NASACT 2012: A Year-End Review

As 2012 draws to a close, it is a good time to look back at some of the major initiatives and issues NASACT has been working on this year.

GASB Funding and Standards

In January the U.S. Securities and Exchange Commission posted in the Federal Register a proposal outlining a process to collect a fee to support the Governmental Accounting Standards Board. This proposal was approved on February 23, and the process went into effect immediately. The resolution of a stable source of funding for GASB is the culmination of efforts by a number of parties, including NASACT, over several years.

In 2012 NASACT provided responses to three GASB due process documents. Notable among these was NASACT’s strong response in March to GASB regarding the preliminary views document Economic Condition Reporting: Financial Projections. Although NASACT members agree with GASB that the issue of fiscal sustainability is important for the government financial statement user community, and that forward-looking information such as projections and estimates are desired by decision-makers and stakeholders, they strongly disagree that such information should be included (even as required supplementary information) in a government’s general purpose external financial reporting.

In addition to providing a lengthy written response on the PV, NASACT testified in a GASB hearing on the topic in April, with Richard Eckstrom, comptroller general of South Carolina and president of NASC, testifying on behalf of NASACT.

Also of note, states began implementing Statement 68, GASB’s new pension standard, this year. To allow states to share information during implementation, NASACT formed a Pension Standards Implementation Group, which first met on October 17. This group will hold information sharing sessions via conference call as long as needed to aid states in their implementation efforts. The group includes participation by GASB staff. NASACT will also be holding a webinar on Statement 68 on March 6.

Grant Reform

On April 30 NASACT provided a written response to the U.S. Office of Management and Budget’s advance notice of proposed guidance related to grant reform: Reform of Federal Policies Relating to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (including Single Audit Act). The notice was the result of over two years of discussions and effort undertaken by several federal/state working groups that reviewed improper payments, single audit and the OMB cost circulars. Several NASACT members participated in these work groups and in phone calls and meetings to explore grant reform. Some of the ideas contained in the proposal would constitute the most sweeping changes to the Single Audit Act since it was implemented in 1984. Additionally, the proposal contains amendments to the cost circulars that would modernize cost allocation policies to better fit today’s technological environment. NASACT is awaiting the results of deliberations by OMB on the topics of grant reform and changes to the single audit process and expects the final guidance to be released very soon.

Disclosure in the Municipal Market

In August two important reports examining disclosure in the municipal market were issued. The first, issued by the U.S. Government Accountability Office, examined disclosure practices and the applicability of the Tower Amendment to today’s market environment. The second report, issued by the SEC, was the result of a two-year study of the existing structure and function of the municipal market. The SEC report made a number of legislative and regulatory recommendations of concern to NASACT members, particularly that the SEC be given more oversight of GASB and the disclosure practices of municipal issuers. NASACT responded to the proposal with strong objections to the SEC’s recommendations that it be given specific authority to establish the form and content of financial statements and to designate a private sector body as the GAAP standard setter for municipal issuer financing; such actions would represent a direct infringement on states’ rights and would be a violation of federalism. NASACT advocated an approach focusing on voluntary disclosure efforts. NASACT has formed a task force to specifically explore interim disclosure and will be closely monitoring this issue.

(article continued, next page)
Moody’s Report on Pension Liability, Asset and Cost Info

In early July Moody’s issued a request for comment on proposed adjustments to U.S. state and local government reported pension data. NASACT responded to the request for comment in a letter dated September 27 to express concern about the proposed changes, especially with the confusion they would create as states begin implementing the new GASB pension standards.

Transparency Reporting and the DATA Act

As Recovery Act reporting has wound down, NASACT has been monitoring the progress of the Digital Accountability and Transparency Act, which would require Recovery Act-like reporting for all grants and contracts. NASACT provided input on the original legislation and some positive changes to the draft were made; however, such expanded reporting would represent an enormous undertaking for states, especially since the bill contains no funding provision. It is doubtful that any action will occur on this legislation in 2012, but it is anticipated that similar legislation will be reintroduced in 2013. Better transparency in federal funding continues to be of interest to Congress, the Obama Administration and the public, and NASACT will be monitoring and providing input as proposals are circulated.

AICPA Clarity Standards

NASACT offered a two-part webinar series on the implementation of the American Institute of Certified Public Accountants’ Clarity Standards (on February 29 and May 2). Recordings of these webinars are available in NASACT’s Bookstore at www.nasact.org. Due to the continued confusion surrounding the concept of “group audits,” NASACT will be hosting another webinar on this topic on February 14. The National State Auditors Association has also held two information sharing calls to discuss the Clarity Standards.

Government Benchmarking

On June 29 NASACT signed a contract with The Hackett Group to offer benchmarking services in the areas of finance business processes; HR (including payroll); procurement; and IT. This contract is a continuation of the benchmarking program began in 2005. In October, Oregon signed on as the first state under the new contract, followed by Delaware in December.

More Information

For more information about NASACT’s activities in 2012, view past issues of NASACT News at www.nasact.org.

Examining an Apparent Trend: Member Turnover

NASACT has experienced heavy member turnover in 2012, with many long-time members and leaders of the association retiring or otherwise leaving their posts. The following new members joined the ranks of NASACT in 2012 or will take office at the beginning of 2013 following inaugurations in several states:

State Auditors

- April Renfro, Audit Division Manager, Idaho (replacing Don Berg, effective April 2012)
- Greg Griffin, State Auditor, Georgia (replacing Russell Hinton, effective June 2012)
- Tom Barnickel, Legislative Auditor, Maryland (replacing Bruce Myers, effective December 2012)
- Pola Buckley, State Auditor, Maine (replacing Neria Douglass, effective January 2013)
- Eugene DePasquale, Auditor General, Pennsylvania, (replacing Jack Wagner, effective January 2013)
- John Dougall, State Auditor, Utah (replacing Auston Johnson, effective January 2013)
- Doug Hoffner, State Auditor, Vermont (replacing Tom Salmon, effective January 2013)
- Troy Kelly, State Auditor, Washington (replacing Brian Sonntag, effective January 2013)
- Martha Mavredes, Auditor of Public Accounts, (replacing Walt Kucharski, effective January 1, 2013, until 30 days after the commencement of the legislative session, with a final vote to permanently fill the position by February 8)
- Jan Yamane, Acting State Auditor, Hawaii (replacing Marion Higa, effective January 2013)

State Comptrollers

- Benita Manglona, Director, Department of Administration, Guam (replacing Lourdes Perez, effective February 2012)
- Dean Seki, State Comptroller, Hawaii (replacing Bruce Coppa, effective April 2012)
- Lynn Bajema, State Comptroller, Oklahoma (replacing Brenda Bolander, effective April 2012)
- Dave Mullins, State Comptroller and Director, Finance Division, West Virginia (replacing Ross Taylor, effective June 2012)
- Alan Skelton, State Accounting Officer, Georgia (replacing Greg Griffin, effective July 2012)
- Katherine Ross, Manager, Statewide Accounting and Reporting Services, Oregon (re-organization of comptroller function in state, replacing John Radford, effective August 2012)
- Christopher Knight, Director, Division of Accounting, Delaware (named as NASACT’s representative, effective September 2012)
- Brandon Wolfs, State Controller, Idaho (replacing Donna Jones, effective October 2012)
- Pete Grannis, First Deputy Comptroller (replacing Joan Sullivan, effective November 2012)
- Hari Kadavath, State Accounting Administrator, Nebraska (replacing Michael Keays, effective November 2012)
- Julie Feldman, Acting State Accounting Administrator, Montana (replacing Paul Christopherson, effective January 2013)

State Treasurers

- Lynn Fitch, State Treasurer, Mississippi (replacing Tate Reeves, effective January 2012)
- Jesus Mendez Rodriguez, Secretary, Department of Treasury, Puerto Rico (replacing Sandra Rodriguez Gonzales, effective January 2012)
- Jeffrey Barnette, Treasurer and Deputy CFO, District of Columbia (replacing Lasana Mack, effective July 2012)
- Mark Gordon, State Treasurer, Wyoming (replacing Joe Meyer, effective November 2012)
- Neria Douglass, State Treasurer, Maine (replacing Bruce Poliquin, effective January 2013)
New at www.nasact.org

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

- Results from the cybersecurity survey conducted by the National Association of State Chief Information Officers (results from NASACT members) at www.nasact.org.
- NSAA technical inquiries on the following topics at www.nasact.org/nsaa/technical/index.cfm (members only content):
  - Access to Income Tax Return Information
  - Planning Materiality
- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Payroll Overpayments

Jane Shinn (WV) Wins iPad!

Respondents to the conference topics survey for the upcoming annual conference of the National Association of State Comptrollers were entered into a contest to win a free iPad or a free conference registration. Jane Shinn from the West Virginia Department of Administration was the lucky winner—congratulations Jane!

FAF Seeks Candidates for GASB Chairman

The Financial Accounting Foundation is seeking candidates for the position of chairman of the Governmental Accounting Standards Board. The announcement is posted on NASACT’s website at www.nasact.org/downloads/12_12-GASB_Chair_Recruitment_Brochure.pdf.

Current GASB Chairman Bob Attmore recently announced that he will be retiring on June 30, 2013. Candidates interested in applying for the position should submit their credentials and cover letter along with contact information for five professional references no later than December 24 at www.VoorheesAssociates.com/current-positions.

The GASB chairman is a full-time employee of the FAF and is responsible for leading the GASB’s efforts to develop high-quality standards of accounting and financial reporting for state and local governments. The chairman is appointed by the FAF for one term of up to seven years. The FAF, GASB, and Financial Accounting Standards Board offices are located in Norwalk, Connecticut. Candidates must have strong technical accounting expertise as well as experience with the national scope of state and local government finance and accounting issues at a senior level.

Specific questions about the recruitment process should be directed to Heidi Voorhees at (847) 580-4246.

Excellence in Accountability Awards

State auditors: watch for information soon about entries for the 2013 Excellence in Accountability Awards given by the National State Auditors Association. An email with instructions on how to submit an entry will be forthcoming in mid-January.

Upcoming Information Sharing Calls

January
- NASACT Pension Standards Implementation Group – January 23
  (With participation from members of the American Institute of Certified Public Accountants’ State and Local Government Expert Panel)
- NASC Internal Controls Information Sharing – January 24
- NSAA Human Resources Information Sharing – January 30

February
- NASC Payroll Information Sharing – February 13
- NASC Travel and P-Card Information Sharing – February 20

Get Involved!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
FSOC Recommends SEC Action on Money Market Funds

The Financial Stability Oversight Council (FSOC), created by the Dodd-Frank Wall Street Reform Act to address threats to the stability of the U.S. financial system, is recommending structural reforms to money market funds (MMFs) that could impact state and local governments, despite prior rejection of similar proposals by the Securities and Exchange Commission. SEC Chairman Mary Shapiro previously announced that the Commission would not pursue further action on money market fund reform after determining that a majority of the commissioners would not support a staff proposal to reform the structure of money market funds.

Although the FSOC does not have regulatory authority, it is recommending that the SEC take further action and is posing three alternatives for public comment:

- Require that MMFs retain a floating net asset value (NAV).
- Require that MMFs retain a stable NAV with a NAV buffer and “minimum balance at risk.”
- Require that MMFs retain a stable NAV with a NAV buffer and other measures.

NASACT has joined several other groups in a letter to Treasury Secretary Timothy Geithner, who chairs the FSOC, highlighting the harm any such proposals could have on the ability to finance basic operations. Specifically, of note for state and local governments is the fact that MMFs are used as a secure and efficient means to provide short-term funding for critical infrastructure maintenance and expansion. Additionally, MMFs are the largest investors in short-term municipal bonds, holding approximately $288 billion in assets.

Implementing any of the proposed alternatives would disrupt the existing characteristics of MMFs and may cause many investors to divest a significant percentage of their holdings. For example, if the SEC were to consider changing the NAV from fixed to floating, MMFs would be less attractive to investors, which would thereby limit the availability for money market funds to purchase municipal securities. Losing this vital investing power could lead to higher debt issuance costs for many state and local governments across the country.

Further, many state and local governments invest in MMFs as part of their cash management practices due in part to the fixed NAV found in current money market mutual funds. If the SEC were to adopt a floating NAV for MMFs, many state and local governments would divest a significant percentage of their MMFs and would have to look at competing products that in turn could be more susceptible to market conditions, more difficult to account for and manage, and would have a lower rate of return.

The letter points out that following the 2008 financial crisis the SEC amended its rules by requiring MMFs to hold a higher proportion of the assets in high-quality, highly liquid assets, to diversify even more broadly, and to disclose their holdings monthly. This change made MMFs more transparent, less subject to interest rate risk, more creditworthy, and less susceptible to redemption demand.

Further structural reforms need to be carefully considered at this time as such changes could impede sustained economic growth.

For more information on the recommendations or to comment, visit www.fsoc.gov or www.treasury.gov/initiatives/fsoc/rulemaking/Pages/open-notices.aspx. Comments are due by January 18.

MSRB Requests Comments on Issuer’s Official Statements Proposal

The Municipal Securities Rulemaking Board is requesting public comment on a concept proposal to improve investor access to information about new issues of municipal securities. The MSRB is proposing to increase the availability of preliminary official statements for all investors on its Electronic Municipal Market Access website. The proposal would require brokers, dealers, and municipal securities dealers acting as underwriters of new issues of municipal securities to submit an issuer’s preliminary official statement relating to the new issue, as well as all supplements, to the Eemma website. MSRB’s proposal is intended to elicit comment and input on the benefits and burdens of this potential requirement.

The comment link can be found at www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-61.aspx.

GOVERNING Looks at the Impact of the Fiscal Cliff on the States

GOVERNING magazine recently hosted a webinar to examine the possible ramifications of the budget sequester and the so-called “fiscal cliff.” This webinar, entitled “The Fiscal Cliff and Beyond: What Hangs in the Balance for State and Local Governments,” focused on the specific impact the process would have on state and local governments and on programs (grants, Medicaid, etc.) that rely on federal funds.

Speakers included Michael Wallace, program director for community and economic development at the National League of Cities, and Marcia Howard, executive director at the Federal Funds Information for States.

GAO Finds Surprising Data in State 529 Plans

At the request of the chairman of the Senate Finance Committee, the Government Accountability Office recently released a report detailing the current condition and usage of 529 plans, the state-run accounts that encourage families to save for college. These savings grow tax-deferred and are exempt from federal income tax when they are used for qualified higher education expenses. GAO found over 100 different types of 529 plans throughout the states and specifically interviewed officials from five states: Louisiana, Michigan, Pennsylvania, Utah and Virginia. GAO conducted the study to identify the following data sets and information about 529 plans:

1. The percentage and characteristics of families enrolling.
2. Plan features and other factors that affect participation.
3. The extent to which 529 plans affect financial aid awards.

GAO found that while the total dollar investments in 529 plans had grown over the years, less than three percent of families actually saved in a 529 plan. GAO also found that even among those families who had considered saving for education and treated it as a priority, fewer than one in ten had a 529 plan. To help bolster the ability for families to save, some states have adopted plans that include less risky investments, have low minimum contributions, and match families’ contributions. GAO also found that 529 plans could have an effect on possible financial awards for the college enrollee:

“Distributions from 529 plans owned by parents and/or the student will not be considered as income in the federal expected family contribution (EFC) calculation in future years if they are used for qualified education expenses. However, if a student receives 529 plan distributions from an account owned by someone other than himself or the custodial parent, those funds count as student income and could affect the EFC in subsequent years.” (Emphasis added.)

GAO reported finding 35 states that use the federal methodology for determining the EFC for state aid.

This concern over 529 plans being considered as an asset for financial aid purposes emerged in the interviews that GAO conducted:

“Officials’ opinions varied on whether savings in 529 plans should affect financial aid, but many said families’ concerns that these savings will have an adverse effect are common. One state financial aid official said it would be helpful if 529 plan savings were excluded entirely from the calculation because including them can be a deterrent to saving.”

The full 529 plan report can be found at www.gao.gov/products/GAO-13-64.

The 2012 Census of Governments Is Now Available

The Census Bureau conducted the first Census of Governments in 1957 under the “Census of Governments Act of 1950,” focusing on four components—organization, taxable property values, employment and finance. Today, as authorized by Title 13, United States Code, Section 161, the Census of Governments has three official components—organization, employment and finance—and is conducted every five years for years ending in “2” and “7.” These components provide data on the number of governments that exist, the services they provide, the number and payroll of their employees, and their financial activity. The Census of Governments is the only uniform source of data for all the state and local governments in the United States. Data from this census allow for in-depth trend analysis of all individual governments as well as a comprehensive benchmark of state and local government activity.

On August 30, 2012, the preliminary counts of local governments were released from the first component of the 2012 Census of Governments. This survey collected descriptive information on the basic characteristics of local governments. Data from this survey are used to produce data on the number and types of local government units in the United States and to update and verify the mailing addresses of government units.

Some findings from the 2012 Census of Governments preliminary counts include:

- Illinois leads the nation with 6,968 local governments—an approximately 2,000 more than second-place Pennsylvania.
- Hawaii has 21 local governments, the fewest of any state.
- Texas remains first in the nation with the most independent school districts at 1,079. Closely behind is California with 1,025 independent school districts.
- Seventeen states had more special districts compared with 2007, and 29 had fewer. Five states (including the District of Columbia) had no change.

The preliminary counts for the first component of the 2012 Census of Governments can be found on the Census Bureau’s Governments Division website at www.census.gov.govs/cog2012/cog_organization/prelim_counts.html. Final counts will be issued in September 2013.

The employment component of the 2012 Census of Governments, which began in March of 2012, collects information on the number of state and local government civilian employees and their payrolls. The finance component, which began in September 2012, collects information on revenues, expenditure, assets, debt and pensions.

The information collected in the 2012 Census of Governments is an integral part of the foundation for developing national economic and public policy by measuring public activity.

For more information on the 2012 Census of Governments and statistics about governments, go to www.census.gov/govs/cog2012/.
Association Notes

Member News

Since the November elections, several new appointments made by state legislatures have been announced.

Maine

On December 5, Neria Douglass was elected by the legislature to serve as the state treasurer. Ms. Douglass most recently served as Maine’s state auditor for eight years; it is a term-limited position. She is a certified internal auditor and has a law degree.

Also, Pola Buckley was elected by the legislature to serve as state auditor. Ms. Buckley was previously a principal auditor in the Office of the State Auditor.

The offices each have two-year terms.

Maryland

Thomas J. Barnickel was appointed to serve as the state’s legislative auditor. He was previously deputy legislative auditor, since 1997, and has worked for the Office of Legislative Audits for 35 years. He is a graduate of Loyola College of Maryland and is a certified public accountant. He is an active member of the Peer Review Committee of the National State Auditors Association.

New Hampshire

Cathy Provencher was re-elected to her post as state treasurer by the state’s House and Senate. She has served as state treasurer since January 2007. She is a certified public accountant and has worked for the state of New Hampshire for 24 years.

Comptrollers to Meet in March in Columbia, South Carolina

The National Association of State Comptrollers will hold its thirty-second annual conference in Columbia, South Carolina on March 20-22. The NASC Program Committee is currently working to develop the conference agenda, which will include the customary roundtable sessions, as well as standards updates, legislative updates and more. To submit topics for the roundtable sessions, email Kim O’Ryan at koryan@nasact.org.

See the article on the following page for more information about the hotel and registration fees.

Travel Assistance for NASC Members

Members of NASC will be offered up to $750 of travel assistance to attend the conference. The funds may be used to cover registration, hotel, transportation, or other conference-related costs for any member in good standing or their designee.

Questions

Questions about the conference may be directed to Kim O’Ryan at koryan@nasact.org. Questions about the hotel may be directed to Donna Maloy at dmaloy@nasact.org.

NASC 2013: Schedule of Events

Tuesday, March 19
- NASC Executive Committee meeting
- NASC’s Committee on Accounting and Financial Reporting
- NASC Executive Committee meeting
- Evening reception

Wednesday, March 20
- NASC’s conference, all day
- Reception and banquet

Thursday, March 21
- NASC’s conference, until 3:30 p.m.
- NASC’s business meeting, afternoon

Friday, March 22
- NASC’s conference, ending at around 12:00 noon

Visit www.nasact.org/conferences_training/events.cfm for more information!

NASC 2013: Mark Your Calendar!

Don’t forget to mark your calendar for the 2013 NASC Annual Conference scheduled for August 10-14 in Boston! The conference will be hosted by NASC President Martin Benison, comptroller of Massachusetts, and his co-hosts State Auditor Suzanne Bump and State Treasurer Steven Grossman.

NASC will be once again offering the travel assistance program to help members attend the event. Members in good standing are eligible to receive a free registration (a $700 value) as well as up to $1,000 to help cover hotel, airfare, or other travel-related expenses. Don’t miss it!
Calendar of Events

2013

February 14  ■ Webinar – Group Audits: Case Studies
March 6  ■ Webinar – GASB 68: An Overview and a Focus on Cost-Sharing
          Multiple-Employer Plans
March 19  ■ NASACT Executive Committee Meeting, Columbia, SC
March 20-22  ■ NASC Annual Conference, Columbia, SC
April 17-19  ■ Middle Management Conference, St. Paul, MN
June 11-14  ■ NSAA Annual Conference, Monterey, CA
August 10-14  ■ NASACT Annual Conference, Boston, MA

2014

March 11  ■ NASACT Executive Committee Meeting, Reno, NV
March 12-14  ■ NASC Annual Conference, Reno, NV
August 9-13  ■ NASACT Annual Conference, Santa Fe, NM

Registration Open for Upcoming Conferences
By Donna Maloy, Conference Manager

2013 NASC Annual Conference

The 2013 annual conference of the National Association of State Comptrollers will be held from March 20 – 22 at the Marriott Columbia Hotel in Columbia, South Carolina. The special negotiated room rate is $85 per night (single or double occupancy plus applicable taxes). To book your room, call the Marriott Columbia Hotel at (803) 744-6922 and ask for the NASC Annual Conference group rate.

NASC’s Program Committee, which is chaired by Kim Wallin, state controller, Nevada, is working on the technical program. A draft program agenda will be posted to NASACT’s website in early January.

Registration Fees
• NASACT Member or Member Staff  $300
• Other Governmental Personnel  $350
• Non-governmental Personnel  $550
• Guest  $150

2013 NASACT Middle Management Conference

The 2013 NASACT Middle Management Conference will be held April 17-19 at the Saint Paul Hotel in Saint Paul, Minnesota. The special negotiated room rate is $121 per night single or double occupancy plus applicable taxes. To book your room, call the Saint Paul Hotel at (651) 292-9292 and ask for the NASACT Middle Management Conference group rate.

The planning committees consisting of the NSAA Auditor Training Committee, chaired by Glen Fowler (CA), and the NASC Middle Management Committee, co-chaired by Jeanine Kuwik (MN) and Lisa Pusich (AK), have begun working on the conference program. Topics being considered include innovative uses of technology; public speaking; ethics; writing; the fraud triangle; leadership; an update from the Governmental Accounting Standards Board; several roundtables; and other relevant topics.

Registration Fees
• Government Personnel  $425
• Non-government Personnel  $525

To register for these conferences, visit NASACT’s website at www.nasact.org.