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other countries' cultures do, we tend to internalize accountability rather than making it public. How many of us actually relish accounting to others: punching the time clock, filling out the time card, or completing and justifying the expense report? On the other hand, almost every American is ready and happy to broadcast how much an asset (often carefully selected) has appreciated in value. Psychologically, it could well be that there is more comfort among more people with valuation than with accountability, especially our own.

The Accountability Age

While during the 1970s there were many reasons (many still valid) why accounting was not adequately oriented to asset and liability valuation changes, today there are growing indications that Americans are becoming more interested in accountability issues, especially as they relate to the managements of powerful social institutions, whether in the government, business, or nonprofit sector. Comptroller General of the United States David Walker recognized this trend when he initiated the renaming of the General Accounting Office to the Government Accountability Office. Sarbanes-Oxley Act section 404 is another indication of this interest, as are various efforts by individual states to achieve more accountability through new regulation or legislation.

How can accounting professionals contribute to this renewed interest in accountability, however, when the principles under which they account remain focused on entity valuation? Even the application of financial reporting qualitative characteristics (e.g., decision usefulness) precludes serious consideration of past performance. The responsibilities for the standards setters are clear as long as accountability's place in the conceptual framework is limited to a one-sentence allusion to "stewardship," while the rest of the framework, along with the authoritative statements and interpretations that flow from it, focuses on entity valuation.

Time will tell whether accountancy will rise to the challenge of dealing constructively with both management accountability and entity valuation. ❑

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Correction

In "A Hard Look at Tax Software" (July 2005), a footnote about TaxWise software incorrectly stated that "Universal sold TaxWise to a private firm in 2004." In July 2004, Primus Venture Partners, Inc., a Cleveland-based private equity firm, purchased a controlling interest in Universal Tax Systems, Inc. (UTS), which has developed and marketed TaxWise for the past 20 years. UTS still owns, develops, markets, and supports TaxWise software, and the UTS founders and senior management remain as substantial investors in the company. ❑

viewpoint

Implications of Real-Property Asset Management

By Ray Summerell

Recent scandals have led the federal government to focus on full accountability for both public- and private-sector business processes. The last two years have seen a convergence of requirements and regulations related to disclosure controls and procedures.

The full accounting for assets and their use is now focusing on fixed assets such as real property. Organizations are understanding the role that real-property holdings play in fiscal responsibility and the full cost of implementing organizational missions. That challenge has spawned a requirement for improved real-property asset management to demonstrate a uniformly high level of performance across all sectors in the integration of financial and mission-performance objectives. This new emphasis on real property is understandable because, for most organizations, real-property assets represent their second-largest investment, exceeded only by personnel costs.

Provisions of the Sarbanes-Oxley Act of 2002 (SOA) address audits, financial reporting and disclosure, conflicts of interest, and corporate governance. Disclosure controls and procedures must be developed and applied to public companies' transactions as well as their assets—financial assets as well as fixed assets such as real property.

OMB Circular A-123 on management accountability and control is essentially SOA's counterpart for the federal government. OMB A-123 requires managers of federal agencies to create policies and procedures regarding: program results; use of resources to support agency missions; safeguards from waste, fraud, and mismanagement; and collection and maintenance of reliable and timely data for decision making.

The Defense Base Realignment and Closure Act (BRAC), enacted in 1990, is a congressionally mandated requirement to collect, analyze, and report on facilities that support the Department of Defense's operational missions. The Secretary of Defense estimates that as much as 25% of the department's real-property inventory may exceed mission requirements.

Executive Order 13327 on Federal Real

Property Asset Management (EO 13327), signed on February 4, 2004, requires Executive Branch agencies to prioritize actions to improve operational and financial management of their real property, including the cost and time required to dispose of surplus holdings. As part of the President's Management Agenda, EO 13327 is indicative of a fundamental rethinking of real-property asset management as it affects funding for essential services.

Government Accounting Standards Board (GASB) Statement 34 establishes financial reporting standards for state and local governments that receive federal grants. Governments must report all capital assets, including infrastructure assets, in their government-wide statement of net assets, and report depreciation expense in their statement of activities.

The government's emphasis on greater accountability regarding assets and program costs is not limited to these initiatives. For example, Congressman Tom Davis (R-VA), the chairman of the House Committee on Government Reform, wants to reintroduce real-property asset management in 2005 legislation. It would codify and establish the current administration policy as the new paradigm for doing business in government.

Momentum is building. Financial executives in both private-sector and governmental organizations would be well advised to strengthen their understanding of real-property asset management. By examining business and mission requirements, creating auditable cost- and investment-management strategies, and optimizing facilities and infrastructure portfolios, any organization can realize sustainable success in real-property asset management. Most organizations that undertake such analysis see gains in the following areas:

- Real-property operations, in reduced and fully auditable operating costs;
- Real-property use optimization, in reduced vacancy rates and improved fulfillment lead time;
- Portfolio management, in managed value, auditable benefits, and costs; and
- Demography, in better balance, reduced churn, and lower move costs.

These benefits, in turn, enable companies to make better-informed decisions related to their business and mission strategies. Sharing optimized data across functional business areas ensures that the disclosure of financial data is complete, verifiable, and authenticated. Taken together, those benefits are what will be required for any business organization in the future. ❑

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