



National Association of State
Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 June 28, 2010

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Final vote on Financial Reform Could Occur this Week

The House and Senate Conference Committee have finished up their work on the financial reform bill and have slated a final vote to occur on the measure sometime this week. Highlights from the final stages of the debate include:

- A provision allowing the Securities and Exchange Commission to require a national securities association (FINRA) to establish a reasonable annual accounting support fee to adequately fund the annual budget of the Governmental Accounting Standards Board.
- A study conducted by GAO on the GASB and it's funding structure.
- A study to be conducted by GAO on disclosure in the municipal market including the feasibility of repealing the Tower amendment .
- In contrast to a previous arrangement, late Thursday the conferees backed off a plan to allow the U.S. Securities and Exchange Commission to be self-funded through private corporation fees, and instead agreed to continue having the commission's budget approved by Congress in the appropriations process.
- After lengthy debate, a deal on comprehensive regulation of the over-the-counter derivatives market was reached, including the trading of the products and the companies that sell them, and requiring many derivatives to be traded on exchanges and routed through clearinghouses.
- The creation of a new Consumer Financial Protection Bureau within the Federal Reserve was approved, giving it rulemaking and enforcement power over banks and non-banks that offer

consumer financial products, i.e. credit cards and mortgages.

A copy of the conference language is available on the House Financial Service's Committee website at:

http://financialservices.house.gov/Key_Issues/Financial_Regulatory_Reform/Financial_Regulatory_Reform062410.html

Improper Payments Legislation Passes Senate; Close to Becoming Law

In quick action last Wednesday night, the Senate passed The Improper Payments Elimination and Recovery Act (S.1508/H.R. 3393). The bill will require federal agencies to identify and recover the estimated \$98 billion of taxpayer dollars lost annually due to improper payments. The bill also includes language that states:

“With respect to any program or activity of an agency with estimated improper payments, the head of the agency shall provide with the estimate a report on what actions the agency is taking to reduce improper payments, including a description of the steps the agency has taken to ensure that agency managers, programs, and, where appropriate, states and localities are held accountable through annual performance appraisal criteria for meeting applicable improper payments reduction targets, establishing and maintaining sufficient internal controls, including an appropriate control environment, that effectively prevent improper payments from being made; and promptly detect and recover improper payments that are made.”

It will now be sent to the House for final approval and then to the President's desk for his signature.

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SEC to Hold Open Meeting on Pay-to-Play Activities

The U.S. Securities and Exchange Commission will hold an open meeting on Wednesday, June 30 at 10:00 a.m. to discuss whether to adopt a new rule and related rule amendments under the Investment Advisers Act of 1940 to address “pay to play” practices by investment advisers. The new rule is designed to prohibit advisers from seeking to influence the award of advisory contracts by public entities by making or soliciting political contributions to or for those officials who are in a position to influence the awards.

The webcast of the event can be found at www.sec.gov/news/openmeetings.shtml.

Governmental Affairs to Look Into Improper Payments on Thursday

The Senate Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security will hold a hearing on Thursday, July on improper payments. The hearing, entitled “Preventing and Recovering Government Payment Errors,” is slated to cover issues related to agency payment issues, auditing, and commentary on the recent passage of S. 1508/H.R. 3393, the Improper Payments Elimination and Recovery Act.

Hearing details and testimony will be posted at http://hsgac.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=3f30cb2a-7d5c-47b8-9c7d-babfb87a2411

Financial Crisis Commission to Meet on Derivatives

In the Dirksen Senate Office Building this Wednesday and Thursday, the Financial Crisis Inquiry Commission will meet with representatives of Goldman Sachs Group Inc. and American International Group Inc. for a hearing entitled “The Role of Derivatives in the Financial Crisis.” The panel, led by former California State Treasurer Phil Angelides, will also call witnesses from the U.S. Commodity Futures Trading Commission, the Office of Thrift Supervision, and the New York State Insurance Department for the hearing on June 30 and July 1.

The bi-partisan 10-member commission was created by Congress and is charged with examining the causes of the financial meltdown. As part of its inquiry, the commission will hold a series of public hearings throughout the year on topics such as credit rating agencies, excess risk and financial speculation, government-sponsored enterprises, subprime lending practices and securitization. The commission is comprised of Chairman Phil Angelides, Vice Chairman Bill Thomas, and Commissioners Brooksley Born, Byron Georgiou, Robert Graham, Keith Hennessey, Doug Holtz-Eakin, Heather Murren, John W. Thompson, and Peter Wallison. Findings and conclusions are to be presented in a formal report to Congress and the President by December 15, 2010.

Information about the commission information can be found at www.fcic.gov.

To see past
issues of the
Washington
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Web site at
www.nasact.org

“Do Not Pay” List Added to Fight Improper Payments

In another effort to fight improper payments at the federal level, President Obama issued a new memo aimed at creating a “Do Not Pay” list for agencies. In his memo, the President states:

“I hereby direct agencies to review current pre payment and pre-award procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs before the release of any Federal funds, to the extent permitted by law. At a minimum, agencies shall, before payment and award, check the following existing databases (where applicable and permitted by law) to verify eligibility: the Social Security Administration's Death Master File, the General Services Administration's Excluded Parties List System, the Department of the Treasury's Debt Check Database, the Department of Housing and Urban Development's Credit Alert System or Credit Alert Interactive Voice Response System, and the Department of Health and Human Services' Office of Inspector General's List of Excluded Individuals/Entities. This network of databases, and additional databases so designated by the Director of the Office of Management and Budget (OMB) in consultation with agencies, shall be collectively known as the "Do Not Pay List."

The full Presidential Memorandum can be found at

www.whitehouse.gov/the-press-office/presidential-memorandum-enhancing-payment-accuracy-through-a-do-not-pay-list.