

## THE CHALLENGES OF CROSS-DISCIPLINARY WORK: ACCOUNTING AND FINANCIAL REPORTING FOR GOVERNMENTS AND NONPROFITS

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**ABSTRACT.** This introductory article to the special symposium entitled “The Evolution of Governmental and Nonprofit Accounting Education” introduces the five symposium articles that follow. The article also presents information to assist governmental and nonprofit educators in business schools and public administration educators in other colleges within a university in making comparisons between their perspectives and approaches. The authors’ view as accounting professors is that students in both disciplines develop stronger competencies for success in the public sector when their programs integrate context and techniques that come from using alternative instructional approaches and a diverse set of resources.

State and local government finance professionals are being asked to implement sophisticated business-type strategies in managing their relationships with citizens. Nonprofit managers are expected to have efficient accounting information and internal control systems in place to account effectively for public contributions, especially for unusually large contributions received in response to a tragedy. Professionals whose training comes solely from traditional public administration programs, accounting programs in university business schools, or on-the-job experience may find themselves without sufficient competencies or perspective to do this successfully. For example, strategic management,

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performance-based budgeting, activity based management, measuring service efforts and accomplishments, and implementing enterprise resource planning technology in a constituent relationship management (CRM) system all require that people think broadly and outside of organizational constraints (McCue, 2001).

Accounting professors are beginning to introduce students to the concepts of competency-based curricula, interdisciplinary studies, cross-training in careers, and accountability to a diverse set of resource providers with different information needs. This is an evolution in thinking about how the knowledge, skills and attitudes of students are developed so they can enter careers successfully and continue their professional development throughout those careers. The authors of this introduction to the Symposium on how governmental and nonprofit (GNP) accounting education has evolved over time have witnessed and participated in crossing traditional boundaries of public administration programs and accounting programs in business schools. We have interacted with public administration professors and students at our universities, held leadership roles in the GNP Section of the American Accounting Association and professional organizations, provided continuing professional education for government and nonprofit accountants and their auditors, and monitored the demand for financial management professionals in Federal, state and local governments.

The accounting educators who have authored papers in this symposium draw upon their experiences to provide some suggestions for those facing challenges of the availability of faculty and students to meet the demand for government and nonprofit financial management careers. As the Henry paper in this issue highlights, despite support from the accounting profession and other groups, many schools do not offer GNP courses and/or do not have qualified faculty with expertise in GNP topics. Lowensohn and Reck offer suggestions for increasing the level of student interest in GNP topics. They argue that student interest in accounting will increase if instructors demonstrate its relevance in administrative decision-making and organizational management. Many of their suggestions may help to expand the coverage of GNP accounting and financial management in schools of public administration, business schools, and multidisciplinary programs. Chaney also argues for more active learning techniques to overcome some initial barriers to understanding the unique features of government and nonprofit

accounting. By incorporating critical thinking and active learning strategies into the classroom, Chaney posits that student understanding of the new government financial reporting model and the overall government accounting system increases significantly. Likewise, the Murphy paper describes active learning techniques that allow students to grasp quickly the language and systems that are unique to governmental accounting; such as, modified accrual, encumbrances, fund accounting, and budgeting systems. Murphy argues that learning of fundamentals is facilitated by use of a Jeopardy! game because student interest and motivation to approach GNP topics is increased. Jervis and Scherer describe a curricular approach that leverages external funding to cross-traditional disciplines in developing nonprofit financial management competencies of students.

The collection of papers in this symposium addresses how to better serve students of government and nonprofit accounting and financial management. Instructional strategies and examples of interdisciplinary programs designed to motivate student interest in government and nonprofit accounting topics are suggested. Lessons learned from developing interdisciplinary academic programs and challenges of faculty shortages in areas of GNP accounting expertise are discussed in the context of the changing tide in educating public and nonprofit financial managers.

#### **GOVERNMENT AND NONPROFIT ACCOUNTING IN PUBLIC ADMINISTRATION AND NONPROFIT MANAGEMENT PROGRAMS**

While a number of surveys and reviews of surveys have been conducted regarding the status of governmental and not-for-profit education (see Henry in this issue), most of these studies have focused on accounting programs in university business schools. There is far less literature that addresses how public administration majors develop financial management competencies (Wish & Mirabella, 1998). Some MPA programs do offer accounting courses, and a few have a requirement, at least for fiscal specializations. For example, the MPA program at Northern Illinois University requires the course "Accounting for Public Administration" for its specialization in fiscal administration. This specialty is defined as "a critical examination of techniques and problems in the areas of fiscal management, accountancy, budgetary policy, and political economy" (Division of Public Administration, 2002, p. 4).

Public administration programs' curricula are guided by the accreditation standards administered by the National Association of Schools in Public Affairs and Administration (NASPAA).<sup>1</sup> NASPAA is an association of 253 U.S. university programs in public affairs, public policy, public administration, and nonprofit management. If a particular Masters of Public Administration (MPA) program has an emphasis in financial management, then it would be expected to have relevant courses taught by qualified faculty. Standard 4.21 indicates that common curriculum components include "budgeting and financial processes," without specifically mentioning accounting (National Association of Schools/Programs of Public Administration and Affairs, 2002).

Public administration masters programs prepare (mostly) nonaccountants for careers in government and not-for-profit organizations. To the extent that MPA graduates have no accounting background, they may not have competencies in analyzing financial statements, or in understanding internal accounting reports that could be used effectively in managing public sector organizations. This deficiency has led to a "divide" between the budgeting and accounting functions, to the detriment of both. It has also led to the underutilization of accounting information in the budget process and in many other decisions of a financial nature. This lack of preparation is caused partially by academic walls created because accounting and public administration programs are usually housed in different colleges within universities. Accounting graduates, entering public service or auditing public sector organizations, could also benefit from courses in public administration programs. The authors recommend an effort by both "sides" to enter into a dialogue to bridge this divide with interdisciplinary studies.

The MPA program at the University of Wisconsin-Milwaukee was revised to include both a course in budgeting and a course in governmental and nonprofit accounting. The Department of Public Administration in the College of Letters and Sciences and the School of Business Administration jointly sponsors the new MPA program. In addition to courses in accounting, the business school contributes to the degree program several courses in human resources, strategic management, and marketing. Responding to similar external interests as described in Jervis *et al.* in this issue, three concentrations in the newly designed public administration program were developed to meet the diverse needs of the government and nonprofit community. These

concentrations included a track in municipal management, and another in nonprofit management to complement a more general management option. A government and nonprofit accounting course is now required for students in all concentrations/tracks. Working with the public administration faculty, the School of Business also developed a similar set of elective courses as a track in the MBA that focuses on nonprofit management.

In 2000 the University of Wisconsin received \$1.5 million to develop a Center for Nonprofit Management named after the major donor, Helen Bader, and is currently engaged in a multidisciplinary, collaborative process of curriculum development for a new, freestanding interdisciplinary masters degree in nonprofit management, and graduate and undergraduate certificate options. Following up on extensive community discussions and planning, the multidisciplinary faculty team is committed to developing credit based programs that will address the full range of nonprofit organizational sizes and types in all of the major sub-sectors of the nonprofit sector. Key to these discussions is how the credit-based programs will address competencies identified by stakeholders, where the program will be located, and how the center is governed. Much of the difficulty in addressing these issues can be captured in the differences in language and suspicions/biases across disciplines. In addition, there are a number of practical differences between nonprofits and other kinds of organizations. The objective of the planning is to create alternative educational opportunities including an independent program that offers more comprehensive subject matters, covering most aspects of nonprofit management and the nonprofit sector environment in detail through a variety of required and elective courses.

Although there are few freestanding interdisciplinary masters degree in nonprofit management, there are now 85 colleges and universities in the United States that offer three or more graduate-level courses in "generic" nonprofit management and leadership, financial management, philanthropic studies or closely related subjects, and the number of these programs continues to grow. Most of the colleges and universities surveyed by Wish and Mirbella (1998) include one course in generic nonprofit management and another that is directed toward financial management. Financial management courses include a survey of the major financial management concepts and techniques required for effective management of non-profit organizations. Topics include fund accounting, budgeting, revenue forecasting, financial statements and

reports, cash-flow management, portfolio management and capital financing.

A real challenge in cross-discipline work is to recognize and appreciate the historical context. For example, public administrative programs are heavy on budgeting courses and short on financial analysis, managerial tools, the important role of auditing, discussions of cash vs. accrual and other GASB issues (e.g., measurement focus), and notions of providing accountability to stakeholders. Business programs and accounting programs are weak in the context of governmental environment, exploration of the unique characteristics of the tax-exempt bond market, interesting sources of revenue financing, such as Tax Incremental Financing Authorities or Enterprise Zones, policy analysis, and the political environment that leads to component units and related entities. Stand-alone nonprofit management programs recognize that nonprofits serve a social role essentially different from either public or business organizations. Curricula and faculty are drawn from multiple disciplines, including public policy and affairs, business management, social sciences and humanities, law and maintain a unique orientation toward nonprofit management – emphasizing the independence of the sector.

Research suggests that larger nonprofit agencies require managers with greater competency in the areas of financial management, computers, information systems, and organizational design. (Cook, 1988) DiMaggio (1988) also argues that larger organizations may require more advanced administrative training. Further, an article by Bader, Roberts and Visvanathan (2001) suggests that agency mission helps determine the educational needs of nonprofit agencies.

Whether nonprofit educational needs are addressed in concentrations in MBA and MPA programs, the development of new standalone and building-block graduate level certificates, new masters degree programs in nonprofit management and leadership, or building-block undergraduate level certificates, majors or minors in nonprofit management, the question that must be addressed is what do nonprofit managers and leaders need to know and be able to do to be highly effective. When stakeholders are asked this question, they point to budgeting and resource management including accounting practices relating to budget management, treasury management, and risk management—competencies essential for both board members and

executives to fulfill their legal and ethical responsibilities. Financial management topics include the accounting and financial management of funds, as well as the monitoring of contracts, supervision of grant projects, reporting to government agencies and philanthropic foundations, and accounting for other sources of program and organizational support.

A key question is how to prepare competent, creative, reflective and future-oriented leaders and managers of nonprofit organizations that will be able to effectively lead and manage organizations of local, regional, national, or international in scope.

### **GOVERNMENT AND NONPROFIT (GNP) COVERAGE IN ACCOUNTING AND BUSINESS PROGRAMS**

The GNP accounting course is often the lone course in public sector financial management in the business school. Often it is an elective course for accounting majors who plan to take the CPA exam. Some schools have a 1 or 2 credit hour course that stands alone without being integrated into the curriculum just to satisfy a state requirement. More recently, as Business Schools shift focus from manufacturing to service organizations, it is very appropriate to provide coverage of large nonprofits that offer services, such as health care organizations. Business and public administration programs using the case method will find an increasing number of cases on GNP entities as faculty employ more active learning instructional strategies; however, cases on nonprofit organizations rather than governmental entities have dominated the scene.

#### **GNP Accounting Educators<sup>2</sup>**

The Government and Nonprofit Section (formerly the Public Sector Section) of the American Accounting Association (AAA) was formed at the annual meeting of the AAA in August, 1976. The formation of this Section was in response to a perceived need by many individuals for an organized way to share ideas and to promote governmental and not-for-profit research and teaching. During the past twenty-nine years, the GNP Section has served as a positive force by sponsoring education and research sessions and workshops at national and regional AAA meetings, sharing information via the newsletter, sponsoring awards for research by doctoral students and members, responding to exposure drafts of

proposed standards by GASB, FASB, and others, and by conducting mid-year meetings. For many years, a working paper series was maintained, with papers mailed to all members.

Currently, the GNP section has almost 550 members, from nearly all states and many nations. Participation in Section activities provides opportunities for members to network with others teaching and researching government and not-for-profit sector topics, to improve teaching of GNP topics by attending education workshops and sessions, and to keep up with research. Professors Engstrom, Cheng, and Kattelus, in the role as president of the section at various times, have worked to make the academic world and accounting profession more aware of the importance of governmental and not-for-profit accounting. Section members are active in many other organizations including the Governmental Accounting Standards Board, the Governmental Accounting Standards Advisory Council, the Federal Accounting Standards Advisory Board, the American Institute of Certified Public Accountants, Government Finance Officers Association, the National Association of College and University Business Officers, the Hospital Financial Management Association, and many state boards and societies.

At Dr. Khi Thai's invitation,<sup>3</sup> the GNP section was instrumental in organizing a panel of governmental accounting educators to join a public financial manager at the 23<sup>rd</sup> Public Administration Teaching Conference January 2000 in Fort Lauderdale, Florida, in which Professors Cheng, Reck, and Lowensohn participated. Professor Thai extended his invitation to participate in this Symposium section of the journal.

### **Careers in Government and Nonprofit Financial Management**

Many opportunities exist for accounting graduates who have significant background in governmental accounting and auditing. The events of September 11, 2001 have provided an opportunity for Americans to reconsider the importance of the public sector in their lives. The heroic actions of the New York City firefighters, police officers, and emergency personnel have moved Americans very deeply. The consequent demands on the military and the danger faced by our postal workers were constantly in the news. Not-for-profit organizations such as the Red Cross and the Salvation Army were on the front lines, providing aid and support to those in need. All of this points to the importance of having quality people working for all levels of government and for not-for-profit organizations.



It is important that American citizens have confidence in their governmental units and that those governmental units continue to be capable of responding to citizens' needs. It is just as important that people have confidence in not-for-profit organizations as places where contributions can be made so that essential services can be provided. A part of that confidence is in accountability and disclosure and in the financial management of governmental and not-for-profit organizations. The public sector needs our best and brightest; how can this be accomplished?

Part of the responsibility to meet this challenge lies with those responsible for the education of future leaders and managers of governmental and not-for-profit organizations and of those who will provide audits and system implementation. More specifically, those educators who have an interest and expertise in governmental and not-for-profit accounting and auditing can help our society by providing these future leaders. According to David M. Walker, the Comptroller General of the United States, "Opting for public service is an honorable choice. Public service offers an opportunity to make a meaningful difference in the lives of those who you know best, as well as those who you'll never have a chance to meet. It's a calling, where individuals and teams are capable of changing the future" (Walker, 2001a, pp. 50-51).

### ***Federal Government***

In the federal government, opportunities exist in such diverse agencies as the General Accounting Office, the Federal Bureau of Investigation, the Drug Enforcement Administration and the Central Intelligence Agency. Opportunities also exist in the national and regional offices of the Inspectors General of the many federal agencies. These audit opportunities may be in either the financial audit area or in the performance audit area. Finally, opportunities exist as general accountants in the federal agencies.

The Comptroller General of the United States testified that "As our January 2001 Performance and Accountability Series reports made clear, serious federal human capital shortfalls are now eroding the ability of many federal agencies—and threatening the ability of others—to economically, efficiently, and effectively perform their missions" (Walker, 2001b, p. 1-2). GAO itself went through a five-year hiring freeze which, combined with the looming retirement of a large percentage of its workforce, will result in the need for additional

personnel for many years to come. In short, the Federal Government will shortly have a serious shortage of management personnel. It is likely that many opportunities will exist in the federal sector for accountants and auditors, as well as program evaluators and others.

In the past, governmental accounting education has paid little attention to the federal government. Sometimes referred to “the chapter we don’t have time to teach,” federal accounting did not seem relevant to students or educators. With the designation of the Federal Accounting Standards Advisory Board (FASAB) as the primary source of federal GAAP by the American Institute of CPA’s, this situation will probably change. It is likely that CPA’s will be increasingly involved in audits of federal agencies; this aspect, plus the evolving need for federal accountants and auditors, should provide an incentive for more coverage in this area.

### ***State Government***

In state government, many graduates are employed as financial and performance auditors for the State Auditor, or its equivalent. Others are general accountants in the various state departments, such as Agriculture, Health and Human Services, and Education, including higher education. Each state has positions for accountants in the State Comptroller’s office, the Budget Office, and other central agencies.

### ***Local Government***

Many accounting graduates are employed by local governments. A progression often exists for these graduates, from initial positions as accountants or internal auditors to assistant finance directors to finance directors and comptrollers. A finance director usually has broad responsibilities including budgeting and debt administration, in addition to accounting. This is true for many other positions that may be held by graduates of accounting programs. Innovative instructional strategies in GNP courses, such as those described by Professors Lowensohn and Reck later in a paper in this Symposium, are key components in a curriculum that is designed to encourage students to consider careers in local government financial management.

Professor Chaney argues in one of the Symposium papers that using financial statement analysis cases is an important tool in ensuring that students understand the technical issues in GASB’s (1999) revolutionary

government financial reporting model,<sup>4</sup> as well as develop the analytical and communication skills that allow them to ensure the new model is useful to citizens in making economic and political decisions.

### *Not-for-Profit Sector*

In the not-for-profit arena, graduates work as accountants and financial managers for hospitals and other health care organizations, higher education institutions, human service organizations, membership organizations, performing arts organizations, museums, and religious organizations. In many cases, graduates are able to combine interests in these fields with financial management. Professors Jervis and Sherer describe how to integrate nonprofit management into a business curriculum in one of the papers in this Symposium.

Accounting programs in the Business Colleges of universities have traditionally prepared students for careers in public accounting. Coverage of governmental and nonprofit topics have always been a significant component of the certified public accounting (CPA) exam,<sup>5</sup> so professors of the GNP courses made sure students were prepared for those technical accounting and auditing topics in this area. Many states require a GNP course before students can sit for the exam, and many public accounting firms have specialized in governmental and not-for-profit auditing, so there has always been a healthy interaction between the accounting profession and accounting academics in the GNP area.

The accounting profession has articulated the need to develop the skills and attitudes that students need to be successful in the practice of accounting, in addition to the traditional knowledge base. The Accounting Education Change Commission, a collaboration of public accounting and academic professionals, invested a large sum of money and time in investigating the need for reform in accounting curricula. One result was to issue a call for change, in part, to a curriculum that helps develop students' abilities for lifelong learning; that is, students should "learn how to learn" and "thrive on ambiguity" (Accounting Education Change Commission, 1990). Professor Murphy presents an article in this Symposium that describes how active learning instructional strategies, such as the game of Jeopardy!, can help students develop communication, interpersonal, and technological skills.

A key question addressed in these symposium articles is how to prepare competent, creative, reflective, and future-oriented leaders and

managers; ones who will be able to lead and manage governmental and nonprofit organizations (local, regional, national, and international) effectively. The authors welcome a dialogue with public administration educators and professionals about how best to develop these financial management competencies. Email addresses are provided with each article. We also encourage you to join the GNP Section of the American Accounting Association and keep abreast of our activities at <http://coborgs.isu.edu/aaagnp>.

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### NOTES

1. Additional information about NASPAA can be found at its web site at <http://www.naspaa.org>.
2. Much of the material in this section is from materials prepared by Mortimer A. Dittenhofer, Professor Emeritus of Florida International University.
3. Khi V. Thai is a member of the GNP Section of the American Accounting Association, as well as a faculty member in the School of Public Administration at Florida Atlantic University and editor of this journal.
4. Governmental Accounting Standards Board's Statement No. 34 is now effective for state and local governments.
5. Coverage of governmental and nonprofit topics has been approximately 7.5% of the CPA exam (30% of one of the four parts of the exam, Accounting and Reporting Entities. Coverage on the computerized CPA exam that is now implemented is lower at 4-6% (16-24% of the Financial, Accounting, and Reporting Section, one of four parts of the exam).

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