NASACT President Nancy K. Kopp, state treasurer of Maryland, recently welcomed members, corporate partners and guests to Burlington, Vermont, for NASACT’s ninety-sixth annual conference. The event was held on August 13-17 at the Burlington Hilton. Attendees were also welcomed by hosts Jim Reardon, commissioner of the Department of Finance and Management; Beth Pearce, state treasurer, and Thomas M. Salmon, state auditor.

The conference began with a number of meetings and networking opportunities. On Saturday, August 13, many participated in the annual golf scramble, which was held at Basin Harbor Golf Club. On Saturday evening, attendees were treated to refreshments at the welcoming hospitality reception after a day of golf or travel. The annual 5K fun run/walk was held Sunday, August 14, where participants enjoyed a brisk morning walk or run along the banks of Lake Champlain. Also on Sunday, NASACT’s Executive Committee met from 1:00-4:00 p.m. and the Committee on Accounting, Reporting and Auditing held its annual in-person meeting. Sunday night, all attendees were invited to the President’s Reception at the Barn at Lang Farm.

The conference featured five general sessions and 18 concurrent sessions covering a wide range of topics, with over 77 speakers and moderators participating. There were over 260 attendees at the conference and an additional 50 participants in the guest program. PowerPoint presentations from the sessions may be downloaded from NASACT’s website at www.nasact.org/conferences_training/nasact/annualconference.cfm. A complete list of the sessions and speakers can be found on page 4.

The first general session on Monday morning was a historic panel discussion by Vermont’s current governor and four past governors. The session was taped for later airing by Vermont Public Television. Participating in the discussion were:

- Gov. Peter Shumlin (current)
- Hon. Thomas P. Salmon (1973-1977)

The session was moderated by Chris Graff, former head of the Vermont Associated Press.

The governors discussed challenges during their years in office and how those obstacles were overcome, as well as their views on the political landscape in the states and in the country today. Although they were not in consensus on every point, all were in agreement that the political atmosphere and the partisan gridlock in Washington today is not meeting the nation’s current leadership needs. They each cited instances from their experiences in state government where tough challenges were overcome through the spirit of compromise and moving forward for the good of the majority. The willingness to compromise in order to conduct the business of the people seems to be lacking today at the federal level. They all agreed that more and better leadership and a healthy dose of political courage will be needed to guide the country out of its current situation. Additionally, the governors were in agreement that government in general needs to be more inclusive and more truly representative of those which it serves, both in terms of demographics and socioeconomic status.

(continued, next page)
The first day of the conference ended with a general session presented by Ernest Almonte, lifetime member of NASACT, former auditor general of Rhode Island and current chairman and CEO of The Almonte Group LLC. Mr. Almonte discussed “From the Private Side Looking In: A Different Perspective.” He emphasized the importance of establishing professional networks of peers through NASACT and other such organizations. He encouraged attendees to keep foremost in their minds, regardless of their affiliation with the public or private sectors, the importance of adhering to basic principles like integrity, honesty and leadership.

Also on Monday, breakout meetings were held to allow the National Association of State Comptrollers and the National State Auditors Association to conduct brief business meetings. NASACT’s treasurer constituency also met that afternoon. Recaps from these meetings will appear in the September issue of the NASACT News. On Monday night, conference participants enjoyed a cruise on Lake Champlain aboard the Ethan Allen III.

The conference re-convened on Tuesday morning, with David Walker, founder and CEO of the Comeback America Initiative, sharing his presentation “The Nation’s Fiscal Challenge and a Way Forward.” Mr. Walker, who is the former U.S. comptroller general, provided an updated version of some of the same warnings he has been offering the public for several years. He identified several key systemic challenges for the country—the first being expansion of government at all levels. Other challenges include health care costs, retirement income and disability/welfare costs, critical infrastructure needs, education and corrections costs, outdated and inadequate revenue systems, and the continued and growing influence of special interests and self-interest. He said that Congress and our federal-level leaders, in both parties, are not being honest about the true nature of the crisis, nor are they exhibiting the leadership needed or taking the actions needed. He encouraged attendees to visit the Comeback America Initiative’s website at www.tcaii.org to find resources showing an honest depiction of the dismal state of the federal government’s finances as well as a plan to address the huge problems.

The Tuesday afternoon general session was presented by Dr. David A. Colander, the C.A. Johnson distinguished professor of economics at Middlebury College. He provided an economic overview. In his view, the country is not in a recession, but in a “depressed depression.” He said that no politician, from either political party, has been forthcoming about the seriousness of the economic problem; until that happens, the U.S. will not be addressing its underlying problems. In his view, the federal budget needs to be cut not by $1.5 trillion, or $4 trillion, but more like $10 trillion (and perhaps even $12 trillion). He said that the desires of citizens and the realistic capabilities of our economy will need to reach some level of convergence to address the issues. He used an analogy to convey this idea: America needs to exercise more and eat less.

As customary, Tuesday night ended with the State Night Dinner, which included entertainment and the presentation of awards to winners of the golf tournament and the 5K fun run.

A fifth general session was held on Wednesday morning, August 17, focusing on “The Current State of Pensions: Are Things as Bad As Advertised?” Charles Millard, managing director of Citi Global Markets and former director of the U.S. Pension Benefit Guaranty Corporation, opened the session by assuring the group that things are not as bad as advertised; the current funded status of public pensions is very similar to that of private funds. Additionally, states have done a number of things to respond to the recession and the financial crisis. First, they have adopted more aggressive investment allocations than the private sector in recent years. They have also reduced benefits and/or raised contributions and many are looking into defined contributions. Next, John Chiang, state controller of California, and Thomas P. DiNapoli, state controller of New York, provided an overview of the pension situations in their states. Both of these states have taken actions to ensure the solvency of their pension systems, further supporting the notion that some of the negative press received by public pensions lately is unwarranted and misinformed.

The final session of the conference was a roundtable session...
moderated by Martin J. Benison, comptroller of Massachusetts, and Harvey C. Eckert, former commonwealth comptroller of Pennsylvania. Members were surveyed prior to the conference to gather questions for discussion among the group. Some of the topics discussed include:

- Planning, performance and prioritizing: how to improve communication, coordination and collaboration between states and the federal government to improve the effectiveness of government.
- How to foster a longer-term focus among state government leaders and politicians to address fiscal issues.
- Transparency initiatives in the states.
- What states are doing to resolve audit findings.
- Issues relating to the Governmental Accounting Standards Board, including GASB’s new pension proposals, the fiscal sustainability project, and the Financial Accounting Foundation’s research study regarding the role of the GASB in establishing the scope of standards of financial accounting and reporting.

NASACT acknowledges with great appreciation the many people who helped make this conference such a success. Very special thanks go to Vermont State Auditor Thomas M. Salmon, whose office served as the lead host office, and all his staff. Dale Schaft from the State Auditor’s Office was the host state coordinator; without her patience, dedication and excellent capacity for getting the job done, this conference would not have been possible. Special thanks also go to the state co-hosts, Department of Finance and Management Commissioner Jim Reardon and State Treasurer Beth Pearce and their staffs.

NASACT acknowledges with appreciation all the speakers and moderators who helped continue the association’s tradition of program excellence.

Without the knowledge, expertise and financial support of our corporate partners, the conference would be truly lacking—we thank NASACT’s corporate partners for their time and continued support. See page 18 for a complete list of this year’s corporate associates.

Finally, many thanks go to NASACT’s committee chairs and members. It is their hard work throughout the year that ensures that the organization is addressing member concerns and working to improve the industry of state government financial management.

The 2012 NASACT Annual Conference will be held in Seattle, Washington on August 11-15, 2012.

2011 NASACT President’s Award Winners Announced in Burlington

NASACT President Nancy K. Kopp, state treasurer of Maryland, announced the recipients of the 2011 NASACT President’s Awards. They are given each year to one state auditor, state comptroller and state treasurer for service to the association. Recipients were (shown clockwise) Kim R. Wallin, state controller of Nevada; Walter J. Kucharski, Virginia’s auditor of public accounts; and Richard K. Ellis, state treasurer of Utah. The awards were presented during the conference luncheon held on Monday, August 15.
MONDAY, AUGUST 15

GS #1. Vermont Governors: Our Times, Our Challenges
  ■ Hon. Peter Shumlin, 2011 – Current
  ■ Hon. Thomas P. Salmon, 1973 – 1977

CS #1. Legislative & Regulatory Update
  ■ David Quam, Director, Office of Federal Relations, National Governors Association
  ■ Tennille Francis, Tax Law Specialist, Federal, State and Local Government Division, Internal Revenue Service
  ■ Robert Westhoven, Manager, Federal, State and Local Government Division, Internal Revenue Service

CS #2. Something Old, Something New: A View of ERP
  ■ Brad Fertand, Director of Financial Operations, Department of Finance and Management (VT)
  ■ Martin J. Benison, State Comptroller (MA)
  ■ Paul Dietl, Chief Human Resources Officer (MA)
  ■ Matthew J. Gorzkowicz, Undersecretary for the Executive Office for Administration and Finance (MA)

CS #3. ERP in the Cloud: What Does It Mean to State Government?
  ■ Larry Honarvar, Vice President, State and Local Solutions, CGI
  ■ Tom Evslin, current board member of the Vermont Telecommunications Authority, and former Chief Technology Officer and Chief ARRA Recovery Officer (VT)

CS #4. New Opportunities in Benefit Cards and Environmental Credits
  ■ Rachel Benning, Vice-President/Business Leader, Public Sector Development, MasterCard
  ■ James Balsan, Managing Director, Environmental Innovation Solutions, Bank of New York Mellon

CS #5. The Cloud: Things You Need to Know
  ■ Michael Moore, Director, Shared Services and Outsourcing Advisory Services, KPMG
  ■ Geoffrey L. Weber, Partner, Digital Services KPMG

CS #6. Developments in Governmental Accounting and Financial Reporting
  ■ Robert Attmore, Chair, Governmental Accounting Standards Board
  ■ Gary Blackmer, Director, Division of Audits (OR)

CS #7. Effectively Managing Municipal Debt
  ■ Alex Wallace, Managing Director, Public Finance Banking Team, U.S. Bank
  ■ David Coates, Founder, Capital Debt Affordability Advisory Committee
  ■ Beth Pearce, State Treasurer (VT)
  ■ Jeb Spaulding, Secretary of Administration (VT)

  ■ John Gamberoni, Senior Executive, Accenture
  ■ William Kilmartin, Director, State and Local Government, Visa Inc.
  ■ Matthew J. Gorzkowicz, Undersecretary for the Executive Office for Administration and Finance (MA)

CS #9. Fraud Trends and Prevention: Commercial Cards and Investments
  ■ Darren Muise, Head of Commercial Partnerships, State and Local Government, Visa Inc.
  ■ Christine N. Kieffer, Senior Director, FINRA Investor Education Foundation

GS #2. From the Private Side Looking In: A Different Perspective
  ■ Ernest A. Almonte, Chief Executive Officer, Almonte Group LLC

TUESDAY, AUGUST 16

GS #3. The Nation’s Fiscal Challenge and a Way Forward

CS #10. Fiscal Sustainability and the CFO Survey
  ■ Robert Childree, Director, Grant Thornton

CS #11. Audit Standards and Administrative Flexibility
  ■ Marcia B. Buchanan, Assistant Director, Financial Management and Assurance Team, U.S. Government Accountability Office
  ■ Kim R. Wallin, State Controller (NV), and Member of the President’s Administrative Flexibility Workgroup

CS #12. ERP Governance: One State’s Approach
  ■ Glen B. Gainer III, State Auditor (WV)
  ■ Mitt Salvaggio, Managing Partner, STA Consulting

CS #13. Addressing the Challenge of Improper Payments of Public Funds
  ■ Art Dorfman, Vice President, Government and Education Operations, SAP Public Sector
  ■ Scott Smith, Strategic Account Manager, Smartronix

CS #14. Economic Report for the States
  ■ Stanley Czerwinski, Director for Intergovernmental Relations, U.S. Government Accountability Office
  ■ Scott D. Patterson, Executive Director, National Association of State Budget Officers
  ■ Robin Prunty, Managing Director, Public Finance Ratings Group, Standard & Poor’s

CS #15. Government Reform Initiatives During Economic Crisis
  ■ Christina Dorfhuber, Principal, Public Sector Strategy and Operations, Deloitte Consulting
  ■ Anna Maria Kiehl, Chief Accounting Officer (PA)
  ■ Thomas M. Salmon, State Auditor (VT)

CS #16. Transparency Initiatives in the States
  ■ Steven Grossman, State Treasurer (MA)
  ■ Lawrence Miller, Secretary, Vermont Agency of Commerce and Community Development
  ■ Gila Bronner, President and CEO, Bronner Group, LLC

CS #17. Recent Findings on Cyber Security – Below, Within and Beyond the Cloud
  ■ Marne Gordan, Regulatory Analyst for Corporate Security Strategy Group, IBM

CS #18. Non-Traditional Approaches for Solving Budgetary Pressure
  ■ Kevin McHugh, Managing Director, Navigant Consulting, Inc.

GS #4. Economic Overview: Is the Worst Behind Us?
  ■ Dr. David Colander, C.A. Johnson Distinguished Professor of Economics, Middlebury College

WEDNESDAY, AUGUST 17

GS #5. The Current State of Pensions: Are Things as Bad as Advertised?
  ■ Charles E. F. Millard, Managing Director, Citi Global Markets, former Director of the U.S. Pension Benefit Guaranty Corporation
  ■ John Chiang, State Controller (CA) and Board Member of CALPERS
  ■ Thomas P. DiNapoli, State Comptroller (NY)

Roundtable Session
  ■ Martin J. Benison, Comptroller (MA)
  ■ Harvey C. Eckert, Former Commonwealth Comptroller (PA)

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Download handouts and speaker biographies at www.nasact.org/conferences_training/nasact/annualconference.cfm.
NASACT Business Meeting Highlights

By Glenda Johnson, Communications Manager

NASACT held its yearly business meeting at the recent annual conference in Burlington, Vermont, on Tuesday, August 16. First Vice-President Ronald L. Jones, chief examiner of Alabama, led the meeting. Highlights are detailed below, and complete minutes will be made available soon at www.nasact.org.

Committee on Accounting, Reporting and Auditing (CARA)

David J. McDermott, state controller of Colorado and co-chair, provided the report. The CARA met at the conference on Sunday, August 14 and met via conference call on June 7. State controllers are currently working to implement GASB 54. Several statements from the Governmental Accounting Standards Board have been finalized: Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions.

GASB recently issued two important exposure drafts: Financial Reporting for Pension Plans and Accounting and Financial Reporting for Pensions. Mr. McDermott asked members to take time to read these EDs. He cautioned that they are long and complex, but they warrant close review by NASACT’s members. He encouraged participation in the response process through the CARA. Responses are due to GASB by September 30; responses for inclusion in NASACT’s response letter are due by Wednesday, September 7. This PV changes the modified accrual approach and could have significant implications as the focus will be near-term financial resources rather than current financial resources.

He reminded the group that the Financial Accounting Foundation has launched an independent study on the role of the GASB in establishing the scope of standards of financial accounting and reporting. The CARA will be providing feedback to the research team on a number of questions emailed to NASACT members for input. He encouraged member participation in this process. (Note: Subsequently, NASACT has participated in a phone interview to provide input to the research team. See article on page 8.) The CARA will hold its next conference call on November 15.

Faster Financial Reporting Workgroup

Walter J. Kucharski, auditor of public accounts in Virginia and co-chair, reported that the workgroup has formed four sub-groups to explore different facets of financial reporting: component units, shortening the closing period and reviewing CAFR timelines, materiality and estimates, and training. The next call of the workgroup will be held in September (date to be announced).

Financial Management and Intergovernmental Affairs Committee (FMIAC)

D. Clark Partridge, state comptroller of Arizona and chair, reported on the committee’s recent activity and the issues it is following closely.

The National Association of Bond Lawyers has created a task force of various municipal market groups, including NASACT, 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 (continued, next page)

NASACT Elects New Executive Committee Officers

At the recent NASACT business meeting, association members approved a new slate of officers for FY2012. Shown left to right, past president Glen B. Gainer III (WV), who administered the oath of office; William G. Holland (IL), secretary; Ronald L. Jones (AL), president; James B. Lewis (NM), second vice-president; and Martin J. Benison (MA), first vice-president. Not pictured: Calvin McKelvogue (IA), treasurer. The next meeting of NASACT’s Executive Committee will occur in March 2012 in conjunction with the 2012 NASC Annual Conference in Oklahoma City, Oklahoma.
obligations of public issuers. The document has been circulated among NASACT’s members for input. The task force 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. Nancy Kopp, state treasurer of Maryland, is representing NASACT on the project.

Municipal market groups are beginning to develop a strategy in anticipation of upcoming talks on the tax exemption for municipal securities which are certain to be part of larger tax reform discussions this fall. The Public Finance Network, of which NASACT is a member, is developing a one-page document for use when making visits to congressional offices on The Hill.

The committee is monitoring any movement of the Digital Accountability and Transparency Act, known as the DATA Act. This legislation would establish a board to continue oversight began by the Recovery Accountability and Transparency Board and would require additional reporting for all grants and contracts. NASACT, the National Governors Association, the National Association of State Chief Information Officers, and the National Association of State Budget Officers are 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.

On February 28, the President issued a memorandum to federal agencies requesting that they “work closely with state, local, and tribal governments to identify administrative, regulatory, and legislative barriers in federally funded programs that currently prevent states, localities, and tribes, from efficiently using tax dollars to achieve the best results for their constituents.” Specifically, the memorandum requires agencies to coordinate and collaborate with state and local governments and identify regulatory and administrative requirements that can be streamlined, reduced or eliminated while also providing a description of how such measures would improve program outcomes. OMB has launched a working group to carry out the objectives of the President’s memorandum on state administrative flexibilities. Several NASACT members are participating including Thomas M. Salmon, state auditor of Vermont, Brenda Bolander, state comptroller of Oklahoma, and Kim R. Wallin, state controller of Nevada.

NASACT continues to advocate for repeal of the three percent withholding requirement. Repeal bills are currently pending in both the House and the Senate and efforts to address the issue have more momentum than ever. However, current priorities in Washington may take precedent, so the status of repeal at this time is quite uncertain. Mr. Partridge encouraged those who have not yet contacted their congressional delegations on the matter to do so. Template letters for that purpose are online at www.nasact.org/washington/announcements.cfm.

Governmental Accounting Standards and Market Oversight Committee (GASMO)

Mr. Partridge is also chair of the GASMO. He reported that the committee continues to monitor interest by the U.S. Securities and Exchange Commission in increased oversight of the municipal bond market. On May 25, leaders from NASACT participated in a call with SEC Commissioner Elisse Walter and others from the SEC to discuss various aspects of the issue. On that call, NASACT conveyed strong opposition to any federally-mandated reporting requirements.

Kinney Poynter, NASACT’s executive director, provided an update on the status of funding for GASB. The Financial Industry Regulatory Authority is currently working to develop rules for the collection of a GASB support fee. The deadline to comment on the proposed rules was August 1. Next, FINRA will file the proposed rule with the SEC and it will be published for comment in the Federal Register. The exact effective date is still uncertain.

Mr. Poynter reminded the group that as part of the Dodd-Frank financial reform legislation, the U.S. Government Accountability Office is required to conduct an examination of the adequacy and availability of disclosures by users, including a review of the adequacy of the Tower Amendment. That study is due to Congress in July 2012. GAO has contacted NASACT to get input on the states’ views for this study (see page 8).

Membership Development

Brenda Bolander, state controller in Oklahoma and chair, provided a brief report. In FY2011 there were several new members of NASACT: 12 new state auditors, 15 new state comptrollers and 19 new state treasurers, for a total of 46 new officials. In addition to $1,000 of travel assistance to the annual conference, all new members were offered a free registration to the conference (a $600 value). There were 14 new members in attendance at the conference. All new members were invited to attend the August 14 Executive Committee meeting. Additionally, all new members, their mentors, the Executive Committee and the Membership Development Committee were invited to a new member reception, also held on Sunday, August 14.

Four outgoing officials from FY2011 are eligible for lifetime membership in NASACT. On August 14, the Executive Committee approved lifetime membership for:

- Kim Garner, former director, Alaska Division of Finance.
- Kevin Johnston, former state auditor of Connecticut.
- Jan Mueller, former state auditor of Wisconsin.

Budget

William G. Holland, auditor general of Illinois and NASACT’s treasurer, provided a budget update. NASACT ended FY2011 on a positive note. All early signs indicate that NASACT is on target to meet budget in FY2012.

Although he was not recommending any action, Mr. Holland put forth for consideration by the members the notion that at some point in the next few years, NASACT may wish to begin considering a dues increase. An increase in NASACT’s dues was last approved in 2001.
Resolutions Committee

David A. Vaudt, state auditor of Iowa and chair, put forth a motion to approve three resolutions. The following resolutions were unanimously approved by NASACT’s members:

1. Thanking and commending Nancy K. Kopp for her service as NASACT’s president in 2010-11.
2. Thanking and commending the Vermont hosts for a memorable and enjoyable annual conference.
3. Thanking John J. Radford for his service as a trustee of the Financial Accounting Foundation (his term expires 12/31/11).

Strategic Planning Committee

First Vice President Jones, who is also chair of the Strategic Planning Committee, provided the report. The committee made several recommendations to the Executive Committee at its meeting on Sunday, August 14. Among them, the Strategic Planning Committee recommended that NASACT establish a reserve policy whereby the association’s restricted net assets should, over time, target approximately 50 percent of average annual operating expenses (using a five-year rolling average to calculate annual operating expenses). The Executive Committee adopted this policy.

Time and Place Committee

Martin J. Benison, comptroller of Massachusetts and chair, gave the report. The 2012 NASACT Annual Conference will be held in Seattle, Washington, August 11-15, 2012, at the Grand Hyatt Hotel. The 2013 NASACT Annual Conference will be held in Boston on August 10-14, 2013, at the Seaport Hotel.

GASAC

Mr. Benison, who is NASACT’s representative and chair of the Governmental Accounting Standards Advisory Committee, reported that GASAC held its last meeting in June (see page 12 for a recap of the meeting). He is working with NASACT’s CARA committee to try and formalize CARA’s input to GASAC. He informed the group that Jim Reardon, commissioner of Vermont’s Department of Finance and Management also serves on GASAC representing the National Governors Association.

First Vice-President Jones informed the group that NASACT’s Executive Committee will be recommending that Mr. Benison serve another two-year term as GASAC’s chair.

Nominating Committee

Glen B. Gainer III, state auditor of West Virginia and chair, moved that the association accept the following slate of officers for 2011-12:

- President: Ronald L. Jones, chief examiner, Alabama.
- First vice president: Martin J. Benison, comptroller, Massachusetts.
- Second vice president: James B. Lewis, state treasurer, New Mexico.
- Secretary: William G. Holland, auditor general, Illinois.
- Treasurer: Calvin McKelvogue, chief operating officer, Department of Administrative Services, Iowa.

The motion was unanimously approved by the members. Mr. Gainer administered the oath of office to those members present.

Association Report

Mr. Poynter gave updates on the following miscellaneous administrative activities:

- NASACT’s benchmarking contract with The Hackett Group is set to expire in November. A task force has been developed to help craft the new RFP to be as useful as possible to all states.
- NASACT continues to provide association management services, including conference planning, membership management, and website maintenance, for the Association of Local Government Auditors.

More Information/Next Meeting

The next NASACT business meeting will be held at the 2012 annual conference on August 14 in Seattle, Washington. For additional information about the content of this article, contact Glenda Johnson at gjohnson@nasact.org.

Are You Interested in Serving on a NASACT Committee?

Committee participation is one of the best ways to get involved in NASACT’s activities. NASACT President Ron Jones, chief examiner of Alabama, is currently working to finalize the 2011-12 committee list. If you are interested in serving on one of the committees listed below, please contact Glenda Johnson at gjohnson@nasact.org or (859) 276-1147.

- Training and Professional Development
- International
- Membership Development
- Faster Financial Reporting Work Group
- Committee on Accounting, Reporting and Auditing (CARA)
- Financial Management and Intergovernmental Affairs (FMIAC)
- Governmental Accounting and Market Oversight (GASMO)
NASACT Welcomes New Executive Committee Members

Several new members joined NASACT’s Executive Committee following the NASACT business meeting on August 16:

Rebecca Otto was elected state auditor of Minnesota in 2006 and was re-elected to a second four-year term in 2010. She previously served as a Minnesota state representative, and in 2003 earned the prestigious New Legislator of the Year Award. She is secretary/treasurer of the Executive Committee of the National State Auditors Association. In 2009, her office won an NSAA Excellence in Accountability Award. She is a recipient of the 2011 League of Minnesota Cities’ President’s Award. Ms. Otto holds a master’s degree in education from the University of Minnesota and a B.A. in biology from Macalester College.

Kim R. Wallin is the first CPA to be elected to serve as Nevada’s state controller in 50 years. She is also the first certified government financial manager to hold the office. She is secretary/treasurer of the National Association of State Comptrollers. She represents NASACT on the President’s Administrative Flexibility Workgroup and the U.S. Office of Management and Budget’s Incentives and Accountability Workgroup. In 2006, she was named Woman CPA of the Year by the American Women’s Society of CPAs. She is former chair of the Institute of Management Accountants. She is president of her own Las Vegas based accounting firm, D K Wallin, Ltd., which she founded in 1984.

Calvin McKelvogue is chief operating officer of the State Accounting Enterprise for the Iowa Department of Administrative Services. He is a past president of the National Association of State Comptrollers and is a past president of the Des Moines chapter of the Association of Government Accountants. He received a bachelor’s degree from Drake University in accounting and is a certified government financial manager. Mr. McKelvogue will serve as an officer on the Executive Committee in the role of treasurer.

Jan Mueller ended her term on the Executive Committee in June upon her retirement. Replacing Ms. Mueller at that time was Elaine Howle, state auditor of California.

Elaine M. Howle has more than 27 years of experience with the California Bureau of State Audits. She was appointed California’s first female state auditor in 2000. She is president-elect of the National State Auditors Association. Ms. Howle is a is a certified public accountant and a certified government financial manager. She is a member of the U.S. Government Accountability Office’s Domestic Accountability Working Group. Ms. Howle has a bachelor’s degree in sports management from the University of Massachusetts and a master’s of business administration from California State University, Sacramento.

Rolling off the Executive Committee on August 16 were Glen B. Gainer III, state auditor of West Virginia; D. Clark Partridge, state comptroller of Arizona; and Walter J. Kucharski, auditor of public accounts in Virginia.

See the full committee roster at www.nasact.org/nasact/committees/executive/index.cfm.

NASACT Offers Input on GASB Study and GAO Muni Disclosures Study

On Thursday, August 23, NASACT participated in conference calls to offer input on two important studies.

The first call included conversations by NASACT leaders with the research team tasked by the Financial Accounting Foundation with conducting an independent academic study of the purposes of financial accounting and reporting by state and local governmental entities, and the corresponding role of the Governmental Accounting Standards Board in establishing the scope of standards of financial accounting and reporting. NASACT members participating on the call were state comptrollers Brenda Bolander (OK), David J. McDermott (CO), D. Clark Partridge (AZ) and Martin J. Benison (MA); Richard K. Ellis, state treasurer (UT); and state auditors Auston Johnson (UT), Walter J. Kucharski (VA), and David A. Vaudt (IA). Also participating from a comptroller's office was Darla Rankin (ID) and from an auditor's office was Randy Roberts (AZ). NASACT members provided input on a series of several questions about the use and contents of government financial statements and the role of government financial statements in fostering accountability. The study is due to the FAF at the end of the year.

On the second call, state treasurers Nancy K. Kopp (MD) and David Lillard, Jr. (TN), along with Mr. Ellis and Mr. Partridge, provided input to a team from the U.S. Government Accountability Office for the study required under section 976 of the Dodd-Frank Act to examine disclosures made by issuers of municipal debt. GAO is required to make recommendations on the repeal or retention of the Tower Amendment as part of this study. The study is due to Congress in July 2012.
S&P Ratings on States is Explained in Contrast to Federal Downgrade
By Neal Hutchko, Policy Analyst

Standard & Poor’s drew a lot of attention this month when it downgraded the United States debt by one notch, the first time the government had seen such a downgrade. And with the financial interconnectivity between the federal and state governments, media outlets across the country were speculating that state-level debt would be awash in a wave of downgrades as well, driving up borrowing costs and making it difficult for them to access the capital markets.

S&P begged to differ. The week after they cut the U.S. rating, S&P released a report entitled “State and Local Government Ratings Are Not Directly Constrained by that of the U.S. Sovereign.” In the report, S&P outlined several factors considered in the state ratings process:

- The ability to maintain stronger credit characteristics than the sovereign in a stress scenario.
- An institutional framework that is predictable and that is likely to limit the risk of negative sovereign intervention.
- The projected ability to mitigate negative sovereign intervention by a high degree of financial flexibility and independent treasury management.

S&P concluded that the fiscal autonomy, political independence, and generally strong credit cultures of U.S. state and local governments can support ratings above that of the U.S. sovereign.

In response to S&P’s downgrade of the U.S., which many viewed as politically-motivated, both chambers of Congress have indicated that hearings and perhaps an investigation by the U.S. Securities and Exchange Commission to examine the move could be on the schedule this fall. In the House, Rep. Maxine Waters (D-CA), ranking minority member of the House Financial Services’ Capital Markets Subcommittee, sent a letter to the SEC earlier this month calling for an SEC investigation into whether information had been leaked prior to the downgrade.

In the Senate, the Banking Committee is informally gathering information on S&P and its motives for the downgrade.

The S&P report can be viewed at www.standardandpoors.com/ratings/articles/en/us/?assetID=1245316663881#ID255.

State/Local Groups Build Case for Retention of Muni Bond Tax Exemption

Municipal market groups are beginning to develop a strategy in anticipation of upcoming talks on tax exemption for municipal securities, which are certain to be part of the larger tax reform discussions. Senate Finance Committee staff have relayed that tax exemption for municipal bonds will definitely be the subject of hearings this fall and into next year.

The Public Finance Network, of which NASACT is a member, is developing a one-page document for use when making visits to congressional offices on The Hill. The fact sheet contains several bullets on the benefits of the tax exemption for municipal securities including:

- Tax-exempt bonds are an efficient and economic way for states and local governments to provide essential services, create jobs and reduce taxes.
- Tax-exempt financing is an efficient way to allow state and local decision-making about which projects to finance while still providing for federal assistance.
- The tax-exemption has a strong history and is understood by investors.
- Without tax-exempt bonds, the needs of communities will not be met due to the increased costs of debt issuance.

Resolution of the debt ceiling debate resulted in the formation of a super committee charged with making recommendations on deficit reduction. While it seems doubtful that meaningful tax reform could be part of the super committee’s recommendations, state and local organizations recently sent a letter to committee members to reiterate the importance of the tax exemption for municipal securities should such discussions occur. The 12 super committee members have until Thanksgiving to agree on a plan to significantly reduce the deficit. Congress will then have until shortly before Christmas to accept or reject the recommendations. If agreement cannot be reached, an automatic trigger will set in and drastic cuts in spending will be mandated.

OMB Releases Super Group Report

Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, required federal agencies to conduct analysis of their programs, determine the extent of improper payments, and report on actions taken to reduce or identify and recover improper payments. To implement the order, the U.S. Office of Management and Budget created eight work groups. At the conclusion of the work of the eight groups, OMB created a Super Group to follow up on recommendations from two of the eight groups: Single Audit and Incentives and Accountability. The Super Group was tasked with analyzing 34 recommendations from the two groups and offering recommendations.

The Super Group has completed its work and released a 171-page report on August 19 entitled “Plans for Considering and Implementing Recommendations for the Executive Order 13520 Working Groups.” To request a copy of the report, email gjohnson@nasact.org.
Recommendations to Implement the President’s Memorandum on Administrative Flexibility Released

As reported in previous issues of NASACT News, an intergovernmental working group was developed to carry out a Presidential directive to federal agencies to “work closely with state, local, and tribal governments to identify administrative, regulatory, and legislative barriers in federally funded programs that currently prevent states, localities, and tribes, from efficiently using tax dollars to achieve the best results for their constituents.”

The work group was specifically formed to carry out the objectives of the President’s memorandum on state administrative flexibilities and fulfilled the task by reviewing federal guidance concerning cost principles and audits in order to eliminate unnecessary, unduly burdensome, duplicative, or low-priority compliance requirements and effectively tie such requirements to the achievement of outcomes. It also looked at how to modernize state, local and tribal information systems.

Members participating in the group on behalf of NASACT were Thomas M. Salmon, state auditor of Vermont; Brenda Bolander, state comptroller of Oklahoma; and Kim R. Wallin, state controller of Nevada.

The group made recommendations based on four focus areas:

**Audit Resolution**
- Pilot the use of “Cooperative Audit Resolution Principles” to improve program outcomes through better audit resolution and corrective action.
- Issue a policy statement making audit resolution a priority with senior government leaders.
- Issue a policy statement to improve policies for the collection, analysis and dissemination of audit findings and information.
- Revise the A-133 Compliance Supplement to improve the focus of single audits.

**Mechanisms for Pooling Federal Funds**
- Pilot a process to allow states to enter into braided funding projects to leverage multiple grants from the same federal agency.
- Pilot a process to allow states to enter into braided funding projects to leverage multiple grants from two or more federal agencies.
- Pilot a process to allow individual agencies to blend funds from similar programs into one consolidated grant.
- Pilot a process to allow multiple agencies to blend funds from similar programs into one, consolidated grant.

**Alternatives to Time and Effort Reporting**
- Modify Circular A-87 to simplify time and effort requirements based on semi-annual certification.
- Provide guidance to agencies and states clarifying currently available alternatives to time and effort reporting.
- Collect and disseminate best practices that states have used to automate the time and effort reporting process.
- Develop a pilot for an outcome-based reporting method that blends funds and provides payment following demonstrated results.

**Modernization of IT Systems and Services**
- Encourage the use of the Cost Allocation Methodologies (CAM) Toolkit for the development of new IT projects.
- Provide guidance on best practices for development and maintenance of multi-state IT systems and services.
- Consider pilots of new cost allocation policies that would incentivize the adoption of cloud-based shared IT systems/services.
- Disseminate a “Frequently Asked Questions” guide to A-87 to clarify current policies.

The recommendations and an assessment of whether changes may require statutory or regulatory modification or significant resource commitments will be forwarded to the U.S. Office of Management and Budget for consideration. A full copy of the report with the recommendations can be obtained by emailing cchebinou@nasact.org.

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GAO Releases Internet Version of Government Auditing Standards

The U.S. Government Accountability Office recently released the 2011 Internet Version of Government Auditing Standards. According to the GAO, the Internet version contains the intended content for the final 2011 revision of Government Auditing Standards. GAO plans to formally issue the 2011 revision of Government Auditing Standards later this year after the American Institute of Certified Public Accountants has completed its clarity revisions. The effective date for financial audits and attestation engagements is for periods ending on or after December 15, 2012. The effective date for performance audits is for audits beginning on or after December 15, 2011. Early implementation is not permissible.

This document is only available in an electronic PDF format at www.gao.gov/yellowbook.

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The National State Auditors Association responds to exposure drafts of Government Auditing Standards as well as EDs issued by the American Institute of Certified Public Accountants. Too see NSAA’s positions on past EDs, visit www.nasact.org > NSAA > Association Positions and Resources.
New at www.nasact.org

The following new items have been posted on NASACT’s website:

- NASACT’s observations of the of the May 23-25, and the June 27-29 meetings of the Governmental Accounting Standards Board at www.nasact.org/nasact/positions/GASB.cfm (members only content).

- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Rebate Plan Structure
  - Working Fringe Benefit Employee Income

- NASACT’s response to the proposal by the Financial Industry Regulatory Authority’s proposed rules to fund the Governmental Accounting Standards Board at www.nasact.org.


Internal Control Documents Available

The National Association of State Comptrollers’ Multi-State Consortium on Internal Control has been developing internal control questionnaires that can be utilized by staff in state comptroller’s offices. The questionnaires can be found at www.nasact.org/nasc/committees/multistate/index.cfm. There are questionnaires for 17 areas:

- Accounting System
- Budgets and Planning
- Buy American Act
- Capital Assets Control
- Cash
- Civil Rights and Drug-Free Workplace
- Control Environment
- Davis-Bacon Act
- Federal Student Financial Aid
- Financial Reporting
- Grant Administration Guidance
- Information Systems and Technology
- Investments
- Payables
- Personnel and Payroll
- Receivables
- Risk Assessment

NASACT Seeks Member Input on GASB EDs, PV

NASACT, through its Committee on Accounting, Reporting and Auditing, will be preparing association responses to the following documents from GASB (documents can be downloaded at www.gasb.org):

- Pension Exposure Drafts
  On July 8, the Governmental Accounting Standards Board issued two exposure drafts proposing changes to financial reporting of pensions by state and local governments: Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. The documents propose amendments to existing pension standards to change how the costs and obligations associated with pensions that governments provide to their employees are calculated and reported. Public hearings and user forums will be held during October.

  Please provide your comments for inclusion in NASACT’s responses by Friday, September 2. Comments may be sent to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org).

- Recognition of Elements of Financial Statements and Measurement Approaches
  On July 11, GASB issued a preliminary views document that seeks comments on how and when an item should be reported (recognition) on state and local government financial statements and how the amount of the item reported on those statements should be determined (measurement approach): Recognition of Elements of Financial Statements and Measurement Approaches. Public hearings will be held during October.

  Please provide your comments for inclusion in NASACT’s response by Wednesday, September 7. Comments may be sent to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org).

- Reporting Items Previously Recognized as Assets and Liabilities
  On August 26, the Governmental Accounting Standards Board issued an ED on Reporting Items Previously Recognized as Assets and Liabilities. The proposed statement would reclassify or recognize certain items currently being reported as assets and liabilities as one of four financial statement elements—deferred inflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources.

  Please provide your comments for inclusion in NASACT’s response by Friday, October 21. Comments may be sent to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org).
A meeting of the Governmental Accounting Standards Advisory Council was held on June 29 and 30 at the GASB offices in Norwalk, Connecticut. The Council’s agenda included updates on projects on the Governmental Accounting Standards Board’s current technical agenda and the activities of the GASB’s parent organization, the Financial Accounting Foundation, including the FAF’s oversight activities associated with the GASB.

Over the course of the day-and-a-half meeting, GASAC members provided feedback to GASB members and staff on issues associated with several projects, including reporting balances previously recognized as assets and liabilities, financial guarantees, government combinations, and economic condition reporting: fiscal sustainability. The members of the GASAC discussed tentative decisions made by the GASB in these projects and offered input on open questions that the Board will address in the future.

FAF Chairman Jack Brennan and Terri Polley, president of the FAF, briefed members of the GASAC on a study launched by the FAF in May. The independent study is designed to evaluate and analyze the purposes of financial accounting and reporting by state and local governments, including with respect to the role of financial reporting standards and guidelines issued by the GASB in enabling users of governmental financial reports to assess the accountability of reporting governments. Copies of a summary of the study have been distributed to all GASAC members.

GASAC members provided feedback on the financial guarantees project, the objective of which is to consider establishing additional guidance regarding the recognition and disclosure of financial guarantees made and received by state and local governments. GASAC member input related to major project issues, including the various types of financial guarantees that governments make or receive, and the forms of financial reporting display and disclosures that would best meet essential financial statement user needs.

Regarding the government combinations project, members of the GASAC offered input on key issues deliberated and major tentative decisions made by the Board since the project was added to the current technical agenda in December 2010. The project objective is to consider financial reporting requirements for government combinations accomplished through annexation, consolidation, acquisition, and other means. The issues on which the GASAC members provided feedback included how assets and liabilities should be measured and reported when they are obtained in a government combination that does not include financial consideration. The Board plans to issue an exposure draft on the project in April 2012.

In discussing the economic condition reporting: fiscal sustainability project, members of the GASAC provided feedback on the major tentative decisions made by the Board in the project since the March GASAC meeting. These tentative decisions include how to report fiscal sustainability information, the basis and methodology for making projections, the identification, development, and disclosure of assumptions, the projection period, where in the financial report the information should be reported, and which governments should report it. The Board is expected to issue a preliminary views document seeking constituent feedback on the project in the last quarter of 2011.

Finally, members of the GASAC offered input regarding the GASB’s planned communication and outreach activities related to the issuance in July of two exposure drafts containing proposed new standards for pension accounting and financial reporting. These efforts include:

- Plain-language documents.
- A field test.
- Public hearings and user forums.
- Educational webcasts and audio podcasts.
- Media outreach.
- Presentations.
- Communications via social media.

The next GASAC meeting is scheduled for November 10 and 11 in East Elmhurst, New York. Additional information about the projects referenced above is available at www.gasb.org.
Calendar of Events  Register for these events at www.nasact.org.

2011
September 27-30  ■  NSAA IT Workshop & Conference, Denver, CO

2012
March 21-23  ■  NASC Annual Conference, Oklahoma City, OK
April 16-18  ■  Middle Management Conference, Little Rock, AR
June 12-15  ■  NSAA Annual Conference, Madison, WI
August 11-15  ■  NASACT Annual Conference, Seattle, WA

It’s Not Too Late to Register for NSAA IT:
Hotel Deadline Extended to September 2
By Donna Maloy, Conference Manager

The 2011 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, ethical hacking, forensics and much more!

■ Conference Hotel – The Embassy Suites Downtown Denver is a newly opened hotel in the heart of Denver and within walking distance to some of the area’s best entertainment. The negotiated rate for this year’s conference is $141/night. Hurry – the cutoff date is September 2. To make reservations, call (303) 592-1000.
■ Getting There – The Embassy Suites Downtown Denver is located 27 miles from Denver International Airport. Taxi services runs between $60 and $65 each way. 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 (members and other government) for the conference per attendee (the cost is $450 for non-government attendees). 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 is also posted.

Questions about the conference program may be addressed to Sherri Rowland at srowland@nasact.org. Questions about registration or the conference hotel may be addressed to Donna Maloy at dmaloy@nasact.org.
Vermont State Treasurer Beth Pearce welcomed attendees on the opening morning of the conference, Monday, August 15.

Jim Reardon, commissioner of Vermont’s Department of Finance and Management, also provided opening remarks and welcomed attendees to Vermont.

The opening ceremonies included the traditional Presentation of the Colors.

Conference host Thomas M. Salmon saluted the American flag during opening ceremonies, while Rosie Newton of St. Albans, Vermont, sang the National Anthem.

The Monday morning governor’s panel, “Our Times, Our Challenges,” was a highlight of the conference.

On Monday afternoon, Ronald L. Jones (AL, left) was presented with a plaque honoring him with the 2011 William R. Snodgrass Leadership Award. Mr. Jones is shown with David A. Vaudt (IA).
William G. Holland (left), auditor general of Illinois, introduced Ernest Almonte, lifetime member of NASACT and speaker at the Monday afternoon general session.

Jeb Spaulding, Vermont’s secretary of administration (and former state treasurer) participated in a panel on “Effectively Managing Municipal Debt.”

David Walker, founder and CEO of the Comeback America Initiative, was the opening general session speaker on Tuesday morning, August 16.

Suzanne Bump, state auditor of Massachusetts, moderated a session on “Government Reform Initiatives During Economic Crisis.”

Brenda Bolander, state comptroller of Oklahoma and president of NASC, provides input during the Wednesday emerging issues roundtable session.

Glen B. Gainer III, state auditor of West Virginia and NASACT’s immediate past president, gave a presentation about his state’s ERP implementation.
During Wednesday morning’s opening session, John Chiang, state controller of California, discussed the state of public pensions, with a particular emphasis on his state’s system.

Thomas P. DiNapoli, state comptroller of New York, also discussed his state’s pension plan during the Wednesday morning general session.

The final session of the conference on Wednesday, August 17, was an emerging issues roundtable moderated by Martin J. Benison (left, MA) and Harvey Eckert (PA, NASACT lifetime member).

Rebecca Otto, state auditor of Minnesota, offered her perspective during the emerging issues roundtable.

David J. McDermott, state controller of Colorado, and chair of NASACT’s CARA Committee, offered his thoughts on the recently issued GASB exposure drafts on pensions.

Gary Blackmer, director of Oregon’s Division of Audits, provided an overview of Oregon’s first financial condition report.
Gary Jones, Oklahoma’s state auditor and inspector, provided input during the emerging issues roundtable on Wednesday morning.

Marcia Buchanan offered an overview of major changes to *Government Auditing Standards*, which should be issued in its final form later this year.

Brenda Bolander (OK), Martin J. Benison (MA), Paul Dietl (MA), Matthew Gorzkowicz (MA) and Brad Ferland (VT) participated on a panel about ERP systems.

In addition to serving as a conference host, Thomas M. Salmon spoke on a panel about government reform initiatives during tough economic times.

During her session, Kim R. Wallin, state controller of Nevada, discussed single audit recommendations from the President’s Administrative Flexibility Workgroup, on which she served.

Scott Pattison (left), executive director of the National Association of State Budget Officers, was introduced by session moderator David Lillard, Jr., state treasurer of Tennessee.
NASACT Annual Conference Recap

NASACT wishes to acknowledge and thank the Corporate Associates and sponsors who helped make the 2011 NASACT Annual Conference possible.

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Golf Tournament Winners

1st Place – Jason Lutz, Steve Barnett, Tom Barnickel, Richard Noment
2nd Place – Stuart Stickel, Todd Childers, Glen Gainer, Mack Parsons
3rd Place – Tyler Covey, Lauren Covey, Helen Covey, Danielle Covey

5K Fun Run/Walk Winners

Female Runners
1st – Sharon Becker
2nd – Pam Sharp
3rd – Donna Maloy

Female Walkers
1st – Barb Hinton
2nd – Sarah Eby-Ebersole
3rd – Karen Bigelow

Male Runners
1st – Tim Becker
2nd – Stuart Stickel
3rd – Jim Balsan

Male Walkers
1st – Bill Holland
2nd – John Reidhead
3rd – Richard Noment