

Congressman/CPA addresses Lyceum

by Leslie Dauer

This past Wednesday, Mr. Joseph DioGuardi spoke at the Accounting Lyceum about the federal government's accounting system and the responsibility we have as citizens to monitor the system. In 1985, DioGuardi left Arthur Andersen to become the only *practicing* CPA to be elected to Congress. When he left after three terms, Congress had 276 attorneys but no accountants. He noted that the differences between the way that accountants and most other professionals do business from the way Congressmen do business might explain why, in a survey on 12 professions, accountants were the most esteemed and Congressmen were dead last.

According to Mr. DioGuardi, Congress is the culprit....

The source of DioGuardi's frustration with the federal government's accounting system is that it exists on a cash basis. This is the only legal cash-basis reporting system in the United States. Any publicly traded firm, which is required to use Generally Accepted Accounting Principles (GAAP), would be, claims Mr. DioGuardi, *indicted* for using such a system. By using this system, the federal government ignores many liabilities that it accrues; many of these liabilities are bonds. In fact, the U.S. government is the largest single distributor of securities. However, these debts are noted only when interest charges are due, and when the bonds mature. DioGuardi asked whether "we shouldn't ask for the same accountability, disclosure and quality of reporting from the federal government that we ask of private firms."

Since the 1950s, Congress has attempted to pass legislation to make the government more accountable. The only success has been on the state and local level, where the Government Accounting Standards Board (GASB) has

had some influence on the reporting systems. The GASB has also started the Federal Accounting Standards Advisory Board, but this has had limited success. Mr. DioGuardi asserts that this structure needs to be changed in light of the continuous rise in national debt.

"The national debt is understated," says Mr. DioGuardi, because of reporting on a cash basis. The \$300 billion deficit this year does not include non-cash and off-budget figures. For example, the bailout of the savings and loan banks is *not reported* because it is handled through an off-budget agency that is not mandated to report. And although the cash figures rise, the government *still* continues to raise the debt ceiling.

According to Mr. DioGuardi, Congress is the culprit. Rather than voting to raise taxes, to which people respond negatively, they vote to raise the debt limit. This actually increases the amount of future capital which the U.S. spends, and *will* eventually mean raising taxes. Other options, of course, represent taking from some funds to feed others; the government paid off some debt in the 1980s by spending some of the Social Security tax surplus.

Not only is Congress responsible for raising the debt ceilings, but every time they appropriate funds, they are charging *against* our future income. Mr. DioGuardi represented this fact by showing his former congressional voting card, which looks like a credit card. Every time a congressperson votes, he uses that "credit card" to do so. DioGuardi called this the "most expensive credit card in the world," since it has no limit. His metaphor extends: "If we have such a credit card, there should be a credit card statement to show where money is spent."

In a statement he developed from fiscal year 1991, Mr. DioGuardi illustrated how much each taxpayer is spending on each project and how much congresspeople are spending. The statement started with a balance of \$28,796.75 past due—per person on cash figures alone—and ended at \$31,174.89, after payments were made through income and Social Security taxes. Most of the "purchases" were spent on Social Security and national defense. The finance charges (interest on the debt) alone increased the debt by \$1,726 per capita.

According to this expert, however, there *are* solutions. These include passing a Balanced Budget Amendment or a line-item veto on the budget. Mr. DioGuardi initiated the impetus for the "CFO Act," which is now being implemented. This piece of legislation places CFOs in *every government agency and department*. However, as the law stands now, these CFO appointments are politically based, undermining the legitimacy of this act. "Additionally," said Mr. DioGuardi, "a *capital* expenditure budget needs to be made. Budgets need to be made on a qualitative as well as a quantitative basis."

The ex-congressman also claims that the concern of departments should not be to spend their budgets on non-quality spending for fear of not receiving the same budget the following year, but to spend their budgets on *quality* projects. Finally, Mr. DioGuardi asserts that there need to be external, independent audits made on government spending which would be published—perhaps inside the annual tax forms. This, too, would reduce the amount of bureaucratic overexpenditure.

Mr. DioGuardi discusses these problems and his proposed solutions in his book *Unaccountable Congress*.

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CORPORATE NEWS

Mr. John Flaherty of PepsiCo. will be the speaker at this Wednesday's Lyceum.



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November 12, 1993

The Honorable Joseph J. DioGuardi
50 Baraud Road
Scarsdale, NY 10583

Dear Joe:

Thank you very much for making an outstanding presentation to more than 300 accounting students Wednesday evening! I have heard many, many positive comments from the students and, without exception, they tell me that yours was the most exciting Lyceum presentation they have ever heard. (As I mentioned to you, I have been responsible for setting up these Lyceum programs for the past two years. Although our speakers are almost always nationally prominent, I have never seen such a strong and sustained ovation as you received.)

In addition, the faculty also enjoyed the opportunity to visit with you and hear your ideas. Several days later, you are still a popular topic of conversation.

In fact, Urton Anderson and I today agreed that we will submit a proposal (in conjunction with Michael Granof) to the American Accounting Association. We believe that we still have a good possibility of arranging a place for you on the program of this summer's AAA convention in New York City. I'm confident that accounting professors from across the country would find your message thought-provoking.

I enjoyed the chance to get acquainted with you, and will contact Gary Previts soon to encourage him to keep you in mind as a speaker for the Ohio Society of CPAs. I will also draft a memo to the students about your offer to special order copies of your book, as well as soliciting their ideas about moving forward with "Truth in Government."

Thanks, again, for taking time to visit Austin.

Sincerely yours,

A handwritten signature in cursive script that reads "Don E Tidrick".

Donald E. Tidrick, Ph.D., CPA
Director, Professional Program in Accounting