I would like to thank the members of NASACT for their continuing support. There is no greater honor for me than to be elected president by my distinguished peers. I have served in city, county, state and federal governments. I will bring the knowledge and experience that I have gained from my past to lead this high performing organization for the next year.

The Boston conference was first class! I would like to thank Martin Benison, Steven Grossman, Suzanne Bump and their respective staff for the time and effort they expended to ensure NASACT attendees learned about the pressing issues of the day, networked with other members and generally had a great time. The commonwealth of Massachusetts should be very proud of the way they showcased the state. The Boston staff established a bar that we in New Mexico can work toward. Thanks to Executive Director Kinney Poynter and the Lexington staff who continue to impress with the amazing organizational work they do. The Washington staff, led by Cornelia Chebinou, also deserves many thanks for keeping NASACT’s members informed and involved in issues at the national level.

My goals for the next year include the following:

- Enhance membership and encourage active participation on all committees.
- Establish best practices when needed and necessary.
- Enhance training and education programs.
- Act on federal legislation that might affect states negatively, including legislation in these areas:
  - Tax reform: maintain the tax exemption for municipal bonds.
  - Public pensions: oppose unnecessary federal mandates, intrusion and oversight.
  - Transparency: assure that the benefits of proposed legislation outweigh the costs.
  - Municipal market: promote access to the market and rebuff unnecessary federal mandates, intrusion and oversight.
  - Federal deficit reduction: advocate for efficient actions and state partnership.
  - Advocate states’ rights.
- Strengthen our international program.
- Promote transparency and disclosure.
- Continue to collaborate with members about implementation issues related to Governmental Accounting Standards Board Statements 67 and 68.

I encourage members to actively participate in committees. Please refer to the NASACT website for information regarding committee roles and responsibilities. Keep in mind that an organization is only as strong as its membership—you can make a difference.

I look forward to serving as your president this year. I am confident that we will continue to positively impact states by our involvement at the national and international levels.

State Auditor Hector Balderas, State Controller Ricky Bejarano and I invite you to the great state of New Mexico in August 2014 so that we may continue the great tradition of well-organized, informative and exciting NASACT conferences.

President James B. Lewis Leads NASACT’s Efforts in FY 2014

James B. Lewis was elected president of NASACT in August at the 2013 annual conference. He is the state treasurer of New Mexico and is an elected member of the state’s executive branch. Previously appointed New Mexico state treasurer in December 1985, he was subsequently elected to full four-year terms in 1986, 2006 and 2010. He is a past president of the National Association of State Treasurers. Treasurer Lewis has served with federal, state, county and city government in both elected and appointed positions. He holds a master’s degree in public administration and undergraduate degrees in education and business administration. Treasurer Lewis is the first NASACT president ever elected from New Mexico in the Association’s 99-year history. He will host the 2014 NASACT Annual Conference in Santa Fe next August 9-13.
NASACT Announces Next Webinar – “What Does It Take for State Government to Consistently Deliver High Performance?”

It is no secret these are challenging fiscal times—particularly for state governments facing deep budget cuts, eroding tax bases and declining property values. To overcome current challenges, states are seeking smarter, more efficient ways to deliver greater accountability, effectiveness and productivity. One approach to achieve these goals is to chart a path towards consistently delivering “high performance.”

NASACT’s next webinar reveals ideas on how states can deliver consistent and sustainable high performance. The webinar features results from the report, “Reaching New Heights—Providing Consistent and Sustainable High Performance at the State Level,” which surveyed state auditors, comptrollers, treasurers and finance managers to uncover what states are doing to create a high-performing system—achieving better outcomes while cutting the cost of service delivery.

The webinar will explore answers to questions such as:

- What are the most important components for consideration?
- Where should my organization start?
- How can we increase opportunities to be high-performing?
- What challenges do we need to overcome?
- How can we chart a path forward?

Speakers for this informative two-hour training session are PN Narayanan, chief information officer, Pennsylvania Treasury, Michael Strauss, assistant director of financial systems, Delaware Division of Accounting, and Bob Sabo, executive director, Public Sector Solutions, Oracle.

This webinar is the latest in a series of events addressing timely issues in government auditing and financial management. The webinar is hosted by NASACT, in conjunction with the Association of Government Accountants, and the Association of Local Government Auditors.

**What Does It Take for State Government to Consistently Deliver High Performance?**

- **Date:** Wednesday, October 23
- **Time:** 2:00 - 4:00 p.m. Eastern Time
- **CPE:** Two credits
- **Cost:** $299.00 per group (unlimited attendance) or $50 per person
- **Register:** Register at www.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 James B. Lewis is currently working to finalize the 2013-14 committees. If you have not already expressed interest and wish to serve on one of the committees listed below, please contact Glenda Johnson at gjohnson@nasact.org or (859) 276-1147.

Train your professional development

The purpose of this committee is to develop and plan the technical program at the NASACT annual conference and provide input on topics for NASACT webinars and the Training Seminars Program.

Committee on Accounting, Reporting and Auditing

The CARA meets by conference call three times per year and once at the NASACT annual conference to discuss accounting, financial reporting, auditing and other matters related to the financial management of state government. Governmental Accounting Standards Board staff participate on calls of this committee.

Financial Management and Intergovernmental Affairs

This committee examines emerging issues, monitors legislation and regulations affecting state governments, responds to municipal market issues, and works to improve intergovernmental relations.

Membership

The Membership Committee is responsible for outreach to new and existing state auditors, comptrollers and treasurers and addressing other membership-related issues.

*Note: Committee participation is open to NASACT members and members’ staff.*

**Did You Know?** Members of NASACT may view past committee meeting minutes and resources at www.nasact.org/nasact/committees/index.cfm (must be logged into the site). Committee rosters are viewable by any visitor to NASACT’s website.
**New at www.nasact.org**

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

- NSAA technical inquiry on the following topic at www.nasact.org/nsaa/technical/index.cfm (members only content):
  - Prescribed Charts of Accounts for State/Local Entities

- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - Travel Reimbursement
  - Electronic Payments to Third Parties
  - Pre-Loaded Bank Debit Cards

- CAFR completion dates for fiscal years 2008 through 2012 at www.nasact.org/nasc/positions/CAFR.cfm.

**Check Out NASACT’s Careers Page at www.nasact.org**

Member offices may post job opportunities on NASACT’s Careers page at www.nasact.org/nasact/careers/index.cfm. In addition to job postings from member offices, the page has links to career opportunities with the U.S. Government Accountability Office and the U.S. Office of Management and Budget.

**NASC Explores Forming IRS Reporting Issues Information Sharing Group**

In August, NASC decided to see if there is enough interest by members to form an IRS Reporting Issues Information Sharing Group to discuss 1099 and W-2 reporting and issues related to early retirement. State comptrollers or staff wishing to join this group should email Kim O’Ryan at koryan@nasact.org. If you are interested in serving as chair or co-chair of the group, please indicate that in your email.

**NSAA Seeks Peer Review Program Participants for 2014**

NSAA has 17 peer reviews scheduled for 2014, which means that many review team members and leaders will be needed. Potential team members should complete the “Team Member Qualifications Form” that can be found at www.nasact.org/nsaa/peerreview/index.cfm (must be logged in to view). Even if a qualification form has been previously submitted, a new form must be filled out each year. Forms should be submitted by October 31, 2013. Questions about the Peer Review Program may be directed to Kathleen Young at kyoung@nasact.org.

**Upcoming Information Sharing Calls**

**October**
- NASACT Pension Standards Implementation Work Group – October 31
- NSAA Pension Audit Issues Task Force – October 10
- NSAA Human Resources Information Sharing – October 30

**November**
- NASC Payroll Information Sharing – November 13
- NSAA Pension Audit Issues Task Force – November 14
- NASC Travel & P-Card Information Sharing – November 20

**December**
- NASACT Committee on Accounting, Reporting and Auditing – December 3
- NSAA Pension Audit Issues Task Force – December 12

Get Involved!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
IRS, Treasury Seek Input on ACA Reporting Requirements

Reporting by Applicable Large Employers

The Internal Revenue Service and the U.S. Treasury Department are requesting comments on the notice “Information Reporting by Applicable Large Employers on Health Insurance Coverage Offered Under Employer-Sponsored Plans.” The notice contains proposed regulations providing guidance to employers that are subject to the information reporting requirements under section 6056 of the Internal Revenue Code enacted by the Affordable Care Act (ACA). The proposed regulations affect Applicable Large Employers (ALE), generally meaning employers with 50 or more full-time employees, including full-time equivalent employees, in the prior year. Section 6056 requires those employers to report to the IRS information about their compliance with the employer shared responsibility provisions of section 4980H of the Code and about the health care coverage they have offered employees. In addition, that information will be used to administer and ensure compliance with the eligibility requirements for the employer shared responsibility provisions and the premium tax credit.

Treasury and the IRS are also considering certain simplified reporting methods, such as using codes on Form W-2 to report whether full-time employees, spouses, and their dependents have been offered coverage, which in some cases may be available only with respect to certain groups of employees. The proposed regulations provide that every large employer will report the following information on the section 6056 information return:

- The name, address, and employer identification number of the ALE member, the name and telephone number of the applicable large employer’s contact person, and the calendar year for which the information is reported.
- A certification as to whether the large employer offered to its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan by calendar month.
- The number of full-time employees for each month during the calendar year.
- For each full-time employee, the months during the calendar year for which coverage under the plan was available.
- For each full-time employee, the employee’s share of the lowest cost monthly premium (self-only) for coverage providing minimum value offered to that full-time employee under an eligible employer-sponsored plan, by calendar month.
- The name, address, and taxpayer identification number of each full-time employee during the calendar year and the months, if any, during which the employee was covered under an eligible employer-sponsored plan.

Reporting on Minimum Essential Coverage

The IRS has also published proposed regulations for providers of minimum essential health coverage subject to section 6055 of the Internal Revenue Code. Minimum essential health coverage includes health insurance coverage offered in the individual market, an employer-sponsored plan or a government-sponsored program.

The Affordable Care Act requires that non-exempt individuals have the choice of maintaining minimal essential health coverage or pay an individual shared responsibility payment with their income tax returns.

Section 6055 requires information reporting by any provider of essential health coverage. The reporting allows taxpayers to establish and the IRS to verify that the taxpayer was covered by minimum essential coverage and their months of enrollment during the calendar year. Coverage through an employer’s group plan requires reporting of:

- The name, address and employer identification number of the employer maintaining the plan.
- The portion of the premium paid by the employer.
- Other information as required by the Secretary.

Additionally, Section 6055 requires that a person filing an information return provide a written statement to the individual showing the name, address, and contact phone number of the reporting entity and the information that was reported to the IRS. Health insurance issuers are the parties responsible for reporting, therefore states that are sponsors of self-insured health coverage are responsible for reporting.

Provide Your Input

Comments on Section 6056 concerning information reporting on health care coverage and comments on Section 6055 concerning essential minimum coverage are due to the IRS by November 8. A public hearing on the proposed regulations has been scheduled for November 18, 2013, at 10:00 a.m. Please submit your comments or copies of your responses to the IRS to Cornelia Chebinou at cchebinou@nasact.org by October 16. The documents can be found at:

Treasury Releases New Online Information to Assist States in TOP as Debtors

The U.S. Department of the Treasury’s Treasury Offset Program (TOP) has released new online information to assist states in understanding how their delinquent debts in TOP can affect their federal payments.

Individuals, businesses, and states owe non-tax debts to the federal government for various reasons. Examples of debts owed to the federal government can include grant overpayments, loans, overpayments on projects, and debts owed to Medicare. On occasion, an entity’s indebtedness to the federal government will become delinquent.

Before submitting a non-tax debt to TOP, a creditor agency must certify that the debt is valid, delinquent and legally enforceable, and that the agency has complied with all due process prerequisites prior to offset. This means that, at least 60 days prior to submission of the debt to TOP, the creditor agency has sent a notice to the debtor stating the amount and type of debt and the agency’s intention to refer the debt to TOP for offset. The creditor agency provided the debtor with the opportunity to resolve the debt through a repayment agreement and/or to dispute the agency’s claim.

As required by federal law, federal agencies submit these delinquent debts to TOP for interception of eligible federal and state payments payable to the delinquent debtor.

The taxpayer identification number (TIN) is used to identify the entities liable for a federal debt. Any payment to an entity using the same TIN as the debtor is eligible for offset or levy to collect the debt. This includes if the debt is owed by a different part of the state than a state agency receiving the payment.

Treasury’s new online information for states with debts in TOP is located at www.fms.treas.gov/debt/TOP_state_debtors.html. It provides a wealth of resources including:

• An explanation of how TOP works.
• A presentation that explains fully “States as Debtors in TOP.”
• Frequently-asked-questions for states as debtors.
• Information about TOP’s monthly reporting available to states.
• A link to state comptroller’s contact information on the National Association of State Auditors, Comptrollers and Treasurers’ website for assistance.

Information on all of TOP’s state programs—Child Support, State Income Tax, State Reciprocal Program, and Unemployment Insurance Compensation—as well as Offsets Matter, TOP’s bi-monthly newsletter for states, can also be found in TOP’s online information. For questions or more information, contact TOP directly at stateoffsets@fms.treas.gov.

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GAO Seeks Comment on Green Book Exposure Draft

The U.S. Government Accountability Office issued its Green Book exposure draft, Standards for Internal Control in the Federal Government: 2013 Exposure Draft, GAO-13-830SP, on Tuesday, September 3, 2013. The exposure draft is posted to the GAO Green Book webpage (www.gao.gov/greenbook) and will be available for public comment for a 90-day period, ending on December 2, 2013. GAO encourages all interested parties to provide comments.

These standards provide a template for an internal control system tailored to a government entity’s needs. GAO has adopted the key concepts from the 2013 COSO internal control integrated framework, and adapted them for the government environment. The Green Book defines the standards for internal control in the federal government. However, the proposed OMB Uniform Guidance for Federal Awards cites the Green Book as an acceptable framework for internal control. Therefore, state and local governments may also choose to use the Green Book as an internal control framework.

If you have any questions or would like additional information, please contact the GAO Green Book project team at GreenBook@gao.gov or (202) 512-9535.

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IRS Offers Free Phone Forum

The Internal Revenue Service has announced a free phone forum scheduled for Wednesday, September 25. The forum will be held at 9:00 a.m. Eastern time and 1:00 p.m. Eastern time. The forum is open to all states, but it is geared toward the Midwest region, which includes the states of Kansas, Indiana, Iowa, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin. The forum will offer a self-assessment that will allow states to review critical areas of federal tax law quickly to identify potential compliance issues. The self-assessment will help participants to avoid:

• Failure to backup withhold on payments to vendors.
• Failure to correctly complete or file Forms 1099.
• Failure to apply “accountable plan” rules to reimbursements and allowances.
• Missing, late and incorrect employment tax deposits.
• Treating workers as independent contractors, rather than employees.

To register and receive handouts for the session, email Lori.A.Stieber@irs.gov.
IRS Issues Ruling on Same Sex Marriage/Changes Taxability of Certain Employee Benefits

In response to the Supreme Court decision in United States vs. Windsor, the Internal Revenue Service recently issued Revenue Ruling 2013-17 addressing the status of individuals of the same sex who are lawfully married under the laws of a state that recognizes such marriages. The ruling states that under the Internal Revenue Code same sex individuals will be considered to be lawfully married as long as they were married in a state that authorizes the marriage of two individuals of the same sex. This is true even if the state of domicile does not recognize the validity of same-sex marriages.

In addition to implications for qualified retirement plans, the new ruling will also have an effect on the taxability of health coverage for same sex couples. In the past health care coverage for same sex spouses would be taxable to the employee unless the same sex partner was recognized as a dependent under the health plan. The value of a same sex partner’s health coverage was also not allowed on a pre-tax basis through a cafeteria plan. Recognition of same-sex marriage for federal tax purposes changes the taxability of these benefits.

While specific guidance has yet to be issued, Treasury and the IRS have indicated that additional guidance will be forthcoming. Revenue Ruling 2013-17 is effective September 16, 2013, but taxpayers can file refund claims for prior open years even before that date.


NASACT Members Host Study Tour for Ghana’s Audit Service

The Rhode Island Office of the Auditor General and the Tennessee Comptroller of the Treasury, Division of State Audit, hosted a team of auditors from the Ghana Audit Service in Ghana, West Africa, during the last two weeks of August. The Ghana auditors were on a study tour to gain knowledge about auditing complex enterprise resource planning computer systems. Both Rhode Island and Tennessee have recently implemented such systems. Furthermore, Ghana recently implemented the same Oracle E-Business Suite ERP software that is used by the state of Rhode Island in its statewide accounting system. Although Tennessee uses the Peoplesoft ERP software, the Ghana auditors were able to learn how Tennessee approaches their review of ERP-related controls and to gain some insight into best practices.

The U.S. Treasury Department, through its Office of Technical Assistance, advised the government of Ghana in the implementation of the accounting software and initially coordinated the study tour with NASACT.

During their week in Tennessee, the state audit information systems audit staff presented training sessions on topics such as audit guidance, program changes, access controls, disaster recovery and obtaining data from the system. In addition, as the Ghana team is considering the procurement of both ACL and TeamMate, the Tennessee auditors were able to demonstrate how they use both of those audit tools within their office. The financial audit staff also spent some time throughout the week discussing the impact of the new ERP system on their CAFR audit engagement. Additionally, the information systems audit staff were able to facilitate discussions with the ERP project team, the state’s Division of Accounts and Office for Information Resources, and individual state agency users of the ERP system.

In addition to these training sessions, some highlights of their time in Tennessee included a trip to the Nashville Sounds baseball game, an ISACA luncheon meeting, a tour of the state (continued, next page)

Rhode Island Wraps Up Tour by Ghana Audit Service Staff

Rhode Island Office of the Auditor General staff and members of the Ghana Audit Service gathered for a picture in Providence. OAG staff were presented with the traditional Kente cloth by the Ghana study tour team upon arrival.

In Rhode Island, the Ghana delegation learned about the state’s experiences, audit strategies, and lessons learned from their ERP system implementation.
capitol and new state-of-the-art data center, and also a visit with Comptroller Justin P. Wilson.

The Ghana audit delegation was very appreciative of the program that Tennessee put together for them. At the end of the week, they presented each member of the information systems audit team with a sash that read “Greetings from Ghana.” In addition, they presented the office with a nice plaque from Ghana Auditor Service’s auditor general, Richard Q. Quartey, in recognition of the technical support provided to them. The Ghana team also presented a plaque for NASACT for its role in arranging the study tour.

Over the course of a week, the Rhode Island auditors met with the Ghana team to share experiences, audit strategies, and lessons learned from the Rhode Island system implementation. It was an extraordinary opportunity for the Rhode Island staff to contribute in a very different but important way by sharing their knowledge and experience with the Ghana team. Those participating from Ghana and Rhode Island all observed that the challenges of systems implementation are remarkably similar across governments. While Ghana is taking a more dramatic leap by, in some instances, moving manual processes to an ERP environment, Rhode Island is still challenged by upgrading and integrating its many legacy systems into its RIFANS ERP system.

As part of their week in Rhode Island, the Ghana auditors also met with State Controller Marc Leonetti and the Division of Information Technology and toured the state’s data center. The Ghana team took a brief respite to visit the Rhode Island state house, tour historic Newport, sample some “Ocean State” seafood, and do some important shopping for family members back home.

The Ghana team was very focused on learning as much as possible during their visits to Rhode Island and Tennessee with the intent of sharing the information with their colleagues upon returning to Ghana.

Hosting the Ghana auditors allowed both audit offices a welcome, but all too rare, opportunity to experience international fellowship and information sharing that all will remember for some time.

Ghana Study Tour Begins in Music City U.S.A.

In Tennessee, the Ghana visitors studied topics including audit guidance, program changes, access controls, disaster recovery and obtaining data from the system. At the end of the visit, they presented a plaque for NASACT to recognize NASACT’s efforts to facilitate the visit. The delegation from Ghana included George Swanzy Winful, George Kwasi Sackey, Peter Aggrey, Patrick James Neequaye and Samuel Nii Odetey Lamptey.
NASC Business Meeting Highlights
By Kim O’Ryan, NASC Association Director

The National Association of State Comptrollers held a business meeting on August 12 in Boston, Massachusetts, in conjunction with the 2013 NASACT Annual Conference. President Kim Wallin, state controller of Nevada, welcomed everyone and led the meeting.

Committee Reports

Advisory Committee for State Comptrollers: Technical Activities and Functions
Steve Funck, deputy state comptroller of Oklahoma and member of the committee, reported that the 2012 edition of the comptroller’s book is posted to NASACT’s website. This fall, the committee will review the questions for the short-term portion of the book (chapters 1-7) and the survey for the 2014 edition will be made available to members at the end of January 2014. The responses from the prior survey will be pre-populated, making completion of the survey much easier. Kathy Ross, Oregon’s manager of Statewide Accounting and Reporting Services, is the chair of the committee.

Committee on the Financial Plan
John Reidhead, director of Utah’s Division of Finance and chair, discussed the 2013 projected results of operations. NASC’s positive projected amount is mainly due to high attendance at the 2013 NASC conference, good sponsorship for the conference, 53 of 57 states paying the technical services fee this year, and two states that contracted for benchmarking services.

Committee on Outreach
Anna Maria Kiehl, state comptroller of Pennsylvania and chair of the Committee on Outreach, reported that NASC has the following new members:

• Colorado: Bob Jaros, state controller.
• Idaho: Brandon Woolf, state controller.
• Montana: Julie Feldman, state accountant.
• Nebraska: Hari Kadavath, state accounting administrator.
• New Hampshire: Karen Benincasa, state comptroller.
• Washington: David Schumacher, director.

Nominating Committee
Richard Eckstrom, comptroller general of South Carolina and chair, reported that due to the retirement of David McDermott (CO), the Nominating Committee needed to submit a candidate to serve on the Executive Committee. Diane Langham from Mississippi was chosen and she was approved by the Executive Committee members.

Resolutions Committee
Ed Ross, Kentucky’s state controller and chair, said that an email was sent to the comptroller’s offices inquiring about resolutions for consideration and none were received.

Site Committee
Brandon Woolf, state controller of Idaho and chair, reported that NASC’s president, Kim Wallin, will host the 2014 conference in Reno, Nevada. The conference hotel is the Grand Sierra and the room rate is $69 (plus tax) for regular rooms or $89 a night (plus tax) for summit rooms (the top 11 floors of the hotel). Ms. Wallin said the hotel rooms are being renovated. David Von Moll, state comptroller of Virginia, will host the 2015 conference in Richmond, Virginia.

Committee on Accounting and Financial Reporting
Alan Skelton, Georgia’s state accounting officer and chair, provided the following report. The group is currently focused on pensions. The Governmental Accounting Standards Board will release an exposure draft of the Comprehensive Implementation Guide in January 2014, and it will include about 2,000 questions. The ED will need to be broken down into sections with volunteers reviewing each section. Responses are expected to be due in December 2014.

Program Committee
Mr. Von Moll, chair, informed everyone that the committee will have its first conference call in October to begin identifying topics and speakers for the 2014 annual conference.

Middle Management Conference Committee
Thomas White, state comptroller of Alabama, reported for the committee. NASACT is seeking a host for the April 2014 conference.

Information Sharing Groups
Reports were also provided by the following NASC groups:

• State Government Payroll (report provided by Cynthia Cloud, state auditor of Wyoming).
• Travel & P-card (report provided by Ms. Langham).

Other Business
Ms. Wallin asked that NASC survey states regarding interest in forming an IRS Reporting Issues Information Sharing Group. NOTE: Those interested in participating in this group should email Kim O’Ryan at koryan@nasact.org. Anyone interested in serving as chair or vice-chair of the group should also indicate that in the email.

Next Meeting or More Information
The next scheduled NASC business meeting will occur on Tuesday, March 11 in Reno, Nevada, in conjunction with the 2014 NASC Annual conference.

Minutes from NASC’s business meetings can be found online at www.nasact.org/nasc/aboutus/meetings.cfm (members only content).

Questions about the content of this article may be directed to Kim O’Ryan at koryan@nasact.org or (859) 276-1147.
The National State Auditors Association held a business meeting on August 12 in Boston, Massachusetts, in conjunction with the 2013 NASACT Annual Conference. NSAA President Rebecca Otto, state auditor of Minnesota, led the meeting.

Committee Reports

Audit Standards and Reporting
Sherri Rowland, association director, reported on behalf of Randy Roberts, senior technical director in the Arizona Office of the Auditor General and chair of the committee. The committee recently responded to an exposure draft of a proposed statement on auditing standards from the American Institute of Certified Public Accountants, Using the Work of Internal Auditors. There are several other documents currently out for comment:

- AICPA proposed SSAE, Attestation Standards: Clarification and Recodification.
- Governmental Accounting Standards Board exposure draft, Pension Transition for Contributions Made Subsequent to the Measurement Date.
- GASB preliminary views document, Fair Value Measurement and Application.

Auditor Training
Ms. Rowland provided the report on behalf of Courtney Carraway, assistant director of training in North Carolina and chair of the committee. The 2013 Middle Management Conference was held in Saint Paul, Minnesota in April. NASACT is seeking a volunteer to host the 2014 conference.

E-Government
Ms. Rowland provided the report on behalf of Chloe Haidet, director of technology risk and assurance in Georgia and chair of the committee. The 2013 NSAA IT Workshop and Conference will be held September 30-October 3, in Raleigh, North Carolina, at the Sheraton Hotel. The room rate for the conference is $91.

Human Resources
Ms. Otto, chair, reported that the committee continues its quarterly information sharing calls, featuring a different topic on each call. The most recent call was held on Wednesday, July 31, and featured the topic of “Free or Inexpensive Training Options.”

Peer Review
Elaine Howle, state auditor of California and chair, reported that the checklists for financial audits have been finalized and posted to the website. The next documents to be updated are the Questions and Answers documents for team members, and team leaders and concurring reviewers.

At the committee’s recent meeting in June, a task force was established to look at two issues:

1. Allowing the “purchase” of bank credits for those states that have a bank balance deficit that persists for more than one peer review cycle.
2. Adopting level of review coverage guidelines.

The task force met via conference call on August 8. A conference call of the committee will be scheduled soon to report the decisions reached by the task force.

Performance Audit
Steven Eells, state auditor of New Jersey and chair, reported that the committee continues to host information sharing calls on performance audit topics. The most recent call took place on August 1. The call featured a roundtable discussion focusing on computer processed data and how to determine its reliability. The next call will be scheduled in about three months.

Single Audit
Gerry Boaz, technical manager in Tennessee and vice-chair, reported that NSAA responded to the U.S. Office of Management and Budget’s proposed guidance for grants and cooperative agreements earlier in the year. The committee also responded to the proposed changes to the 2013 data collection form.

Time and Place
Roger Norman, legislative auditor in Arkansas and chair, reported that the 2015 NSAA Annual Conference will be held in Little Rock, Arkansas. He is working with NSAA staff to finalize dates and a hotel contract.

2013 Annual Conference Planning
Ms. Otto said that the 2014 conference will be held June 10-13, in Saint Paul, Minnesota, at the Saint Paul Hotel. The room rate is $149 per night.

Other Business
Greg Griffin, state auditor of Georgia, is the co-chair of NASACT’s Pension Implementation Workgroup. During those calls, most of the dialogue revolves around implementation, and he believes that NSAA should set up its own calls to discuss audit issues relating to the new pension standards. The members agreed and staff was directed to set up a Pension Audit Issues Task Force under the Audit Standards and Reporting Committee. Mr. Boaz volunteered to chair the Task Force.

Next Meeting or More Information
The next NSAA business meeting is scheduled for June 12, 2014, in conjunction with NSAA’s annual conference in Saint Paul, Minnesota.

Minutes from past meetings of NSAA’s members can be found at www.nasact.org/nssa/aboutus/meetings.cfm (members only content). Questions about the content of this article may be directed to Sherri Rowland at srowland@nasact.org.
Project on Fiduciary Responsibilities Added to Current Technical Agenda

After consultation with the Governmental Accounting Standards Advisory Council in June, the Governmental Accounting Standards Board voted unanimously at its August meeting to add a project on Fiduciary Responsibilities to the current technical agenda.

The primary objective of this project is to develop guidance regarding the application of the fiduciary responsibility criterion in deciding whether and how governments should report fiduciary activities in their general purpose external financial reports. Other objectives of this project include assessing whether to:

1. Clarify the difference between a private-purpose trust fund and an agency fund.
2. Clarify whether a stand-alone business-type activity (BTA) engaging in fiduciary activities should present fiduciary fund financial statements.
3. Require a combining statement of changes in assets and liabilities for agency funds.
4. Amend existing disclosure requirements or require additional disclosures for fiduciary activities.

Research conducted by the GASB, as well as technical inquiries received from constituents, have indicated that there is inconsistency in the current reporting of various types of fiduciary activities, with different governments reporting or not reporting identical activities. This inconsistency results from confusion in practice regarding what constitutes fiduciary responsibility. Research has further indicated a general inconsistency in the reporting of fiduciary activities between BTAs and general purpose governments.

Financial Reporting Model Reexamination

At its August 2013 public meeting, the Board voted unanimously to add the reexamination of the Financial Reporting Model to the pre-agenda research portion of the technical plan.

The objective of this pre-agenda research is to reexamine the financial reporting model, including Statement 34, and the related pronouncements:

- Statement No. 35, Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities.
- Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus.
- Statement No. 41, Budgetary Comparison Schedules—Perspective Differences.
- Statement No. 46, Net Assets Restricted by Enabling Legislation.
- Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

Now that the model has been fully implemented for some time, the Board has decided to engage in research that may lead to its reexamination to determine if it is meeting financial reporting objectives and if there are opportunities to improve upon it.

The initial phase of pre-agenda research, which will serve to establish the specific objectives of more extensive research activities going forward, will involve a thorough review of the relevant literature related to Statement 34, an archival study of the annual financial reports of a broad variety of types of governmental entities to see how they currently are reporting based on Statement 34, and a series of staff-research roundtables conducted across the country to identify the key issues related to Statement 34 in practice from the perspective of users, preparers, and auditors.

Recent GASB Activity

The Board met in Norwalk, Connecticut, on June 25–27 and August 6–8 and by teleconference on August 26.

Comprehensive Implementation Guide


The material associated with Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, including questions and answers related to measurement of pension obligations, has been removed for the 2013–2014 edition because of the implementation of Statement 67, Financial Reporting for Pension Plans. The material related to Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, will be removed in the 2014–2015 edition when Statement 68 becomes effective.

After discussing clarifying changes, the update to the guide was cleared by the Board for issuance. Copies of the guide are expected to be available in late September.

Other Postemployment Benefits

The Board discussed issues related to an alternative measurement method for calculating an employer’s other
postemployment benefits liability for small employers that is not based on an actuarial valuation. The Board tentatively decided to propose that an alternative measurement method should continue to be permitted for the measurement of OPEB liabilities.

The Board also considered issues related to parameters for certain assumptions to be used in an alternative measurement method calculation. The Board tentatively agreed that the alternative measurement method proposal should include the same general considerations for employers in regard to selection of assumptions for the measurement of OPEB liabilities as were provided in Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The Board tentatively agreed to propose that the following assumptions be used in applying the alternative measurement method for use in the measurement of an employer’s total OPEB liability:

- The current marital and dependency status.
- Mortality assumptions based on current published tables (and that plan members would be projected to live until their expected age in relation to those tables).
- Select and ultimate assumptions about healthcare cost trends in future years derived from one or more objective sources.
- Experience-rated, age-adjusted current healthcare insurance premium rates (as the assumption for initial per capita healthcare rates for the purposes of projecting future healthcare benefit payments).
- Experience of an employer’s covered group in determining coverage option assumptions, considering the choices of pre- and post-Medicare-eligible plan members.

Next, the Board tentatively agreed to propose that the discount rate, and process for determining the rate, used in the alternative measurement method be the same as the discount rate used by employers that do not apply the alternative measurement method. The Board also tentatively agreed to propose that the alternative measurement method be allowed for only those governments with fewer than 100 total plan members, defined as active employees eligible to receive benefits, inactive employees eligible for benefits but not yet receiving benefits, and inactive employees receiving benefits.

Regarding recognition and measurement—and frequency and timing of those measurements—for OPEB offered by employers that participate in multiple-employer, cost-sharing defined benefit OPEB plans, the Board tentatively agreed to propose that employers that participate in a cost-sharing OPEB plan be viewed as having an obligation for a portion of the collective unfunded OPEB obligation of the plan. Further, that the net OPEB liability of a cost-sharing OPEB plan would be measured using the same timing and measurement requirements as single- or agent-employer plans.

In addition, the Board tentatively agreed to propose that:

- A cost-sharing employer measure its OPEB liability as the proportion of its contributions to the total contributions of all contributing entities to the cost-sharing OPEB plan, consistent with the manner in which contributions to the plan are determined.
- The calculation of an employer’s proportionate share of a cost-sharing plan’s collective net OPEB liability allow for professional judgment to determine the proportion of the employer’s contributions to all participating entity contributions to the cost-sharing OPEB plan.
- The collective OPEB expense of a cost-sharing OPEB plan be measured using the same requirements as single- or agent-employer plans.
- An employer measure its OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB for its participation in a cost-sharing OPEB plan using the same proportionate share used to measure the employer’s net OPEB liability.
- Contributions made by a cost-sharing employer subsequent to the measurement period but before the end of its reporting period be recognized as a deferred outflow of resources.
- A cost-sharing employer recognize amounts from its participation in a cost-sharing OPEB plan reported as deferred outflows of resources and deferred inflows of resources related to OPEB over the same periods as single and agent employers.

The Board also discussed issues related to special funding arrangements in relation to defined benefit OPEB obligations and tentatively agreed to propose that:

- A nonemployer contributing entity recognize a portion of the net OPEB liability of the employer and the employer recognize a reduction in its net OPEB liability in circumstances in which there is a special funding situation.
- A special funding situation be defined as a circumstance in which a nonemployer entity is legally responsible for making contributions directly to an OPEB plan and either of the following conditions exist: (1) the amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to OPEB or (2) the nonemployer entity is the only entity with a legal obligation to make contributions directly to the OPEB plan.
- A nonemployer contributing entity measure a net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB in the same manner as cost-sharing employers.
- An employer measure its net OPEB liability in a special funding situation as (1) the collective OPEB liability less the nonemployer contributing entity’s proportionate share related to the employer in single or agent OPEB plans or (2) the employer’s proportion of contributions in relation to the collective contributions of the plan in a cost-sharing OPEB plan.
- An employer measure OPEB expense in a special funding

(continued, next page)
situation as its proportionate share of the collective expense of the OPEB plan and that the employer recognize revenue and expense equal to the amount of the expense recognized by the nonemployer contributing entity.

Both the cost-sharing and the special funding arrangement proposals are based on the provisions established under the new pension standards.

**Leases**

Prior to initiating deliberations on the leases project, the Board received background information from Financial Accounting Standards Board project staff on the provisions of the recently released revised FASB exposure draft, Leases.

The Board began project deliberations by reviewing the history of lease accounting standards and current literature, the tentative scope of the project, the definition of a lease, and related scope issues. The Board tentatively agreed to propose the following definition of a lease:

A contract that conveys the right to use an asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

Next, the Board discussed the inclusions and exclusions to the scope of lease guidance. The Board tentatively agreed to propose including contracts not identified as leases but that meet the definition of a lease. The Board also tentatively agreed to propose continuing to exclude the following from the scope of the lease guidance:

- Agreements that are contracts for services that do not transfer the right to use capital assets from one contracting party to the other.
- Agreements for exploration of, or use of, minerals, oil, natural gas, and similar nonregenerative resources.
- Licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents, and copyrights.
- Agreements that meet the definition of a service concession arrangement.

In addition, the Board tentatively agreed to propose that biological assets, including timber, be excluded from the scope of the lease guidance, while intangible assets other than licensing agreements continue to be included in the scope of lease guidance.

**GAAP Hierarchy**

The Board provided comments and recommendations regarding the staff analysis of Chapter 10 of the Comprehensive Implementation Guide, which addresses accounting and financial reporting for derivative instruments.

The Board examined paragraph 5 of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and tentatively agreed to propose clarifying language to emphasize that if the guidance for a transaction or event is not specified within a source of authoritative GAAP for governmental entities, a governmental entity should first consider accounting principles for similar transactions and then may consider other accounting literature. The Board continued its discussion by providing comments and recommendations regarding the staff analysis of the first half of Chapter 7 of the *Comprehensive Implementation Guide*. Chapter 7 addresses basic financial statements and management’s discussion and analysis.

**Fiduciary Responsibilities**

During its initial deliberations on this project, the Board reviewed and discussed the history of the project, current applicable guidance, and the relevant literature that has been identified by the project staff to date. The Board did not make any tentative decisions.

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The GASB Update is provided on a bi-monthly basis by staff from the GASB.

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**NSAA Seeks Member Input on “Attestation Standards: Clarification and Recodification”**

The Auditing Standards Board of the American Institute of Certified Public Accountants has issued an exposure draft that would clarify and recodify certain statements on standards for attestation engagements in the AICPA’s Professional Standards. As with the ASB’s project on clarifying the SASs, this project was undertaken to address concerns over the clarity, length, and complexity of the SSAEs.

The ED can be found at www.aicpa.org/Research/ExposureDrafts/AccountingandAuditing/Pages/ExposureDrafts_ASB.aspx.

NSAA, through the Audit Standards and Reporting Committee, will prepare a response to this ED. The AICPA’s comment deadline is October 24. To participate in NSAA’s response, send your comments to Sherri Rowland (srowland@nasact.org) by September 25.
Providing Consistent and Sustainable High Performance: A Report for State Governments

It’s no secret these are challenging fiscal times—particularly for state governments facing deep budget cuts, eroding tax bases and declining property values. It has become more important than ever for state governments to create a high-performing system that consistently maximizes public value by delivering services and fulfilling missions effectively and efficiently.

But, programmatic silos, duplicative systems, slow innovation adoption, waste and improper payments to undeserving citizens and businesses, as well as looming retirements can undermine states’ ability to assure the highest performance possible.

Recently NASACT worked with partner organization Oracle to conduct a study that surveyed state auditors, comptrollers, treasurers and finance managers to identify how states can provide consistent and sustainable high performance. The results were summarized in the report, “Reaching New Heights—Providing Consistent and Sustainable High Performance at the State Level”—which included responses from 18 states and two U.S. territories—to show that while states are on the right path, they have many opportunities for improvement.

Before states can take steps to improve systems and more efficiently deliver services, they need to evaluate how programs perform today. Unfortunately, many states are using time-consuming or antiquated tools to track program performance. Thirty-three percent of respondents say their state tracks program performance manually with spreadsheets, 29 percent track with legacy, homegrown analytical tools and 8 percent use commercial off-the-shelf analytical tools. Shockingly, 17 percent of respondents say their state does not measure program performance at all.

Without measuring to determine a baseline for program performance, it is difficult for states to know how, or if, they are improving. The report suggests that states should consider implementing more sophisticated performance management and analytical tools to improve efficiency (i.e., less time needed to aggregate/analyze data across disparate systems) and enhance visibility—helping them handle challenges like fraud and abuse.

According to respondents, the most important thing their state can do to move toward achieving high performance is invest in recruitment and talent management solutions to obtain and train the right resources. Respondents also suggest that states modernize technologies to provide staff with tools to increase performance, set clear metrics that align with organizational goals and implement analytical tools to pinpoint underperforming areas and suggest improvements.

While respondents clearly note that having the right people in place is critical, the right people without the right tools will not improve outcomes, cut costs or lead to mission success. Therefore, states understand that to deliver greater accountability, effectiveness and productivity, they need to make improvements to people, processes and technology. To achieve high performance, states need technology tools that empower personnel to work more effectively and efficiently across multiple layers of government—from program measurement to compliance tracking to identifying fraud, waste and abuse. These technology tools will help cut costs and free up personnel to spend more time delivering high quality services to citizens.

Example considerations for charting a path forward include:

- **Evaluate current programs**—invest in performance management tools to determine how programs are performing today and where there is room to improve efficiencies.
- **Educate and share best practices**—work with and learn from early adopters to find new ways to use technology such as cloud computing, and share best practices to make technology implementations successful.
- **Eliminate fraud and abuse**—deploy technology solutions to detect and monitor fraud and put more robust controls in place.

Click here to download the full report to receive additional insights and recommendations on ways to consistently achieve high performance.

Additionally, join NASACT and Oracle on Wednesday, October 23 at 2:00 p.m. Eastern time for the webinar, *What Does It Take for State Government to Consistently Deliver High Performance?* Register for the webinar at www.nasact.org. Participants will hear experts further analyze the survey results and share real examples of organizations who are already deploying solutions and processes to deliver a highly performing government that yields greater accountability, effectiveness, and productivity.

This article was prepared by Oracle, a member of NASACT’s Corporate Associates Program. To find out more about the Corporate Associates Program, visit http://www.nasact.org/nasact/corporate/index.cfm.
Calendar of Events

2013

September 30-October 3 ■ NSAA IT Workshop and Conference, Raleigh, NC
October 23 ■ Webinar: Reaching New Heights – Providing Consistent and Sustainable High Performance at the State Level
November 6 ■ Webinar: High Impact Audits and Reports – NSAA’s 2013 Excellence In Accountability Award Winners

2014

March 11 ■ NASACT Executive Committee Meeting, Reno, NV
March 12-14 ■ NASC Annual Conference, Reno, NV
June 10-13 ■ NSAA Annual Conference, Saint Paul, MN
August 9-13 ■ NASACT Annual Conference, Santa Fe, NM

Affordable Training Options

By Donna Maloy, Conference Manager

With states facing continued budget constraints, NASACT is working hard to make as many different training options as possible available for members. In addition to our annual conference, we also have several other training offerings.

Training Seminars Program

NASACT’s Training Seminars Program will bring training to you. We have a wide range of qualified presenters who cover topics such as interviewing techniques, GASB update, governmental accounting, internal controls and fraud. If one of our standard training packages isn’t quite right for your needs, we are happy to customize training specifically for you.

To find out more information about NASACT’s Training Seminars Program, contact Kathleen Young at kyoung@nasact.org.

Webinars

NASACT’s webinars are another way to get affordable training. NASACT schedules, on average, four webinars per year. For one registration fee, an office can have as many people participate as they want. CPE is granted to all participants. This is an extremely cost-effective way to gain training and CPE without having to travel. The next two scheduled webinars are:

• High Impact Audits and Reports: NSAA’s 2013 Excellence in Accountability Award Winners, scheduled for November 6, 2013.

More information is available on NASACT’s website. If there is a specific topic that you would like us to explore offering as a webinar, please contact Kinney Poynter at kpoynter@nasact.org.

Pre-Payment Options

If your office has training dollars now that you would like to use at any of NASACT’s conferences or trainings in 2014, please contact Donna Maloy to arrange to pre-pay. Donna can be reached at dmaloy@nasact.org or (859) 276-1147.