NASACT WEATHERS 2014 ELECTION SEASON

With 48 member seats in question, the November 2014 elections carried the potential for significant change within NASACT’s member ranks.

Elections results affecting member offices are outlined below by state. Questions about this article may be directed to Neal Hutchko, policy analyst, at nhutchko@nasact.org or (202) 624-5451.

ALABAMA
Treasurer: Young Boozer, III (R), running unopposed, retained his seat. This will be his second term as state treasurer.

ARIZONA
Treasurer: Jeff DeWit (R), who ran unopposed, is Arizona’s new state treasurer. DeWit is an investment professional and software company owner with a degree from the University of Southern California in business administration and a minor in finance. He will replace Doug Ducey, who ran a successful campaign for governor.

ARKANSAS
*Comptroller: Term-limited State Rep. Andrea Lea (R) is the new state auditor. She has a bachelor of science degree in emergency management and administration from Arkansas Tech University. She will replace Charlie Daniels, who is retiring.
Treasurer: Saline County Circuit Clerk Dennis Milligan (R) won the state treasurer seat. Milligan worked on legislation that eventually became Act 1088, which regulates the state’s treasury management practices and procedures to ensure prudent investment and management of public funds entrusted to the state treasurer. Milligan will replace Charles Robinson, who was named temporarily in May 2013 to replace former treasurer Martha Shoffner and was not eligible for re-election.

CALIFORNIA
Comptroller: Betty Yee (D) won her race to become the new state controller. She previously served as the chief deputy director for budget with the California Department of Finance. She earned her bachelor of arts degree in sociology from the University of California, Berkeley, and her master’s degree in public administration from Golden Gate University, San Francisco. She replaces John Chiang, who was term limited.
Treasurer: John Chiang (D) won the state treasurer seat by a significant margin. Chiang graduated from the University of South Florida with a degree in finance and received his law degree from the Georgetown University Law Center. He will replace Bill Lockyer, who is retiring.

COLORADO
Treasurer: Walker Stapleton (R) retained his seat. This will be his second term as state treasurer.

MEMBER CHANGES TO COME WITH 2015 INAUGURATIONS

Thirty-one NASACT members were successful in their re-election bids and will be returning to the association’s ranks following inaugurations in 2015. Seventeen new names and faces will be coming onto the scene (this number includes 11 new state treasurers, three new state comptrollers, two new state auditors, and one official that fills both the comptroller and treasurer function—Texas). The 2015 NASACT Directory will be printed in late-February. To view NASACT’s up-to-date member roster at any time, visit www.nasact.org/af_memberdirectory.asp.

Continued, next page
ASSOCIATION NOTES

2014 ELECTION RESULTS continued from previous page

CONNECTICUT
Comptroller: Kevin Lembo (D) retained his seat. This will be his second term as comptroller.
Treasurer: Denise L. Nappier (D) retained her seat, winning her fifth term as state treasurer.

DELAWARE
Auditor: R. Thomas Wagner, Jr. (R) retained his seat, winning his seventh term as auditor of accounts.
Treasurer: Ken Simpler (R) won the race for state treasurer. Simpler is currently co-owner and chief financial officer of Seaboard Hotels. He replaces Chipman Flowers, Jr., who did not seek re-election.

FLORIDA
*Comptroller/Treasurer: Jeff Atwater (R) retained his seat as chief financial officer of the Department of Financial Services. This will be his second term.

IDAHO
Comptroller: Brandon D. Woolf (R), who ran unopposed, retained his seat. This will be his first full term; he was appointed in 2012 to finish the term of former State Controller Donna Jones.
Treasurer: Ron Crane (R) retained his seat, winning his fifth term as state treasurer.

ILLINOIS
Comptroller: Judy Baar Topinka (R) retained her seat, winning her second term as state comptroller.
Treasurer: More than two weeks after the election, Mike Frerichs (D) has emerged as the apparent winner of the state treasurer race after his opponent Tom Cross (R) conceded the closely contested race. Frerichs will replace Dan Rutherford who ran for governor.

INDIANA
*Comptroller: Suzanne Crouch (R) retained her seat, winning her first full term as Indiana’s auditor of state. She was appointed in January 2014 to finish the term of her predecessor, Tim Berry.
Treasurer: Kelly Mitchell (R) won the state treasurer seat. Former treasurer, Richard Mourdock, resigned before the end of his second term in August 2014, before a cut in retirement benefits for state workers took effect. Dan Huge was appointed as interim state treasurer at that time. On November 18, Governor Mike Pence appointed Mitchell to finish the last few months of Mourdock's term.

IOWA
Auditor: Mary Mosiman (R) retained her seat, winning her first full term as auditor of state. She was appointed in May 2013 to fill the unfinished term of David Vaudt, who left to become chairman of the Governmental Accounting Standards Board.
Treasurer: Michael L. Fitzgerald (D) retained his seat, winning his ninth term as state treasurer.

KANSAS
Treasurer: Ron Estes (R) retained his seat, winning his second term as state treasurer.

MARYLAND
Comptroller: Peter Franchot (D) retained his seat, winning his third term as comptroller.

MASSACHUSETTS
Auditor: Suzanne Bump (D) retained her seat, winning her second term as state auditor.
Treasurer: Deb Goldberg (D) won the state treasurer seat. She was a selectman in the town of Brookline and became its chair. She replaces Steven Grossman, who ran to be the Democratic nominee for governor.

MINNESOTA
Auditor: Rebecca Otto (DFL) retained her seat, winning her third term as state auditor.

MISSOURI
Auditor: Thomas A. Schweich (R), running unopposed, retained his seat. This will be his second term as state auditor.

NEBRASKA
Auditor: The new state auditor is Charlie Janssen (R), a state senator, president and CEO of RTG Medical, and a U.S. Navy veteran of the Persian Gulf War. He will replace Mike Foley, who ran for lieutenant governor.
Treasurer: Don Stenberg (R) retained his seat, winning his second term as state treasurer.

NEVADA
Comptroller: Ron Knecht (R) won the state controller seat. He was elected to the Nevada Board of Regents, District 9, in 2006 and re-elected in 2012. He chaired the Business and Finance and Audit committees for two years each, and has served on the Investment and Major Projects Committee.
Previously, he served in the Nevada Assembly from 2002-04. He will replace Kim Wallin, who is term-limited.

**Treasurer:** Dan Schwartz (R) won the state treasurer seat. Schwartz served in the U.S. Army from 1972-74 before working in the financial industry in Houston and New York. He then moved to Hong Kong to become CEO of Asian Venture Capital Journal. He is also the founder and CEO of Qiosk.com. He will replace Kate Marshall, who is term-limited.

**NEW MEXICO**

**Auditor:** State Sen. Majority Whip Tim Keller (D) won the seat being vacated by Hector Balderas, who won his election to become the state's attorney general. Keller has a bachelor's degree from the University of Notre Dame and an M.B.A. with honors from the Harvard Business School.

**Treasurer:** Former State Sen. Tim Eichenberg (D) won the state treasurer seat. Eichenberg has operated a small business for over 30 years as a property tax consultant, state certified appraiser, general contractor and real estate broker. He is currently a ward chair and a state central committee member for the Democratic Party. He replaces James B. Lewis, who is term-limited.

**NEW YORK**

*Auditor/Comptroller:* Thomas P. DiNapoli (D) retained his seat, winning a second term as comptroller.

**OHIO**

**Auditor:** Dave Yost (R) retained his seat, winning a second term as auditor of state.

**Treasurer:** Josh Mandel (R) retained his seat, winning a second term as state treasurer.

**OKLAHOMA**

**Auditor:** Gary Jones (R), running unopposed, retained his seat. This will be his second term as state auditor and inspector.

**Treasurer:** Ken Miller (R) running unopposed, retained his seat. This will be his second term as state treasurer.

**RHODE ISLAND**

**Treasurer:** Seth Magaziner (D) won the state treasurer seat. He is a vice president with Trillium Asset Management. He replaces Gina Raimondo, who ran a successful campaign to become the state's governor.

**SOUTH CAROLINA**

**Comptroller:** Richard Eckstrom (R) has been elected to a fourth term as South Carolina's comptroller general.

**Treasurer:** Curtis Loftus (R), running unopposed, retained his seat. This will be his second term as state treasurer.

**SOUTH DAKOTA**

*Comptroller:** Steve Barnett (R), running unopposed, retained his seat. This will be his second term as state auditor.

**Treasurer:** Rich Sattgast (R) running unopposed, retained his seat. This will be his second term as the state treasurer, having also served two terms as state auditor.

**TEXAS**

*Comptroller/Treasurer:** Glen Hegar (R) won the race to be comptroller of public accounts. He is a state senator and chairman of the Subcommittee on Fiscal Matters. He will replace Susan Combs, who is retiring.

**VERMONT**

**Auditor:** Doug Hoffer (D/P), running unopposed, won his second two-year term as state auditor.

**Treasurer:** Beth Pearce (D) retained her seat, winning a third two-year term as state treasurer.

**WISCONSIN**

**Treasurer:** Matt Adamczyk (R) won the seat for state treasurer on the platform of saving tax dollars by eliminating the position, pledging to work tirelessly to eliminate the entire Office of State Treasurer. He has served as a senior adviser to multiple elected officials at the state capitol for the past ten years. He replaces Kurt Schuller, who is retiring.

**WYOMING**

*Comptroller:** Cynthia Cloud (R), running unopposed, won her second term as state auditor.

**Treasurer:** Mark Gordon (R), running unopposed, won his first full term as state treasurer. He was appointed in 2012 to fill the vacancy following the death of former State Treasurer Joseph Meyer.

***

*Denotes function within state government, which is not the same as the official job title in all states.*
The Affordable Care Act’s employer mandate is set to go into effect on January 1, 2015, for employers with 100 or more full-time employees and on January 1, 2016, for those with between 50 and 99 full-time employees. Are you prepared for the associated reporting requirements?

Employers, including state and local governments with more than 50 full-time employees, are required to provide affordable health insurance to any employee who works 30 or more hours per week (or 130 hours per month). While a safe harbor for certain penalties exists for states who offer coverage to at least 95 percent of their eligible employees, penalties of $2,000 or $3,000 per full-time worker may be imposed depending on the circumstances (transitional relief in year 2015 provides that coverage is 70 percent instead of 95 percent of full-time employees).

Specifically, under Section 6056, large employers (those with 100 or more employees) will be required to provide information to employees and the IRS concerning health insurance offered by the employer. The required information will include details about the employer offering coverage (contact information and the number of full-time employees) and on each full-time employee, as well as information about the coverage offered to the employee, by month, including the lowest cost of self-only coverage offered.

Section 6056 information will be reported to employees on Form 1095-C and transmitted to the Internal Revenue Service on Form 1094-C. Form 1095-C must be furnished to each full-time employee on or before January 31 of the year following the calendar year to which the information relates. This means that for 2015 the statement must be provided to the employee no later than February 1, 2016 (January 31, 2016 is a Sunday). The 1094-C transmittal form must be filed with the IRS on or before February 28, or March 31 if filed electronically, of the year following the calendar year in which the employer provided minimum essential coverage. In other words, for 2015 the form must be filed no later than March 1, 2016 (February 28, 2016 is a Sunday), or March 31, 2016, if filed electronically.

Although no reporting is required until 2016, employers should already have a plan in place to assure that the appropriate recordkeeping is being done to comply with the new reporting requirements.

Areas such as determining an employee’s work status as full or part-time require accurate records as the regulations allow employers to use a monthly calculation or an optional look-back measurement based on the hours of service the employee worked in a prior period. Employers should consult the regulations for guidance on the treatment and calculation of hours for various types of employees.

State and local government accounting departments should also be consulting with their human resource department to determine who will be responsible for the reporting and whether required employee information is already being collected.

Finally, states that self-insure should note that additional reporting is required under Internal Revenue Code Section 6055. Section 6055 requires entities to report information to the IRS for each individual to whom they provided minimum essential coverage. A statement must also be provided to the individual. Minimum essential health coverage includes health insurance coverage offered in the individual market, an employer-sponsored plan, or a government-sponsored program. Health insurance issuers are the parties responsible for reporting, therefore states that are sponsors of self-insured health coverage are responsible for reporting under section 6055. The reporting will allow taxpayers to establish and the IRS to verify minimum essential coverage and months of enrollment during the calendar year.

Regulations for the new reporting can be found at:

- Essential Minimum Coverage, Section 6055: https://www.federalregister.gov/articles/2014/03/10/2014-05051/information-reporting-of-minimum-essential-coverage
- Applicable Large Employers, Section 6056: https://www.federalregister.gov/articles/2014/03/10/2014-05050/information-reporting-by-applicable-large-employers-on-health-insurance-coverage-offered-under

Questions about the ACA employer mandate may be directed to Cornelia Chebinou, Washington director, or Neal Hutchko, policy analyst, in NASACT’s Washington office at (202) 624-5451.

NFMA’s Recommended Best Practices in Disclosure for State Government General Obligation and Appropriation Debt applies to a broad range of state issuers and debt issues of varying sizes and complexity. The document applies specifically “to debts secured by a general obligation or appropriation pledge and that are repaid from state general fund resources, which often include income, sales and corporate taxes and other revenues.”

The NFMA’s disclosure guidelines are meant to “capture the key information that analysts deem necessary to gain a fuller understanding of the credit quality of the debt issues covered in fulfillment of their fiduciary obligations when reviewing, researching and analyzing state credits.” While not all the recommended disclosures will be applicable to all issuers, the document attempts to provide a checklist of information that may already be part of the official statement or the annual or interim disclosure.

A link to NFMA’s practice document can be found at www.nfma.org/disclosure-guidelines.

The Single Audit Roundtable met on October 29 in Washington, D.C. Representing NASACT were Kinney Poynter, executive director, and Cornelia Chebinou, Washington director. George Strudgeon (VA) also attended on behalf of NASACT. Attendees heard general updates from representatives of the U.S. Office of Management and Budget, U.S. Government Accountability Office, American Institute of Certified Public Accountants, Federal Audit Clearinghouse, and federal inspectors general community.

Topics discussed at the roundtable included:
- Uniform Grant Guidance, including the 2015 Compliance Supplement update.
- DATA Act update.
- Green Book issuance and preliminary research for Yellow Book revisions.
- Government Audit Quality Center update.
- Status of 2014 submissions to the Federal Audit Clearinghouse, including common errors noted in submissions.
- Various other state and federal auditor issues.

If you are interested in a summary of the meeting, please contact Sherri Rowland at srowland@nasact.org or (859) 276-1147.

The next Single Audit Roundtable will take place on Wednesday, April 29, 2015.

To assist in this effort, the ACT’s FSLG Subcommittee is conducting a confidential survey to provide data analysis of opinions on IRS/FSLG communication tools and practices.

Those interested in providing feedback should complete the brief survey no later than 5:00 p.m. ET on February 27, 2015.

NASACT and the National Association of State Treasurers recently created a workgroup to examine amendments to Rule 2a-7 approved this summer by the U.S. Securities and Exchange Commission. The amendments impact money market mutual funds (MMFs), specifically requiring, among other things, that MMFs adopt a floating net asset value (NAV) instead of the traditional stable NAV.

The workgroup has focused primarily on the impacts the amendments will have on local government investment pools (LGIPs), which are in many instances operated by state governments. On October 31, the workgroup submitted a letter to the Governmental Accounting Standards Board requesting that GASB:

- Add the issue to its technical agenda.
- Consider options that will allow LGIPs to continue using amortized costs (i.e., stable NAV).

The full letter, with much more background and details, is available at www.nasact.org.

Questions about the workgroup’s efforts may be directed to Kinney Poynter at kpoynter@nasact.org or (859) 276-1147.
NASACT’s benchmarking program offers services in four areas:
1. Financial management.
2. Information technology.
3. Human resources/payroll.
4. Procurement.

The program allows states to compare themselves to other states and private sector companies.

It also allows comparisons of agencies within the state to each other and to agencies within other states. Benchmark-related consulting services are also available.

Wyoming is the latest participant in the program. In May 2014, Wyoming signed a statement of work for two functional benchmarks: finance and human resources. Wyoming has been working with The Hackett Group to complete various project phases for the benchmarks.

Any state interested in learning more about the benchmarking program can contact Kim O’Ryan at NASACT at koryan@nasact.org or (859) 276-1147 or Dale Agee with The Hackett Group at dagee@thehackettgroup.com or (770) 225-7203.

## NASACT Benchmarking Program: Background and Participants

NASACT started its benchmarking program on August 4, 2005. The project was conceived as a way for states to more easily procure benchmarking services and compare programs and agencies to each other to facilitate measurable improvements to systems and operations. Since 2005, 18 states have participated. The program also offers advisory services for states needing assistance to implement recommendations resulting from the benchmark studies.

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<th>STATE</th>
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<th>FUNCTIONAL AREA OF PARTICIPATION</th>
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FAF NAMES JAN SYLVIS VICE CHAIR OF GASB, SYLVIS ANNOUNCES RETIREMENT FROM STATE OF TENNESSEE

Jan I. Sylvis, a current member of the Governmental Accounting Standard Board, has been named GASB vice chair. The appointment was announced November 19 by the Financial Accounting Foundation, which oversees the GASB and its sister organization, the Financial Accounting Standards Board.

Her appointment is effective January 1, 2015. In this new role, Sylvis will serve the Board on a half-time basis. (The GASB chair position is full-time, while other Board members spend approximately a third of their time on GASB matters.)

Sylvis also recently announced her retirement from her position as chief of accounts for the Tennessee Department of Finance and Administration, a position she has held since 1995. Her retirement from the state of Tennessee will be effective December 31, 2014.

The position of GASB vice chair was created early in the GASB’s history, but was later retired. In response to increasing demands on the time of the GASB chair, the FAF trustees decided to reinstate the position, in part because of a strategic focus on expanding outreach to stakeholders. Recent outreach has focused on GASB’s new pension standards and a proposed standard for other postemployment benefits.

Sylvis began her first term on the part-time Board on July 1, 2007. She was reappointed to a second, five-year term on the GASB on July 1, 2012.

Sylvis is a past president of NASACT and a past president of the National Association of State Comptrollers. She earned her bachelor’s degree from the University of Memphis. She is a certified public accountant and a certified government financial manager.

FAF CREATES NEW COO POSITION, SELECTS MARY CROTTY TO SERVE

On October 23, the Financial Accounting Foundation named Mary P. Crotty to the new position of chief operating officer. In her new role, Crotty will manage the FAF’s business operations, including technology, finance, publications, and other key business activities. She will report to FAF President and Chief Executive Officer Teresa S. Polley.

She joins FAF from Bank of America, where she was a managing director and, for the past four years, leader of the Corporate Compliance and Regulatory Relations groups. Prior to that, Crotty held a variety of roles, including global compliance risk chief operating officer and business support executive in Global Markets and Global Research. Earlier, Crotty was a managing director at J.P. Morgan Securities, Inc.

FAF LAUNCHES GAAP EDUCATION PAGE ONLINE

This week the Financial Accounting Foundation launched a new web page focused on the benefits of generally accepted accounting principles—GAAP—to public companies, private companies, not-for-profit organizations, and state and local governments in the U.S. The webpage is available at www.accountingfoundation.org/gaap.

This educational portal is part of a broader FAF initiative to highlight the benefits of preparing financial reports according to GAAP. While many regard GAAP as the “gold standard” of financial reporting for public companies and state governments, there are many private companies, not-for-profits, local governments, and others that may not be familiar with the benefits of using GAAP. This initiative explores those benefits and also seeks to educate and inform all stakeholders—including preparers, investors, lenders, auditors, taxpayers, and other users—on how GAAP is essential to the efficient functioning of our capital markets and the strengthening of our economy and governments.

The webpage also contains a section dedicated to how the Financial Accounting Standards Board and the Governmental Accounting Standards Board are simplifying and improving GAAP.
UPDATE FROM GASB

NOVEMBER 2014

GOVERNMENTS WOULD DISCLOSE TAX ABATEMENT INFORMATION UNDER GASB PROPOSAL

The Governmental Accounting Standards Board has issued for public comment an exposure draft of a proposed statement, Tax Abatement Disclosures, which would require state and local governments to disclose information about property and other tax abatement agreements.

Under a tax abatement agreement, a government agrees to reduce the taxes a taxpayer would otherwise owe in return for an action that contributes to economic development or provides another benefit to the government or its citizens. The disclosure requirements proposed by the GASB are designed to provide financial statement users with essential information about these programs.

To help users, preparers, and auditors of financial statements familiarize themselves with the exposure draft, the GASB developed a web page that features new plain-language resources.

The exposure draft is available at www.gasb.org. Stakeholders are encouraged to review the proposals and provide comments by January 30, 2015.

SUMMARY OF TECHNICAL PLAN FOR THE FINAL THIRD OF 2014

This high-level summary of the GASB’s technical plan for the final third of 2014 includes information on the projects on Asset Retirement Obligations and Blending Requirements for Certain Business-Type Activities that the Board voted to add to the current technical agenda. Information also is included on the pre-agenda research initiated on External Investment Pools.

BOARD MEETING HIGHLIGHTS

The GASB held public meetings August 20–22 and September 8 (by teleconference), 2014, to discuss issues associated with its projects on Leases, Fiduciary Responsibilities, Tax Abatement Disclosures, and Irrevocable Charitable Trusts. The Board also reviewed and approved the technical plan for the final third of 2014. This article addresses key tentative decisions made by the Board during its deliberations on these topics. For complete minutes of the Board meeting, visit the project pages devoted to each project on the GASB website.

NASACT MEMBERS: PROVIDE YOUR INPUT!

Tax Abatement Disclosures

NASACT, through its Committee on Accounting, Reporting and Auditing, will be developing an association response to the GASB ED Tax Abatement Disclosures.

GASB’s comment deadline is January 30, 2015. In order to include your comments in NASACT’s response letter, please submit comments no later than Wednesday, January 7, 2015. Comments may be sent to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org).

The Board has asked for comments on all matters in this proposed statement. The Board requests that you explain the reasons for your views, including alternatives that you believe should be considered. Where possible, please provide a paragraph reference.

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.
WHAT’S NEW AT www.nasact.org?
The following new items have been posted on NASACT’s website:

- NASACT/NAST joint letter to the Governmental Accounting Standards Board regarding changes to SEC Rule 2a-7 and the impacts on local government investment pools at www.nasact.org/gasb.
- The following technical inquiries from state comptrollers (members only content):
  - Duplicate Payment Audits
  - Electronic Payments Questions
- The following technical inquiries from state auditors (members only content):
  - Audit of State Police
  - Attestation Engagements
  - Audit of Virtual Schools
  - Single Audit Representation Letters
  - Data Warehouses and Data Mining
  - Audit Staffing
  - Encryption Services
  - Charter Schools

COFAR MAKES AVAILABLE WEBCAST ON UNIFORM GUIDANCE
The Council on Financial Assistance Reform has posted its most recent webcast concerning implementation of the Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The link to the recorded version of the COFAR webcast can be found at https://cfo.gov/cofar/.

TRAVEL ASSISTANCE OPPORTUNITIES FOR MEMBERS IN 2015
Travel assistance may be used by members in good standing (or their designees) for registration, travel or hotel costs. All assistance is provided as a reimbursement following the conferences. The following travel assistance opportunities are available in 2015:

- **2015 NASC Annual Conference, March 11-13, Richmond, VA:** State comptrollers in good standing (or designees) are eligible to receive up to $1,000 to attend this conference.
- **2015 NSAA Annual Conference, June 9-12, Little Rock, AR:** State auditors in good standing (or designees) are eligible to receive up to $1,000 to attend this conference. New state auditors (who took office after the 2014 NSAA Annual Conference) are also eligible to receive a free registration to attend.
- **2015 NASACT Annual Conference, August 23-26, Chicago, IL:** All members in good standing (or designees) are eligible to receive up to $2,000 to attend this conference.

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

UPCOMING INFORMATION SHARING CALLS

**DECEMBER**
- NASC Electronic Payments – Dec 2
- NASACT Pension – Dec 11
- NASC SWCAP – Dec 16
- NSAA Performance Audit – Dec 18

**JANUARY**
- NSAA Pension Audit – Jan 8
- NSAA HR Info Sharing – Jan 28

**FEBRUARY**
- NASC Payroll Info Sharing – Feb 11
- NASC Travel & P-Card – Feb 18
BOOST YOUR STATE’S ROI WITH ADVANCED FRAUD ANALYTICS

By Christopher Westphal, Director of Analytics Technology, Raytheon Cyber Products

If you’ve seen the classic film, The Shawshank Redemption, you may recall that the main character, Andy Dufresne, pulled off a memorable money laundering scam by setting himself up with numerous accounts at different banks. (He took the cash and fled to a beach in Zihuatanejo, Mexico.) Because the movie was set in the pre-digital era, there weren’t any advanced analytical systems to “tell” the individual bank officers that something suspicious was going on. If they knew, they’d surely intervene. After all, common sense would question why anyone would need so many accounts for legitimate purposes?

Well, it would be nice to say that modern-day technology has made it difficult for a criminal to get away with such a bold plot. However, most organizations aren’t as far along in deploying available detection and prevention systems, which is keeping them from acquiring a state of total awareness when it comes to fraud.

The ensuing cost has been severe: fraud accounts for $3.7 trillion in global losses, and the typical organization loses five percent of revenue each year due to these crimes, according to the Association of Certified Fraud Examiners. State auditors, comptrollers and treasurers are hardly immune to such abuses. Filing false government documents—like tax forms and applications for benefits—represents the most widespread form of ID theft, according to the Federal Trade Commission. Nationwide, ID thefts total $24.7 billion a year, according to the Justice Department’s Bureau of Justice Statistics.

Clearly, tackling the problem requires investment into IT systems for better detection.

It would be shortsighted to devote all available funding to traditional detection systems. They’re often designed to do a fixed set of limited checks and look-ups. They can, for example, comb through Social Security records looking for individuals using multiple identification numbers. But they typically aren’t configured to cross-reference that data with, say, workers’ compensation claims to assess whether the individuals are using additional numbers to make a series of bogus claims.

To overcome the limitations, states must turn to advanced, investigative analytics solutions. Instead of being configured to “do” just a certain number of “things,” these tools cover a wider and more dynamic range of data, and are readily customized to respond to specific requirements and search requests. What’s key is detecting anomalies that emerge from patterns and trends within the data. Advance analytics solutions prove valuable because they can detect unusual patterns in a wealth of state-owned databases, including those related to motor vehicle departments, homestead exemptions, prescription drug monitoring programs, workers’ compensation, housing assistance, unemployment and medical assistance programs, among others. With that, your solution team members are fully empowered on what they can discover, including:

- Inconsistencies to flag suspects who are using false driver’s licenses. Many states “code” license numbers using formulas which link the number to the spelling of the driver’s name, gender and date-of-birth. When analytics demonstrates that a driver’s name doesn’t match the license number, it’s a sign of potential fraud.
- Transactions in which the same credit card number is used in multiple states or regions. This speaks to the M.O. of a “bust out” scheme, in which criminals (operating as merchants) build up a track record of good credit/payment histories for an account. Then, they “bust out” by initiating chargebacks and stopping payments, and abandon the account. They frequently open up account in multiple states and regions.
- Unusually high volumes of prescriptions being written by the same doctor, for drugs often containing opiates. When one doctor approves of significantly more opiates than his or her peers, this flags a possible black market “pill mill” operation.

This is hardly the stuff of fantasy. Over the many years of deploying our Raytheon Data Clarity Platform to a wide range of commercial and government agencies, billions of dollars’ worth of questionable transactions have been identified.

And speaking of fantasy, there’s always Andy Dufresne and his money laundering scam. If bank officials of his era had investigative analytics at their disposal, they’d catch him in the act – and Andy would be sent straight back to prison instead of living the good life in Mexico.

Mr. Westphal is director of analytics technology at Raytheon Cyber Products www.raytheon.com/cyberproducts. He is a recognized authority in the detection and exposure of complex patterns. Today, he and his team support a broad range of organizations that include federal and state/local law enforcement, all major intelligence agencies, the Department of Defense, civilian agencies, international financial intelligence units and large corporations. He is the author of several publications, including Data Mining for Intelligence, Fraud and Criminal Detection.

This article was prepared by Raytheon Cyber Products, a member of NASACT’s Corporate Associates Program. To find out more about the Corporate Associates Program, visit www.nasact.org/caps or call NASACT headquarters at (859) 276-1147.
CALENDAR

2015

February 11 | WEBINAR – GAO’s New Green Book: A Revised Internal Control Framework for Government

March 10 | NASACT Executive Committee Meeting, Richmond, VA
March 11-13 | NASC Annual Conference, Richmond, VA
April 14-16 | NASACT Middle Management Conference, Raleigh, NC
April 23-24 | Tennessee Training Seminars, Chattanooga, TN
April 27-28 | Tennessee Training Seminars, Nashville, TN
May 4-5 | Tennessee Training Seminars, Jackson, TN
May 7-8 | Tennessee Training Seminars, Morristown, TN
June 9-12 | NSAA Annual Conference, Little Rock, AR
August 23 | NASACT Executive Committee Meeting, Chicago, IL
August 23-26 | NASACT Annual Conference, Chicago, IL
September 22-25 | NSAA IT Workshop & Conference, Hartford, CT

NASACT ANNUAL CONFERENCE LOCATIONS ANNOUNCED THROUGH 2017

BY DONNA MALOY, CONFERENCE MANAGER

The 2014 NASACT Annual Conference was held in Santa Fe, New Mexico, this past August. Then-President James B. Lewis, state treasurer of New Mexico, presided. The conference was a huge success! Registrants attended a variety of technical sessions and many networking opportunities with their peers. The conference attendees and registered guest enjoyed a number of social events that highlighted the rich history of Santa Fe and the state of New Mexico.

2015: CHICAGO, ILLINOIS

The 2015 NASACT Annual Conference will be hosted by William Holland, Illinois auditor general and current NASACT President, and his co-hosts, Judy Baar Topinka, state comptroller, and the incoming state treasurer, Mike Frerichs. This will be NASACT’s 100th annual conference! The conference will be held August 22-26, 2015, at the Chicago Marriott Downtown in Chicago, Illinois. Stay tuned for details about this conference as planning ramps up in the next few months.

2016: INDIANAPOLIS, INDIANA

The 2016 NASACT Annual Conference will be hosted by Paul Joyce, Indiana state examiner, and his two co-hosts, Auditor of State Suzanne Crouch and State Treasurer Kelly Mitchell. Calvin McKelvogue, Iowa’s chief operating officer will be preside as NASACT’s president. The conference will be held August 13-17, 2016, at the Marriott Indianapolis Downtown.

2017: SALT LAKE CITY, UTAH

The 2017 NASACT Annual Conference will be held in Salt Lake City. The dates and hotel have not yet been selected. The conference will be hosted by Richard K. Ellis, who is scheduled to be NASACT’s president that year.