The National State Auditors Association held its thirty-third annual conference on June 14-17, 2011, in Williamsburg, Virginia. Conference host Walter Kucharski, Virginia’s auditor of public accounts and president of NSAA, welcomed attendees to the conference and to his state on the opening morning of the conference, Wednesday, June 15. The conference was preceded on June 14 by a full day of meetings by NSAA’s committees. Over 95 NSAA members and guests were in attendance.

The conference opened with a session from U.S. Comptroller General Gene Dodaro. Mr. Dodaro discussed the single audit and lessons learned through the implementation of the Recovery Act. Additionally, he outlined some of the fiscal challenges faced by all levels of government and GAO’s efforts to improve government efficiency. He said that all levels of government—states, locals and the federal government—will continue to face increasing long-term fiscal and financial management issues. GAO will be working to address the critical need for better performance measures and analysis to improve government and to aid leaders as they make tough choices in the future.

The conference also included standards updates from the Governmental Accounting Standards Board and GAO and an interesting session on the legal issues surrounding leading public employees in the current “social networking” environment.

Several awards were announced during the conference, including the William R. Snodgrass Distinguished Leadership Award. Although he was not able to attend the conference, Ronald Jones, chief examiner of Alabama and longtime NSAA and NASACT supporter, was named as the Snodgrass Award winner during the lunch held on Thursday, June 16. The award will be presented to him in August during NSAA’s next business meeting, which will be held in conjunction with the NASACT annual conference. President Kucharski cited Mr. Jones’s steadfast support of the association and his leadership in the state audit community during his long career as chief examiner.

NSAA’s 2011 Excellence in Accountability Awards were also presented at the conference. Three winners were selected this year. The Colorado Office of the State Auditor was presented with an award in the large performance audit category for the report “Governor’s Office of Information Technology, Cyber Security, Performance Audit, November 2010.” In the small performance audit category, an award was presented to the North Carolina Office of the State Auditor for the report “Department of Correction: Inmate Medical Eligibility.” The special project award was given to the Pennsylvania Department of the Auditor General for the project entitled “Grading the Pennsylvania Megan’s Law Website.” (See page 9 for summaries of the award-winning audits and project.)

NSAA wishes to thank all those who helped with the conference, especially Walter Kucharski, Martha Mavredes and Roland Turner from the Virginia Office of the Auditor of Public Accounts. NSAA also wishes to thank all speakers and moderators, as well as those attending. The 2012 NSAA Annual Conference will be held in Madison, Wisconsin, at The Concourse Hotel on June 12-15.
Below is a complete listing of the sessions and speakers from the 2011 NSAA Annual Conference. To download the presentations or speaker bios, visit www.nasact.org/conferences_training/nsaa/annualconference.cfm. Presentations from other NSAA conferences may also be found at this address. Questions may be directed to Sherri Rowland at srowland@nasact.org.

MEETING THE FISCAL AND PERFORMANCE CHALLENGES FACING GOVERNMENT
- Gene Dodaro, Comptroller General, U.S. Government Accountability Office

USING METRICS TO IMPROVE THE SINGLE AUDIT PROCESS
- Terrill Ramsey, Senior Technical Advisor, U.S. Department of Health and Human Services

GAO’S FORENSIC AUDITS AND INVESTIGATIVE SERVICES TEAM: TOOLS AND METHODS TO IDENTIFY FRAUD, WASTE AND ABUSE
- Greg Kutz, Director, Forensic Audit and Investigative Services, U.S. Government Accountability Office

GASB UPDATE
- Robert Attmore, Chair, Governmental Accounting Standards Board

BEST PRACTICES IN AUDITING
- Beth Wood, State Auditor, North Carolina
- Peter W. Bieghler, Senior Consultant – AuditWatch, Thompson Reuters

EMERGING ISSUES ROUNDTABLE
- William G. Holland, Auditor General, Illinois

MEETING TODAY’S WORKPLACE CHALLENGES: YOUR MOST POWERFUL WEAPONS ARE FREE
- Greg Richardson, Principal, Human Resource Solutions Group, Dixon Hughes Goodman LLP

YELLOW BOOK: WHAT YOU NEED TO KNOW
- Marcia Buchanan, Assistant Director, U.S. Government Accountability Office

NAVIGATING GUIDANCE CHANGES FOR SERVICE ORGANIZATION CONTROL (SOC) REPORTS
- Eric Bowlin, Manager, Deloitte & Touche LLP
- Suzanne Nersessian, Director, Deloitte & Touche LLP
- Brian Lane, Partner, Deloitte & Touche LLP

AN UPDATE ON STATE FINANCES: TOUGH DECISIONS STILL AHEAD
- Scott Pattison, Executive Director, National Association of State Budget Officers

PRESENTATIONS FROM NSAA’S EXCELLENCE IN ACCOUNTABILITY AWARD WINNERS

Performance Audit (Large) Winner: Governor’s Office of Information Technology, Office of Cyber Security, Performance Audit, November 2010
- Dianne Ray, State Auditor (CO)

Performance Audit (Small) Winner: Department of Correction – Inmate Medicaid Eligibility
- Beth Wood, State Auditor (NC)
- Bill Styres, Audit Supervisor (NC)

Special Project Winner: Grading the Pennsylvania Megan’s Law Website
- Helen Weigel, Director, Bureau of Special Performance Audits, Department of the Auditor General (PA)
- Traci Widnick, Audit Supervisor, Bureau of Special Performance Audits, Department of the Auditor General (PA)

TRAVEL ASSISTANCE NOTE: State auditors wishing to receive travel assistance for the conference should fax the reimbursement form and supporting documentation to Lori Slagle at (859) 278-0507 by July 15. To request a copy of the reimbursement form, email Lori at lslagle@nasact.org.

2012 NSAA Annual Conference
- June 12-15, 2012
- Madison, Wisconsin

It’s not too early to put next year’s NSAA annual conference on your calendar!

David Vaudt, state auditor of Iowa and president of NSAA, will host the conference, which will be held at The Concourse Hotel in Madison, Wisconsin.

Go ahead and mark your calendar... you won’t want to miss it!
NASACT Leaders Participate on Muni Market Call With the SEC

On May 25, NASACT President Nancy Kopp, state treasurer of Maryland, along with several other association leaders and staff, participated in a call with the U.S. Securities and Exchange Commission to continue examining ways to improve the municipal securities market. Several SEC representatives were on the line, including Commissioner Elisse Walter.

Last year, the SEC was scheduled to hold several hearings to examine various aspects of the muni market, with a report of recommendations to follow. One of those hearings was held in San Francisco in September 2010; however, the remaining hearings were cancelled due to the SEC’s budgetary constraints.

On the May 25 call, Commissioner Walter said that the SEC is still planning to issue a report of recommendations and plans to hold one more hearing in Jefferson County, Alabama, in late July.

During the call, President Kopp conveyed NASACT’s views on several of the municipal market issues under current examination by the SEC. Of particular note, she reported that NASACT is examining the issue of faster views on several of the municipal market issues under current.

President Kopp emphasized that NASACT supports the Governmental Accounting Standards Board as the independent standards-setting body for state and local governments. The association opposes any attempt by the federal government, including Congress, to override or interfere with GASB’s independent standard setting-process.

Additionally, President Kopp stressed that NASACT is a strong supporter of the Electronic Municipal Market Access System, or EMMA. EMMA has been very successful so far, and it will continue to become a more useful tool for investors as governments populate it with more data.

Recent voluntary disclosures regarding adherence to GASB GAAP, the timeliness of financial reporting, and the URLs of investor relations centers on government websites should improve the ability of market participants to analyze bonds on an ongoing basis. In theory, the market will react to these new disclosures, and for those governments that meet these conditions, a lower borrowing cost will result. Only time and experience will determine whether this hypothesis will prove true. But, NASACT favors these types of voluntary enhancements to improve disclosures rather than a mandated, one-size-fits-all approach.

Everyone on the call agreed that best practices in internal controls and disclosure and other voluntary measures could help improve the overall environment.

In addition to President Kopp, the following NASACT leaders participated in the call:

- Marty Benison, comptroller of Massachusetts and second vice president of NASACT.
- Sharon Russell, deputy examiner of Alabama (for Ron Jones, chief examiner of Alabama and first vice president of NASACT).
- Clark Partridge, state comptroller of Arizona, chair of the Governmental Accounting Standards and Market Oversight Committee, and chair of the Financial Management and Intergovernmental Affairs Committee (FMIAC).
- Kim Wallin, state controller of Nevada, vice chair of the FMIAC and secretary/treasurer of the National Association of State Comptrollers.
- Richard Ellis, state treasurer of Utah and NASACT Executive Committee member.
- David Lillard, state treasurer of Tennessee and NASACT Executive Committee member.

Questions may be directed to Kinney Poynter at kpoynter@nasact.org or Cornelia Chebinou at cchebinou@nasact.org.

NASACT Seeks Input on Draft GASB Support Fee Rules from FINRA

The U.S. Securities and Exchange Commission has issued an order requiring the Financial Industry Regulatory Authority, or FINRA, to establish a reasonable annual accounting support fee to adequately fund the annual budget of the Governmental Accounting Standards Board, pursuant to Section 19(g) of the Securities Act of 1933.

FINRA issued draft rules for the support fee on June 16. FINRA is requesting comment on the proposed amendments to Schedule A of the FINRA bylaws that would establish this fee. The fee would be allocated among FINRA member firms based on municipal securities transactions reported to the Municipal Securities Rulemaking Board.

NASACT, through its Government Accounting Standards and Market Oversight Committee, or GASMO, is seeking input on this proposal in order to craft an association response.

The proposed amendments may be found at www.finra.org/Industry/Regulation/Notices/2011/P123793.

Please send your comments to Kinney Poynter at kpoynter@nasact.org by Friday, July 15 so that an association position can be drafted prior to FINRA’s comment deadline of July 31.
It’s Not Too Late to Join the June Campaign to Repeal 3% Withholding

Although the final regulations released in May extended the effective date of the three percent withholding provision of the Tax Increase Prevention and Reconciliation Act until January 1, 2013, the need for repeal is just as important as ever. A copy of the final regulation and a summary of the issues are available at www.nasact.org.

To assist with the repeal effort, NASACT is requesting that you join a grassroots campaign to repeal the provision. The campaign is a joint effort of the Government Withholding Relief Coalition, of which NASACT is a member, and the U.S. Chamber of Commerce to communicate concerns about the provision to Congress. We encourage you to visit www.RepealWithholdingNow.com to learn more and join the campaign to stop the three percent withholding.

The provision impacts government in the following manner:

- **Unfunded mandate**: The provision would impose significant costs which have been determined to exceed the threshold, making the legislation an unfunded mandate.
- **Increased financial and administrative commitments**: Implementation of the provision would impose significant financial and administrative commitments on state and local governments. Many governments do not have systems that can handle a large increase in additional information reporting or that contain modules that can withhold and remit monies for each payment made. Even governments with more robust systems would have to undergo significant changes to their current software, which would entail additional administration and personnel. In most cases, significant modifications and/or new software would be required.
- **Additional staff and education**: Even if the current systems could be amended or new systems could be purchased, additional staff resources will be necessary to carry out the new requirement. New duties would include reconciliation of withholdings and subsequent payment to the federal government, preparation of tax deposits, monitoring of agency payments, and increased compliance monitoring (i.e., lots of training necessary). Additional FTEs would also be required to track down payment errors, handle bad addresses, monitor changes in the law, and field calls from vendors.
- **Increased recordkeeping**: The provision would require additional recordkeeping to track the required withholdings. Additionally, vendor files would need to be significantly expanded to accommodate all payments.
- **Increase in cost for goods and services**: Companies will simply pass the three percent withholding along in increased prices when dealing with governments. In turn, bids to governments will be higher and smaller businesses competing for government business will be at an unfair disadvantage.
- **Competitive disadvantage**: Because only governments and not private sector businesses are required to withhold three percent, governments will be at a significant disadvantage over private sector buyers, as vendors may choose not to contract with governments particularly when selling high-demand or scarce goods.
- **IRS capacity questionable**: Additional reporting and withholding issues raise questions about the Internal Revenue Service’s capacity to rectify withholding with corporate tax returns. The current lack of enforcement and staffing make it unlikely that a large increase in withholding and reporting could be enforced without a significant increase in resources.
- **Mechanisms to collect taxes and punish non-compliance are already in place – the federal government is passing on collection responsibility to lower levels of government**: Essentially, state and local governments are being forced to act as tax collectors for the federal government. The provision to withhold three percent on payments is passing on collection duties from the federal government to the state and local levels. The provision is essentially a tax on vendors providing services to governments. Existing tax collection mechanisms have not been adequately enforced.

Questions about the three percent withholding effort may be directed to NASACT’s Washington office at (202) 624-5451.

Visit [www.RepealWithholdingNow.com](http://www.RepealWithholdingNow.com) to aid in the repeal effort. The site provides an easy-to-use “Contact Congress” link to send your individual messages and also features a national sign-on letter.

IRS to Hold 3% Withholding Webcast

Although efforts to repeal the three percent withholding requirement, or Section 3402(t), are in motion, the Internal Revenue Service will be conducting a webcast on the subject. On July 14, the IRS’s Office of Federal, State and Local Governments will hold a free, one-hour webcast that will address the following topics:

- What is Section 3402(t)?
- The legislative history of Section 3402(t).
- Who must perform Section 3402(t) withholding?
- What payments are subject to Section 3402(t) withholding?
- Exceptions to Section 3402(t) withholding.
- Section 3402(t) deposit and reporting mechanics.

Registration instructions for the webcast can be found at [http://content.govdelivery.com/bulletins/gd/USIRS-955a1](http://content.govdelivery.com/bulletins/gd/USIRS-955a1).
NASACT Participates in MSRB Roundtable

On June 3, NASACT President Nancy Kopp, state treasurer of Maryland, participated on behalf of the association in a roundtable meeting hosted by the Municipal Securities Rulemaking Board. Also in attendance was NASACT Executive Committee member Richard Ellis, state treasurer of Utah, who was representing the National Association of State Treasurers.

The one-day session included a legislative update, discussion about federal-state fiscal relations, a brainstorming session on ideas for improving continuing disclosure compliance, and discussion about future enhancements to the Electronic Municipal Market Access System, or EMMA. The agenda also included an overview of the National Association of Bond Lawyers’ Public Pension Plan Disclosure Project (see related article below).

NABL Gathers Issuer Groups to Discuss Pension Disclosure

The National Association of Bond Lawyers has created a taskforce of various municipal market groups to discuss a recently released draft on “Considerations in Preparing a Defined Benefit Pension Plan Disclosure in Official Statements.” NABL drafted the document to address the current focus of the U.S. Securities and Exchange Commission on the importance of accuracy in the disclosure of the defined benefit obligations of public issuers. In addition to NASACT, NABL’s taskforce includes the American Institute of Certified Public Accountants, Governmental Accounting Standards Board, Government Finance Officers Association, National Association of State Retirement Administrators, National Association of State Treasurers, National Federation of Municipal Analysts, and the Securities Industry and Financial Markets Association.

The discussion draft is the first step in producing guidelines for issuers to consider when disclosing information on a defined benefit plan. The document specifically addresses some of the noted concerns in the SEC’s recent enforcement action against the state of New Jersey and also reviews various GASB pronouncements.

Specifically, NABL reviewed the following materials in creating the discussion document:

- GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers.
- GASB Statement No. 50: Pension Disclosures.
- SEC Rel. Nos. 33-8751, 34-54745 (Nov. 14, 2006; in regard to the city of San Diego, California).
- SEC Rel. No. 33-9135 (Aug. 18, 2010; in regard to the state of New Jersey).
- Select official statements.

The taskforce will review the document with the goal of establishing recommended guidelines for use when preparing comprehensive and detailed disclosure of the financial health of a pension system. The draft is the first step in creating a comprehensive pension disclosure project that will include input from actuaries, accounting firms, financial analysts, investors, issuers and other interested parties.

The project concentrates on defined benefit plans and suggests gathering several documents to begin preparation of pension disclosure, including the sponsor’s financial statements, pension plan actuarial reports, actuarial impact statements, the pension system’s financial statements and experience studies. The document suggested that drafters should use their judgment in determining which material should serve as cross references and which should be incorporated directly into the official statement.

In addition to an appendix with key definitions, the draft document suggests that the drafter consider the following areas:

- A general overview of the pension system, including a general plan description with information such as the legal authorization, type and number of participants, and a statement on funding policies and reserves.
- A summary of the fiscal health of the plan, including plain language on projected funding status and the impact of the actuarial requirement contribution (ARC) payments on current and future budgets of the government sponsor. Also, any other information which may be useful such as whether ARC payments are sustainable or determinations of priorities of funding of the ARC.
- General funding practices of the pension system, including legal requirements, historical practices, actuarial cost method, smoothing method, actuarial assumptions, amortization of the unfunded actuarial accrued liability and any employer offsets.
- Funding status of the pension plan, including the current and historical funding status.
- Investment policy.
- Any litigation or investigation brought in connection with the pension plan.
- Excess earnings policy.
- Reserves policy.
- Pension obligation bonds.
- Independent reports or analysis of the pension plan.

The taskforce is slated to meet several times to discuss the various suggestions with the intention of developing a well vetted set of considerations for defined benefit pension plan disclosures in official statements.
Legislation Introduced to Continue ARRA-Like Reporting for All Grants and Contracts

Darryl Issa (R-CA), chairman of the House Oversight and Government Reform Committee, introduced the Digital Accountability and Transparency Act of 2011, also known as the DATA Act. The DATA Act essentially continues the oversight established by the Recovery Accountability and Transparency Board and requires quarterly reporting of expenditure data for all grants and contracts. Senator Mark Warner (D-VA) has introduced a companion measure in the Senate.

The legislation would establish a new Federal Accountability and Spending Transparency (FAST) Board, which would absorb many of the functions and authorities of the Recovery Accountability and Transparency Board. The new board will be responsible for the collection, storage and public disclosure of information about federal spending and will be an independent agency of the executive branch. The chairman will be selected by the President with the advice and consent of the Senate. The legislation further sets up a commission to recommend individuals to the President for appointment should a vacancy occur. The chairman may serve a total of two five-year terms.

Other members of the board will include inspectors general from the Departments of Treasury, Defense, Agriculture, Health and Human Services, Transportation, Energy, Education and Homeland Security. Also included will be the deputy secretary for treasury; the chief management officer of the Department of Defense; the deputy secretaries from the Departments of Agriculture, Health and Human Services, Transportation, Energy, and Education; the undersecretary of management of the Department of Homeland Security; and the controller and the deputy director of management at the U.S. Office of Management and Budget.

The new board is also charged with conducting audits, investigations and reviews of federal funds and will coordinate with federal IGs to avoid duplication of efforts. The board will also maintain subpoena authority over persons who are not federal officers or employees.

The legislation would require recipients to report on the receipt and use of federal funds. Reporting is to be designated by the board by rule but not less frequently than quarterly. The report is to include:

- Identification of recipient including name and location in proper United States Postal Service format.
- Identification of the executive agency.
- Identification of the federal award.
- Identification of the program for which the federal award was awarded if applicable.
- Total amount of federal funds received, expended and obligated during the reporting period.
- A detailed list of all projects and activities for when funds were expended or obligated.
- For prime awards, an identification of all sub-awards.
- Such reasonable information as the board, by rule, shall require.

Exemptions from recipient reporting include awards to individuals and instances where either the total amount of federal funds received by the recipient does not exceed $100,000 in the current calendar or fiscal year or no transaction has exceeded $24,999. The board may also grant additional exemptions by rule.

Similar reporting by federal agencies concerning obligations and expenditures of federal funds is also required.

The legislation provides that the board may establish common data elements for information to be reported using, to the extent practicable, common data elements such as those developed by an international voluntary consensus board as defined by the U.S. Office of Management and Budget, data elements developed by intragovernmental partnerships, data elements developed by federal agencies with authority for contracting and financial assistance, or data elements developed by accounting standards organizations. The board is also authorized to require data reporting standards by rule including the use of existing data standards such as eXtensible Business Reporting Language.

Similar to the website established by the American Recovery and Reinvestment Act, the legislation requires the board to publish online all information submitted by recipients and federal agencies. The functions of the current USASpending.gov website will be transferred to a new website. The board will also be responsible for maintaining an integrated Internet-based system to combine current federal databases.

The legislation also includes penalties for noncompliance, transfers the consolidated federal funds report to the new FAST Board website, and repeals the Federal Funding Accountability and Transparency Act.

It should be noted that President Obama has issued an Executive Order that will also establish a Government Accountability and Transparency Board. The board will be similar to the existing RATB established by the Recovery Act. This new board will be charged with enhancing the transparency of federal spending and further advancing efforts to detect and remediate fraud, waste and abuse in federal programs. There will be 11 members designated by the President from among agency inspectors general, agency chief financial officers or deputy secretaries, a senior official of OMB, and such other members as the President shall designate.

It is not yet certain if and when the legislation will be signed into law or how the legislation and the Executive Order would be reconciled. NASACT, the National Governors Association, the National Association of State Chief Information Officers, and the National Association of State Budget Officers are, however, working with staff to amend the legislation to include some type of funding language for state and local governments and to potentially include state and local representation on the new board.
The Internal Revenue Service’s Advisory Council on Taxation (ACT) announced the selection of new members this month for its Government Entities–Federal, State and Local Governments (FSLG) Division. The ACT consists of external stakeholders and representatives who deal with employee retirement plans, tax-exempt organizations, tax-exempt bonds and federal, state, local and Indian tribal governments. Three NASACT members were selected:

- **Lisa M. Pusich** is the state accountant for the state of Alaska. She is the state liaison with the IRS for all tax matters, including return filing and overall tax compliance. She oversees the accounting services and payroll section for the state and is directly involved in implementing new tax provisions such as IRC 3402(t). She is responsible for addressing a myriad of technical tax law issues that affect withholding and information reporting.

- **Kathy M. Sheppard** is the deputy comptroller for the commonwealth of Massachusetts. She is responsible for the tax reporting and compliance issues for all government entities in the commonwealth and works directly with the IRS to address and resolve various tax matters. She is responsible for implementation and direction of the state accounting and payroll system for all departments within the state. She serves on the Massachusetts lieutenant governor’s Task Force on the Prevention of Fraud, Waste and Abuse.

- **Robert E. Jaros** is the deputy controller for the state of Colorado. He is responsible for addressing technical tax law issues, implementing new legislative provisions such as 3402(t), reporting and analysis, payroll, accounting and recovery audits, and has worked with FSLG to address various technical tax issues. He serves as part-time accounting instructor at the Metropolitan State College in Denver. He received the Community Engagement Award from the Center for Urban Connections and is a member of the Colorado Bar Association.

Also during its annual meeting this month, the ACT released two reports that focused on (1) a U.S. Government Accountability Office report looking at information sharing between the federal government and state Social Security administrators and (2) a revamp of the FSLG website.


The first report, on pages 87-153 at the link above, offered the following recommendations:

- Improve information sharing by the IRS/FSLG with both the Social Security Administration and state administrators regarding compliance checks.

- Expand the use of state administrators in its outreach efforts to public employers, especially in the case of all updates made to IRS Publication 963 (*Federal-State Reference Guide*).

The second report, on pages 155-172 at the link above, highlighted suggested improvements/additions to the FSLG website, including a chart by state based on Section 218 agreements, and forms/publications that would only apply to public employees.

The ACT was established in May 2001 under the Federal Advisory Committee Act to provide an organized public forum for discussion of relevant issues affecting the tax exempt and government entities communities. It allows the IRS to receive regular input with respect to the development and implementation of policy concerning employee plans, exempt organizations, tax-exempt bonds and federal, state, local and Indian tribal government issues. ACT members generally serve a two-year term with a possible one-year extension.

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**Is Your Office Headed in the Right Direction?**

**NASACT’s Benchmarking Program Can Help You Find Out!**

NASACT’s program offers benchmarking services in four areas: (1) financial management, (2) information technology, (3) human resources/payroll, and (4) procurement. States can compare themselves to other states and the private sector. The program also allows comparisons of agencies within the state to each other and to agencies within other states. Additional executive advisory services are also available through the program. To find out more, email Kim O’Ryan at koryan@nasact.org.
Registration is Open for NASACT 2011 in Vermont!

Join Vermont conference hosts Thomas Salmon, state auditor, Beth Pearce, state treasurer, and James Reardon, commissioner of the Department of Finance, for the 2011 NASACT Annual Conference in Burlington, Vermont, this August 13-17. The registration brochure is now available at www.nasact.org. Download it to find details about the technical program and a complete schedule of networking opportunities and guest activities. Click to REGISTER NOW!

Hotel Cut-Off is July 21! The conference will be held at the Burlington Hilton. The negotiated rate is $158/night plus applicable taxes. To book a room, call (802) 658-6500 and reference the NASACT Annual Conference. Book today, as the cutoff date for the special rate is July 21.

General Session Highlights

Vermont Governors: Our Times, Our Challenges

- Peter Shumlin, Governor of Vermont, 2011-Present (at left)
- James H. Douglas (Gov., 2003-2011)
- Howard Dean (Gov., 1991-2003)
- Madeleine Kunin (Gov., 1985-1991)
- Thomas P. Salmon (Gov., 1973-1977)
- Ray Keyser, Jr. (Gov., 1961-1963)

Hear the current governor and five past governors of Vermont discuss how state government has evolved over the years and how to apply the lessons learned to future challenges.

From the Private Side Looking In: A Different Perspective

Ernest A. Almonte, Former Auditor General of Rhode Island and CEO, Almonte Group LLC

This NASACT lifetime member and past chairman of the American Institute of Certified Public Accountants will discuss fraud, risk and life on “the other side.” He’ll detail transitioning from the public to the private sector and share perspectives he has gained along the way.

Resetting Government: The Time is Now

David Walker, Former U.S. Comptroller General and Founder and CEO of the Comeback America Initiative

One of the country’s leading experts will talk about why it is time reset government—now. The session will address the labor issues facing the public sector and why we can’t afford to “kick the can” down the road any longer.

Economic Overview: Is the Worst Behind Us?

Dr. David Colander, C.A. Johnson Distinguished Professor of Economics, Middlebury College

In this session you’ll hear an overview of what economists are saying now about the economy, including commentary on the monetary system and its rebound potential. Dr. Colander will share his thoughts on the housing market and its link to future economic recovery and on budgetary cycles and how the business cycle should drive policy decisions.

The Current State of Pensions: Are Things as Bad As Advertised?

John Chiang, State Controller of California and Board Member of CALPERS

Thomas DiNapoli, State Comptroller of New York

Charles Millard, Managing Director, Citi Global Markets, and Former Director of the U.S. Pension Benefit Guaranty Corporation

Public pensions have been receiving a great deal of negative attention lately. This session will set the record straight by examining the current state of public pensions around the country. A specific focus on California and New York will be provided.

More! The technical agenda will also include sessions on topics such as standards updates, fraud, electronic commerce, ERP, managing municipal debt, improper payments, government reform, transparency initiatives, and smart budgeting.

Don’t Forget the Travel Assistance Program!

NASACT principals (or their designees) in good standing are eligible to receive up to $1,000 in travel assistance to attend the annual conference. The funds may be used to cover registration or travel costs.

Additionally, all new state auditors, state comptrollers and state treasurers will be offered up to $1,000 in travel assistance and complimentary conference registration (a $600 value). New members should call Donna Maloy at (859) 276-1147 to register.
Colorado, North Carolina and Pennsylvania Win NSAA Awards

The National State Auditors Association’s Excellence in Accountability Awards Program was created to recognize excellence in auditing in the state government audit community. The program has three award categories: large performance audits (2,000 or more hours to complete), small performance audits (less than 2,000 hours to complete), and special projects.

At the recent NSAA annual conference, awards were presented to the winners, and the award winners also gave presentations. The winning award summaries and supporting documentation may be viewed at www.nasact.org/nsaa/awards_recognition/winners.cfm.

NOTE: Beginning in 2012, the Excellence in Accountability Awards Program will feature a fourth category for fraud audits.

Small Performance Audit

Four states submitted reports for consideration in the small performance audit category. The North Carolina Office of the State Auditor’s audit “Department of Correction—Inmate Medicaid Eligibility” was chosen to receive an award.

The audit report evaluated whether the state’s Department of Correction could reduce inmate health care costs by requiring hospitals and other medical service providers to bill Medicaid for eligible inmate inpatient hospital and professional services and made recommendations so that management could take appropriate corrective action.

The audit showed that the department could save about $11.5 million a year by requiring hospitals and other medical service providers to bill Medicaid for eligible inmate inpatient hospital and professional services. In addition to transferring appropriate costs to the federal government through Medicaid, the department would also realize reduced costs because hospital and medical services for eligible inmates would be paid at Medicaid rates that are lower than the rates currently paid by the department.

The audit recommended that the department require hospitals and other medical providers to bill Medicaid for eligible inmate inpatient health care costs. Further, it was recommended that the department work with the Department of Health and Human Services, county directors of social services, and local governments to establish the necessary policies and procedures.

Large Performance Audit

Eight states submitted reports for consideration in the large performance audit category. The judges selected the Colorado Office of the State Auditor’s report entitled “Governor’s Office of Information Technology, Office of Cyber Security, Performance Audit, November 2010” to receive an award.

The audit attempted to answer one basic overarching question: Are citizen data maintained by the state secure? The audit reviewed the Office of Cyber Security’s progress in fulfilling the statutory requirements of the Colorado Cyber Security Program, which applies to every state department, division, office, commission, bureau, board, and institution in the executive, judicial, and legislative branches. Additionally, the office contracted with a professional security firm to provide specialized expertise and assist and train audit staff in performing a covert penetration test of state networks, applications and systems.

The audit included nine public recommendations, two confidential recommendations, and hundreds of confidential technical findings to address the mismanagement of the Governor’s Office of Information Technology and the Office of Cyber Security and to immediately mitigate the high-risk vulnerabilities.

Overall, the results of the audit demonstrated that the state is at high risk of a system compromise and/or data breach by malicious individuals, including individuals both internal and external to the state. The audit identified a significant number of serious vulnerabilities in the state’s networks and applications.

As a result of the audit, the Governor’s Office of Information Technology, the Office of Cyber Security, and individual state agencies have taken both immediate and long-term steps to improve the state’s information security posture.

Special Project

Five projects were submitted for consideration in the special project category. The judges selected the Pennsylvania Department of the Auditor General’s project entitled “Grading the Pennsylvania Megan’s Law Website” to receive an award.

On June 22, 2010, the office released a 14-page special report detailing deficiencies in the accuracy and public usefulness of the state’s sex offender registry website, known as the Pennsylvania Megan’s Law website. The report was the culmination of a special project in which auditors spent 11 months monitoring the site and analyzing data related to more than 10,000 sex offenders whose information is posted on the site.

The audit concluded that the Pennsylvania Megan’s Law website was seriously inadequate (with a grade of C-minus) and offered 13 recommendations for improvement.

Subsequently, in August 2010, state legislators held a public hearing to determine what corrective actions were being taken by the State Police. The audit provided compelling evidence that the Pennsylvania Megan’s Law website left citizens underserved and unprotected with regard to their public safety. The audit’s conclusion that the website needed significant corrective action was further legitimized on January 5, 2011, when the Pennsylvania State Police unveiled website changes addressing 11 of the audit’s 13 recommendations. One of the remaining two recommendations requires legislation, and such a bill recently (February 9) passed the House and now awaits Senate action.

Acknowledgements

A number of people helped make the awards program a success this year. NSAA wishes to thank each state that submitted an entry as well as all those who volunteered to serve as judges for the program.
Walter Kucharski, Virginia’s auditor of public accounts and president of the National State Auditors Association, called to order an NSAA business meeting on the afternoon of Thursday, June 16. The meeting was held in conjunction with the 2011 NSAA Annual Conference in Williamsburg, Virginia. President Kucharski welcomed everyone, and then went straight into the business of the meeting. Some of the committee reports are summarized below.

- **Audit Standards and Reporting**: Auston Johnson, state auditor of Utah and chair, reported that in the past year the committee has responded to three exposure drafts from the American Institute of Certified Public Accountants and five EDs from the Governmental Accounting Standards Board. Also, the committee responded to the 2010 exposure draft of Government Auditing Standards. He implored members to provide their input when the committee sends out requests for response on the standards—even if the input is to indicate agreement with the standards. Such input is vital to crafting an association response that is truly representative of the views of an appropriate spectrum of members.

- **Auditor Training**: Sherri Rowland, association director, provided the report. The 2011 Middle Management Conference was held in Portland, Oregon, on April 13-15. Three states have volunteered to host the 2012 conference: Delaware, Arkansas and Tennessee. NASACT has held five webinars in the past year. The committee has made several suggestions on topics for future webinars including intergenerational issues, audit fundamentals, and a presentation by NSAA’s Excellence in Accountability Award winners.

- **Auditor’s Education Foundation**: David Vaudt, Iowa’s auditor of state and chair, reported that NSAA awarded $6,200 in scholarships in the past year. Six scholarships were awarded for the IT conference, four for the IT workshop, three for the middle management conference, and four for the annual conference.

- **E-Government**: Karen Heldermand, audit director with the Virginia Office of the Auditor of Public Accounts and chair, reported that the 2010 NSAA IT Workshop and Conference, held in Tallahassee, Florida, last fall was very successful, with over 90 attendees. The committee is currently working to establish the agenda for the 2011 workshop and conference, which will be held in Denver, Colorado, on September 27-30. Tennessee has volunteered to host the 2012 workshop and conference in Nashville.

- **Human Resources**: Roger Norman, legislative auditor in Arkansas and chair, reported that the committee continues its quarterly information sharing calls, featuring a different topic on each call. The next call will be held Thursday July 28, at 3:00 p.m. Eastern time. The tentative topic for the next call is a discussion about generational issues.

- **Peer Review**: Pat Davidson, legislative auditor of Alaska and chair, reported that the Peer Review Manual is currently being updated to reflect changes arising from recently issued audit and accounting standards. This winter, the manual will undergo major changes with the release of the revised Yellow Book and the clarified AICPA SASs. She also reported that evaluations by participants in the peer review program are positive and all indications are that participating states are satisfied with the quality of the program.

- **Performance Audit**: Steve Eells, state auditor of New Jersey and chair, reported that the committee has held three information sharing calls since last June. The committee has a number of additional topics to discuss and will be continuing the calls on a quarterly basis. The next call will be held on August 4. He encouraged anyone with ideas for future calls to send topics to him or Ms. Rowland.

- **Resolutions**: Mr. Vaudt, NSAA’s president-elect, presented the Resolutions Committee report on behalf of the committee’s chair, Ron Jones. He presented five resolutions for consideration.

(continued, next page)
Association Notes

NSAA Business Meeting Recap (continued)

The following resolutions were approved unanimously by NSAA's members:

1. Recognizing Ralph Campbell for his contributions to NSAA and state government auditing.
2. Commending Janice Mueller for her service to the association and wishing her well upon retirement.
3. Commending Sally Symanski for her service to the association and wishing her well upon retirement.
4. Commending Steve Burrage for his service to the association.
5. Thanking Walter Kucharski for his service as president of NSAA.

- **Single Audit:** Thomas Salmon, state auditor of Vermont and vice-chair, reported that the committee met earlier in the week. Gilbert Tran of the Office of the Auditor General and Budget participated via phone and provided an update on the 2011 Compliance Supplement.

  Committee members also heard a report on OMB’s “super workgroup” that continues the work of previous workgroups to examine improper payments. NASACT participated on two of the previous workgroups: incentives and single audit. The role of the super workgroup is to prioritize the list of recommendations from the previous groups and make further recommendations for improvements. Randy Roberts, professional practice director in the Arizona Office of the Auditor General, and Clark Partridge, the state comptroller of Arizona, serve on the super workgroup on behalf of NASACT.

- **Time and Place:** Mr. Vaudt, chair, reported that the 2012 NSAA Annual Conference will be held in Madison, Wisconsin, on June 12-15. Mr. Vaudt will be hosting the conference, since following the retirement of Janice Mueller, who was scheduled to serve as host, he will succeed as NSAA’s next president.

- **Nominating:** Mr. Kucharski presented the committee report. The following Executive Committee members NSAA were unanimously approved for 2011-12:
  - President: David Vaudt, Iowa
  - President-Elect: Elaine Howle, California
  - Secretary/Treasurer: Rebecca Otto, Minnesota
  - Past President: Walter Kucharski, Virginia
  - Thomas Salmon, Vermont
  - Roger Norman, Arkansas
  - David Martin, Florida

- **Next Meeting/More Information:** The next NSAA business meeting will be held Monday, August 15, in conjunction with the 2011 NASACT Annual Conference in Burlington, Vermont. Questions about the content of this recap may be directed to Glenda Johnson at gjohnson@nasact.org.

NASACT Announces Next Webinar: A GASB Review, July 20

As fiscal year-end for most state governments quickly approaches and a new year begins, it’s an opportune time for financial statement preparers and auditors to get a refresher on standards that will be effective for June 30, 2011, financial statements as well as recently released statements from the Governmental Accounting Standards Board that will require attention in fiscal year 2012.

NASACT’s next webinar, “GASB Review—2011,” will provide must know guidance from GASB statements issued in the past year, including:

- Statement No. 59, *Financial Instruments Omnibus*
- Statement No. 60, *Service Concession Arrangements*
- Statement No. 61, *Financial Reporting Entity Omnibus*
- Statement No. 62, *Codification of Pre-89 FASB and AICPA Pronouncements*

Also included will be coverage on previously-issued GASB statements that are effective for June 30, 2011, including Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In addition, OMB has established an Administrative Flexibility Advisory Committee to address the objectives of a Presidential memo to federal agencies requesting that they work more closely with state, local and tribal governments to identify barriers to the efficient and effective use of tax dollars for federally-funded programs. Mr. Salmon, along with Kim Wallin, state controller of Nevada, and Brenda Bolander, state comptroller of Oklahoma, serve on the committee on behalf of NASACT.

GASB will also highlight other recently completed work including suggested guidelines for voluntary reporting on service efforts and accomplishments, as well as current projects including pension accounting and financial reporting and deferred outflows, inflows and net position.

Join GASB Chair Robert Attmore, GASB Director of Research David Bean, and other GASB staff for this informative two-hour training session. You will also be given an opportunity to ask questions and share experiences during the last 25 minutes of the webinar.

**GASB Review – 2011**

**Date:** Wednesday, July 20, 2011

**Time:** 2:00 - 3:50 p.m. Eastern Time

**CPE:** Two credits

**Cost:** $249.00 per group (unlimited attendance) or $50 per person

**Register:** Register today at www.nasact.org

NASACT News – June 2011
New at www.nasact.org

- The NASC Payroll Information Sharing Group has made available responses to its 2011 survey. The survey tables can be found at www.nasact.org/nasc/committees/payrollISG/index.cfm (must be a member to view).

- The NASC Travel and P-Card Information Sharing Group has made available responses to its 2011 survey. The survey tables can be found at www.nasact.org/nasc/committees/payrollISG/index.cfm (must be a member to view).

- The following NASC technical inquiries are now available at www.nasact.org/nasc/technical/index.cfm (must be a member to view):
  - Taxes for Employees that Work Out of State
  - Emergency Use P-cards
  - States With Credit, Travel and P-cards
  - CMIA TSA Funding Techniques

- The Multi-State Consortium on Internal Control has made available a new internal control questionnaire document entitled “Civil Rights and Drugfree Workplace.” The document can be found at www.nasact.org/nasc/committees/multistate/index.cfm (must be a member to view).

- NASACT recently issued its 2011 Training Seminars Catalog. The Training Seminars Program allows NASACT members to request training on topics of their choosing to be conducted onsite in the states. To view the 2011 catalog, go to www.nasact.org/conferences_training/nasact/seminars.cfm.

GASB Seeks Input on Financial Guarantees

The Governmental Accounting Standards Board has commenced a project to establish additional guidance regarding the recognition and disclosure of financial guarantees made and received by state and local governments. They are requesting input from NASACT.

Financial guarantees represent potential claims on a government’s resources or additional resources when a government is the recipient of a guarantee. Guarantees may take various forms but GASB’s research indicates that financial guarantees are primarily associated with commitments related to debt issued by other governments, not-for-profit organizations, and for-profit entities.

To determine more information about guarantees that are made or received by state and local governments the GASB is asking for completion of a survey at www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176158603568.

If you have any questions about the survey, please contact Scott Reeser, project manager at (203) 956-3448 or at sareeser@gasb.org.

Special Guest Scheduled for Faster Financial Reporting Workgroup Call

The next call of NASACT’s Faster Financial Reporting Workgroup (a subgroup of NASACT’s Committee on Accounting and Financial Reporting) will feature guest speaker Jake Lorenz, from the Government Finance Officers Association. The call will be held on Tuesday, July 19 at 3:00 p.m. Eastern time.

2011 Compliance Supplement Available

The 2011 Compliance Supplement is now available on the U.S. Office of Management and Budget’s website at www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011.

Conference Call Reminders: Mark Your Calendar!

For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.

July 2011
- NASC Transparency Information Sharing – July 12
- NASC Statement 54 Work Group – July 13
- NASACT Faster Financial Reporting Work Group – July 19
- NASC Multi-State Consortium on Internal Control – July 21
- NSAA Human Resources Information Sharing – July 28

August 2011
- NSAA Performance Audit Information Sharing – August 4
- NASC State Government Payroll Information Sharing – August 10
- NASC Federal Tax Reporting Work Group – August 23
- NASC Travel and Purchase Card Information Sharing – August 24
NASACT Welcomes New Members

Alaska

Scott Arehart was named director of Alaska’s Division of Finance, effective Tuesday, May 17. Mr. Arehart replaces Kim Garnero, who retired earlier in the year.

Mr. Arehart has worked within the Division of Finance since 1999, most recently serving as a data processing manager III with responsibility for the Administrative Systems Replacement Project procurement and upcoming implementation.

Mr. Arehart is a certified project manager.

California

Todd Jerue is the new chief operating officer for the California Department of Finance, where he has worked for 14 years developing and administering budgets and policies for state programs in the correction/general government areas. Mr. Jerue replaces Fred Klass who moved to a different division within California’s state government.

In 1997, Mr. Jerue began working at the Department of Finance as a finance budget analyst. He has since served as a principal program budget analyst in various assignments, as the assistant program budget manager for corrections and public safety in the Corrections/General Government Unit and as the program budget manager for the Corrections/General Government Unit. Prior to working at the Department of Finance, Mr. Jerue spent over 10 years in the restaurant industry.

Mr. Jerue earned a bachelor’s degree and master’s degree in business administration from California State University, Sacramento.

Missouri

Stacy Neal is the new director of accounting for the Missouri Office of Administration. She replaces Mark Kaiser, who retired in May.

Ms. Neal has more than 10 years of professional experience with the state of Missouri. During her tenure, she has worked closely with all aspects of financial reporting including the state’s CAFR. She was responsible for the management of the statewide accounting system. Most recently, she has had responsibility for managing the state’s general obligation and special revenue bonds. She has extensive experience working with elected officials and members of the general assembly.

Ms. Neal graduated magna cum laude from Missouri State University with a B.S. in accounting. She is a member of the Mid-Missouri Chapter of the Association of Governmental Accountants and is a certified public accountant.

New York

New York State Comptroller Thomas P. DiNapoli announced the appointment of Andrew SanFilippo as executive deputy state comptroller for State and Local Government Accountability. Mr. SanFilippo began this position on March 17; he replaces Mark Pattison who moved to a different position within New York state government.

Mr. SanFilippo served as Buffalo city comptroller since 2003, and was elected to his second term in 2007. Prior to becoming city comptroller, he served as investment and debt management officer for Buffalo from 1980 until 2003. From 1973 until 1980, he was executive assistant to the Buffalo city comptroller.

Mr. SanFilippo recently reported that Buffalo ended its fiscal year with a record fund balance. During his tenure as city comptroller, Buffalo has earned three credit rating upgrades, and Mr. SanFilippo’s capital debt management plan has helped reduce the city’s long-term bonded indebtedness.

Mr. SanFilippo is a graduate of Brockport State College.

Washington

Keenan Konopaski was appointed as legislative auditor of the Washington State Joint Legislative Audit and Review Committee on January 1, 2011. He replaced Ruta Fanning, who retired in January.

Mr. Konopaski began working for JLARC in 2004. He has worked previously in a variety of public and private organizations, focusing on government management and financial analysis.

Mr. Konopaski has served as a budget manager for the Department of Corrections, a management consultant for a firm specializing in state government, and a financial/rates analyst for the Health Care Authority. He has also worked as a budget analyst for the Seattle Public Schools and a management analyst for King County-Metro.

He holds a master’s degree in public administration from the University of Washington and a bachelor’s degree in mathematics from Whitman College.

Wisconsin

Janice Mueller announced her retirement as state auditor of Wisconsin, effective June 17. Ms. Mueller served as state auditor for 13 years and has over 35 years of service in state government.

Ms. Mueller was president-elect of the National State Auditors Association and was a member of NASACT’s Executive Committee. She has been involved in a number of committees and projects of NSAA and NASACT over the years.

Joe Chrisman, deputy state auditor, has been named by Wisconsin’s Joint Committee on Legislative Organization to serve as interim state auditor.
Registration is Open for the NSAA IT Workshop and Conference

By Donna Maloy, Conference Manager

The 2011 NSAA IT Workshop and Conference is scheduled for September 27-30, in Denver, Colorado. The workshop, which will feature the topic of “Penetration Testing for Maximum Benefit,” will be held on Tuesday, September 27. The conference will follow on Wednesday, September 28 through noon on Friday, September 30. Conference topics will include computer based fraud detection techniques, cloud computing, website security, social hacking, and many more!

**Conference Hotel**—The Embassy Suites Downtown Denver is a newly-opened hotel in the heart of Denver and within walking distance of some of the area’s best entertainment. The negotiated rate for this year’s conference is $141/night.

**Getting There**—The Embassy Suites Downtown Denver is located 27 miles from Denver International Airport. Shuttle Service provided by Super Shuttle is $19 each way. Advance reservations are not required.

**Registration Fees and CPE**—Registration fees are $150 for the workshop and $350 for the conference per attendee. Eight continuing education credits will be given for the workshop and 19 credits for the conference.

**Additional Information**—Complete hotel information and online registration are available on NASACT’s website at www.nasact.org. A draft agenda will be posted soon.

Scholarships will once again be available for the conference and workshop. Scholarships may be used to pay for registration fees or travel/lodging costs (up to the amount of the registration fee). Information about scholarships will be forthcoming.

Questions about the conference program can be addressed to Sherri Rowland at srowland@nasact.org. Questions about registration or the conference hotel can be addressed to Donna Maloy at dmaloy@nasact.org.

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**DID YOU KNOW?** You can register for any of NASACT’s conferences and events at www.nasact.org. Go to the Calendar of Events, where you’ll find general information, hotel information, meeting agendas and more.
NSAA Annual Conference Recap

Dianne Ray (CO) accepted an Excellence in Accountability award from Walter Kucharski (VA) in the large performance audit category.

The North Carolina Office of the State Auditor won an award in the small performance audit category. L-R: Bill Styres (NC), Beth Wood (NC), Walter Kucharski (VA) and Kenneth Barnette (NC).

Helen Weigel (PA, left) and Traci Widnick (PA, right) accepted an Excellence in Accountability Award in the special project category from Walter Kucharski (VA).

L-R: Tom Bullington (AR), Kim Williams (AR), Paula Kinnard (AR) and Thomas Salmon (VT) chat during a break between conference sessions.

Incoming NSAA President David Vaudt (IA) spoke with Scott Pattison, executive director of the National Association of State Budget Officers, between sessions.

Ken Smith (University of Washington), updated the group on a study he is leading to examine the role of GASB standards in assessing government accountability.
NSAA Annual Conference Recap

Attendees were greeted by the fife and drum corp for the president’s reception on Thursday evening.

L-R: Mary Gingrow-Shaw (ME) and Pam Robinson (WY) enjoy the sunshine during a break between sessions.

Pat Dendy (MS) and Marion Higa (HI) chat between sessions.

Roland Turner (VA) and Martha Mavredes (VA) were instrumental in planning the conference.

Several attendees from the Virginia Office of the Auditor of Public Accounts chat between sessions. L-R: April Gunn, Andy Powell and George Strudgeon.

Dianne Ray (CO) gave a presentation on her office’s award-winning cyber security performance audit on the last morning of the conference.