



NASACT NEWS

KEEPING STATE FISCAL OFFICIALS INFORMED

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NASACT CREATES HALL OF FAME

INAUGURAL CLASS WILL BE ANNOUNCED AT THE 100th NASACT ANNUAL CONFERENCE IN CHICAGO THIS AUGUST

At a conference call held on Wednesday, January 14, the Executive Committee approved the creation of the NASACT Hall of Fame. Inductees will be recognized at the 2015 NASACT Annual Conference. It is expected that up to five candidates will be inducted in the inaugural year and that two to three will be inducted in subsequent years.

The NASACT Hall of Fame was created to recognize an elite group of individuals who over their professional careers have made major and enduring impacts on state government financial management. Hall of Fame inductees will not be selected based upon a single achievement, but rather to recognize careers filled with significant achievements and contributions and to recognize those who have reached the highest levels of performance in the profession. Additionally, recipients will embody characteristics including outstanding vision, inspiring leadership, and unwavering commitment to the highest professional and ethical standards and practices.

CRITERIA

The following criteria will be used to evaluate candidates for the NASACT Hall of Fame:

- Contributions that promote or enhance government accountability, efficiency or effectiveness.
- Contributions primarily focused on improving

state government (contributions to federal or local government would be supplemental criteria to the selection process).

- Contributions making a major impact upon the lives of citizens or upon those employed by state governments.
- Other professional/peer recognition of excellence and achievement.

NOMINATION PROCESS

Nominations should be submitted electronically in PDF format via email ***by Friday, February 27, 5:00 p.m. Eastern time*** to Kinney Poynter, executive director, kpoynter@nasact.org.

To download the complete **program guidelines and the entry form**, visit www.nasact.org/nasact_awards.

WHAT WILL INDUCTEES RECEIVE?

Inductees will be announced and honored at the 2015 NASACT annual conference in August, and a press release will be issued by the association. Inductees will also be recognized in a physical space to be created at NASACT's headquarters office in Lexington, Kentucky, to memorialize the contributions of this elite group of individuals.

NASACT will pay expenses for Hall of Fame inductees to attend the annual conference.

QUESTIONS?

Questions may be directed to Glenda Johnson at gjohnson@nasact.org or (859) 276-1147. ■



SEE PAST AWARD WINNERS ONLINE

View past award winners on NASACT's website at www.nasact.org/awards:

1. **NASACT Awards**—Distinguished Service, President's and Special Recognition
2. **NASC Awards**—Distinguished Service, President's and Louis L. Goldstein Leadership
3. **NSAA Awards**—William R. Snodgrass Distinguished Leadership and Excellence in Accountability

ASSOCIATION NOTES



STATE COMPTROLLERS TO MEET IN VIRGINIA

By Kim O’Ryan, NASC Association Director

David Von Moll, comptroller of Virginia and president of the National Association of State Comptrollers, will host the 2015 NASC Annual Conference on March 11-13 in Richmond. John Reidhead, director of Utah’s Division of Finance, chairs the Program Committee.

CONFERENCE HOTEL: OMNI RICHMOND HOTEL

The conference hotel is the Omni Richmond Hotel. The special negotiated room rate is \$139/night (single or double occupancy) plus applicable taxes. **The cut-off date for this special rate is February 13, 2015.** To book, call (804) 344-7000 and reference the NASC Annual Conference. Rooms often sell out before the cut-off date, so it is recommended that you make reservations early.

TECHNICAL AGENDA

The program will include a state budget update from Scott Pattison, executive director of the National Association of State Budget Officers. Representatives from the Governmental Accounting Standards Board are scheduled to provide a GASB update. David Mader, controller of the Office of Federal Financial Management, U.S. Office of Management and Budget, has been invited to discuss OMB’s recent

activities. Additional sessions will also feature shared services, ACA reporting, digital disbursements, leases, information technology, governance risk and compliance, and other relevant topics. The program will also include a roundtable each day of the conference (see below for topics).

TRAVEL ASSISTANCE

All NASC members in good standing (or their designees) are eligible to receive up to \$1,000 in travel assistance to attend the conference. Travel assistance will be provided as a reimbursement after the conference.

REGISTRATION FEES

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

REGISTER!

Registration is currently available at www.nasact.org/nasc_schedule. Questions about the program may be directed to Kim O’Ryan (koryan@nasact.org); questions about the hotel may be addressed to Donna Maloy (dmaloy@nasact.org). ■

2015 NASC ANNUAL CONFERENCE — SCHEDULE OF EVENTS

Tuesday, March 10

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

Wednesday, March 11

- Conference Sessions
- Roundtable–Federal/State Issues:
 - Cost allocation issues
 - ACA reporting
 - Taxpayer Offset Program

Thursday, March 12

- Conference Sessions
- Roundtable–Operational Effectiveness:
 - Shared services models
 - Pension reporting issues
 - Tax abatement disclosures
- NASC Business Meeting

Friday, March 13

- Conference Sessions
- Roundtable–General Topics:
 - Transparency issues
 - Security and privacy concerns

CALL FOR RESOLUTIONS

Resolutions for consideration at the conference should be sent to Resolutions Committee chair Ed Ross (KY) at edc.ross@ky.gov or Kim O’Ryan at koryan@nasact.org **by Friday, February 27.**

CALL FOR ROUNDTABLE TOPICS

Please email suggested roundtable topics to Kim O’Ryan at koryan@nasact.org **by Wednesday, March 4.**



NASC 2015
ANNUAL CONFERENCE
March 11-13 | Richmond, VA

ASSOCIATION NOTES

NASACT LAUNCHES NEW CONFERENCE REGISTRATION SYSTEM

If you have tried to register for a conference recently at www.nasact.org, you may have noticed that things have changed a bit!

NASACT recently launched a new conference registration system. For most members and corporate affiliates, the change will be seamless.

However, if you try to register and find that you do not have a profile in our system, some action may be necessary. Depending on your designation with NASACT, the following actions will be needed:

- **NASACT Members or Member Staff:** If you do not have a profile, **please call our office at (859) 276-1147 to get set up.** Then you will be able to register online, access committee materials, and update your contact information anytime.
- **Members of NASACT's Corporate Associates Program:** If you are a member of our Corporate Associates Program, but do not have a profile,

please call our office at (859) 276-1147 to get set up. You will be able to register online for events and update your contact information anytime.

- **Other Government:** If you are with a government agency or office that is *NOT* a NASACT member, you may create a guest profile in our system by filling out the form at http://www.nasact.org/assoc_subscribe2.asp.
- **Non-Government:** If you are with a private sector company that is *NOT* a member of NASACT's Corporate Associates Program, you may create a guest profile in our system by filling out the form at http://www.nasact.org/assoc_subscribe2.asp.

If you have any questions about registering for a conference using NASACT's new online registration system, please call our office at (859) 276-1147. ■



CELEBRATE
100 YEARS OF EXCELLENCE
AUGUST 23-26, 2015
CHICAGO MARRIOTT DOWNTOWN

WE'LL SEE YOU IN CHICAGO!
WATCH FOR MORE INFORMATION COMING SOON
AT WWW.NASACT.ORG



NEWS FROM WASHINGTON

NASACT PARTICIPATES IN MSRB ROUNDTABLE

The Municipal Securities Rulemaking Board hosted its 2015 industry roundtable on January 9, providing municipal market groups a venue for discussing emerging issues and activities related to the municipal market. NASACT was represented by Executive Director Kinney Poynter and Cornelia Chebinou, director of the Washington Office.

The meeting opened with a representative from each organization briefly discussing topics and activities of focus within their organizations and among their members. The meeting also included an update on the recent MSRB activities including ongoing work to regulate municipal advisers and a discussion of the U.S. Security and Exchange Commission's Municipal Continuing Disclosure Cooperative (MCDC) Initiative.

NASACT reported on the next phase of efforts regarding continuing disclosure: the work of NASACT's implementation group, which was brought together to encourage states to adopt the ten best practices on voluntary continuing disclosure

released last August. Vermont was the first state to implement all ten best practices. NASACT reported on efforts to educate members about the new pension standards from the Governmental Accounting Standards Board and a workgroup established to examine the impacts of the SEC's amendments to Rule 2a-7 on money market mutual funds (MMFs) that specifically require, among other things, that MMFs adopt a floating net asset value (NAV) instead of the traditional stable NAV. The workgroup is focusing primarily on the impacts the amendments will have on local government investment pools or LGIPs, which are in many cases operated by state governments.

Areas of concern mentioned by other groups represented at the roundtable included:

- Threats to tax exemption for municipal debt.
- Fallout from the SEC's MCDC Initiative.
- Ongoing interest in revisiting the SEC's rule 15(c) 2-12 governing continuing disclosure. ■

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

HOUSE PASSES ACT TO MODIFY "FULL-TIME" EMPLOYEE UNDER ACA

The House of Representatives has passed and sent to the Senate the Save American Worker's Act of 2015, or H.R. 30, which would modify the 2010 Patient Protection and Affordable Care Act's (ACA) standard for "full-time" employee.

H.R. 30 would change the ACA's standard for a full-time employee from 30 to 40 hours per week. The ACA includes a requirement that employers with at least 50 full-time employees offer health insurance that meets certain federal standards for benefits and affordability or face a penalty for non-compliance. A full-time employee is currently defined as one who works at least 30 hours per week.

Several union groups support the measure, claiming that the existing 30-hour standard creates an incentive for employers to keep employee work hours below the 30-hour threshold and that several employers have already begun slashing hours.

The Congressional Budget Office has stated that the change would reduce the number of employers covered by the mandate. CBO estimates that 1 million fewer people would have employer-sponsored coverage and that about half would have to get coverage through a government program, consequently increasing spending on federal health insurance programs such as Medicaid.

Although the legislation could make it through the Senate, the President has threatened to veto the measure stating that it:

"...significantly increases the deficit, reduces the number of Americans with employer-based health insurance coverage, and creates incentives for employers to shift their employees to part-time work—causing the problem it intends to solve." ■

NEWS FROM WASHINGTON

CONGRESSIONAL RESEARCH SERVICE LOOKS AT STATE AND LOCAL GOVERNMENT DEBT

The Congressional Research Service has issued a report on state and local debt in advance of upcoming talks on tax reform, which could modify the tax treatment of state and local government bonds. The report, “Tax Exempt Bonds: A Description of State and Local Government Debt,” provides information about debt obligations of state and local governments made as a way to finance capital facilities. The Congressional Research Service is a component of the Library of Congress, which conducts research and analysis for Congress on a broad range of issues of national policy.

The report begins with an overview of debt including the types of debt, why state and local governments issue debt, and an explanation of the cost of the tax exemption to the federal government and why the federal government has chosen to provide the exemption.

The report also includes a brief discussion of the current legislative interest in altering the tax treatment of state and local debt and the desire to provide a more economically efficient subsidy with a lower revenue cost. Essentially, the report reviews the three types of proposals aimed at altering the tax treatment of municipal bond interest: (1) capping the amount of the deduction, (2) eliminating the exemption or (3) changing the way the subsidy is provided.

NASACT and other state and local government organizations have banded together in a coalition aimed at preserving the tax exemption and educating members of Congress and the public about the importance of the municipal tax exemption in providing state and local governments with an efficient means for financing infrastructure.

Please contact the Washington Office at cchebinou@nasact.org for a copy of the report. ■

PEW RELEASES LATEST REPORT ON STATE FINANCIAL ACTIVITY

The Pew Charitable Trusts has released a report on state financial activity over the past several years incorporating the effects of the Great Recession of 2008. The report, “Fiscal 50: State Trends and Analysis,” examines several aspects of state financial health, including tax revenue, tax revenue volatility, and federal share of state revenue. In the area of federal share of state revenue, Pew found that:

“The share of states’ revenue coming from the federal government surged in the wake of the Great Recession and then fell as federal stimulus funds expired and state tax revenue recovered. In fiscal year 2012, federal dollars made up 31.6 percent of 50-state revenue—below peak but still historically high.”

On the spending side, Pew discovered:

“States spent \$1.65 trillion in combined state and federal funds in fiscal 2012, about \$9 billion less than the previous year. This was the first year-over-year decline in at least 50 years. Total spending fell because states did not fully make up for the sharp drop in federal aid, even though an improving economy gave them more of their own revenue to spend.”

The full report can be viewed at www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind1. ■

Stay Informed with the Washington Update and Weekly News Clips!

NASACT’s *Washington Update* is an e-newsletter that is published weekly when Congress is in session. Not on the list? Call (202) 624-5451 to be added. View past issues of the update at www.nasact.org/washington_update. NASACT’s Washington Office also publishes a weekly clips email with links to news about member offices. If you have a link you would like to include in the weekly clips email, send it to Neal Hutckho at nhutckho@nasact.org.

Questions about NASACT’s Washington-related activities may be directed to Neal or to Cornelia Chebinou (cchebinou@nasact.org).

ASSOCIATION NOTES

NASACT ANNOUNCES UPCOMING WEBINARS



NASACT has two webinars coming up in February. Visit www.nasact.org/webinars for complete details!

GAO'S NEW GREEN BOOK: A REVISED INTERNAL CONTROL FRAMEWORK FOR GOVERNMENT
Wednesday, February 11
2:00 - 4:00 p.m. Eastern

This webinar will highlight the final provisions *Standards for Internal Control in the Federal Government: 2014 Revision*, also known as the Green Book, including a discussion of the impact of the most significant changes. Representatives from Minnesota will explain their state's journey to establish strong internal controls and why they are planning to shift from COSO to the Green Book as the executive branch's internal control standard. Views will be provided from both management and the independent legislative auditor. Speakers will be:

- Kristen Kociolek, assistant director, Financial Management and Assurance Team, U.S. Government Accountability Office
- Cecile M. Ferkul, deputy legislative auditor (MN)
- Jeanine Kuwik, director of internal control and accountability, Office of Management and Budget (MN)

Cost: \$299 for groups (unlimited attendance) and \$50 for individuals.

CPE: 2 credits will be available.

ESTABLISHING RISK MANAGEMENT AND CONTROLS FOR STATE GOVERNMENT
Wednesday, February 25
2:00 - 4:00 p.m. Eastern

Establishing policies and procedures to manage risk has always been part of the public sector landscape. A number of professional associations and standard-setting bodies have addressed how public sector organizations can establish policies and internal controls to minimize the risk of financial inaccuracy and fraud. The U.S. Government Accountability Office recently issued the Green Book. These standards provide the overall framework for designing, implementing and operating an effective internal control system.

This webinar will provide an overview of the national governance, risk and compliance environment and review how two organizations, the commonwealth of Virginia and the Pennsylvania Department of the Treasury, have implemented effective risk management processes and internal controls. Speakers will include:

- Bob Sabo, executive director, Public Sector Solutions, Oracle
- Keith Johnson, director, State and Local Government, Oracle
- David Von Moll, state comptroller, Virginia
- Jeffery Bohr, information technology manager, Information Technology Solutions, Pennsylvania Department of Treasury

Cost: \$299 for groups (unlimited attendance) and \$50 for individuals. For this event, those who do not need CPE for the event may participate for free.

- Use **promo code** [INDWEB](#) to receive the discounted individual rate of \$50.
- Use **promo code** [NOCPE](#) to participate at no cost.

CPE: 2 credits will be available.

MORE INFORMATION

Questions about NASACT's webinars may be directed to Anna Peniston (apeniston@nasact.org) or Pat Hackney (phackney@nasact.org). They may also be reached at (859) 276-1147.

Registration is available now at www.nasact.org. ■

NSAA ACCEPTS EXCELLENCE IN ACCOUNTABILITY AWARD SUBMISSIONS

The National State Auditors Association's Excellence in Accountability Awards Committee is now accepting submissions for the 2015 Excellence in Accountability Awards. Awards will be given in four categories:

1. Performance audits—large (2,500+ audit hours)
2. Performance audits—small (under 2,500 audit hours)
3. Forensic reports
4. Special projects

Submissions are **due by 5:00 p.m. Eastern time on Friday, February 27, 2015**. Award winners will be recognized at the NSAA annual conference in June in Little Rock, Arkansas.

For complete information about submitting an entry, visit www.nasact.org/nsaa_awards. Questions may be directed to Sherri Rowland at srowland@nasact.org or (859) 276-1147. ■

NEWS FROM AROUND THE NATION



GASB UPDATE: JANUARY 2015

GASB SURVEY—COMMUNICATING WITH STAKEHOLDERS

The Governmental Accounting Standards Board is seeking input on how well you think they communicate on issues of importance. If you have not had a chance to fill it out, please take a few minutes to complete a short survey at <https://www.fafsurveys.org/se.ashx?s=4CA36E922C90C8A3>. The GASB wants to know what you find helpful and what they could do better. ■

For more information about the GASB, visit www.gasb.org.

FAF NAMES DRUCKER AND VEIHMAYER TO BOARD OF TRUSTEES

The Financial Accounting Foundation recently announced that it has appointed Myra R. Drucker and John Veihmeyer to the FAF Board of Trustees, effective January 15.

Ms. Drucker currently serves as an independent director and chairs the Risk and Audit Committee of Grantham, Mayo, Van Otterloo & Co. LLC, a privately-held global investment management firm. She also serves as chair of the board of TrustedPeer, Inc., an online business consulting network, and is a frequent speaker and advisor on governance issues.

Mr. Veihmeyer is global chairman of KPMG and chairman and CEO of KPMG in the U.S. He has more than 35 years of experience advising many of the world's leading companies on financial reporting, audit quality, risk, governance, educational issues,

ethical leadership, and diversity and inclusion.

The terms of Ms. Drucker and Mr. Veihmeyer on the Board of Trustees extend to December 31, 2019. They replace Luis M. Viceira and Edward E. Nusbaum, whose terms ended on January 14, 2015.

The trustees also announced that Ann Marie Petach, FAF trustee, secretary and treasurer, was reappointed to a second term that ends on December 31, 2017. Ms. Petach serves on the board of BlackRock Institutional Trust Company.

The trustees also accepted the resignation of Teri L. List-Stoll, executive vice president and chief financial officer of Kraft Foods, effective December 31, 2014. The trustees expect to fill Ms. List-Stoll's position during 2015. ■

IS YOUR STATE HEADED IN THE RIGHT DIRECTION? LET OUR BENCHMARKING PROGRAM HELP YOU FIND OUT!



Through the program, states can compare themselves to other states and to the private sector. The program also allows comparisons of agencies within the state to each other and to agencies within other states. Additional executive advisory services are also available through the program.

To find out more, email Kim O'Ryan at koryan@nasact.org.

18 states have participated in the program. Join them to find out how your state measures up in the following functional areas:

- Financial management
- Information technology
- Human resources/payroll
- Procurement



NEWS FROM AROUND THE NATION

NEW OFFICIALS NAMED IN ARKANSAS, ILLINIOS; FAMILIAR FACES RE-ELECTED IN TENNESSEE

ARKANSAS

On January 9, Arkansas Gov.-elect Asa Hutchinson named **Larry Walther** as the new director of the Department of Finance and Administration.

Walther will replace **Richard Weiss**, who has retired.

Weiss served as director of the department under three governors. His first stint was from 1994 to 1999, and again from 2002 to present.

Walther was a member of the board of directors for the Export-Import Bank of the United States. He was nominated by President Barack Obama for the position on July 21, 2011, confirmed on Nov. 1, 2011, and served until Jan. 20, 2013.

Before that, he was director of the U.S. Trade & Development Agency, and also director of the Arkansas Department of Economic Development under Gov. Mike Huckabee.

ILLINOIS

On January 6, **Leslie Munger** was named by Gov.-elect Bruce Rauner to fill the vacancy for state comptroller created by last month's death of **Judy Baar Topinka**, who had just been re-elected.

Munger and Rauner support a proposal to combine the offices of state comptroller and state treasurer. The proposal has become known as "Judy's Amendment" in honor of Topinka who advocated for the merger.

On his way out of office, Illinois Gov. Pat Quinn signed a legislative package that included a measure setting a special election in 2016 to fill the latter half of the late Topinka's term.

The new law sets up a special election procedure for most constitutional offices, including the secretary of state and attorney general, when a vacancy or "failure to qualify" occurs with more than 28 months remaining in a term. The election would occur at the

next regularly scheduled election. Munger has stated that she will abide by any action of the General Assembly and will seek re-election in 2016.

TENNESSEE

Members of the 109th Tennessee General Assembly re-elected **David Lillard** to a fourth term as Tennessee state treasurer. The state treasurer is a constitutional officer elected by the General Assembly for a two-year term.

Justin Wilson was also re-elected to serve as the Tennessee comptroller of the treasury. Comptroller Wilson is Tennessee's 34th comptroller of the treasury and was re-elected to his fourth two-year term.

WISCONSIN

Steven Censky, state controller, has retired. A new state controller has not yet been named. **Jeffrey Anderson** is deputy state controller and will fill the role in the interim. ■

LOOKING FOR COST-EFFECTIVE TRAINING? 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 Anna Peniston at (859) 276-1147 or apeniston@nasact.org.



NASACT

National Association of State
Auditors, Comptrollers
and Treasurers



ASSOCIATION NOTES



WHAT'S NEW AT www.nasact.org?

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

- Technical inquiries from NASC on the following topics (members only content):
 - Payroll Archives and Retention
 - Meal Reimbursement
 - Promulgated Rules

UNIFORM GUIDANCE FINAL INTERIM RULE - FEDERAL AGENCY IMPLEMENTATION RULES: MEMBER INPUT REQUESTED

The U.S. Office of Management and Budget published its final interim rule on *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Federal Awarding Agency Regulatory Implementation* (www.gpo.gov/fdsys/pkg/FR-2014-12-19/pdf/2014-28697.pdf). This joint interim final rule implements for all federal award-making agencies the final guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, published by OMB on December 26, 2013, in 2 CFR part 200 ("Uniform Guidance"). With this interim final rule, OMB is amending the uniform guidance to make technical corrections where needed, and federal awarding agencies are joining together to implement the Uniform Guidance in their respective chapters of

title 2 of the CFR. This interim final rule was effective on December 26, 2014.

OMB is seeking feedback on this final interim rule by February 17, 2015.

NASACT will be providing comments on the interim rule. To include your comments in NASACT's response, please send comments to Kinney Poynter at kpoynter@nasact.org **by Friday, February 13**.

You are also encouraged to submit your comments directly to OMB at www.regulations.gov.

SHARE YOUR INPUT ON GASB PVs

The Governmental Accounting Standards Board recently issued two preliminary views documents: *Leases* and *Financial Reporting for Fiduciary Responsibilities*. Through the Committee on Accounting, Auditing and Reporting, NASACT will be responding to the PVs. The PVs can be downloaded at www.gasb.org.

To include your input in NASACT's response letter, email your comments to Kim O'Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org) **by Wednesday, February 11**.

UPCOMING INFORMATION SHARING CALLS

JANUARY

NSAA HR Info Sharing – Jan 28

FEBRUARY

NASC Payroll Info Sharing – Feb 11

NSAA Pension Audit Issues Group – Feb 12

NASACT Pension Standards Implementation Group – Feb 18

NASC Travel & P-Card – Feb 18

MARCH

NASACT Committee on Accounting, Reporting and Auditing – Mar 17

APRIL

NASC Electronic Payments Info Sharing – Apr 7

NSAA HR Info Sharing – Apr 29

GET INVOLVED!

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



NASACT

National Association of State Auditors, Comptrollers and Treasurers

GUEST ARTICLE SPOTLIGHT

AUDITING WATER LOSSES FROM MUNICIPAL DRINKING WATER UTILITIES: BEST PRACTICES AND PRO-ACTIVE STATE POLICIES SAVE MONEY AND WATER

BY LARRY LEVINE, SENIOR ATTORNEY, NATURAL RESOURCES DEFENSE COUNCIL

Every day, billions of gallons of expensive, treated water is lost from public drinking water systems all around the country due to leaking, aging water infrastructure. Much of that water gushes from over 237,000 water main breaks across the country every year, resulting in approximately \$2.8 billion in lost revenue and expensive repairs and property damage claims. Even more of it seeps from chronic leaks, typically underground, out-of-sight and out-of-mind.

If we don't fix this problem, more than water is going down the tubes. It's also taxpayers' and ratepayers' money.

Leaders in the water utility industry, through the American Water Works Association (AWWA), have developed methods and tools to perform water audits that quantify and track down the losses in drinking water distribution systems, allowing utilities to strategically implement controls to reduce losses. Besides leakage ("real losses"), these audits also frequently reveal under-counting—and therefore under-billing—of water that actually is delivered to customers ("apparent losses"). These are the primary components of "non-revenue water"—water the utility spends capital and operating dollars to obtain, treat, and transport, but which generates no revenue. These costs, along with the costs of repairing the damage done by water main breaks and leaks, are simply passed along to ratepayers in the form of higher water rates.

State governments—including state comptrollers—are beginning to take notice.

A new website developed by the Natural Resources Defense Council (NRDC), grades states based on the strength of their policies for accurately reporting water losses and setting targets for water loss reduction. It also includes examples of high-quality water loss audits from selected utilities.

Unfortunately, without direction from state regulators or auditors, most public water utilities are reluctant to aggressively self-audit and have not implemented water audit best practices.

The tracking map on the new website shows a growing number of states that are requiring all utilities to perform and submit annual water loss audits using the AWWA methodology. One state, Georgia, goes even further to require third-party validation of water loss audit data. And a further best practice—system-specific, volume-based performance benchmarking for reducing water loss—is not yet required by any state, although Georgia is developing policies to do so.

The state comptroller is leading the way in Tennessee, another of the top-three performers. In every annual audited financial statement to the Tennessee Office of the Comptroller of the Treasury, water utilities are required to submit the results of a water audit using the AWWA methodology and standardized, electronic reporting format.

The Office of the State Comptroller in New York has conducted dozens of audits of municipal water systems showing a consistent pattern of very high rates of

water loss (albeit using the relatively crude calculation method required under state law). Three-quarters of audited utilities had losses over 20 percent, and half or more were over 40 percent. The comptroller's recommendations have consistently included maintaining better water loss data and improve auditing methods.

Fortunately, the tools already exist to address water loss and, by embracing them, states can help achieve real dollar savings for public water utilities and their customers and taxpayers. The U.S. Environmental Protection Agency and AWWA report that up to 75 percent of water loss in a system is "economically recoverable," and that the time to recover the costs of water loss reduction efforts is typically measured in days, weeks, and months, rather than years.

In order to know when and where to deploy these solutions, universal, effective water loss auditing is essential. State auditors, comptrollers and treasurers, using both their auditing and regulatory authorities, are well-suited to the challenge. ■

To learn more about this issue, review state policies on water loss audits, and see examples of high-quality water loss audits, see NRDC's new website, Cutting Our Losses: State Policies to Track and Reduce Leakage from Public Water Systems, at www.nrdc.org/water/water-loss-reduction.asp.



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NASACT News is published monthly.
To submit articles, photos or ideas,
contact Glenda Johnson at
gjohnson@nasact.org or (859) 276-1147.

CALENDAR

2015

- February 11 | WEBINAR – GAO’s New Green Book: A Revised Internal Control Framework for Government
- February 25 | WEBINAR – Establishing Risk Management and Controls for State Government
- March 10 | NASACT Executive Committee Meeting, Richmond, VA
- March 11-13 | NASC Annual Conference, Richmond, VA
- March 26 | WEBINAR – Visualizing Fraud Patterns: Exposing the Hidden Threats
- 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 22-26 | NASACT Annual Conference, Chicago, IL
- September 22-25 | NSAA IT Workshop & Conference, Hartford, CT

PLAN NOW TO ATTEND NASACT’S 100TH ANNIVERSARY IN CHICAGO THIS AUGUST!

BY DONNA MALOY, CONFERENCE MANAGER



Join NASACT President William G. Holland and our Illinois hosts for the 2015 NASACT Annual Conference in Chicago on August 22-26. The NASACT Training and Professional Development Committee will begin working on the technical program soon. Watch for the topics survey to provide your input!

CONFERENCE HOTEL – CHICAGO MARRIOTT DOWNTOWN

The conference will be held at the Chicago Marriott Downtown located on the famous Magnificent Mile in the heart of downtown Chicago, within easy walking distance of world class dining and shopping. The conference rate is \$199 plus applicable tax. To reserve a room, call (312) 836-0100 and ask for the NASACT Annual Conference group rate.

SPECIAL EVENTS AND SOCIAL ACTIVITIES

Our conference hosts are planning a number of special events, including a gospel brunch at The House of Blues, a reception at the Signature Room on the 95th floor of the John Hancock Center, and a cruise on Lake Michigan.

A guest program will also be offered where guests will be treated to an architectural boat ride through downtown Chicago, a visit to The Art Institute and lunch at one of Chicago’s famous pizza places–Gino’s.

Mark your calendars and plan to join us in Chicago in August for NASACT’s 100th Anniversary Celebration! More information about the conference will be available soon at www.nasact.org. ■