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FEDERAL ELECTION COMMISSION

The accounting and auditing provisions of the Federal Election Campaign Act were the subjects of a recent Congressional oversight hearing conducted by a special task force of the House Administration Committee, on 5/21/80 in Washington, D.C. Witnesses include Max L. Friedersdorf, the new Chairman, Federal Election Commission, Charles A. Bowsher, CPA, managing partner of Arthur Andersen's Government Services Program, and Theodore C. Barreaux, Vice President-Washington, AICPA. Mr. Bowsher explained the nature of a recent engagement undertaken by his firm for the Federal Election Commission and he highlighted many of the recommendations which were proposed. Mr. Barreaux was there to address questions on the Institute's program to educate CPAs who may wish to become involved in federal election campaigns.

Max L. Friedersdorf, a Republican from Indiana, has recently been elected for a 1-year term as Chairman of the FEC. The position usually alternates between Democratic and Republican parties, with the law mandating that the Vice Chairman be of the opposite party. Massachusetts Democrat John W. McGarry was elected Vice Chairman. Mr. Friedersdorf was appointed to the FEC in 1979, for a term ending April 30, 1983. Mr. Friedersdorf moves from the Vice Chairmanship, a position he has held for the past year.

FEDERAL RESERVE BOARD

The Board of the FRS is seeking comment on a proposed amendment to Regulation Z that would increase the tolerance of accuracy in disclosing the annual percentage rate in irregular mortgage transactions, (see the 5/20/80 Fed. Reg., pp.33644-45). The present standard for accuracy is 1/8 of a percentage point above or below the actual rate. The proposed rule would allow a tolerance of 1/2 of a percentage point until 4/1/81 when the general standard would again apply. The proposal is intended to insulate certain creditors from civil liability temporarily while they acquire the calculation tools to determine the rates more accurately. Comments are requested by 6/20/80. For additional information contact Ellen Maland at 202/452-3867.

GENERAL ACCOUNTING OFFICE

State and local governments' audits are being upgraded by more stringent Revenue Sharing Act requirements, according to a 5/16/80 General Accounting Office (GAO) Report to the Congress. The Report reviewed the 1976 amendments to the Revenue Sharing Act and, while generally complimentary about the progress made to date, recommended that the Secretary of the Treasury "take steps to improve the Office of Revenue Sharing's statistical control system for the 11,000 audits required by the Act. According to the Report, the intermittent audits of State and local government accounts have been beneficial but at the same time limited by the "sporadic audit timetable that is permitted" by the Act. Accordingly, the GAO stated that "annual audits of State and local governments are a desirable long-term goal." The GAO Report (GGD 80-35) is available from the GAO Distribution Section, 441 G Street, N.W., Washington, D.C. 20548. Single copies are available free of charge.

HEALTH AND HUMAN SERVICES, DEPARTMENT OF

An amendment to its procurement regulations by adding a new subpart on Unsolicited Proposals has been approved and issued as a final rule by HHS, (see the 5/21/80 Fed. Reg., pp.33995-96). The new subpart sets forth a requirement that the offeror of the unsolicited proposal certify that the proposal was prepared without the aid of Department employees, establishes the principal official for procurement in each major procuring activity as the point of contact, receipt and handling of the proposals and provides notice of the use and disclosure of data furnished in an unsolicited proposal. The new rule is effective as of 5/21/80. For additional information contact Jack Coleman at 202/245-8901.

A final rule adopted by the Department of Health and Human Services amends the Department-wide grants administration regulation, (see the 5/22/80 Fed. Reg., pp.34272-74). The rule revises Government-wide costs principals for educational institutions and changes the Government-wide cost principals for State, local and Indian tribal governments. This amendment changes the way HHS implements Government-wide cost principals. The effective date of the rule is 5/22/80. For additional information contact Henry Krischenmann at 202/755-7562.

HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF

"HUD should make immediate changes in accounting for Secretary-held multi-family mortgages" is the title of a recent GAO Report to Moon Landrieu, Secretary of HUD. According to the GAO Report among numerous problems contributing to the high amount of delinquent mortgage payments, were several accounting system weaknesses that prevent adequate information from being made available to properly service individual mortgages. The Report also noted accounting problems in HUD's system for paying property taxes on the multifamily mortgages. Copies of the 5/16/80 Report are currently available from the GAO at 202/275-6241.

INTERSTATE COMMERCE COMMISSION

The major trucking deregulation bill in the House (HR 6418) cleared the Public Works and Transportation Committee by voice vote on 5/22/80. The bill would change 45 years of economic regulation of the motor carrier industry by the ICC through freer entry for new competitors and flexibility in setting rates. Supporters predict significant savings to consumers from lowered transportation costs brought about by competition. An amendment, offered by Rep. Elliott Levitas (D-Ga) empowers the ICC to monitor, including the right to inspect financial records, the extent to which transportation savings are passed on to consumers. Rep. Levitas stated that the provisions' intent is to have any savings passed on to the "ultimate consumer". Although the provision dealing with the ICC's monitoring powers was struck, the amendment passed in the mark-up session. The Senate companion bill, S.2245 passed the Senate on 4/15/80 by a 70-20 vote. Due to the similarity of the two bills, it is hoped, a conference can be avoided. According to Secretary of Transportation Neil Goldschmidt, the bill will "significantly ease entry into the industry, eliminate the unnecessary restrictions and limitations of the current system, phase out anti-

trust immunity for a majority of trucking rates and provide pricing flexibility while at the same time preserving service to small communities and enhancing truck safety".

LABOR, DEPARTMENT OF

Employee pension and welfare plans now may obtain interest-free loans to meet operating expenses, from the employers and unions that sponsor the plans. The Department of Labor has granted a class exemption that permits parties in interest with respect to employee benefit plans to make interest free loans to such plans. These loans would otherwise be prohibited by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1954. The exemption affects all employee benefit plans, their participants and beneficiaries and parties in interest with respect to those plans. The granting of class exemption is effective 1/1/75. For additional information contact Jane Kheel at 202/523-9141.

Multiemployer plan termination insurance under the ERISA has been amended by the House to make plan insolvency and not plan termination the only event insured by the Pension Benefit Guaranty Corporation. The bill, HR 3904, was approved unanimously by the House on 5/22/80. HR 3904 was the subject of much debate, (see the 5/19/80 Wash. Report) but was ultimately passed without any proposed amendments. The bill must now move to the Senate for action.

OFFICE OF FEDERAL PROCUREMENT POLICY

A Uniform Procurement System Coordinating Committee, three task groups and a project charter have all been established in order to meet the 10/80 deadline for the OFPP's Council on the Uniform Procurement System. The 12 member coordinating committee will provide oversight to facilitate development of the integrated system proposal and assure the maintenance of the project schedule. The three task groups will deal with acquisition, supply, and procurement under grants and report to the coordinating committee. The project charter divides the system into 5 elements: a procurement statute; a regulatory system; a management system; a data collection system; and a personnel system. The council review, as well as public hearings on the first draft proposal, is to be completed by 8/29/80. Tentatively, public hearings will be held in Washington, D.C., the Midwest, the West and the Northeast before submitting the proposal to Congress.

PENSION BENEFIT GUARANTY CORPORATION

Liability of up to 30% of the employers net worth could be attached to employers who terminate single employer benefit plans under proposed regulations issued by the PBGC, (see the 5/23/80 Fed. Reg., pp.34899-907). The proposal, prescribes liability rules under Section 4062 and 4067 of the Employee Retirement Income Security Act of 1974. Liability if any would be equal to the amount by which the value of the plan's guaranteed benefits exceed plan assets at the date of termination, up to 30% of the employers net worth. The regulation sets out the method PBGC will use to determine net worth and also makes provision for the payment of employer's liability including provisions for deferred payment. Comments are requested by 7/22/80. For additional information contact J. Goldstein at 202/254-4895.

SECURITIES AND EXCHANGE COMMISSION

The SEC in an open meeting this week will determine whether a statement of management as to the adequacy of internal corporate accounting, should be required as a part of the company's annual disclosure documents such as the 10-K and annual reports to shareholders. The question of a statement from management stems from an SEC proposed rule, 4/30/79, which if adopted, would require such statements, with the further requirement that the statements be examined and reported on by independent public accountants. The open meeting will be held at 10:00 a.m. in the SEC offices, Room 825, 500 North Capitol Street, Washington, D.C., on 5/28/80.

Exemption from reporting and liability provisions of Section 16 of the Securities Exchange Act of 1934 is the subject of a final rule adopted by the SEC, (see the 5/21/80 Fed. Reg., pp.33957-58). The rule allows for exemption from Section 16 for the acquisition of equity securities by officers, directors and 10% beneficial owners pursuant to dividend reinvestment plans. The new Rule 16a-11 will thus enable statutory insiders to participate in such dividend reinvestment plans on the same basis as other shareholders. The new rule is effective 6/20/80. For additional information contact Mary Binno at 202/272-2604.

TREASURY, DEPARTMENT OF

A measure, HR 5391, designed to remedy a defect in the two-tier tax scheme on prohibited acts of certain tax-exempt foundations and trusts cleared the House floor by voice vote on 5/20/80 and has been sent to the Senate. HR 5391, introduced on 9/25/79 by Ways and Means Chairman Al Ullman (D-Ore), would move up the time for a foundation to pay the second-tier penalty levied on foundations and trusts which engage in prohibited activities from the end of the formal "correction period" to the time a notice of deficiency is mailed out by the IRS. A similar bill, S.2485 has been introduced by Senate Finance Chairman Russell Long (D-La), (see the 4/7/80 Wash. Report).

Regulations to implement moving expense deductions for foreign moves, moves of retirees and survivors of decedents living abroad, applicable under the Foreign Earned Income Act of 1978 were proposed recently by the IRS (see the 5/22/80 Fed. Reg., pp.34303-04). The proposed regulations increase the ceiling on deductibility of temporary living costs and costs of searching for a new residence from \$1500 to \$4500. The \$3000 deduction limit on aggregate qualified residence sale, purchase or lease expense is raised to \$6,000 for a foreign move. Deductible foreign moving expenses are also expanded to include certain storage fees. Also, the proposed regulations implement the new rules allowing for deduction of qualified retiree moving expenses for a move back to the U.S., and for moving expenses of survivors of a decedent for a move back to the U.S. Comments and request for a public hearing are requested by 7/21/80. For additional information contact Barbara Coughlin at 202/566-6618.

The IRS has not compiled a "hit list" of tax return preparers whose returns for clients are automatically audited, according to a recent statement by IRS Commissioner Jerome Kurtz. Appearing before a meeting of the AICPA Tax Division meeting in Florida on 5/15/80, Commissioner Kurtz acknowledged that the IRS data bank could provide for that type of automatic review but that the IRS has no such policy. On the subject of income tax preparer penalties, Commissioner Kurtz defended the program generally, as improving the quality of the returns, but also pledged to work with the AICPA to work on any unintended application of the penalties.

SPECIAL: SEN. MATHIAS WARNS AGAINST CORPORATE REFORM COMPLACENCY

"Corporate Accounting: Distant Thunder from Capitol Hill" is the title of a 5/16/80 address given by Sen. Charles McC. Mathias, Jr. (R-Md). Appearing before the Twelfth Accounting and Financial Accounting Institute of Executive Enterprises, Inc., Sen. Mathias addressed the area of corporate governance and stated his belief that "the majority in Congress would much rather see governance problems solved by corporate self-reform than by any more government regulation. But, if business undertakes internal reform at too leisurely a pace, management could wake up one day and find itself overtaken by events." Sen. Mathias also expressed the strong sentiment in Congress for regulatory reform, indicating that the last two Congresses have "unfettered the airlines, natural gas, domestic crude oil, the railroads, and to a limited degree, banking." He summarized his remarks with a warning that complacency to the criticism of the current system of corporate accounting could result in intrusion of the Federal Government, a result not desired or advocated by him.

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