NSAA HOLDS ANNUAL CONFERENCE IN SAINT PAUL, MINNESOTA:
AGENDA EXAMINES THE FUTURE OF AUDITING

BY GLENGA JOHNSON, COMMUNICATIONS MANAGER

The National State Auditors Association held the thirty-sixth annual conference on June 11-13 in Saint Paul, Minnesota. NSAA’s committees met just prior to the conference on Tuesday, June 10, and a business meeting was held on Thursday, June 12.

The technical agenda focused on ethics, the future of state audit, innovation, IT threats, and human resources and leadership skills. The agenda also included updates on activities of the Governmental Accounting Standards Board and the U.S. Office of Management and Budget. See page 5 for a list of all sessions.

Several awards were announced during the conference. Two individuals received the William R. Snodgrass Leadership Award: Thomas H. McTavish, who recently announced his retirement as auditor general of Michigan, and David A. Vaudt, former Iowa auditor of state and current chairman of the GASB. The 2014 Excellence in Accountability Awards were also presented. Receiving those awards were:

**Large Performance Audit**
- **Winner:** Colorado Office of the State Auditor

**Small Performance Audit**
- **Winner:** Nevada Legislative Counsel Bureau, Audit Division
- **Honorable Mention:** Louisiana Legislative Auditor’s Office

**Forensic Report**
- **Winner:** Ohio Office of the Auditor of State

NSAA wishes to thank all those who helped with the conference, especially Rebecca Otto, the conference host. The annual conference is a highlight each year for NSAA, and active involvement by the state audit community is the reason for that: thanks to all who participated and attended. NSAA wishes to thank all those who helped with the conference, especially Rebecca Otto, the conference host. The annual conference is a highlight each year for NSAA, and active involvement by the state audit community is the reason for that: thanks to all who participated and attended. Last but not least, thanks to this year’s conference sponsors: ACL, Bronner Group, CliftonLarsonAllen, Grant Thornton, The IIA’s American Center for Government Auditing, KPMG and TeamMate.

The 2015 NSAA Annual Conference will be held in Little Rock, Arkansas, on June 9-12, 2015.

NSAA MEMBERS ELECT FY 2015 EXECUTIVE COMMITTEE

At the NSAA business meeting, members selected Steve Eells (NJ) as the newest member of the Executive Committee. Shown left to right: Mr. Eells; Dianne Ray (CO); Paul Townsend (NV), secretary/treasurer; Roger Norman (AR), president; Rebecca Otto (MN), immediate past president; and Stacey Pickering (MS). Not pictured: David Martin (FL), president-elect.
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Santa Fe, New Mexico
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KEYNOTE SESSIONS
Understanding the World’s Largest Economy and Tomorrow’s New Future
DR. LOWELL CATLETT
Dean, Agricultural, Consumer, and Environmental Sciences College,
New Mexico State University

Emerging Issues Roundtable
WILLIAM G. HOLLAND
NASACT First Vice President and Auditor General of Illinois

Character is Essential to Leadership
MEL WILLIAMS, JR.
Vice Admiral (retired), U.S. Navy, and Associate Provost for Military and Veterans Affairs, George Washington University

Does Economic Development Need a New Business Model?
MARK LAUTMAN
Economic Architect,
Lautman Economic Architecture

Economic Report for the States
SCOTT D. PATTISON
Executive Director,
National Association of State Budget Officers

STANLEY CZERWINSKI
Chief Administrative Officer and Chief Financial Officer,
National Governors Association

JOHN SUGDEN
Senior Director – Analytical Manager, U.S. State Ratings Group, Standard & Poor’s

SOCIAL EVENTS
• Golf Tournament at the Club at Las Campanas
• 5K Fun/Run Walk Along the Acequia
• President’s Night at the Historic La Fonda on the Plaza
• An Evening at the Palace of the Governor’s
• State Night Dinner: Fiestas de Santa Fe
• Guest Program

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NEWS FROM WASHINGTON

GOVERNMENT GROUPS RESPOND TO SEC COMMISSIONER GALLAGHER’S REMARKS AT REGULATOR SUMMIT

Eleven state and local organizations, including NASACT, have written a letter in response to remarks made by U.S. Securities and Exchange Commissioner Daniel Gallagher before the Municipal Securities Rulemaking Board’s first annual Municipal Securities Regulator Summit. The speech given by Commissioner Gallagher included misinformed statements regarding appropriate disclosure of public pension obligations.

The letter provides the commissioner with factual information on municipal bankruptcy, municipal bonds, and state and local pensions and points out that the Governmental Accounting Standards Board’s recent statements on pensions went through a rigorous due process and discussed and considered alternative standards, which were ultimately rejected as inappropriate for state and local governments.

The letter further provides information on the changes that state and local governments have made to their pension plans to strengthen pension reserves and ensure the sustainability of their retirement plans since the great recession. The letter also references “Pension Funding: A Guide for Elected Officials,” which was developed to help policymakers review the effectiveness of existing funding policies and practices and to provide recommendations on adopting new pension funding policies such as the continued calculation and funding of an actuarially determined annual required contribution.

The letter concludes by requesting a meeting with the commissioner to further discuss his concerns.

A copy of the letter and the funding guide can be found on NASACT’s website at www.nasact.org.

MSRB HOSTS INDUSTRY ROUNDTABLE

The Municipal Securities Rulemaking Board held its second roundtable of the year to discuss recent and ongoing events in the municipal securities market. The roundtable is a forum designed to allow for open discussion among market participants on issues affecting the industry.

Opening the roundtable was Kent Hiteshew of the U.S. Treasury’s newly established Office of State and Local Finance. Mr. Hiteshew explained that the office is an outgrowth of a Treasury strategic planning session which identified a need for Treasury to better coordinate policy on municipal finance, infrastructure and pensions. In addition the office will continue to monitor the financial condition of Puerto Rico and Detroit. The charge of the office is to monitor the municipal market and make policy recommendations where appropriate.

Lynette Kelly, MSRB’s executive director, provided participants with an update of the MSRB’s municipal advisor framework including the development of parameters around basic compliance and rules concerning pay to play, municipal advisor conduct, gifts and other solicitations. In addition, Ms. Kelly noted that the MSRB will be developing a professional qualifications regime and stressed that the MSRB is taking seriously its role to educate municipal advisors and others about the new municipal advisor regulatory regime.

John McNally, partner at Hawkins, Delafield & Wood, facilitated a discussion of the Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation (MCDC) initiative. The MCDC is a voluntary self-reporting program that permits issuers, obligated persons and underwriters to self-report misstatements concerning prior compliance with continuing disclosure obligations in an official statement for a municipal bond issue. In exchange, the SEC Division of Enforcement will recommend “favorable” settlement terms for issuers and obligated persons, as well as for underwriters involved in the offering of those municipal securities. Several of the participants noted that this initiative places an issuer in a “prisoners” dilemma since the underwriter can also report and suggests that there is no clear guidance concerning what is considered material in the context of the MCDC.

The meeting concluded with an ongoing discussion surrounding bank loans and continuing disclosure. Over the past several years, bondholders and their representatives have been encouraging issuers to voluntarily post information about bank loans on MSRB’s Electronic Municipal Market Access website. Because such voluntary disclosure would subject the issuer to the antifraud provisions of the federal securities laws, terms of usage and disclaimers should be considered.

The next roundtable is scheduled for January 2015.
GAO EXAMINES PERFORMANCE MEASURES AND CROSS-AGENCY PRIORITY GOALS

The U.S. Government Accountability Office has released its latest analysis of performance measures at the federal level and the GPRA Modernization Act of 2010 (GPRAMA) in the report “Managing for Results: OMB Should Strengthen Reviews of Cross-Agency Goals.” The report was addressed to four sitting member of Congress:

• Sen. Thomas Carper (D-DE), chairman of the Senate Homeland Security and Governmental Affairs Committee
• Sen. Tom Coburn (R-OK), ranking member of the Senate Homeland Security and Governmental Affairs Committee
• Sen. Mark Warner (D-VA), chairman of the Task Force on Government Performance in the Senate Budget Committee
• Rep. Elijah Cummings (D-MD), ranking member of the House Oversight and Government Reform Committee

GAO is mandated to review the GPRAMA at several junctures and requires the U.S. Office of Management and Budget to coordinate with agencies to:

1. Establish outcome-oriented, federal government priority goals (known as cross-agency priority, or CAP, goals) with annual and quarterly performance targets and milestones.
2. Report quarterly on Performance.gov the results achieved for each CAP goal compared to the targets.

GAO's review focused on the collaboration across different agencies to effectively address many complex, high-risk challenges facing the federal government, including protecting the nation's critical information systems and reducing billions of dollars lost through improper payments. GAO made several recommendations to OMB to improve the reporting of performance information for CAP goals and ensure that CAP goal progress reviews meet GPRAMA requirements. Recommendations included:

• To ensure that OMB and CAP goal leaders include all key contributors and can track and report fully on progress being made towards CAP goals overall and each quarter, the director of OMB should direct CAP goal leaders to report the time frames for the completion of milestones, the status of milestones, and how milestones are aligned with strategies or initiatives that support the achievement of the goal.
• The director of OMB should direct CAP goal leaders to develop plans to identify, collect and report data necessary to demonstrate progress being made towards each CAP goal or develop an alternative approach for tracking and reporting on progress quarterly.
• The director of OMB should include the following in the quarterly reviews of CAP goal progress, as required by GPRAMA: a consistent set of information on progress made during the most recent quarter, overall trends and the likelihood of meeting the planned level of performance; goals at risk of not achieving the planned level of performance; and the strategies being employed to improve performance.

GAO also outlined nine leading practices that can be used to promote successful performance reviews:

1. Leaders should use data-driven reviews as a strategy to drive performance improvement.
2. Key players should attend reviews to facilitate problem solving.
3. Reviews should ensure alignment between goals, program activities, and resources.
4. Leaders should hold managers accountable for diagnosing performance problems and identifying strategies for improvement.
5. The capacity to collect accurate, useful, and timely performance data should exist.
6. Staff should have skills to analyze and clearly communicate complex data for decision making.
7. Rigorous preparations should be conducted to enable meaningful performance discussions.
8. Reviews should be conducted on a frequent and regularly scheduled basis.
9. Participants should engage in rigorous and sustained follow-up on issues identified during reviews.

The report concluded:

“While updates for most goals reported data on performance towards the identified planned level of performance, the information in the updates did not always present a complete picture of progress towards identified goals and milestones.”

The full report can be found at www.gao.gov/products/GAO-14-526.
Below are the sessions presented during the 2014 NSAA Annual Conference. To download handouts, PowerPoint presentations and speaker biographies from the conference, visit www.nasact.org.

THE COURAGE TO DO RIGHT
Arne Carlson, Former Governor, State Auditor, and State Representative (MN)

UPDATE FROM THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD
David Bean, Director of Research, GASB
David Vaudt, Chair, GASB

PENSION AUDIT ISSUES
Jeff Markert, Partner, KPMG

OMB UPDATE, INCLUDING GRANT REFORM
Tammie Brown, Audit Manager, U.S. Department of Health and Human Services

VISIONING THE STATE AUDIT OFFICE OF THE FUTURE
Suzanne Bump, State Auditor (MA)
William G. Holland, Auditor General (IL)
Stacey Pickering, State Auditor (MS)
Gila Bronner, The Bronner Group

EMERGING ISSUES ROUNDTABLE
William G. Holland, Auditor General (IL)

INNOVATION IS THE NEW CURRENCY – WHAT’S NEXT?
Louis Vong, VP Digital Strategy, TMP Worldwide Advertising & Communications, LLC

WHY GOOD PEOPLE AND ORGANIZATIONS DO BAD THINGS
David Schultz, Professor, Hamline University

HR ROUNDTABLE
Rebecca Otto, State Auditor (MN), Chair of the Human Resources Committee and President of NSAA
Scott Frank, Legislative Post Auditor (KS)
Roland Turner, Director of Human Resources, Office of the Auditor of Public Accounts (VA)

DOOMED BY DESIGN: UNEARTHING THE PROBLEMS WITH GOVERNMENT SECURITY PROGRAMS
Chris Buse, Chief Information Security Officer, MN.IT Services

DIY AUDIT TOOLS
Nathan Abbott, Legislative Information Systems Auditor, Office of the Comptroller of the Treasury (TN)

PRESENTATIONS BY NSAA’S EXCELLENCE IN ACCOUNTABILITY AWARD WINNERS
Dianne E. Ray, State Auditor (CO)
Rocky Cooper, Audit Supervisor, Legislative Counsel Bureau, Audit Division (NV)
Sheri Sawyer, Assistant Director, Local Government Performance Center, State Auditor's Office (WA)
Kevin Saionzowski, Chief Auditor, Special Audit Section, Office of the Auditor of State (OH)
Jason Whitesel, Senior Audit Manager, Office of the Auditor of State (OH)

Left: Rebecca Otto introduced former Minnesota Gov. Arne Carlson, who provided the opening address at the conference.
Right: On Thursday, June 12, incoming NSAA President Roger Norman presented Ms. Otto with a plaque of appreciation for her service to NSAA and its members in FY 2014.
Over 115 were in attendance at the conference, which was held at the Saint Paul Hotel.

Left: Thomas H. McTavish, one of this year’s William R. Snodgrass Leadership Award recipients, gave remarks at lunch on Wednesday, June 11.

Right: President Otto presented the Snodgrass Award plaque to Mr. McTavish, who retired as Michigan’s auditor general effective June 6.

Left and right: David Vaudt, former Iowa auditor of state and current chairman of the GASB, also received a 2014 William R. Snodgrass Leadership Award.
A panel session on “Visioning the State Audit Office of the Future” was held on Wednesday afternoon.

Left: Paul Townsend and Rocky Cooper from Nevada accepted an Excellence in Accountability Award in the small performance audit category.

Right: Dianne Ray, state auditor of Colorado, accepted a plaque for her office’s winning large performance audit.

Left: Jason Whitesel and Kevin Sainzowski accepted the award for the Ohio Office of the Auditor of State’s winning forensic audit.

Right: Shori Sawyer from the Washington Office of the State Auditor accepted the award for her office’s winning special project.
ASSOCIATION NOTES

NSAA BUSINESS MEETING HIGHLIGHTS
BY GLENSA JOHNSON, COMMUNICATIONS MANAGER

The National State Auditors Association held a business meeting on June 12, in Saint Paul, Minnesota, in conjunction with the 2014 NSAA Annual Conference. President Rebecca Otto, state auditor of Minnesota, presided.

COMMITTEE REPORTS

- Melissa Schuiling, from the Michigan Office of the Auditor General, invited everyone to attend or send staff to the upcoming 2014 IT Workshop and Conference, which is planned by the E-Government Committee. The conference will be held September 29 through October 3 in Grand Rapids, Michigan.

- Sherri Rowland, association director, reported for the Auditor Training Committee. She said that the 2015 NASACT Middle Management Conference will be held in Raleigh, North Carolina, in April. The dates will be finalized soon.

- Randy Roberts, senior technical director with the Arizona Office of the Auditor General and chair of the Audit Standards and Reporting Committee, reported that the Governmental Accounting Standards Board has several exposure drafts upcoming, including two on OPEB. The American Institute of Certified Public Accountants also has several initiatives they are working on including clarifying the attestation standards and issuing a series of audit interpretations relating to concepts contained in the pension whitepaper relating to agent plans. He said that the new Pension Audit Issues Workgroup has been well attended and useful to the state auditors to delve into audit-specific issues related to the GASB’s pension standards.

- Paul Townsend, legislative auditor of Nevada and chair of the Excellence in Accountability Awards Committee, gave a recap of this year’s award winners (see page 14 for a recap of the award winning projects). He encouraged participation on this committee and in the awards program.

- Ms. Otto, chair of the Human Resources Committee, reported that the committee continues to hold successful quarterly conference calls on a range of HR topics.

- Elaine Howle, state auditor of California and chair of the Peer Review Committee, reported that the committee has been busy revising checklists in the Peer Review Manual. Appendix B is out for review by the members. The committee will be setting up some task forces to examine training issues and reporting examples.

- Steve Eells, state auditor of New Jersey and chair of the Performance Audit Committee, reported that the committee continues to host regular information sharing calls. The calls cover a range of performance audit related topics.

- William G. Holland, auditor general of Illinois and chair of the Resolutions Committee, put forth two resolutions for consideration by members:
  1. Thanking and recognizing Rebecca Otto for her service as president of NSAA in FY 2014.
  2. Recognizing Thomas H. McTavish for his successful career as auditor general of Michigan and wishing him well upon his retirement.

These resolutions were unanimously approved by NSAA’s members.

- Dianne Ray, state auditor of Colorado and chair of the Single Audit Committee, reported that the committee received a brief update on recent activities of the U.S. Office of Management and Budget from Tammie Brown. Some issues covered included an update on the use of must/should in the recently released Uniform Guidance on Grant Reform. The committee also discussed HIT grants, questioned costs and how they are reported, and MAGI eligibility testing.

- Roger Norman, legislative auditor of Arkansas and chair of the Time and Place Committee, reported that the 2015 conference will be held in Little Rock, Arkansas, on June 9-12. David Martin, auditor general of Florida, will have the right of first refusal to host the NSAA conference in 2016, the year of his presidency.

- Mr. Holland, chair of the Nominating Committee, put forward the following Executive Committee for vote by members:
  - President: Roger Norman, Arkansas
  - President-Elect: David Martin, Florida
  - Secretary/Treasurer: Paul Townsend, Nevada

Continued next page
DOUG RINGLER NAMED AUDITOR GENERAL IN MICHIGAN

Doug A. Ringler, CPA, CIA, was appointed auditor general by the Michigan Legislature effective June 9, 2014. Prior to his appointment, Mr. Ringler held a variety of positions within state government for the past 26 years, most recently as the director of internal audit within the executive branch.

Mr. Ringler is a member of the American Institute of Certified Public Accountants and the Institute of Internal Auditors. He is a past recipient of the "Internal Auditor of the Year" Award, presented by the Institute's Lansing Chapter. A lifetime Michigan resident, the Reed City native graduated from Ferris State University.

Mr. Ringler replaces Thomas H. McTavish, who is retiring after 25 years as Michigan’s auditor general. Mr. McTavish has been an active member of NASACT and the National State Auditors Association.

MCTAVISH RETIRES AFTER 25 YEARS AS AUDITOR GENERAL

Thomas H. McTavish served as auditor general of Michigan from 1989 until his recent retirement this June. He is a past president of both NASACT and the National State Auditors Association. He was named as a recipient of the William R. Snodgrass Leadership Award this June. Shown at left: William R. Snodgrass and Mr. McTavish (photo taken at Mr. Snodgrass’s office in 2007 when the NASACT annual conference was held in Nashville, Tennessee).

NSAA BUSINESS MEETING HIGHLIGHTS (cont. from previous page)

- Immediate past president: Rebecca Otto, Minnesota
- Dianne Ray, Colorado
- Stacey Pickering, Mississippi
- Steve Eells, New Jersey

The new committee was unanimously approved.

OTHER TOPICS

Cornelia Chebinou and Kinney Poynter provided in-depth reports on activities of the association in the past year. Mr. Poynter reminded everyone about the NASACT travel assistance program: NASACT members can receive up to $2,000 in assistance to attend the 2014 NASACT Annual Conference in Santa Fe, New Mexico, August 9-13; $1,000 will be available for state auditors to attend the 2015 NSAA Annual Conference in Little Rock.

NEXT MEETING OR MORE INFORMATION

The next scheduled NSAA business meeting will occur in conjunction with the 2014 NASACT Annual Conference in Santa Fe. Questions about the content of this article may be directed to Sherri Rowland at srowland@nasact.org or (859) 276-1147.

Complete minutes from NSAA’s business meetings can be found at www.nasact.org in the Members Only section.

MEET NSAA’S NEW EXECUTIVE COMMITTEE MEMBER: STEVE EELLS, NEW JERSEY

On Thursday, June 12, Stephen M. Eells was selected as the newest Executive Committee member of the National State Auditors Association. Mr. Eells was appointed state auditor of New Jersey on February 11, 2010. He is a certified public accountant. Prior to this he served as assistant state auditor.

Mr. Eells received his bachelor of science in commerce from Rider College. He is a member of the American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Government Accountants, and several other professional associations. He currently chairs NSAA’s Performance Audit Committee.
ASSOCIATION NOTES

REGISTER NOW FOR NASACT’S NEXT WEBINAR!

NASACT is pleased to announce its next webinar scheduled for Wednesday, July 23: “GASB Review: 2014.”

As fiscal year-end for most state governments quickly approaches and a new year begins, it’s an opportune time for financial statement preparers and auditors to get a refresher on standards that will be effective for June 30, 2014, financial statements as well as recently released statements from the Governmental Accounting Standards Board that will require attention in fiscal year 2015.

This webinar will provide “must know” guidance from recently-issued GASB statements. Also included will be coverage on previously-issued GASB statements that are effective for June 30, 2014 and 2015.

Statements effective for 2014 are:
- Statement 65 - Items Previously Reported as Assets and Liabilities
- Statement 66 - Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62
- Statement 67 - Financial Reporting for Pension Plans

Statements effective for 2015 are:
- Statement 68 - Accounting and Financial Reporting for Pensions
- Statement 69 - Government Combinations and Disposals of Government Operations
- Statement 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date

Join GASB chairman David A. Vaudt, GASB director of research David R. Bean, and other GASB staff for this informative two-hour training session. Participants will have an opportunity to ask questions and share experiences during the last 25 minutes of the webinar.

COST

The cost to attend is $50 per person or $299 for a group (unlimited attendance).

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CHECK OUT NASACT’S TRAINING SEMINARS PROGRAM!

Through the Training Seminars Program, NASACT members can schedule specialized training seminars tailored to meet targeted staff training needs. Experienced consultants conduct the sessions, which can cover topics ranging from auditing and accounting to human resources and information technology.

An all-inclusive seminar fee covers consultant fees and expenses, as well as planning services provided by NASACT. The state hosting the training coordinates on-site logistics and provides CPE credit.

To find out more, contact Kathleen Young at (859) 276-1147 or kyoung@nasact.org.

National Association of State Auditors, Comptrollers and Treasurers
WHAT’S NEW AT www.nasact.org?
The following new items have been posted on NASACT’s website:

- NASC technical inquiries on the following topics at www.nasact.org/nasc/technical/index.cfm (members only content):
  - OPEB Assumptions
  - Threshold for Contingent Liabilities
  - Payments to Foreign Vendors
- Joint letter from government groups to the U.S. Securities and Exchange Commission regarding remarks made at a recent summit held by the Municipal Securities Rulemaking Board (www.nasact.org).

NASACT SEEKS INPUT ON GASB EDs
NASACT is seeking input from members on the following GASB exposure drafts:

- **Fair Value Measurement and Application**
  Response due to NASACT: Friday, July 18
- **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**
  Response due to NASACT: Wednesday, July 30
- **Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**
  Response due to NASACT: Wednesday, July 30
- **Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68**
  Response due to NASACT: Wednesday, July 30
- **The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments**
  Response due to NASACT: Friday, October 17
- **Implementation Guide No. 20XX-1**
  Response due to NASACT: Friday, October 17

Questions and comments may be directed to Sherri Rowland (srowland@nasact.org) or Kim O’Ryan (koryan@nasact.org).

FY 2015: A NEW NASACT YEAR
Invoices for NASACT membership dues for FY 2015 were recently mailed. What do members receive for that investment?

- Up to $2,000 to attend the NASACT annual conference in August. Up to $1,000 for state comptrollers to attend the NASC annual conference in March and for state auditors to attend the NSAA annual conference in June.
- Information sharing networks and technical publications.
- Technical response network to provide a unified voice on draft standards, rules and legislation.
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UPCOMING INFORMATION SHARING CALLS

**JULY**
- NASACT Pension Implementation Work Group - July 17
- NSAA HR Information Sharing - July 30

**AUGUST**
- NASC Payroll Information Sharing - August 20
- NASC Travel and P-Card Information Sharing – August 27

GET INVOLVED!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
GASB ISSUES EXPOSURE DRAFTS ON OPEB & PENSIONS

The Governmental Accounting Standards Board recently issued two exposure drafts proposing changes to financial reporting by state and local governments of other postemployment benefits. The GASB also issued a third exposure draft that would establish requirements for pensions and pension plans that are outside the scope of the pension standards the GASB released in 2012.

OPEB EDs

The most significant effect of the OPEB EDs would be to require governments to recognize their net OPEB liabilities on the face of their financial statements.

The first exposure draft related to OPEB, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB Employer ED), proposes guidance for reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The second ED related to OPEB, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB Plan ED), addresses the reporting by the OPEB plans that administer those benefits.

The OPEB Employer ED proposes that governments be required to report a liability for the OPEB that it will provide on the face of the financial statement. For governments that provide OPEB through a defined benefit OPEB plan administered through a trust meeting specified criteria, this liability would be the net OPEB liability, which is the difference between the total OPEB liability and net position accumulated in the trust. For governments that do not provide OPEB through such a trust, the total OPEB liability would be the liability reported by the government.

The OPEB Employer ED also proposes significant changes to how a government would calculate its OPEB liability and annual expense. These proposed changes include:

1. Discounting projected OPEB payments using:
   1.1. The long-term expected rate of return on OPEB plan assets administered through a trust meeting specified criteria to the extent that plan assets are expected to be available to make projected benefit payments and be invested using a strategy to achieve that return.
   1.2. A 20-year tax-exempt, high-quality general obligation municipal bond yield or index rate to the extent that the conditions above are not met.

2. Use of a single actuarial cost allocation method (“entry age actuarial cost method”).

3. Immediate recognition of additional components of OPEB expense.

4. Requiring governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

Continued next page
NEWS FROM AICPA

AICPA RELEASES WHITE PAPERS ON AGENT MULTIPLE-EMPLOYER PLANS

The American Institute of Certified Public Accountants’ State and Local Government Expert Panel recently released its white paper addressing issues pertaining to financial reporting and auditing of agent multiple-employer pension plans. The whitepaper addresses issues related to how employers participating in agent plans obtain all necessary information to properly recognize and disclose pension amounts in their financial statements and how their auditors obtain sufficient appropriate evidence to support their opinions on employer financial statements. It should be of interest to agent plans, participating employers, and their auditors.

The white paper can be found at:

The AICPA also created a “GASB Pensions: Issues and Resources” page which is very useful to keep track of the latest guidance.

NASACT’s Pension Standards Implementation Work Group, chaired by Greg Griffin, state auditor of Georgia, and the National State Auditors Association’s Pension Audit Issues Work Group, chaired by Gerry Boaz from the Tennessee Comptroller of the Treasury, are closely monitoring these developments, as well as other GASB 67 and 68 issues.

To join NASACT’s work group or NSAA’s audit issues work group, call (859) 276-1147.

The GASB Pensions – Issues and Resources page can be found at:

NEWS FROM GASB

continued from previous page

The ED also proposes to continue an option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive) in order to reduce costs for smaller governments.

The OPEB Plan ED addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet certain criteria. It also details proposed note disclosure requirements for defined contribution OPEB plans.

To help users, preparers, and auditors of financial statements familiarize themselves with the proposals, the GASB developed an OPEB web page (www.gasb.org/opeb) that features new “plain English” resources:

- An article outlining the key ways that the OPEB proposals will change how governments calculate and report the costs and obligations associated with OPEB.
- An article oriented to financial statement users that addresses how the proposed changes would affect the information that users receive about a government’s OPEB.
- A video featuring GASB Chairman David Vaudt discussing the key principles of the OPEB proposals.
- A fact sheet answering frequently asked questions.
- The summary and the full text of the proposals.

The GASB will host public hearings on the exposure drafts on September 10, 11, and 12, 2014.

PENSION ED

The third ED, Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68, would complete the suite of pension standards by establishing requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria.

MORE INFORMATION

The EDs, including instructions on how to submit written comments, are available on the GASB website, www.gasb.org. Stakeholders are encouraged to review the proposals and provide comments by August 29.
ASSOCIATION NOTES

The National State Auditors Association’s Excellence in Accountability Awards Program was created to recognize excellence in auditing in the state government audit community.

The program has four award categories: large performance audits (2,500 or more hours to complete), small performance audits (less than 2,500 hours to complete), forensic reports, and special projects.

At the recent NSAA annual conference, awards were presented to representatives from Nevada, Colorado, Ohio and Washington. Two honorable mentions were given to New Jersey and Louisiana in the small performance audit category. The winning award summaries and supporting documents may be viewed at www.nasact.org/nsaa/awards_recognition/winners.cfm.

SMALL PERFORMANCE AUDIT WINNER: NEVADA

Twelve states submitted reports for consideration in the small performance audit category.

The Nevada Audit Division received an award for the audit “Department of Business and Industry – Taxicab Authority.”

Audit Overview and Impact

The Taxicab Authority was created by the Nevada Legislature to regulate the taxicab industry in Clark County, which includes Las Vegas. There are 16 taxicab companies in Clark County; employing 9,000 drivers, operating a taxicab fleet of 3,100 vehicles, and providing about 27 million trips per year.

Tourism is vital to Nevada. Therefore, this audit primarily focused on the Taxicab Authority’s activities to help ensure proper oversight of taxicab company operations. The audit found:

- Weaknesses with the Taxicab Authority’s actions to prevent and detect long hauling. Long hauling occurs when a driver takes a longer route than necessary to increase the fare amount. The audit concluded that tourists were overcharged millions of dollars for taxicab trips.
- Weaknesses with the way taxicab medallion allocations were determined and tracked. Medallions are the small metal plates affixed to taxicabs authorizing them to operate. As a result, decision makers did not have sufficient information to ensure the appropriate number of taxicabs were operating in Las Vegas.

The audit report received nationwide coverage in the media, and strong agreement from the public. The audit was released during the Nevada Legislature’s 2013 session and was instrumental in the passage of legislation that requires the Taxicab Authority to collect and use a technology fee to develop computer systems that will help it regulate taxicab trips. Most notably the audit resulted in the posting of information for passengers to inform them about the most common routes to resorts, the time required to travel each route, and the average fare for each route.

LARGE PERFORMANCE AUDIT WINNER: COLORADO

Fifteen states submitted reports for consideration in the large performance audit category.

The Colorado State Auditor’s Office received an award for the audit “Medical Marijuana Regulatory System (Part I), Department of Revenue and Department of Public Health and Environment.”

Audit Overview and Impact

In 2000, Colorado voters approved a constitutional amendment to legalize the medical use of marijuana, and in 2010, in response to an increasing number of marijuana storefronts, legislators enacted a regulatory scheme for businesses that grow and sell medical marijuana. In mid-2012, the OSA planned an audit to examine both the business side and the patient side of medical use. In November 2012, Colorado voters approved the recreational use of marijuana. When this happened, the audit team was far enough into the work of the audit to know that there were significant problems with the regulation of medical marijuana businesses. The OSA determined that it was important to issue audit findings on medical marijuana as soon as possible to help inform the development of laws and rules for recreational marijuana. The OSA adjusted the audit scope and prioritized work around the business side of regulating medical marijuana, and issued a report in March 2013, four months earlier than originally planned.

The audit report included 13 recommendations for significantly improving regulation of medical marijuana businesses. Overall, the audit report helped legislators, regulators and the public understand that the state did not have the strict regulation of medical marijuana in place that was generally thought to exist. The report generated significant media coverage, resulted in successful legislation to simplify medical marijuana business licensing, and influenced the...
Excellence Awards: continued from previous page

rollout of recreational marijuana. The audit was instrumental in the successful passage of House Bill 13-1238. The bill simplified the state and local relationship in the business licensing process, which was a factor creating significant delays when issuing licenses.

FORENSIC REPORT WINNER: OHIO

Six states submitted reports for consideration in the forensic report category.

The Ohio Office of the Auditor of State received an award for the forensic report “Cuyahoga Heights Local School District.”

Audit Overview and Impact

In February 2011, a concerned member of the Cuyahoga Heights Local School District Board of Education contacted the Ohio Auditor of State's fraud hotline to express concerns over IT equipment purchases. The allegations included related party transactions between the district's IT director and members of his family, as well as goods and services being diverted to non-district operations.

The Ohio Auditor of State's Office initiated a special audit that focused on payments made to vendors for IT equipment by former district IT Director Joseph Palazzo. Auditors reviewed records for the period of July 1, 2007 through February 22, 2011. According to audit findings, Palazzo authorized 436 payments for a total of $3,844,155 to seven companies for which the district received no goods or services. These payments were made to seven vendors, all of which were owned or operated by family members or friends of Palazzo.

The special audit report was the driving force used by U.S. attorneys to secure a conviction of Palazzo and indictments of two additional men involved in perpetrating this theft of school district funds. Palazzo was sentenced to 11 years and four months in federal prison and ordered to pay restitution in the amount of $3.4 million. Additionally, the school district made changes including a new watchdog committee, implementing a new inventory system, training district employees on the Ohio Auditor of State's fraud hotline, and hiring an independent consultant to analyze the district's budget, cash flow and five-year forecast.

SPECIAL PROJECT WINNER: WASHINGTON

Eight states submitted reports for consideration in the special project category.

The Washington Office of the State Auditor received an award for the forensic report “Local Government Performance Center.”

Project Overview and Impact

Many local governments struggle to balance the service level their citizens expect with squeezed financial resources. Often, the most common challenges governments face have been resolved using proven tools and techniques, many of which are identified during performance audits. The Washington State Auditor's Office created the Local Government Performance Center to help local governments reduce costs and improve results by applying lessons learned through performance audits. The Center provides the following resources to help elected officials and managers find ways to be more efficient, effective and transparent:

- Online resources (including 150 tools focused on performance management).
- Training focused on logic models, performance measures, financial management, staffing analysis and process improvement/Lean.
- Assessments to evaluate how governments are tracking their performance.
- The Lean Academy, which includes workshops and strategies on process improvement.

Since its inception in June 2012, the Center has provided assistance to over 2,300 local government staff and governments are reporting real improvements to their processes and customer service.

ACKNOWLEDGMENTS

A number of people helped make the awards program a success this year. NSAA wishes to thank Paul Townsend, legislative auditor of Nevada, for chairing the committee, and Tom Barnickel, legislative auditor of Maryland, for serving as vice-chair of the committee and for chairing the subcommittee that judged the small performance audit category.

NSAA wishes to thank all those who volunteered to serve as judges for the awards program. NSAA also wishes to thank all the offices that submitted audits and projects for consideration. Participation in the program grows each year and is indicative of the quality work that NSAA member offices are conducting around the nation.

Questions about the awards program may be directed to Sherri Rowland at srowland@nasact.org or (859) 276-1147.
REGISTER NOW FOR NSAA IT WORKSHOP AND CONFERENCE!
BY DONNA MALOY, CONFERENCE MANAGER

The 2014 IT Workshop and Conference is scheduled for September 30 – October 3, 2014, in Grand Rapids, Michigan. The workshop, which will focus on cybersecurity, will be held on Tuesday, September 30. The conference will follow on Wednesday, October 1 through noon on Friday, October 3. Conference topics will include planning the scope of your IT audit; obtaining, storing and using confidential data; auditing BYOD mobile devices; risk and compliance considerations in the cloud; and much more!

- **Conference Hotel** – The Amway Grand Plaza Hotel is located in the heart of the business and entertainment district in downtown Grand Rapids. A special negotiated rate of $99/night, single or double occupancy, has been offered for the IT workshop and conference. To reserve your room, call (800) 253-3590 and ask for the National State Auditors Association rate. This rate will be available until the cut-off date of August 29, 2014. After this date, rooms will be available on a rate- and space-available basis only. The room block often sells out, so make your reservation early.

- **Getting There** – The Amway Grand Plaza Hotel is located 14 miles from the Gerald R. Ford International Airport. Taxi service to or from the airport costs approximately $30-$35 each way.

- **Registration Fees and CPE** – Registration fees are $150 for the workshop and $395 for the conference per attendee. Eight continuing education credits will be given for the workshop and 19 credits for the conference.

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

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