



Executive Committee to Meet in March By Glenda Johnson, Communications Manager

NASACT's Executive Committee will hold its next meeting on Tuesday, March 19 from 8:00 a.m. through 12:00 noon Eastern time. The meeting will be held in Columbia, South Carolina, in conjunction with the 2013 annual conference of the National Association of State Comptrollers. The committee will hear reports from NASACT's strategic and administrative committees (recent committee activities are highlighted below).

Annual Conference Committee

Chaired by President Martin Benison, comptroller of Massachusetts, this committee is beginning to develop the technical agenda for the upcoming 2013 NASACT Annual Conference, scheduled for August 10-14 in Boston. The annual conference topics survey will be sent to members soon.

Committee on Accounting, Reporting and Auditing (CARA)

Co-chaired by David McDermott, state controller of Colorado, and Randy Roberts, from the Arizona Office of the Auditor General, the CARA continues its regularly scheduled quarterly conference calls. The committee has most recently focused on states' efforts to implement the new pension standards issued by the Governmental Accounting Standards Board. To aid in this effort, the CARA formed a sub-group called the Pension Standards Implementation Work Group, co-chaired by Ed Carter, state comptroller of New Hampshire, and Greg Griffin, state auditor of Georgia.

Financial Management and Intergovernmental Affairs Committee (FMIAC)

Chaired by Clark Partridge, state comptroller of Arizona, the FMIAC has been quite busy during the past year. The committee

has been examining issues including tax reform, recent initiatives from the U.S. Securities and Exchange Commission, and grant reform initiatives of the U.S. Office of Management and Budget.

Notably, the committee has established a Continuing Disclosures Task Force co-chaired by Kim Wallin, state controller of Nevada, and Colin McNaught, assistant treasurer for debt management from Massachusetts. The task force will examine continuing disclosure and how information may be made available to current and future municipal bond investors on an interim basis.

Also of note, NASACT recently co-signed a letter with the National Governors Association and other state and local groups urging the President and Congress to retain the municipal bond tax exemption during year-end negotiations to avert the fiscal cliff. The letter can be found at www.nasact.org/downloads/CRC/LOC/12_20_12-Muni_Bonds.pdf.

Membership Committee

Chaired by Rebecca Otto, the committee will review a list of new members and detail outreach efforts planned for the spring and summer.

Association Administration

In addition to hearing reports from strategic committees, the Executive Committee will hear from NASACT's administrative committees: Personnel, Budget, Strategic Plan and Time and Place. These committees are responsible for various aspects of the management of the association.

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NASACT Continues and Expands Travel Assistance Program in 2013

The NASACT Travel Assistance Program is open to members in good standing and to *all new* state auditors, comptrollers or treasurers. The benefit may be used by the principal member or his or her designee.

2013 NASC Annual Conference - March 20-22, Columbia, South Carolina

- Comptrollers (or their designees) are eligible for up to \$750 in travel assistance.

2013 NSAA Annual Conference - June 12-14, Monterey, California

- Auditors (or their designees) are eligible for up to \$750 in travel assistance.

2013 NASACT Annual Conference - August 10-14, Boston, Massachusetts

- Travel assistance to the NASACT conference has been expanded this year! State auditors, comptrollers and treasurers (or their designees) will receive a free registration (a \$750 value) *and* are eligible for up to \$1,000 in travel assistance.

Association Notes

NASACT Announces 2013 Webinars!

NASACT is pleased to announce two webinars coming up soon. Register for each of these events at www.nasact.org.

February 14: Group Audits

The purpose of this webinar is to help state auditors understand the new requirements and guidance for group audits contained in the Clarity Standards recently released by the American Institute of Certified Public Accountants. Randy C. Roberts, senior technical director with the Arizona Office of the Auditor General and former member of the AICPA Auditing Standards Board, will present the webinar, which will provide an opportunity for discussion and questions regarding:

1. An overview of how the group audits standard affects the financial statement audit process.
2. Case studies related to identifying components, determining significant components, and applying component materiality.

March 6: A Focus on GASB Statement No. 68

Governmental Accounting Standards Board Chairman Robert Atmore and Project Manager Michelle Czerkawski will join us to discuss GASB's recently issued standards related to reporting

requirements for pension plans. The webinar will focus on the key changes in employer accounting and financial reporting that will result from implementation of Statement No. 68:

- Revisions to requirements for measurement of liabilities for pension obligations, including changes to the determination of the discount rate.
- New requirements for the measurement of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.
- The impact of the new requirements on information reported by governments participating in cost-sharing multiple-employer plans, including the determination of the portion of the net pension liability to be recognized by cost-sharing employers.
- The effect of special funding situations on employer reporting.

Specific attention will be provided to the impact of the financial reporting implications on governments participating in cost-sharing multiple-employer plans (e.g., local governments, school districts, etc.).

These webinars are provided by NASACT, in conjunction with the Association of Government Accountants and the Association of Local Government Auditors. ■



February 14

Group Audits: Case Studies

March 6

GASB's Pension Accounting and Financial Reporting Standards: A Focus on Statement No. 68

CPE (each): Two credits

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

Register: Register today or find more details at www.nasact.org!

Executive Committee (continued from page 1)

- **Personnel:** Chaired by President Benison, the committee will soon review and approve personnel and salary recommendations for 2013.
- **Budget:** Chaired by Richard Ellis, state treasurer of Utah, the committee will present a draft FY 2014 budget for review and approval.
- **Strategic Plan:** The committee is chaired by James Lewis, state treasurer of New Mexico. The committee recently distributed the 2013 Membership Satisfaction Survey to members. The committee will soon examine the results of the survey and conduct a three-year review of NASACT's

strategic plan during a meeting scheduled for February 13. Results from that meeting will be carried forward to the Executive Committee for consideration.

- **Time and Place:** Chaired by William G. Holland, auditor general of Illinois, the committee will recommend a location for the 2015 NASACT Annual Conference.

More Information

A synopsis of the March NASACT Executive Committee meeting will be made available in the April issue of *NASACT News*. Past meeting minutes are available to members at www.nasact.org/nasact/committees/executive/index.cfm; a complete committee roster is also available at this link. ■

Association Notes

NASC to Meet in Columbia in March

By Kim O’Ryan, NASC Association Manager

The National Association of State Comptrollers will hold its thirty-second annual conference in Columbia, South Carolina on March 20-22, 2013.

Kim Wallin, state controller of Nevada, is working with the Program Committee to develop a program to meet the needs and interests of respondents to the NASC conference topics survey.

The program will include a state budget update from Scott Pattison, executive director of the National Association of State Budget Officers. Representatives from the Governmental Accounting Standards Board are also scheduled to provide an update and Norman Dong, deputy controller of the Office of Federal Financial Management, U.S. Office of Management and Budget, will discuss OMB’s recent activities. Additional sessions will feature pension accounting, cloud computing, transparency portals, grants management and fraud, and other relevant topics. The program will also include a roundtable each day of the conference (see below for topics).

Hotel and General Information

The conference hotel is the Marriott Columbia. The room rate is \$85 (single or double, plus taxes). **The cut-off date to receive this rate is March 1, 2013.** After this date, rooms will be offered on a space- and rate-available basis only. To book, call (803) 771-7000 and reference the NASC Annual Conference.

The registration fees are:

- NASACT members and staff: \$300
- Other governmental personnel: \$350
- Non-governmental personnel: \$550
- Spouse or guest: \$150

Please visit www.nasact.org to find more information about the hotel, the host city, registration and other information.

Questions?

Questions about the program may be directed to Kim O’Ryan (koryan@nasact.org); questions about the hotel may be addressed to Donna Maloy (dmaloy@nasact.org). ■

NASC 2013 Schedule of Events

Tuesday, March 19

- NASACT Executive Committee
- NASC Committee on Accounting and Financial Reporting
- NASC Executive Committee

Wednesday, March 20

- Conference Sessions
- Comptroller’s Roundtable–Federal/State Issues:
 - Continuous Disclosure
 - SWCAP
 - Health Insurance Exchanges
 - Treasury Offset Program

Thursday, March 21

- Conference Sessions
- Comptroller’s Roundtable–Operational Effectiveness:
 - Pension Accounting
 - Flexible Benefit Reimbursements
 - Cloud Services
 - Faster CAFR
 - Financial Guarantees
- NASC Business Meeting

Friday, March 22

- Conference Sessions
- Comptroller’s Roundtable–General Topics:
 - Electronic Payment Programs
 - Training: Accounting Policies and new GASB Statements
 - Managing Customer Expectations

Travel Assistance

\$750 of travel assistance will be made available to state comptrollers or their designees (members in good standing or new state comptrollers) to attend. Reimbursements will be made following the conference.

Call for Resolutions

Resolutions for consideration at the NASC annual conference should be sent to Resolutions Committee Chair John Reidhead (UT) at jreidhead@utah.gov or Kim O’Ryan at koryan@nasact.org. Please send resolutions **by Friday, March 1.**

Call for Roundtable Topics

Suggested topics are still being accepted for the three roundtable sessions. Please email topics to Kim O’Ryan at koryan@nasact.org **by Friday, March 8.**



New at www.nasact.org

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

- Gerry Boaz's observations of the October 2-4, 2012 meeting of the Governmental Accounting Standards Board at www.nasact.org/nasact/positions/GASB.cfm.
- NSAA technical inquiries on the following topics at www.nasact.org/nsaa/technical/index.cfm (members only content):
 - Performance Audit of Medicaid Pharmacy Services
 - 2012 Medicaid Cluster
- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
 - Direct Deposit
 - Fringe Benefit for Meals
 - State Rental Space

NASACT Signs Contracts With Vendors to Offer Benchmark-Related Consulting Services

On January 3, 2013 NASACT signed contracts with Accenture, First Data, Grant Thornton, MAXIMUS, and Plante & Moran for benchmark-related consulting services. To see the contracts or learn more about NASACT's Benchmarking Project, visit www.nasact.org/nasact/benchmarking/rfpcontract.cfm.

NSAA Is Now Accepting Entries for Excellence in Accountability Awards

The NSAA Excellence in Accountability Awards Committee is now accepting submissions for the 2013 Excellence in Accountability Awards. It is through programs like this one, which recognizes quality government audit efforts, that NSAA remains one of the premier organizations for state auditors.

Awards will be given in four categories:

1. Performance audits (large – 2,500 audit hours or more).
2. Performance audits (small – less than 2,500 audit hours).
3. Forensic reports.
4. Special projects.

Submissions are due by 5:00 p.m. Eastern time on Thursday, February 28, 2013. Award winners will be recognized at the NSAA annual conference in June in Monterey, California.

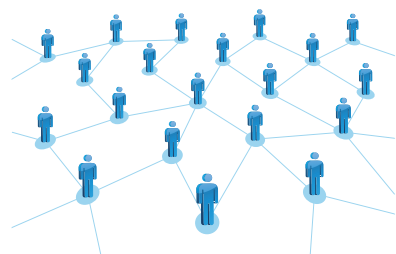
Please note: all entries must be submitted electronically. To view the complete criteria information and the entry form, visit www.nasact.org/nsaa/awards_recognition/criteria.cfm.

Volunteers Needed for Judging!

NSAA is also seeking volunteers to help in the judging process for the Excellence in Accountability Awards. Judges can be NSAA principals or their designees.

Please note that judges are not eligible to submit an entry in a category in which they are participating as a judge.

Those interested in participating as a judge should email Sherri Rowland at srowland@nasact.org or call her at (859) 276-1147.



Get Involved!

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

Upcoming Information Sharing Calls

January

- NSAA Human Resources Information Sharing – January 30

February

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

March

- NASACT Committee on Accounting, Reporting and Auditing – March 5

April

- NSAA Human Resources Information Sharing – April 24
- NASC Internal Controls Information Sharing – April 25

SEC Releases Investor Bulletin on Municipal Bond Risk and Credit Rating Agency Report

The U.S. Securities and Exchange Commission's Office of Investor Education and Advocacy has released an Investor Bulletin on the credit risk associated with investing in municipal bonds. The four-page bulletin featured some basic questions and answers, such as "what are municipal bonds?" and "what are credit ratings?" The bulletin also delved into more complex issues such as the factors that investors should consider when assessing the credit risk of municipal bonds. The bulletin focused on three key points regarding making an investment decision:

- Investors should carefully read the official statement describing the general obligation bond.
- Investors should carefully read the official statement describing the revenue bond, and understand both the identity of the conduit borrower, if any, and what revenues

- are actually pledged to back the bond.
- Credit ratings are not investment advice, guarantees of credit quality or of future credit risk, or indications that an investment is suitable. They are designed to address only one aspect of an investment decision—credit risk. Investors may not agree with the credit rating.

The full investor bulletin can be found at www.sec.gov/investor/alerts/municipalbondsbulletin.pdf.

The SEC also recently released a long-awaited staff report focusing on credit rating agencies and their effects on the municipal market. This report was required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which tasked the SEC with finding improvements to the regulation of Nationally Recognized Statistical Rating Organizations, i.e. Moody's, Standard and Poor's, etc.

The full SEC report can be found at www.sec.gov/news/studies/2012/assigned-credit-ratings-study.pdf. ■

GAO Calls for More Transparency in Medicaid Supplemental Payments

The U.S. Government Accountability Office ended 2012 with the release of a report examining improper supplemental payments in Medicaid. The report, entitled "More Transparency of and Accountability for Supplemental Payments Are Needed," focused specifically on states' disproportionate share hospital (DSH) payments, since states are required to submit audits and reports to the Centers for Medicare and Medicaid Services (CMS) as a condition for receiving federal funds for their DSH payments. GAO found that:

- Forty-one states made DSH payments to 717 hospitals that exceeded the individual hospitals' uncompensated care costs

- as calculated by the auditors.
- Nine states did not accurately calculate the uncompensated care costs of 206 hospitals in those states for the purposes of making DSH payments.

GAO recommended that Congress should consider requiring the administrator of CMS to improve state reporting of non-DSH supplemental payments, including requiring annual reporting of payments made to individual facilities and other information that the agency determines is necessary to oversee non-DSH supplemental payments. GAO also recommended that CMS require states to submit an annual independent certified audit verifying state compliance with permissible methods for calculating non-DSH supplemental payments.

The full GAO report can be found at www.gao.gov/products/GAO-13-48. ■

Latest Bond Buyer Webinar Focuses on Municipal Disclosure

The *Bond Buyer*, Source Media and Orrick held a webinar recently to examine the topic of municipal disclosure and its effects on state and local government finances. The webinar, entitled "Raising the Bar for Municipal Disclosure: How New Federal Requirements and Investor Demands Are Reshaping the Landscape," looked at the new municipal market incentives and penalties being promoted by entities such as the U.S. Securities and Exchange Commission and buy-side financial advisors. The webinar addressed:

- The mechanics of disclosure: what needs to be disclosed, when, and what is the best way to ensure that investors get the news?
- How the SEC's role in the municipal bond market was transformed by the Dodd-Frank Act and what changes are still to come.
- What is the Municipal Securities Rulemaking Board and why is it more important for issuers?
- Tips on how to develop and implement best practices for disclosure.

The webinar can be viewed at www.bondbuyer.com/webinars/-1045964-1.html?st=Pmail&s=nogo. ■



January 2013

Statement 69 on Government Combinations and Disposals of Government Operations Issued

The Governmental Accounting Standards Board recently issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement addresses accounting and financial reporting topics related to government combinations, commonly referred to as mergers and acquisitions, and disposals of government operations that have been transferred or sold.

Statement 69 provides accounting and financial reporting guidance specifically intended for the government environment to address its unique conditions and circumstances. Specifically, the new statement provides guidance for identifying types of government combinations to assist governments in applying the accounting and financial reporting requirements in a consistent manner. Under the new pronouncement, the term government combinations refers to three types of government combinations: government mergers, government acquisitions, and transfers of operations.

Government Mergers

Statement 69 defines a government merger as a government combination of legally separate entities in which insignificant or no financial consideration is exchanged and which includes one of the following:

- Two or more governments, or a government(s) and a nongovernmental entity, cease to exist as legally separate entities and are combined to form one or more new governments.
- One or more legally separate governments or nongovernmental entities cease to exist and their operations are absorbed into, and provided by, one or more continuing governments.

Under a government merger, assets, liabilities, and other items are combined at their carrying value. New and continuing governments will now measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the merger date at the carrying values as reported in the separate financial statements of the merging entities. The beginning net position of the merged government results from combining the carrying values of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the separate entities. However, governments may elect to adjust some carrying values to bring the accounting principles of the merging entities into alignment. Adjustments may also need to be made for asset impairments that result from the merger.

Government Acquisitions

Statement 69 defines a government acquisition as a government combination in which a government acquires another entity, or the operations of another entity, in exchange for the payment of significant consideration. The acquired entity or operation becomes part of the acquiring government's legally separate entity.

The date on which the acquiring government obtains control of the assets and becomes obligated for the liabilities of an acquired entity or its operations is the acquisition date. The acquiring government will measure the acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources—with certain exceptions—at acquisition value as of the acquisition date. As defined in Statement 69, acquisition value is a market-based entry price.

Consideration provided by the acquiring government is measured at the acquisition date as the sum of the acquisition values of the assets remitted or liabilities incurred to the former owners of an acquired entity. Negative net position of an entity recognized in a government merger or a transfer of operations that does not include the exchange of significant consideration (a net liability assumed by the combined government) does not constitute consideration given for purposes of the statement.

Transfers of Operations

Statement 69 also provides accounting and financial reporting guidance for combinations that occur in the government environment that do not involve combinations of legally separate entities and in which no significant consideration is provided. These arrangements are combinations that include transfers of operations to continuing governments or that form the basis of new governments.

The statement defines a transfer of operations as a government combination involving the operations of a government or nongovernmental entity, rather than a combination of entire legally separate entities, and in which no significant consideration is exchanged. An operation is defined as an integrated set of activities with associated assets and liabilities that is conducted and managed for the purpose of providing identifiable services.

Because transfers of operations are entered into by governments for similar reasons as government mergers, similar measurements (that is, carrying values) are applied for these arrangements.

Disposals of Governmental Operations

Statement 69 provides guidance for disposals of government operations that have been transferred or sold. Upon the disposal of operations, governments recognize a gain or loss, which is reported as a special item in the period in which the disposal occurs.

Disclosures

For each government combination, governments will include in the notes to the financial statements in the period in which a combination occurs a brief description of the government combination, the date of the combination, and the primary reasons for the combination.

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- **Government Mergers and Transfers of Operations**

New governments or continuing governments will disclose the amounts recognized as of the merger date or the effective transfer date for total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources, and total net position by component. These governments also will disclose a brief description of the nature and amount of significant adjustments made to bring into alignment the individual accounting policies or to adjust for impairment of capital assets resulting from the merger or transfer.

- **Government Acquisitions**

In the period in which an acquisition occurs, an acquiring government will disclose a brief description of the consideration provided, the total amount of net position acquired as of the date of acquisition, and a brief description of contingent consideration arrangements (that is, consideration that will be provided if certain events take place in the future) including the basis for determining the amount of payments that are contingent.

- **Disposals**

A government will briefly describe the facts and circumstances leading to the disposal of its operation. The government will also identify and disclose the disposed operation's total expenses, revenues, and non-operating revenues and expenses of the period, if this information is not presented elsewhere in the government's financial statements.

Effective Date

The requirements of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Early application is encouraged.

Additional information on Statement 69, including the full text and related resources, is available at www.gasb.org.

GASB Requests Input on Questions for Comprehensive Implementation Guide

The GASB staff is preparing the annual update of the *Comprehensive Implementation Guide* and is seeking input for new questions to include in the next edition. The guide was developed to assist in the implementation and ongoing application of a number of GASB pronouncements. Annual updates to the *Comprehensive Implementation Guide* include changes that result from new standards that are issued and answer additional questions that arise that the GASB believes have broad applicability and that clarify, explain, or elaborate on an underlying pronouncement.

If you have encountered an issue that you believe should be addressed in the 2013–2014 edition of the guide, please send a description of the issue to Michelle Czerkawski at mlczerkawski@gasb.org by February 28. Please indicate in your e-mail subject line that the question is a suggestion for the *Comprehensive Implementation Guide*.

Recent GASB Activity

The GASB met in Norwalk, Connecticut, on November 28–30, 2012, and January 8–10, 2013, and via teleconference on December 17, 2012.

Nonexchange Financial Guarantees

The Board deliberated issues raised by respondents related to the scope of the exposure draft, *Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions*. After considering respondent comments on the exclusion of exchange transactions, the Board tentatively affirmed that the final statement should retain this exclusion in the scope section. In addition, after discussing examples of financial guarantees that have characteristics of both nonexchange and exchange transactions, the Board tentatively decided that the final statement should exclude exchange-like transactions.

The Board also discussed issues raised by respondents related to nonexchange financial guarantees of obligations of legally separate entities that are not recognized as liabilities by the legally separate entity. After considering those issues, the Board tentatively affirmed that the final statement should retain the inclusion of these nonexchange financial guarantee transactions. The Board discussed requests by respondents to include clarification of various transactions within the scope of the final statement. These transactions included moral obligations, joint and several obligations, and pledges of future revenues. After considering the respondent comments, the Board tentatively decided that:

- Only nonexchange guarantees that require the guarantor to indemnify a third-party entity, under specified conditions, should be within the scope of the final statement.
- Joint and several obligations should not be within the scope of the final statement.
- The final statement should clarify that pledges of future revenues are not financial guarantees, as they are contingent upon the collection of the future revenues.

After discussion, the Board tentatively affirmed that the final statement should retain the requirement to consider qualitative factors in relation to the issuer of a guaranteed obligation when assessing the likelihood that a payment will be made in relation to a nonexchange financial guarantee.

After discussing concerns raised by respondents related to the proposed requirement that guarantors recognize a guarantee liability when qualitative factors indicate that it is more likely than not that the guarantor will be required to make a payment on a nonexchange financial guarantee, the Board tentatively affirmed that the final statement should retain this proposal. The Board also tentatively affirmed the requirement to measure a nonexchange financial guarantee liability as the best estimate or the minimum amount within a range if no amount within that range is a better estimate than any other amount.

The Board then discussed issues related to reporting nonexchange financial guarantee expenses/expenditures and

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tentatively agreed to provide guidance indicating that guarantee payments should be reported in the same manner as financial assistance payments to other entities.

Finally, the Board discussed issues related to the proposed requirements for recognition and measurement of nonexchange financial guarantees by a government that has issued a guaranteed obligation. The Board tentatively agreed to retain with certain changes the proposed guidance specifying that a government that has issued an obligation that is backed by a nonexchange financial guarantee should not recognize revenue or a reduction in its liabilities until legally released as an obligor from the guaranteed obligation.

Fair Value—Measurement and Application

The Board tentatively agreed that the project should be limited to assets and liabilities that are already measured at fair value and to investment assets that have not been measured at fair value.

Next up for consideration were application issues related to the topic of fair value and its incorporation into the existing body of GASB literature. The Board regarded how fair value meets the qualitative characteristics of information in financial reporting as described in GASB Concepts Statement No. 1, *Objectives of Financial Reporting* (understandability, reliability, relevance, timeliness, consistency, and comparability), and tentatively agreed that fair value measures for investments are consistent with the qualitative characteristics of information in financial reporting.

The Board tentatively agreed to propose that lending assets (1) that are held primarily for the purpose of income or profit and (2) that have present service capacity based solely on their ability to generate cash, to be sold to generate cash, or to procure services for the citizenry (the proposed definition of an investment), should be classified as investments.

The Board tentatively agreed to propose that, consistent with the other tentative decisions, mortgage loans meeting the proposed definition of an investment asset should be classified as such. Those that are a direct government service should be classified as loans receivable. In addition, the Board tentatively decided to propose that, consistent with previous tentative decisions in this project, lending assets that are classified as investments should be measured at fair value.

The final issue discussed was donated capital assets—and whether these assets should continue to be measured at fair value or at acquisition value, which is defined as a market-based entry value. Consonant with its belief that an entry value is more appropriate than an exit value for capital assets received through donation and to maintain consistency with Statement No. 69, *Government Combinations and Disposals of Government Operations*, the Board tentatively decided to propose that donated capital assets be measured at acquisition value.

Conceptual Framework—Recognition and Measurement Approaches

The Board continued its discussion of concepts for recognition of elements of financial statements and measurement approaches. The Board tentatively agreed that the concept of significant external barriers to realization also should be extended to

assets. The Board acknowledged that in some circumstances, a significant external barrier to realization of a remeasured amount could be reflected in the determination of a remeasured amount, rather than considered to be the reason why a remeasured amount would not be appropriate. The Board requested that the project staff further evaluate this issue.

The Board tentatively agreed that the timing of the issuance of an exposure draft from the measurement approach portion of this conceptual framework project should be linked to the issuance of an exposure draft on measurement and application of fair value. At the Board's request, the project staff will develop and evaluate technical agenda alternatives that would maintain the linkage between the issuance of the exposure drafts in both projects.

As a result of its discussion of the draft language for the measurement approaches section, the Board tentatively decided that it should reconsider the objectives of the measurement approaches section. The options could include limiting the objectives to be more consistent with that of other standards setters or expanding the conceptual guidance on when either initial amounts or remeasured amounts are more applicable to all types of assets and liabilities, possibly acknowledging for some types of assets or liabilities that this determination only should be made in setting standards.

Following discussion of which specific measurement attributes should be presented in the forthcoming exposure draft on measurement concepts, the Board tentatively decided that the term measurement attribute would be used within the exposure draft and that a footnote indicating that certain other standards setters have used the term measurement basis to refer to the same aspect of measurement. Subsequently, the Board tentatively decided to include the following five measurement attributes in the proposed concepts statement: historical cost, fair value, acquisition value, settlement amount, and replacement cost. These measurement attributes were tentatively defined as follows:

- **Historical Cost (Proceeds)**—The amount paid to acquire an asset or the amount received pursuant to the incurrence of a liability in an actual exchange transaction.
- **Fair Value**—The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- **Acquisition Value**—The price that would be paid to acquire the service potential the entity will obtain from an asset in an orderly market transaction at the acquisition date.
- **Settlement Amount**—The amount at which an asset could be realized or a liability could be liquidated with the counterparty, rather than through an active market.
- **Replacement Cost**—The price that would be paid to acquire the service potential the entity will obtain from an asset in an orderly market transaction at the measurement date.

At the request of the Board, the project staff is continuing to evaluate these measurement attributes and is developing for Board consideration a discussion of benefits and drawbacks to the use of these measurement attributes.

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GAAP Hierarchy

In its project on the hierarchy of generally accepted accounting principles (GAAP), the Board discussed the potential methods to be used when conducting the analysis of the *Comprehensive Implementation Guide* (CIG) on an individual question-and-answer (Q&A) basis. The methods primarily differed in terms of overall approach:

- Characterize Q&As as authoritative only if they possess characteristics of authoritative literature.
- Characterize Q&As as authoritative unless they only contain guidance that is directly stated in the related pronouncements or is illustrative.

Considering that under the existing GAAP hierarchy, the CIG is considered authoritative, the Board tentatively decided to use the latter method.

Board deliberation then addressed alternatives for the presentation of nonauthoritative literature and whether specific nonauthoritative sources should be more influential or be given preference over others. The Board tentatively agreed that compliance with GASB concepts statements prior to all other nonauthoritative literature should not be mandatory, as this requirement would create a definitive hierarchy within the nonauthoritative literature. The Board next discussed and tentatively agreed to eliminate the example that states that GASB concepts statements are normally more influential than other nonauthoritative sources since it did not add clarity to the evaluation of appropriateness of nonauthoritative literature.

Addressing the wording of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, the Board tentatively agreed to propose an amendment to clarify that nonauthoritative guidance should not conflict with or contradict authoritative GAAP for governments.

The Board concluded its discussion by considering the appropriate method of incorporating existing GASB technical bulletins into authoritative literature. The Board tentatively agreed to propose incorporating existing GASB technical bulletins by reference, in a manner similar to that used to incorporate National Council on Governmental Accounting statements and interpretations into authoritative literature.

Other Postemployment Benefits (OPEB)

Continuing its discussion on the items to be included in the projection of benefits for the measurement of an employer's OPEB liability in a defined benefit OPEB arrangement, the Board addressed the effects of future events that impact the ultimate benefits that may be paid to a beneficiary. The Board tentatively

decided that OPEB that is based on a formula that includes the effects of future events should include the effects of these future events in the projection of benefits for the measurement of an employer's OPEB liability.

Next, the Board discussed the effect of compensated absences on an employer's OPEB liability, and whether the guidance in Statement No. 16, *Accounting for Compensated Absences*, should be continued. Specifically, the Board considered the requirement to include accrued sick leave that may only be used to receive additional service credits, and the requirement not to include an employer's payment to a third party to satisfy an accrued sick leave liability in the projection of an employer's OPEB liability for a defined benefit OPEB arrangement. The Board tentatively decided to make no change to these requirements.

The Board tentatively agreed on the inclusion of taxes or other assessments on providing OPEB benefits in the projection of benefits for the measurement of an employer's OPEB liability.

The discussion then focused on issues related to the discount rate to be used to calculate the present value of projected future OPEB in the measurement of an OPEB liability. The Board tentatively decided to propose that the discount rate used in the measurement of an OPEB liability be the single rate reflecting:

1. The long-term rate of return on plan investments that are expected to be used to finance the payment of benefits, to the extent that:
 - The plan's fiduciary net position is projected to be sufficient to make projected benefit payments.
 - Plan assets are expected to be invested using a strategy to achieve that return.
2. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent the conditions in (1) are not met.

Finally, the Board discussed the effect of the use of an irrevocable trust on the measurement of an employer's OPEB liability. Specifically, the Board considered the ability of a trust to return assets to the employer in circumstances in which assets accumulated in the trust are in excess of the projected benefits to be paid. The Board tentatively decided to propose that trusts that allow excess assets to be returned to the employer when the total OPEB liability has been legally defeased should be considered a trust in the measurement of an OPEB liability. Trusts that allow assets accumulated in excess of the present value of projected benefits to be paid to be returned to the employer, however, should not be considered a trust in the measurement of an OPEB liability. ■

NASACT and GASB Due Process

NASACT, through its Committee on Accounting, Reporting and Auditing, responds to exposure drafts and technical documents from the Governmental Accounting Standards Board. To see NASACT responses to GASB, visit www.nasact.org/nasact/positions/GASB.cfm. To join the committee and participate in this process, email Kim O'Ryan at koryan@nasact.org or Sherri Rowland at srowland@nasact.org.

Association Notes

Member News

NASACT welcomes several new members who have taken office recently.

Maine



In January, **Pola Buckley** began her first term as Maine's twentieth state auditor. She earned an M.B.A. from Thomas College and a B.S. from Boston College. Ms. Buckley is a certified public accountant and holds a worldwide credential in electronic information systems auditing. As a Boston College graduate she received training in the philosophy of service to others.

She has been employed by Maine's Department of Audit since March 2000, most recently as a principal auditor. Her attention has been focused on the state's financial statements, information systems, and federal programs administered by the state such as Medicaid, Unemployment Insurance, and Highway Planning and Construction.

Ms. Buckley worked as a financial and systems consultant to Maine's rural paper industry from 1993 to 2000 during a period of significant corporate reorganizations. She was the chief financial officer of a manufacturing company employing 150 people in Androscoggin County from 1988 to 1993.

Prior to 1988, Ms. Buckley worked ten years for Kimberly-Clark Corporation, a Fortune 500 corporation, working initially as a cost analyst and then promoted to supervisor of cost analysis, business analyst, and to financial manager.

Pennsylvania



Eugene A. DePasquale became Pennsylvania's fifty-first auditor general on January 15, 2013.

In the six years that Mr. DePasquale served in the state House of Representatives, he became known as a leading voice for government reform and accountability. He was the first legislator to post his expenses online, refused pay raises, returned unused expenses to the state budget, and led efforts to end special privileges for legislators, like private car leases. In 2012, he won a six-year battle to pass a statewide ban on texting while driving. In 2008, his Alternative Energy Investment Act became law and has since helped consumers save money, create jobs and lead to a more diversified and clean energy portfolio for the state.

Before being elected to the state House of Representatives, Mr. DePasquale served as Governor Ed Rendell's deputy secretary in the Department of Environmental Protection. He led the recruitment of Gamesa, the world's second largest wind company, to locate its headquarters and manufacturing plants in Pennsylvania.

Mr. DePasquale earned his undergraduate degree at the College of Wooster (Ohio). He received a master's in public

administration from the University of Pittsburgh and a his law degree from Widener University's evening division.

Utah



John Dougall took office as state auditor of Utah on January 7.

Prior to his election as state auditor, he worked as an electrical engineer and a businessman. He served in the state House from 2003 until his appointment as state auditor.

Mr. Dougall earned an M.B.A., an M.S. and a B.S. (electrical engineering) from Brigham Young University.

Virginia



Martha Mavredes was confirmed on January 15 by the Virginia House and Senate as the state's next auditor of public accounts.

She previously served as the deputy auditor of public accounts and as specialty team leader for the Reporting and Standards and Higher Education specialty teams. Prior to joining the Office of the Auditor of Public

Accounts in 1984, she worked at Peat, Marwick, Mitchell & Co. (now KPMG) on local government and banking audits.

Ms. Mavredes is an active participant in the National State Auditors Association, serving on multiple committees and work groups. She has served as team member, team leader, and concurring reviewer in the NSAA Peer Review Program.

Vermont



Doug Hoffer recently took office as state auditor of Vermont. Mr. Hoffer was educated at Williams College (B.A.) and SUNY Buffalo School of Law (J.D., Magna Cum Laude).

Mr. Hoffer came to Vermont in 1988 to work in Burlington's Community and Economic Development Office. He left City Hall in 1993 and was a self-employed policy analyst for 19 years. Over the years, Doug provided considerable pro bono policy guidance for legislators dealing with economic development and related tax policies, the livable wage, and the benefits of strategic import substitution.

In 1994, Mr. Hoffer was appointed by the mayor and City Council to the Burlington Electric Commission, which oversees the municipal electric utility. He served for six years, including five years as chair. He was also appointed by the governor to the Private Activity Bond Advisory Committee on which he continues to serve.

(article continued, next page)

Association Notes

NASACT Participates in MSRB Roundtable



The Municipal Securities Rulemaking Board hosted its 2013 industry roundtable on January 4, providing municipal market groups a venue for

discussing emerging issues and activities related to the municipal market. NASACT was represented by NASACT President **Martin Benison**, comptroller of Massachusetts, Past President **Nancy Kopp**, state treasurer of Maryland, as well as Kinney Poynter, executive director; and Cornelia Chebinou, Washington director. Manju Ganeriwala, who is also a member of NASACT's

Executive Committee, attended to represent the National Association of State Treasurers.

The meeting began with a representative from each organization briefly discussing topics and activities under consideration within their organization or among their members.

NASACT reported on the formation of a new Continuing Disclosures Task Force and other priority items for the association including the muni tax exemption, efforts to produce CAFRs faster, impacts of the federal deficit, and implementation of the new Governmental Accounting Standards Board's pension standards. Areas of concern mentioned by other groups represented at the roundtable included the threats to tax exemption for municipal debt, regulations from the U.S. Securities and Exchange Commission, and best practices in disclosure.

Questions about NASACT's participation in the roundtable may be directed to Ms. Chebinou at cchebinou@nasact.org or (202) 624-5451. ■

Member News (continued from previous page)

Washington



Elected in 2012 as the tenth Washington state auditor, **Troy Kelley** previously served three terms as a member of the state House of Representatives. During his tenure, Mr. Kelley advocated for fiscally responsible public policy, and promoted government transparency. He chaired the Joint Legislative Audit and Review Committee, and passed

legislation that increased the accountability of government services, reduced the state's cost of doing business, and realigned the priorities of government.

Since 1984, Mr. Kelley has been involved in the business of moving families into homes. Having worked his way up from the mailroom of a large company, Troy served as the president of the largest tax exchange company in the country.

For more than a decade, he owned and operated a small business that tracked recorded documents. He created and relied on performance measures to maintain productivity and profitability for the multiple distant offices. Troy is a past

president of the Escrow Association of Washington.

As an attorney for the U.S. Securities and Exchange Commission, Mr. Kelley led audit teams focused on regulatory performance. Previously, he served in the federal prosecutor's office concentrating on white-collar crime.

As a 19-year Army JAG officer, Mr. Kelley currently serves as a lieutenant colonel in the National Guard and previously was a professor at the Army JAG School.

Mr. Kelley holds a B.A. from the University of California at Berkeley, and a J.D./M.B.A. from the State University of New York at Buffalo. He is admitted as attorney to the bars of Washington, New York, California, and the District of Columbia.

Other Member News

- **Jan Yamane** has been named acting state auditor in Hawaii.
- **Julie Feldman** has been named acting state accounting administrator in Montana.
- **Shelia Hogan** is the new director of the Montana Department of Administration.
- **Justin Wilson** and **David Lillard** were both reappointed by the Tennessee state legislature for another term as comptroller of the treasury and state treasurer respectively. ■



Mark Your Calendar!

NASACT Middle Management Conference

April 17-19, 2013

St. Paul, Minnesota

Management staff will find a wealth of information on management best practices, leadership skills, employee relations, standards updates, and more at this year's conference. Watch for more info coming soon!

Improving Grants Management is a Matter of Dollars and Sense

By Christina Dorfhuber, Terry Blake and Sharon Minnich

Let's face it. States are relying on grants more than ever to supplement their general funds, support innovation and deliver value to their citizens. Unfortunately, grant programs are often supported by a patchwork of systems and processes which can make it difficult to manage them effectively and efficiently.

Historically, states have focused on transformations in finance and administration, implementing enterprise-wide systems for finance, procurement, and human resources with a focus on strategic sourcing, addressing reporting and compliance issues, and reorganizing to decrease operating costs. These efforts are critical, but it may be time to add another function to the list—enterprise grants management. Several states are paving the way using new tools to help tackle this challenge. By embracing an enterprise approach, states have a particular opportunity to increase revenue and cut costs with the same project.

Challenges

The current model states follow to administer grants management programs is not sustainable. The administrative and financial burdens are simply too high and place states in a precarious situation with grantors. The U.S. Government Accountability Office identified grants management challenges¹, including ineffective performance measurement, uncoordinated program creation, lack of collaboration, internal control weaknesses and capacity issues. The myriad of systems and processes within state governments tend to increase grants management and support costs, as well as the risk that critical grant funds may be lost due to a lack of enterprise controls or may not meet funding objectives.

In the past, with variances in grant processing requirements and a lack of systems capabilities, enabling grants accounting and management across complex grants-dependent agencies such as Transportation, Health and Human Services, and Labor may have appeared too difficult to undertake. Although grants go through similar processes from announcement through application, award, post-award, and closeout (both as grantee and grantor), the business rules often vary by program, which can cause a halt in forward momentum as standardization becomes difficult. So what can be done?

Simplify the process

Fortunately, products now provide functionality that can be combined to allow grant program areas to maintain their specific requirements, convey analytical reporting, and manage budgets at the task and activity level while also providing the controls and holistic views into grants that state governments require.

Embarking now on a statewide grants management strategy could result in both short- and long-term benefits, as illustrated by government organizations that have already begun enterprise grant initiatives. Consider these examples:

1. A large state government had over 20 agencies involved in receiving or issuing grants. Many of the supporting systems were aging. Over six separate budget requests for new or upgraded grant systems were received within one year. Based on these requests, a strategic workgroup was formed to develop a strategy to identify commonalities across the grant portfolio and to standardize on a tool that could provide program flexibility within a statewide grants framework.
2. A large international federal agency wanted to establish a common business framework and implement an enterprise system to support 20 of its grant programs. The agency analyzed process, data, and reporting across programs and used the results to develop a consistent method of gathering and reporting program data across the organization. New grant programs were created within a consistent framework, thereby facilitating standardized processing and reporting.
3. A large federal agency needed to better understand its grantees' performance in order to assess reporting compliance levels and determine how to allocate future funds. The agency created new business processes and, using a simple but broad data analytics tool, they visually depicted program compliance and associated spending to results, which allowed for more strategic decisions on future grant allocations.

Making an impact to your grants management... and your bottom line

The benefits of undertaking an enterprise grants initiative can include improved internal processing and transparency, reduced agency and IT support costs, reduced audit costs, increased grants revenue generation, and improved oversight and compliance, all of which can result in a more effective use of taxpayer funds. Developing an overall strategy, which includes assessing policies and operations to improve processes and decrease risk, can significantly increase benefits. By engaging agencies in a phased approach, states can plan and build systems that support an end-to-end process while allowing for agency flexibility. This approach should include oversight and compliance with federal laws and the development of reporting and metrics that show funds are compliant with public policy goals, which allows for transparency.

Given the dependence states have on grants, the constraints and challenges they face in managing them and the advances in technology allowing for a more holistic view from pre-award through closeout, focusing on an end-to-end strategy for enterprise grants management has the potential to pay significant dividends. For more on government's use of new technologies in finance and administration, visit www.deloitte.com/us/CXO. ■

Christina Dorfhuber is a principal with Deloitte Consulting LLP. Terry Blake is a principal with Deloitte Consulting LLP. Sharon Minnich is a senior manager with Deloitte Consulting LLP.

¹ GAO, Grants Management: Enhancing Performance Accountability Provisions Could Lead to Better Results, GAO-12-1016 (Washington, D.C.: Sept. 2012). <http://www.gao.gov/assets/650/648792.pdf>.

This article was prepared by Deloitte, a member of NASACT's Corporate Associates Program. To find out more about the Corporate Associates Program, visit www.nasact.org/nasact/corporate/index.cfm.

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

Plan Now to Attend NASACT 2013 in Boston

By Donna Maloy, Conference Manager



Join NASACT president Martin Benison and our Massachusetts hosts for the 2013 NASACT Annual Conference in Boston, Massachusetts, this August 10-14. The NASACT Training and Professional Development Committee will begin developing the technical program soon. Watch for the topics survey to provide your input!

Conference Hotel – Seaport Hotel

The conference will be held at the Seaport Hotel which is located on the bustling Boston waterfront in the Seaport District, and offers dazzling city and harbor views. This year's conference rate is \$185/night plus applicable tax. To reserve your room, call (617) 385-4000 and

ask for the NASACT Annual Conference group rate.

Special Events and Social Activities

Our conference hosts are planning a number of special events for the conference participants, including a reception at the John F. Kennedy Presidential Library and Museum and a BBQ at Fenway Park. A guest program will also be offered where guests will be treated to some of Boston's rich history and a luncheon cruise on Boston harbor.

More Information

Mark your calendars and plan to join us in Boston in August for NASACT's Annual Conference! More information about the conference will be available soon at www.nasact.org. ■

NASACT News

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The next issue of *NASACT News* will be published in February 2013. To submit articles, photos or ideas, contact Glenda Johnson by February 15 at gjohnson@nasact.org or by phone at (859) 276-1147.