



# Getting It Right The First Time: Accounting, Auditing, Financial Systems and the Federal Government

**By: Cameron M. Weber, MBA, CGFM**

The Enron fiasco shows the failure of overly complex rules that remove the incentives for sound judgment on the part of finance professionals in the private sector, where showing a profit—real or not—is king. In the U.S. government we face a different challenge. We have a Standard Chart of Accounts; we do not have fancy derivative products or revenue recognition games to play. We do, however, have a rapidly changing profession. Financial systems, especially commercial-off-the-shelf (COTS) systems, are the future of our profession. I call this the need, and opportunity, for “getting it right the first time.”

Government accounting is changing to take advantage of technological advances. Offices, once full of mid-level accountants making fund accounting entries, are seeing the advent of financial systems that track and control funds automatically. A clerk makes an entry one time, and it ripples through the system. The preparation and audit of a financial statement, a picture of an economic position at one point in time, is not as important now.

What is important is setting up the financial system correctly. The series of transactions all feed into the statement, which is “prepared” by the system automatically. It is important that a government entity set up its system to make sure that these source transactions are captured correctly and on time. It is less important if the financial statement compiler hits the “print” button on September 30 at 11:59 or October 1 at 12:01. (Unless somebody is obligating more than their annual appropriation or trust fund limit, but the system would have already caught and prevented that.)

Financial auditing is changing from tests over the data shown on the financial statement to the testing of systems and controls. If you know the data going into the system is solid and the system maintains the data integrity, then you have an assurance that what comes out of the system can be reliable. Data mining and transaction tracing tools are becoming more sophisticated and necessary.

The “getting it right the first time” concept applies to auditing as well. The inspector general (IG) community can and does help entities set up their systems through continuous testing of functionality, data validation and user acceptance. IGs can make recommendations on delegations of authority and procedures, helping to ensure that that initial source accounting transaction is indeed “right the first time.”

Two other main movements in the profession need to be mentioned: reconciliation and outsourcing. Reconciliation is what happens between entities, and, when you don’t get it right the first time. In the first instance reconciliation is not avoidable, in the latter it is avoidable. The need for reconciliation of transactions between entities is a well-recognized challenge in the U.S. government financial management community, where there are many transactions between operating agencies and the agencies’ checkbook—the U.S. Treasury. Future systems integration between and among central and operating agencies will reduce reconciliation, if this integration “gets it right the first time.”

Outsourcing of routine financial transactions can be done with a minimum of reconciliation. If the outsourcing partner captures the data at the transaction level and feeds this information electronically to the operating agency at the transaction level, after testing, reconciliation can be minimized. It’s the system, dummy.

So, we’re moving away from accounting toward systems. Let’s “get it right the first time!” ■

*Cameron M. Weber, MBA, CGFM, a member of AGA’s Washington, D.C. Chapter, became USAID’s first Credit Program controller in 1997. He recently accepted the position of chief of Financial Oversight and Coordination in Domestic Financial Services at the U.S. Department of State. He is a member of AGA’s Journal Editorial Board.*

## Tell Us What You Think!

Send your comments to the editor at [mforce0610@aol.com](mailto:mforce0610@aol.com).