



UPDATE

INSIDE THIS ISSUE:

President's Message 1

*First Graduates—
GFOA Certification Program* 2

GOA Press Statement 2

7th Annual Midwest Regional Public Finance Conference 3

Upcoming Events 4

Membership Facts

193 Total Members

- 84 City
- 52 County
- 22 School/College
- 27 Associates
- 8 State/Regional

PRESIDENT'S MESSAGE

ED MULLINS, FINANCE DIRECTOR, LAWRENCE

Happy New Year! It is somewhat of a relief to have 2001 behind us, although the economic difficulties we are all facing remain. I believe it is times like this that make it even more important to have an organization such as the KSGFOA available as a resource. The upcoming conference in Wichita on February 13-15th has tracks for budgeting, accounting, and debt issuance, as well as timely topics on homeland security. Please try to attend.

I am the third President of the KSGFOA. It is important that the membership realizes that this is your organization. All of the Board members share the common goal of helping our fellow governmental budget and finance employees throughout the State of Kansas. We plan on once again hosting two regional conferences as well as the February conference in Wichita and the October conference in Johnson County. We need your input as to what topics you would like to see covered. Rich Vargo with Riley County is in charge of program development in 2002. Please contact him with any ideas you may have for future topics.

As President, I would like for our membership to push for a regional GFOA conference in Kansas City. For this to occur, we will need to coordinate efforts with the Missouri GFOA and the cities of Des Moines and Lincoln. The GFOA would like to see a commitment of a significant number of attendees before they would plan on making Kansas City a seminar location. Secondly, I would like to encourage more corporate memberships and donations. Our status as a 501(c)3 makes it more attractive for corporations to donate money to us. In addition, corporate members are an important source for speakers at conferences. With the recent formation of the state organization, corporate

members are somewhat confused between chapter membership in the Eastern Kansas GFOA and the state KSGFOA.

The Legislature is now in session and it may be a rough year for local governments and school districts. Due to the recession, state revenues have declined and it is likely that the legislature will want us to share the pain. The KSGFOA will attempt to monitor legislation and may communicate items of interest to you during the session. A related item of concern is the negotiation with SBC over franchise fees. SBC is attempting to require that all franchise fees be cost based rather than based on gross receipts. This has the potential of greatly reducing the amount of franchise fees paid to local governments. If SBC is successful the same formula will likely be applied to other utilities. The League of Kansas Municipalities has recommended that local governments consider reducing their dependence upon franchise fees as a source of future revenues. If you are interested in serving on the KSGFOA legislative committee, please contact any KSGFOA Board member.

I would also like to encourage everyone to visit our website at www.KSGFOA.com. With the assistance of Dennis Howard, CFO of Lenexa and Gena Schallehn, Budget Officer of Overland Park, we are attempting to make the site more of a resource. You can check the calendar for upcoming conferences, register for these conferences on line, look for employment opportunities, and review policies and procedures from other units of governments. In addition, there are links to other sites of interest as well as the listing of all KSGFOA members. I am very grateful to Dennis and Gena for their efforts in making these important changes to our site.

2002 Board of Directors**Officers**

President: Ed Mullins, Finance Director, City of Lawrence 785-832-3214; e-mail emullins@ci.lawrence.ks.us

Vice President: Rich Vargo, County Clerk, Riley County 785-537-6300; E-mail rvargo@co.riley.ks.us

Secretary: Ross VanderHamm, Finance Director, City of Hutchinson 620-694-2613; E-mail rossvh@ci.hutchinson.ks.us

Treasurer: Chris Chronis, Chief Financial Officer, Sedgwick County 316-383-7591; E-mail cchronis@sedgwick.gov

Board Members

Larry Lysell, Superintendent, USD #427, Belleville, KS. 785-527-5621; E-mail buffl1@usd427.k12.ks.us

Charles Mitts, Accounting Manager, City of Olathe. 913-782-2600; E-mail cmitts@olatheks.org

Nannette Pogue, Finance Director/City Clerk, City of Dodge City. 620-225-8100; e-mail nannette@dodgecity.org

Kevin Hiskey, Finance Director, City of Merriam. 913-722-7700; e-mail KevinH@Merriam.org

Dale Jost, Chief of Fiscal Services, KDOT. 785-296-3640 Email: Dale@ksdot.org

Laurie Krause, Accounting Manager, Water District #1 of Johnson County, 913-895-5530; e-mail lkrause@waterone.org

GFOA State Rep

David Scott, (913) 895-6154, dscott@opkansas.org

Wichita State Rep

Lisa Haase, Public Affairs Associate, WSU 316-978-6541 Haase@twsumv.uc.twsu.edu

Presidents Message (Continued from page 1)

During the past year, the KSGFOA has worked with the Department of Revenue to determine why sales tax distributions were so erratic. Legislative Post Audit audited the sales tax distributions. In addition, the Department of Revenue responded by having Steve Brunkin serve as a main contact. Steve has been very willing to help local government representatives. Secondly, KSGFOA members met with the representatives of the State Treasurer concerning the over estimation of LAVTR and State Revenue Sharing (SRS). Many local governments received significantly less revenue from these sources in 2001 than we were told to expect, especially SRS payments. While a final resolution has not been made, the meeting will hopefully result in more attention to the importance of estimating these revenue sources more accurately.

In conclusion, 2002 will create many challenges for most of us as a lack of revenue growth forces us into cutting costs and looking for other sources of funds. Please remember to seek out fellow KSGFOA members as a resource and if nothing else, someone who can relate to your problems.

Ed Mullins
President

First Graduates—GFOA Certification Program

The first graduates of the GFOA Certification Program's have been awarded the designation of **Certified Public Finance Officer (CPFO)**. Out of 192 individuals nationwide that earned this designation, we specifically offer our congratulations to four individuals from Kansas:

Ron Franz – City of Salina
Shawn Henning – City of Wichita
Nannette Pogue – City of Dodge City
David Scott – City of Overland Park

This program is a broad educational program designed to verify knowledge in the disciplines of government finance. An individual who meets eligibility requirements and successfully completes five mandatory examinations within a five-year period will be awarded the designation of Certified Public Finance Officer (CPFO).

The five examinations cover the following topics:

Governmental Accounting, Auditing and Financial Reporting
Cash Management and Investments
Debt Management
Operating and Capital Budgeting
Pension & Benefits, Risk Management and Procurement

Additional information about the GFOA Certification Program can be found at www.gfoa.org.

Congratulations to the four newly designated CPFOs.

GAO PRESS STATEMENT

Friday, January 25, 2002

Today, David M. Walker, Comptroller General of the United States and head of the General Accounting Office (GAO), announced significant changes to the auditor independence requirements under Government Auditing Standards. These standards, which were first published in 1972 and are commonly referred to as the "Yellow Book," cover federal entities and those organizations

(continued from page 2)

receiving federal funds. Various laws require compliance with the Comptroller General's auditing standards in connection with audits of federal entities and funds. Furthermore, many states and local governments and other entities, both domestically and internationally, have voluntarily adopted these standards.

While the new standard deals with a range of auditor independence issues, the most significant change relates to the rules associated with nonaudit, or consulting services. Auditors have the capability of performing a range of services for their clients. However, in some circumstances it is not appropriate for them to perform both audit and certain nonaudit services for the same client. In these circumstances, the auditor and/or their client will have to make a choice as to which of these services they will provide.

The focus of the changes to the auditor independence standard is to better serve the public interest and to maintain a high degree of integrity, objectivity, and independence for audits of government entities. The standard includes a principle-based approach to addressing this issue supplemented with certain safeguards. The new independence standard for nonaudit services is based on two overarching principles:

- Auditors should not perform management functions or make management decisions; and
- Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

For nonaudit services that do not violate the above principles, certain supplemental safeguards would have to be met. For example: (1) personnel who perform nonaudit services would be precluded from performing any related audit work, (2) the auditor's work could not be reduced beyond the level that would be appropriate if the nonaudit work was performed by another unrelated party; and (3) certain documentation and quality assurance requirements must be met.

The new standard includes an express prohibition regarding

auditors providing certain bookkeeping/recordkeeping services, and limits payroll processing and certain other services, all of which are presently permitted under auditing standards of the American Institute of Certified Public Accountants (AICPA). At the same time, the standard recognizes that auditors can provide routine advice and answer technical questions without violating these two principles or having to comply with the supplemental safeguards. The standard also provides examples of how certain services would be treated under the new rules.

The revisions contained in the new standard have gone through an extensive deliberative process over the past 3 years, including extensive public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards. The Council includes 20 experts in financial and performance auditing and reporting drawn from all levels of government, academia, private enterprise, and public accounting, who advise the Comptroller General on Government Auditing Standards.

The GAO received extensive comments from the AICPA and individual members of the public accounting profession. Many of these comments related to activities by small CPA firms. Their concerns centered on the fact that the new standards for nonaudit services would be inconsistent with the current practices permitted under AICPA independence rules and could cause a hardship on the auditors and management of audited entities that receive nonaudit services. The views of all parties that formally commented on an exposure draft of the new standards were thoroughly considered by the Comptroller General in making this decision.

In the final analysis, protecting the public interest and ensuring public confidence in the independence of auditors of government financial statements, programs, and operations, both in form and substance, were the overriding considerations in the Comptroller General's decision to adopt these new standards for nonaudit services. According to Comptroller General David M. Walker, "This standard represents an important step to enhance the independence of external auditors and better protect the public. It is our hope that the AICPA will raise its independence standards to those contained in this new standard in order

7TH ANNUAL MIDWEST REGIONAL PUBLIC FINANCE CONFERENCE

If you have not yet registered for the 7th Annual Midwest Regional Public Finance Conference, please join public finance professionals from several states in this unique forum for everyone involved in the financial affairs of municipalities, counties, schools, community colleges, state agencies, municipal utilities, and special authorities.

Two pre-conference sessions will be held on Wednesday, February 13 and Thursday, February 14.

The Conference will be held on Thursday, February 14 and Friday, February 15 with registration beginning at 12:00 noon on Thursday. This conference will be held at the Wichita Marriott Hotel, Wichita, KS

For more information call Hugo Wall School of Urban and Public Affairs, Wichita State University at 316-978-7240 or check the website at hws.wichita.edu/kpf/2002pfc.html

CALENDAR OF UPCOMING EVENTS

**Midwest Regional Public
Finance Conference
February 13-15, 2002
Wichita Marriott Hotel
Wichita, KS**

**Kansas GFOA Luncheon and
Meeting
12:30 p.m., February 15
Wichita Marriott Hotel
Wichita, KS**

**Performance Management
and Budget Reform
Satellite Teleconference
Wednesday, April 17, 2002
1 p.m.—5 p.m. ET
See gfoa.org for
Teleconference locations**

**GFOA's 96th Annual
Conference
Denver, Colorado
June 16-19**

Member Services

If you are retiring or
changing jobs, please let
us know!

Kansas Government Finance Officers Association Newsletter

Editor Nannette Pogue
The KSGFOA *UPDATE* is published quarterly. Correspondence regarding articles, pictures or other information should be sent to: Nannette Pogue, Finance Director/City Clerk, Dodge City, Ks 67801 or email: nannette@dodgecity.org

UPDATE
P.O. Box 880
Dodge City, KS 67801



Mailing Label

(Continued from page 3)

to eliminate any inconsistency between this standard and their current standards."

According to Comptroller General Walker, this new standard is the first of several planned steps in connection with nonaudit services covered by the Yellow Book. For example, the Comptroller General plans to work with the Federal Accounting Standards Advisory Board, which develops generally accepted accounting principles for the federal government, to determine what type of additional disclosures relating to nonaudit services may be appropriate. In addition, Comptroller General Walker has asked his Advisory Council on Government Auditing Standards to review and monitor this area to determine what, if any, additional steps may be appropriate.

In a separate but related matter, Comptroller General David M. Walker, Secretary of the Treasury Paul H. O'Neill, Office of Management and Budget Director Mitchell E. Daniels and Office of Personnel Management Director Kay Coles James, who comprise the Principals of the Joint Financial Management Improvement Program, have agreed that the 24 major departments and agencies covered by the Chief Financial Officers Act should have audit committees. The scope, structure and timing of this new requirement will be determined over the next several months. This will include determining what role these audit committees might play in connection with nonaudit services.

Because of the breadth of changes in the new standards, they are applicable to all audits for periods beginning on or after October 1, 2002. However, early implementation is encouraged.

The new audit standard is available on GAO's web site at <http://www.gao.gov/govaud/ybk01.htm>.

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Dr. W. Bartley Hildreth, Regents Distinguished Professor of Public Finance
Director, Kansas Public Finance Center Hugo Wall School of Urban and Public Affairs (and
the W. Frank Barton School of Business) 1845 N. Fairmount St., Wichita, KS 67260-0155
Phone: 316-978-6332 Fax: 316-978-3364 EMAIL: bart.hildreth@wichita.edu WEB: <http://hws.wichita.edu/kpf/index.asp>