

Award Program for Small Government Cash Basis Reports

Review Committee

REVIEWER INFORMATION

Thank you for serving as a member of the Review Committee of the Government Finance Officers Association's (GFOA) Award Program for Small Government Cash Basis Reports. Your work as a reviewer is vital to the continued success of the program.

Serving as a reviewer offers a number of important benefits:

- *Professional service.* The program was created to improve the quality and consistency in modified cash basis reporting in the public sector. When you serve as a reviewer, you are making a direct personal contribution toward enhancing the public finance profession.
- *Exposure to practice.* Your review of Small Government Annual Financial Reports (reports) from different types of governments across the country offers unparalleled exposure to the broad range of current public-sector practice. This exposure can be an invaluable resource for improving the quality of your own financial reporting or that of your clients.
- *Maintain and sharpen technical skills.* Reviewing reports for the program is a practical way to keep abreast of the most recent developments in authoritative standards affecting accounting and financial reporting for state and local governments.
- *Recognition.* Your service as a reviewer in the program is a practical way of demonstrating your expertise and professional dedication to colleagues, employers and potential clients. Reviewers are listed each year on the GFOA's website in the Award Programs section.

The remainder of this guide and the sample reviews will provide the information that you need to function as an effective reviewer.

PROGRAM ADMINISTRATION

If you need to contact the program, please use the following contact information:

Award Program for Small
Government Cash Basis Reports
Government Finance Officers Association
203 N. LaSalle Street
Suite 2700
Chicago, IL 60601
Phone: (312)977-9700 (Todd Buikema)
Fax: (312)977-4806
cashbasisreview@gfoa.org
www.gfoa.org/cashbasis

What does GFOA need to know about you as a reviewer?

The program to have *current* information on how to contact you for reviews (i.e., the street address to which the report should be sent, an e-mail address, and telephone number). In addition, we need the following information so that we can send reports that match your preferences:

- The types of reports that you are willing to review that you indicated on your application to become a reviewer (e.g., general-purpose governments, school districts, stand-alone business-type entities, and special districts);
- The months that you are available to perform reviews; and
- Whether you are willing to review electronic forms of the reports.

What do I need to do to update my reviewer file?

Any changes in contact information, review preferences, or availability should be communicated to the program.

How many reports will I be asked to review each year?

Reviewers can expect to receive a *maximum* of one report during each month of availability. Since the program is new, it may take some time for you to receive your first report to review.

Reviewers who are unable to complete reviews because of special circumstances may ask to be placed on inactive status. Reviewers on inactive status should note that the web listing of reviewers only include the name of reviewers who completed at least one review for the period.

Whom should I contact at GFOA if I have a question?

If you have a question about the receipt of a report, the due date of a review, your preferences, or other administrative matters, please do not hesitate to contact the program. Likewise, if you have a technical question about an issue in the report or about how to grade a report, you can contact Todd Buikema directly (TBuikema@gfoa.org).

How will I know when a report is sent?

You will be notified by e-mail when a report is sent (even if it is sent through the mail). There is always the risk that a report may be lost in transit between GFOA's office and a reviewer's office or residence. If you do not receive a report when you expect one, please notify GFOA of that fact.

What will I receive when a report is sent?

You will receive a copy of the report as well as a cover letter explaining where to find the other materials needed including the checklists.

Items needed to complete the review, such as the Review Form and checklists may be found on the GFOA's website under the [reviewer section of the program's page](#).

How much time do I have to complete the review?

Normally reviews are due exactly one month after the report is sent to reviewers. However, a reviewer may request additional time to complete the review by contacting the program.

Are there any limitations on the type of reports that a SRC member can review?

Reviewers are not eligible to review the reports of governments from their own state. Likewise, auditors are not eligible to review reports audited by their own firm. If a report fitting either of these two situations is erroneously sent to you, please notify GFOA staff immediately and return the entire report package, including the report itself, to GFOA as indicated above.

What should I do if I find myself unable to complete a review on schedule?

If you find yourself unable to complete a review on schedule, you should contact GFOA staff for an extension. Extensions normally are given for two weeks, but may extend longer, depending upon the specific circumstances of the report and the reviewer. *In no event should you perform a review of a report more than 30 days after the initial deadline without contacting GFOA* because staff may

have made alternative arrangements to ensure the timely processing of the report.

If for some reason you know that you will not be able to complete a review on a timely basis. Please do the following:

- Notify the program so that the report can be assigned to another reviewer, and
- Send back the entire review package, ***including the report itself***.

What do I need to do once I complete my review?

To complete your review, please fill out the Review Form found on the GFOA's website in the [reviewer section of the program's page](#). At least three narrative comments are encouraged to be included as part of the review along with a vote regarding the report's receipt of the award.

Please send your completed review form to the program (using the contact information on the first page).

Reviewers are reminded that the results of all reviews should be kept strictly confidential.

What should I do if I am not receiving reports?

If you are *not* receiving reports when you expect them, please contact the program immediately. Disruptions in the assignment of reports may occur for a variety of reasons (e.g., changes in employer or address that are not communicated to GFOA staff, failure of inactive reviewers to notify GFOA staff of their desire to return to active status). Keep in mind that the program was recently announced to the public and submissions will take some time to multiply.

What do I need to do if I wish to obtain a copy of the comments and suggestions for improvement provided to a government whose report I reviewed?

GFOA can provide reviewers with a copy of the comments and suggestions for improvement made to a government whose report they reviewed. If you check the box on the Reviewer Form that indicates you would like a copy of the comments provided to the government, the comments will automatically be sent to you when the review process is completed. If you do not receive the comments, you can request comments by contacting the program. GFOA staff must, of course, await the completion of the entire review process before comments and suggestions for improvement can be issued; therefore, reviewers should expect to wait anywhere from eight to ten weeks to receive a copy. *Once again, reviewers are reminded that the results of all reviews must be kept strictly confidential.*

PERFORMING THE REVIEW

What is the goal of the review?

The goal in reviewing a report submitted to the program is to determine whether that report *substantially complied* with program requirements and to offer suggestions for eliminating reporting deficiencies. The program's focus is on excellence, not perfection.

What is the best way to review a report?

There may be as many ways to review a report effectively as there are reviewers. Some reviewers may find it useful to utilize the checklists available on the [GFOA's website](#). Others may feel comfortable enough to read through the report on their own. The only requirement is that the reviewer fill out the [Reviewer Form, found under the reviewer section of the Certificate of Conformance portion of the GFOA's website](#). At least three narrative comments are encouraged to be included on the form.

Sometimes the meaning or interpretation of a question on the checklist may not be immediately clear to a reviewer, even after consulting the references provided in parentheses following each question. In most such cases, an explanation of the question will be found immediately following the question. If this explanation is not satisfactory, or if you have questions about a checklist question for which no such explanation is provided, please feel free to contact the program directly.

What is meant by "substantial" compliance with program requirements?

As noted earlier, the program aims at determining whether a given report has *substantially* complied with program requirements. As a practical matter, failure to achieve substantial compliance is evidenced when the participant has received a "no" in regard to a potentially disqualifying (i.e., "asterisked") item.

It should be noted that a report may be denied, *in rare instances*, because of the presence of a significant and potentially misleading deficiency that is not specifically addressed on the checklist.

What happens after GFOA receives an review?

When GFOA receives a review, staff enters the fact that the review was received so the reviewer receives credit for the review. The reviewer's comments and vote page are then matched with the staff copy of the report. A staff member completes a initial review that includes the comments of the reviewer. A senior staff member then completes a review and finalizes the comments that are sent to the government.

Who determines whether a report substantially complies with program requirements?

Reviewers have the responsibility of determining whether a report substantially complies with program requirements. Indeed, as a matter of program policy, the award may not be awarded to a report if a reviewer votes for a denial.

What is a “qualified” award?

In certain specific circumstances, participating governments may be given the award even though their report contains one or more *potentially* disqualifying items. In such cases, GFOA formally notifies the government submitting the report (as part of the comments and suggestions for improvement) that failure to rectify one or more specified items will probably result in a denial of an award in the subsequent year. Such a “qualified” award is otherwise indistinguishable from a regular award of the Certificate of Conformance. That is to say, only the officials submitting the report are aware of the qualified nature of the award.

When are qualified awards given?

Qualified awards normally are given *only to successful, ongoing program participants* in one of the following specific situations:

- The potentially disqualifying item was present in the prior year’s report, but did *not* receive a comment (i.e., the item was overlooked).
- The potentially disqualifying item was present in the prior year’s report and received a comment, but that specific comment did *not* result in a qualification.
- The potentially disqualifying item is unique to the current year’s report (i.e., it did not appear in the prior year’s report), but it is not so inherently misleading as to require an immediate denial.
- The potentially disqualifying item relates to the implementation of a new authoritative pronouncement in the first year of its implementation.

These exceptions reflect the following basic program principles:

- Successful, ongoing participants have already demonstrated, at least once, that they have met the basic threshold of substantial compliance with program requirements.
- The program is designed to be educational, with a focus on *improving* financial reporting. It is more likely that an ongoing participant will make needed improvements if that participant remains in the program. Indeed, making a government’s continued successful participation in the program conditional upon the implementation of needed changes is a powerful stimulus for timely change. Conversely, once the award has been lost, a government may be disinclined to continue in the program, and consequently may have little incentive to effect needed improvements.

- Program participants should not have to face a “moving target.” That is to say, a government that has responded appropriately to the comments and suggestions for improvement related to its prior year’s report should reasonably be able to expect that it will receive the award again in the following year.

Are qualified awards ever given to governments that are not successful, ongoing participants in the program?

Qualified awards are never given to a government that has a serious reporting deficiency in the basic financial statements for the government’s first submission to the program. However, if a government submitted the prior year’s report to the program, but did not receive the award, a qualified award may be given if that government responded appropriately to the comments and suggestions for improvement made in connection with the prior year’s report. Even so, a qualified award need *not* be given if the prior year’s report was so seriously deficient that it was not reasonably possible for the prior year’s comments and suggestions for improvement to be comprehensive.

Can a government receive a qualified award in successive years?

A government may receive a qualified award in successive years for the following reasons:

- The potentially disqualifying item in the current year’s report is different from the potentially disqualifying item in the prior year’s report
- The government is able to satisfactorily explain its failure to fully correct the potentially disqualifying item (e.g., a reasonable misunderstanding regarding the specific correction needed). In that case, a second qualification may be issued for the same potentially disqualifying item *if the government provides written assurance that the potentially disqualifying item will be corrected in the following year’s report.*

How does the possibility of a qualified award affect the reviewer in voting to award or deny the award?

Reviewers should *not* consider the possibility of a qualified award in casting their initial vote to award or deny a certificate. Rather, reviewers should focus solely on whether the report they are examining does or does not substantially conform to program requirements. It is the responsibility of GFOA staff to review all votes for denial to determine whether a qualified award would be more appropriate in the circumstances. If such a determination is made, GFOA staff will contact the reviewers who cast a negative vote to obtain their concurrence.

Why do GFOA staff members sometimes contact reviewers to discuss the possibility of changing a reviewer’s vote?

A certificate may *not* be awarded to a report if a reviewer voted to deny the award. At the same

time, it is essential that all awards and denials be consistent with established program policy. To ensure consistency, GFOA staff may contact a reviewer in any of the following circumstances:

- The reviewer's vote to deny is based upon a factual mistake (e.g., the supposed absence of information that is actually present in the report)
- The reviewer's vote to deny is not based upon one or more potentially disqualifying (i.e., "asterisked" items).
- The reviewer's vote to deny is based upon a situation that meets the criteria for a qualified award.
- Staff obtained additional information from the government that clarifies a potential disqualifying item.

In any of these cases, GFOA staff will explain the situation to the reviewer and request that the reviewer consider changing the original "vote to deny" to a "vote to award."

Likewise, an award cannot be denied without the approval of at least one reviewer. In this case, staff will contact a reviewer and ask the reviewer to look at a specific item(s) in the report and to consider changing the original "vote to award" to a "vote to deny."

What happens if a reviewer is unwilling to change his or her vote after a discussion with GFOA staff?

GFOA staff is not empowered to issue an award over the denial of a reviewer. However, if GFOA staff members, after discussing the matter with the reviewer, are still persuaded that a denial would be inconsistent with program policy, they may appeal the matter to the chair of the program's Review Executive Committee, which has been entrusted by GFOA's Executive Board with responsibility for overseeing the operation of the program. The Review Executive Committee chair, either alone or with the assistance of other committee members, will then review the case and either affirm or overrule the original reviewer's vote. The decision of the committee chair is final.

Why are some of my comments on the reports I review sometimes not included in the comments and suggestions for improvement furnished to program participants?

There are several reasons why a reviewer's comments may not be included in the comments and suggestions for improvement furnished to program participants:

- Similar types of errors may be aggregated into a single comment. For example, if a report contains numerous mathematical mistakes, only a few illustrations of the problem will be presented in the comments and suggestions.
- Sometimes reviewer comments are based upon factual mistakes (e.g., "missing" disclosures that are not required by the government's specific circumstances such as the

absence of the disclosure that fiduciary funds are excluded from the government-wide financial statements in the report of a government that does not have any fiduciary funds).

- Sometimes a reviewer may raise issues that were already raised and settled in the past (e.g., the program may have recommended that a government “consider” a particular accounting treatment that is *not* required by Certificate of Conformance Program policy and the government has formally declined to implement the recommendation).
- A reviewer may have been so tardy in completing a particular review that final results had to be released without the benefit of that member’s review.
- Sometimes the sheer volume of comments provided to a government will preclude comments on minor deficiencies.
- Staff may obtain additional information that was not available in the report that makes the reviewer’s comment irrelevant.
- The reviewer’s comment may be a recommendation, but not a requirement of the program.

What happens if a government appeals the decision not to be granted an award?

As noted previously, the award is *not* given to a report if one or more reviewers vote for a denial. An unsuccessful program participant, however, has the right to appeal a denial. Normally the grounds used for an appeal are that the reviewer(s) overlooked or incorrectly interpreted one or more important facts related to the situation that resulted in the denial. Accordingly, a government appealing a denial is asked to furnish in writing whatever additional information or commentary is needed to resolve the alleged misunderstanding. This documentation is passed on by GFOA staff to the same reviewer(s) who initially voted to deny the award. If they are persuaded by the additional information, the appeal is deemed successful and an award is made. If not, the denial stands. The Review Committee chair, however, reserves the right to review any appeal that is denied, if requested to do so by GFOA staff. The decision of the Review Committee chair on all appeals is final.