instructor and counselor for the Department of Commerce's Small Business Development Program assisting minority businesses in the DC area. She has been a volunteer for Habitat for Humanity in New Orleans and Atlanta and is currently active in the mentoring and Early Careers Program for the Capital Region. She continues to be active in Executive Women in Government (EWG) and is completing her fifth term as treasurer of The International Alliance for Women (TIAW), an organization that links more than 35,000 business, professional, and entrepreneurial women and their associations in order to provide a global voice for women's advancement.

Ms. Brown graduated from Howard University with a Bachelor of Arts degree in Accounting. She is also an alumna of the Federal Executives Institute. Evelyn is a Certified Government Financial Manager and her professional memberships include EWG and TIAW as well as AGA.

December Luncheon Pics



Mark Crocker, Speaker



Mark and Ray



Job Opportunities

From time to time departments forward job opportunities to the Website Committee which are posted for members' convenience. If you are interested in new job offerings or know someone who is, go to this link for detailed information:

<http://nashvilleaga.org/jobs.html>

From the Editor

We truly enjoy reading articles submitted by our members. Please share your thoughts and ideas or interesting news with us by submitting your article to me at Penny.Austin@cot.tn.gov no later than January 11 for the next edition of our newsletter. If you have any questions, please let me know. Thanks and start writing!

Luncheon/CEC Minutes

To read the minutes from the most recent CEC meeting and from the December Chapter Luncheon, please visit the chapter website. The luncheon minutes will be presented for approval at the next business meeting scheduled for January 7, 2013.

www.nashvilleaga.org

Welcome New and Returning Members!!

Brian Alan Derrick, TN Treasury Department
Andrew R. Hawkins, TN Comptroller of Treasury
Keith L. Isbell, TN Comptroller of the Treasury
Elvy Rorie, IV, TN Comptroller of the Treasury
Anna M. Sparks, TN Department of Education
Shirley A. Thornton, TN Department of Environment and Conservation
Brent J. Jennings, Ashworth College
Evan Boyd, TN Department of Agriculture Regulatory Services
Deborah K. Johnson, City of Clarksville
Drusilla L. Martin, Nashville Fire Department
Rachel Slusser, City of Greenbrier
Bill Hyden, Davidson County Election Commission
Janet D. Stewart, TN Office of Criminal Justice
Dr. Harold C. Okere, CPA

Community Service Opportunities



Coats, Hats, Socks, and Gloves Drive

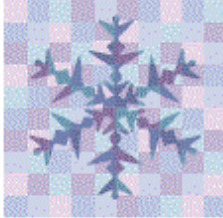
It's that time of year again! For the months of December and January we will be collecting new and slightly used coats, hats, socks, and gloves for those individuals in the Nashville area who are in need. Help keep everyone warm this winter season. To donate please contact Scarlet Sneed, Scarlet.Sneed@cot.tn.gov.

Nashville Rescue Mission

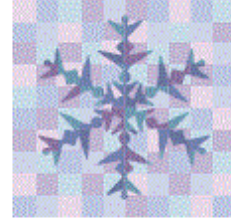
The community service event for the Nashville Rescue Mission has been scheduled for January 24, 2013, from 4:30 PM to 7:00 PM in the Men's Kitchen. All those interested in volunteering to serve dinner to Nashville's homeless should contact Alla Cox at Alla.Cox@cot.tn.gov or 747-5218. Persons interested can also make a monetary donation to the Nashville Rescue Mission.



Training Opportunities



AGA Winter Seminar
January 10-11, 2013
Nashville, TN
William R. Snodgrass TN Tower
Tennessee Room



Please visit <http://nashvilleaga.org/Education/Winter2013.html> for more information.



**AGA Southeast Region
Professional Development Conference**
“The Sounds of Accountability”
April 4-5, 2013
DoubleTree Hotel
Nashville, TN

Please visit www.nashvilleaga.org/regionalaga.htm for more information.

News from National AGA

What Does Passion Have to Do With Performance?

By: William D. Miller, CGFM, CIA, Senior Vice President for Regional Services-Section II

Everything! My purpose here is to explain the role of passion in successful accomplishment of one's goals. So, let's start with a question. Do you view your work as a job or as a platform? If it is just a job, your performance will reflect that the job is something to do between Sunday and Saturday. If it is a platform, your performance will reflect a drive to achieve success and make a difference in the chosen profession. Leadership comes from the latter. You can't achieve the high levels in your profession without the drive and ambition to be the best in it—PASSION!

What Does Passion Have to Do With Performance? (Cont.)

I am in the audit profession and my passion is to make a difference for the taxpayer and to assist organizations in managing programs economically and efficiently. Every audit I do addresses the public constituency in some way. My recommendations drive toward organizational excellence. As an auditor, I am cognizant of the impression of my office held by those I audit, and I try to work with them in understanding the passion to make a difference. All of my audit recommendations are “doable” over some time span in the organization’s life-line.

But let’s look at AGA. If you want to see a prime example of passion in the workplace, you only have to sit in on one National Executive Committee meeting. This Committee manages the organization along the strategic plan and provides governance as the executive arm of the National Board of Directors. The Executive Director of AGA reports to the NEC. The Committee is composed of volunteers who were either appointed or elected into their positions. Recognizing this is a volunteer organization outside the general employment of each individual speaks highly of the passion to lead and make a difference. Every NEC

member is a leader in their own profession and has reaped the benefits of having managed government programs or private sector programs to completion. The excitement generated in the discussions of organizational needs demonstrates that all have the drive and ambition to make AGA the best professional organization possible. Where did these leaders come from? How do they manage the time? How do they fit the role in with their day to day employment? --- Passion.

Look at your own organization. Do you have goals to achieve higher levels? If the answer is yes, how do you achieve those goals? Contrary to some popular beliefs, rising up in a profession is not a political game that some are better at than others. Employees with passion toward their work stand out automatically. It becomes obvious to management as they evaluate the workforce and see the “energizer bunnies” that do the extras to advance. Such things as advanced education, community and professional service (such as AGA), and self-study in the chosen field are examples of these extras. So, does passion have a place in your goal achievement? Of course it does, and it may be the extra edge needed to move up!



*****Merry Christmas*****

Bringing Focus to the New Clarity Standards

by Gerry Boaz, CPA, CGFM

Do you want the bad news first? Yes, we have “new” standards. However, the good news is that many of the substantive changes requiring changes to current audit practice were in a few areas. Where are those areas? Well, that is the discussion I wish to bring into focus. Most of the substantive changes were in the group audits area, as well as changes to the auditor’s report format and management representation letters.

So what exactly was the American Institute of Certified Public Accountants’ (AICPA) Auditing Standards Board (ASB) trying to achieve when it issued in October 2011 its Statement on Auditing Standards (SAS) No. 122, *Clarification and Recodification*? The ASB’s goal was to make auditing standards easier to read, understand, and apply, as well as establish a more principles-based approach to standard setting¹. Think more user friendly. SAS 122 is not an earth shattering auditing standard change, but it reduces the complexity of previous SASs and lays out prominently the requirements auditors “must” or “should” perform, as well as very useful application and other explanatory material (some of which is focused on the government environment). The underlying driving force behind the change to auditing standards generally accepted in the United States of America (GAAS) was to converge U.S. auditing standards with that of the International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB)². This should result in more consistent application of the standards.

The New Clarity Format

The first noticeable change in SAS 122 an auditor will see is a new drafting convention called the clarity format (see sidebar³). This new format is clear, consistent, and easy to understand. The ASB redrafted all of its SASs in accordance with the following conventions⁴:

- Establishing objectives for each clarified SAS
- Including a definitions section, where relevant, in each clarified SAS
- Separating requirements from application and other explanatory material
- Numbering application and other explanatory material paragraphs using an A- prefix and presenting them in a separate section that follows the requirements section
- Using formatting techniques, such as bulleted lists, to enhance readability
- Including, when appropriate, special considerations relevant to audits of smaller, less complex entities within the text of the clarified SAS
- Including, when appropriate, special considerations relevant to audits of governmental entities within the text of the clarified SAS

Clarity Format Outline:

- Introduction – explains the purpose and scope of the standard.
- Objective – defines the context in which the requirements are set.
- Definitions – this section, included where relevant, explains specific meanings of terms in the standards.
- Requirements – set out what the auditor is required to do (i.e., “should” and “must”) to achieve the objective of the standard.
- Application and Other Explanatory Material – cross-referenced to the requirements and provide further explanation of, and guidance for, carrying out the requirements of the standard. These paragraphs are an integral part of the standard, and the auditor is required to read and understand the entire text of the standard.

¹ “Summary of Changes in Requirements from Statements on Auditing Standards (SASs) No. 1 through No. 120 to Clarified SASs” –as of December 2010 (Revised January 2012)– by the AICPA Audit and Attest Standards Team

² AICPA *Codification of Statements on Auditing Standards* (volume 2) as of January 2012, AU-C Introduction – Foreword; page 11.

³ AICPA Financial Reporting Whitepaper, “The AICPA’s Guide to Clarified and Converged Standards for Auditing and Quality Control,” page 2.

⁴ AICPA *Codification*, page 11.

Substantive, Clarifying, and Formatting Changes

First, we have the ever revolving wheel of terminology changes. The clarified SAS 122 introduces the following new terminology⁵:

- *Applicable financial reporting framework*, examples of which include International Financial Reporting Standards and generally accepted accounting principles (e.g., the Governmental Accounting Standards Board).
- *Emphasis-of-matter* and *other-matter* paragraphs replace explanatory paragraphs.
- *Group engagement partner* and *component auditor* replace principal auditor and other auditor, respectively.

Next, according to the AICPA Audit Risk Alert, *Understanding the Clarified Auditing Standards—2012*,⁶ some AU-C section changes are considered likely to affect an audit organization's audit methodology and engagements because they contain substantive or other changes, defined as having one or both of the following characteristics:

- Change(s) to an audit methodology that may require effort to implement; or
- A number of small changes that, although not individually significant, may affect audit engagements.

Substantive changes to the following areas will impact audit methodologies and engagements⁷: consideration of laws and regulations, communicating internal control related matters, related parties, group audits, and auditor's reports.

The 800 pound gorilla in SAS 122 is the topic of group audits (AU Section 600). Upon my initial reading of AU 600, I did not believe the changes would impact our audit methodologies very much; however, after further study, the group audit requirements likely will result in substantive changes to our methodologies, reporting, and engagement documentation. On the other hand, because our government audit organization is most often the component auditor, as well as the group auditor, the degree of changes for us will not be as extensive as for other audit organizations with a different circumstance. All audit organizations should thoroughly study the group audit section of SAS 122 and related AICPA guidance to determine the impact on engagement planning, performance, and reporting. The AICPA provides two excellent publications to assist in the preparation for implementation (Audit Risk Alerts, *Understanding the New Clarified Auditing Standards* and *Understanding the Responsibilities of Auditors for Audits of Group Financial Statements*). The extent to which this will change audit practice depends on each audit organization's current methodologies.

Finally, in the superseded or amended standards, some requirements were implicit; therefore, SAS 122 made those requirements explicit⁸: determining whether the applicable financial reporting framework is acceptable, having management agree to their responsibilities at the onset of engagement, and applying quality control procedures at the audit engagement level. Furthermore, additional requirements address changes to the wording of the auditor's reports, including the use of paragraph headings and expansion of the description of management's responsibilities; more specific procedures to detect illegal acts; and opening balances in initial audits.

The remaining changes to other clarified standards were primarily clarifying or formatting, not substantive, changes to requirements in the following areas: audit documentation, risk assessment standards, analytical procedures, auditing accounting estimates, subsequent events, auditor's communication with those charged with governance, external confirmations, audit sampling, written representations, and consideration of omitted procedures after the report release date. Thus, minimal, if any, impact to audit methodologies should result.

⁵ AICPA Financial Reporting Whitepaper, "The AICPA's Guide to Clarified and Converged Standards for Auditing and Quality Control," page 5.

⁶ AICPA Audit Risk Alert, *Understanding the Clarified Auditing Standards—2012*, ¶23.

⁷ *Ibid.* ¶25-74.

⁸ AICPA Financial Reporting Whitepaper, page 5.

How to Prepare for the Transition

Now is the time for all auditors to start preparing for the transition to the clarified standards, which are effective for calendar year 2012 audits or for fiscal years ending June 30, 2013. A smooth transition requires information, education, and training. Here are some important steps you can take to start preparing for the clarified standards⁹:

- Familiarize yourself with the clarified SASs, including the application material, appendixes, and exhibits.
 - Read the summary of changes between existing SASs and clarified SASs (see link below).
 - Appoint a person or team to be in charge of the transition (utilize the AICPA “Clarity Learning and Implementation Plan” as a timeline tool for implementation planning – http://www.aicpa.org/InterestAreas/FRC/AuditAttest/DownloadableDocuments/Clarity/Clarity_Learning_Plan.pdf)
- Consider establishing small task forces of staff at different levels to develop revisions to the firm’s audit methodologies, including policies and procedures.
 - Include training for all audit staff.

In addition to determining any changes necessary to audit procedures and training in accordance with your audit organization’s quality control documents, you will need to revise guidance, audit programs, and policies and procedures to refer to the clarified standards. The key to implementation is not to procrastinate. The sooner you start the implementation planning process, the better off you will be. I started our process in May 2012 and should wrap up by January 2013 our task force’s suggested recommendations for changes to audit procedures, auditing policies and procedures, and quality control documents. Thus, we will be prepared in plenty of time to implement the new standards. We might also consider testing our changes on a pilot audit to work out any issues that might arise. We have also discussed our methodologies with our State Audit organization community in other states (i.e., as part of networking opportunities through the National Association of State Auditors, Comptrollers, and Treasurers).

Conclusion

In my opinion, the new streamlined clarity format is a major improvement over prior standards. The new SASs are truly more auditor friendly and frankly make more sense. We auditors now have a clearer sense of the ASB’s intent of the requirements based on the application and other explanatory material. The number of standards with substantive changes is manageable. With assistance from the wealth of guidance on the AICPA’s website (<http://www.aicpa.org/frc>), implementation of the new clarity SASs should be a breeze, if only the ASB would take a hiatus long enough for us to actually implement the new standards. Since that it not likely to happen, auditors should start planning for these changes immediately. Good luck!

AICPA Resource Center (www.aicpa.org/frc) – The SAS Clarity Project

- **Video library**
- **Guidance**
- **Publications** (*Audit Risk Alerts Understanding the New Clarified Auditing Standards* and *Understanding the Responsibilities of Auditors for Audits of Group Financial Statements*)
- **Tools and toolkits**

⁹ Ibid. ¶15 (“How to Prepare for the Transition”).

2012 - 2013 AGA Nashville Chapter Leadership Directory

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