NASACT 2015 – A YEAR IN REVIEW

NASACT has focused on a number of major initiatives in 2015. Each of these topics has been covered in past newsletters, business and committee meetings, and email updates this year.

AMENDMENTS TO RULE 2a-7

NASACT and the National Association of State Treasurers created a work group last fall to examine the U.S. Securities and Exchange Commission’s amendments to Rule 2a-7 impacting money market mutual funds (MMFs). Among other things, the amendments will require institutional prime MMFs to adopt a floating net asset value (NAV) instead of the traditional stable NAV. The work group has primarily focused on the impact the amendments will have on local government investment pools (LGIPs), which in many cases are operated by state governments.

The work group requested that the Governmental Accounting Standards Board (1) add this issue to its technical agenda and (2) consider options that would allow LGIPs to continue using amortized cost (stable NAV). GASB added the issue to its technical agenda in December 2014.

The work group also responded to a GASB survey intended to explore an exception to fair value reporting for external investment pools when amortized cost is substantially the same as fair value. The results of the survey were used by GASB staff to develop criteria that would minimize the risk that amortized cost deviates from fair value, such that pools only report amortized cost when it is substantially the same as fair value. The criteria would only relate to financial reporting.

In June, GASB issued an exposure draft, Accounting and Financial Reporting for Certain External Investment Pools, to revise the guidance on LGIPs. The ED only allowed a change in accounting policy to amortized cost at the time of implementation when a final statement is issued.

NASACT replied to the ED at the end of August, generally agreeing with the provisions of the ED but urging the Board to reconsider and remove the restriction on the ability for LGIPs to make justifiable changes between acceptable accounting principles in the future. A final pronouncement is expected at the end of December.

PENSION STANDARDS AND AUDIT GUIDANCE

NASACT has continued to host work groups focusing on the implementation of GASB’s pension standards, Statements No. 67 and No. 68.

The Pension Standards Implementation Work Group has held regular calls since October 2012 to focus on a number of issues related to implementation. The group held its last call on December 10 and decided not to hold additional calls unless needed.

The Pension Audit Issues Work Group, a subcommittee of the state auditors, has worked to address audit-specific issues related to implementation. The group held its last call on November 12. Future call dates are to be determined.

Continued, next page

NASACT MEMBERS: PROVIDE YOUR INPUT!

Watch for these three upcoming member surveys:

2. NASACT Annual Conference Topics Survey: Will be distributed in mid-January.
ASSOCIATION NOTES

2015 – A YEAR IN REVIEW continued from previous page

AFFORDABLE CARE ACT INFORMATION REPORTING ISSUES

The Affordable Care Act’s employer mandate went into effect on January 1, 2015, for employers with 100 or more full-time employees and goes into effect on January 1, 2016, for those with between 50 and 99 full-time employees.

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 the 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 Internal Revenue Service concerning health insurance offered by the employer.

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.

NASACT has held a series of information sharing calls this year, led by Massachusetts, on the ACA and has also partnered with several private sector organizations that have expertise in this area in providing educational webinars on the issue.

The National Association of State Comptrollers also conducted a conference call with representatives from the IRS in May to discuss issues surrounding information reporting required by the ACA.

ACA resources, including links to the IRS’s page on ACA provisions and employer responsibilities, as well as forms and instructions, can be found on NASACT’s home page at www.nasact.org.

100TH ANNIVERSARY

The association celebrated its 100th anniversary at the 2015 NASACT Annual Conference in August in Chicago, Illinois.

Several special activities were planned as part of the Centennial Celebration, including the release of a commemorative book, a parade of past presidents (21 past presidents attended the conference), and the unveiling of the inaugural class of the NASACT Hall of Fame.

The Hall of Fame was developed to recognize an elite group of individuals who have made major and enduring impacts on state government financial management. The four recipients in the inaugural Hall of Fame class were:

- Louis L. Goldstein, former state comptroller of Maryland
- William R. Snodgrass, former comptroller of the treasury in Tennessee
- Frank L. Greathouse, former director of state audit and assistant to the comptroller in Tennessee
- Relmond P. Van Daniker, former executive director of NASACT

ADMINISTRATIVE / PROCESS CHANGES

In January 2015, NASACT entered into an agreement to provide conference support services to the National Association of State Treasurers. NASACT also began providing accounting services to NAST in February 2015. NASACT and NAST recently agreed to extend these services through June 30, 2018.

The state auditors are working through a task force of its Peer Review Committee to automate NSAA’s Peer Review Program. This is a significant undertaking; however, automating the forms and checklists will greatly improve efficiency of the process. The target date for completion is June 2016.

NASACT launched a new conference registration system in January 2015. This system will be upgraded again in January 2016.

ONGOING ISSUES

NASACT continues to be actively engaged in several ongoing projects, including:

- Implementation of the new Uniform Grant Guidelines.
- Tax exemption for municipal bonds.

MORE INFORMATION

For more information about NASACT’s activities in 2015, view past issues of NASACT News at www.nasact.org or call (859) 276-1147 or (202) 624-5451.
ASSOCIATION NOTES

NEW MEMBERS IN 2015

STATE AUDITORS
DC — Kathleen Patterson (replacing Yolanda Branch)
FL — Sherrill Norman (replacing David Martin)
MO — Nicole Galloway (replacing Thomas Schweich)
MS — James A. Barber (replacing Max Arinder)
NE — Charlie Janssen (replacing Mike Foley)
NH — Michael Kane (replacing Jeffrey Pattison)
NJ — Phillip Degnan (replacing Marc Larkins)
NM — Tim Keller (replacing Hector Balderas)
NV — Rocky Cooper (interim - replacing Paul Townsend)
SC — K. Earle Powell (replacing Rich Gilbert, interim)

STATE COMPTROLLERS
AR — Andrea Lea (replacing Charlie Daniels)
CA — Larry Walther (replacing Richard Weiss)
GA — Betty Yee (replacing John Chiang)
GU — Anthony C. Blaz (replacing Benita Manglona)
HI — Douglas Murdock (replacing Dean Seki)
IL — Leslie Munger (replacing Judy Baar Topinka)
IN — John McLean (replacing Afranie Adomako)
MA — Thomas G. Shack (replacing Martin J. Benison)
MN* — Myron Frans (replacing James Schowalter)
MT — Cody Pearce (replacing Julie Feldman)
NE — Jerry Broz (replacing Hari Kadavath)
NH — Gerard Murphy (replacing Karen Benincasa)
NJ — David Ridolfino (replacing Charlene Holzbaur)
NM — Ron Spilman (replacing Ricky Bejarano)
NV — Ron Knecht (replacing Kim Wallin)
TN — Mike Corricelli (replacing Jan Sylvis)
TX* — Glen Hegar (replacing Susan Combs)
WI — Jeff Anderson (replacing Stephen Censky)
WV — Ross Taylor (replacing Dave Mullins)

STATE TREASURERS
AR — Dennis Milligan (replacing Charles Robinson)
AZ — Jeff DeWit (replacing Doug Ducey)
CA — John Chiang (replacing Bill Lockyer)
DE — Ken Simpler (replacing Chip Flowers)
HI — Wesley Machida (replacing Kalbert Young)
IL — Mike Frerichs (replacing Dan Rutherford)
IN — Kelly Mitchell (replacing Dan Huge)
MA — Deb Goldberg (replacing Steve Grossman)
ME — Terry Hayes (replacing Neria Douglass)
MI — Nick Khouri (replacing Kevin Clinton)
MN* — Myron Frans (replacing James Schowalter)
NJ — Robert Romano (replacing Andrew Sidamon-Eriston)
NM — Tim Eichenberg (replacing James B. Lewis)
NV — Dan Schwartz (replacing Kate Marshall)
NY — Eric Mostert (replacing Aida Brewer)
PA — Timothy Reese (replacing Rob McCord)
PR — Juan Zarangosa (replacing Melba Acosta Febo)
RI — Seth Magaziner (replacing Gina Raimondo)
TX* — Glen Hegar (replacing Susan Combs)
UT — David Damschen (interim - replacing Richard Ellis)
WI — Matt Adamczyk (replacing Kurt Schuller)
VI — Valdimir Collins (replacing Angel Dawson)

CHANGES COMING IN 2016
As a result of recent elections and impending retirements, several member changes are coming in 2016.

STATE AUDITORS
IL — Frank Mautino (replacing William G. Holland)
KY — Mike Harmon (replacing Adam Edelen)
OR — Mary Wenger (interim - replacing Gary Blackmer)

STATE TREASURER
KY — Allison Ball (replacing Todd Hollenbach)

* This office fills both the comptroller and treasurer functions.
Public pension funding remains a hot topic in the media as well as among state and local officials. Although state and local fiscal conditions have improved in recent years, most public pension plans have not yet returned to their pre-recession funding levels. State and local governments continue to balance demands for services with their pension funding obligations. In 2014, state and local governments paid 88 percent of their annual required contribution to pension plans, on average.

State and local governments recognize that retirement and health benefits are an important factor in attracting and retaining a talented workforce. Having access to reliable data about these plans can inform state and local government leaders in making decisions about benefit and compensation changes.

To make state and local pension data easily accessible and approachable, the Center for State and Local Government Excellence, in partnership with the Center for Retirement Research at Boston College and the National Association for State Retirement Administrators offers Public Plans Data (accessible at www.PublicPlansData.org), a free, publicly-accessible online database of financial, actuarial and governance data for the nation’s largest public pensions plans.

Public Plans Data currently contains plan-level data from 2001 through 2013 for 150 pension plans: 115 administered at the state level and 35 administered locally. This sample covers 90 percent of public pension membership and assets nationwide.

**DATA COLLECTION AND VERIFICATION**

Public Plans Data is updated each spring from data in newly released comprehensive annual financial reports and actuarial valuations. Intermediate updates occur when new variables are added or data errors are corrected. Simple audits are built into the database (e.g., income statement is reconciled with assets and liabilities). Once annual data for all plans are entered and reviewed for quality, they are uploaded to a test website for verification. Any errors identified by plan administrators are fixed before moving the test data to the live website.

**KEY FEATURES**

Public Plans Data includes comprehensive retirement plan data on employee and employer contributions, benefits, investment income, plan membership and plan provisions. Key features of the online database include:

- **Quick Facts**
  Public Plans Data’s quick facts are pre-populated data tables and graphs that illustrate key pension data at the national, state and local levels. Quick facts contain explanatory text describing the relevance of each data point. These useful charts can be embedded into user websites and presentations.

- **Interactive Data Browser**
  The interactive data browser allows users to select from more than 100 variables to create customized data tables. Variables range from plan funding (e.g., covered payroll, funded ratio, required contribution), investment assumptions (e.g., smoothing method, assumed rate of return), income statement (e.g., administrative expenses, net assets, total benefits), asset allocation, investment returns, actuarial costs, plan provisions (e.g., COLA, vesting period), membership, plan reporting.
NEWS FROM WASHINGTON

HHS RELEASES MORE INFORMATION ON THE SECTION 5 DATA ACT PILOT – SINGLE AUDIT INCLUDED IN TEST MODEL

The U.S. Department of Health and Human Services’ Program Management Office recently released additional information on the Section 5 pilot required by the Digital Accountability and Transparency Act. The goals of the pilot are to standardize reporting elements across the federal government, eliminate unnecessary duplication in financial reporting and reduce compliance costs for recipients of federal awards.

The U.S. Office of Management and Budget designated HHS to lead the pilot activities. HHS has posted online its Grants Pilot Framework, which takes a broad approach to meeting the pilot goals. Specifically, the framework includes collecting feedback through the national dialogue, analyzing data standards and testing designated models (including single audit) to align with the DATA Act’s legislative requirements.

The first test model is use of the Common DATA Element Repository Library (C-DERL). The C-DERL is an online repository for grants-related standards, definitions and context. The test model will look at whether there is a difference in recipient burden associated with completing federal forms for those that have access to the C-DERL and those that do not have access. Part of the test will also be the opportunity to identify duplicate forms and opportunities to amend the forms to achieve burden reduction. The second test model will allow recipients to file the Federal Financial Report at a single point of entry to help streamline the close-out process. The third test model involves use of the newly created grants information gateway, which is a tab on the grants.gov website that provides a central place to post policies, processes, funding and other information needed throughout the grants lifecycle. In addition to promoting the use of standardized terminology, the model will test whether exposure to the grants information gateway helps enhance recipient compliance during post-award activities.

Finally, HHS will test two areas dealing with the single audit. The first will be to establish a focus group to solicit input of the use of a combined form. The combined form will include information previously required on both the SEFA and the SF-SAC. The hypothesis is that grantee burden will be reduced if the same information is not being required on two forms. The second single audit test area includes the development of a common Notice of Award (NOA) cover sheet for federal awards. It is predicted that the NOA coversheet will reduce grantee burden by providing grantees with access to standardized data needed for completion of single audit information collections.

NASACT is currently monitoring implementation of the DATA Act and will provide members with relevant information, including notices about opportunities to participate in pilot activities.

PUBLIC PENSION PLAN DATA

Continued from previous page

employee group basics, and plan basics (e.g., inception year, Social Security coverage). This powerful tool allows users to look at trends over time and to compare data across multiple plans.

USERS PROVIDE FEEDBACK

Public Plans Data relies on its community of users to identify needed enhancements as new features, variables and data are added regularly. Today, Public Plans Data contains data for 150 state and local plans; over the next five years, current and historical data for will be added for 10 new local plans each year, bringing the total sample to 200 plans. Additional data on benefits and plan governance will soon be added to the site.

After exploring the site, please send an email to info@publicplansdata.org with your feedback, including suggestions for additional subsets of data and how you would expect to use them.

A free webinar demonstrating Public Plans Data was held on December 8. A recorded version of the webinar will be posted soon on SLGE.org. Questions may be directed to Danielle Wagner at dmwagner@slge.org.
BACKGROUND

Members of the financial industry, state revenue tax agencies, the National Automated Clearinghouse Association, and the Internal Revenue Service have banded together to combat identity theft and prevent fraud by making recommendations on naming conventions for ACH tax refunds.

ACH TAX REFUNDS TODAY

Today, members of the financial services industry can easily identify an IRS tax refund. Being able to identify the refund allows them to partner with the IRS to review questionable refunds. Existing programs include:

- R17 Opt-In ACH Return Process: The financial services industry may send back questionable refunds using the ACH reason code R17.
- External Leads Reporting: Financial services institutions provide the IRS with external leads when they identify questionable funds. The IRS then reviews the refunds, and if there are issues, they request funds back through the indemnity process.

Each state’s Department of Revenue has a different naming convention for the ACH tax refunds they issue. Some naming conventions may be more descriptive than others. Different naming conventions make it difficult to identify the ACH transactions as tax refunds. If the financial services industry cannot identify an ACH transaction as a tax refund, they cannot take additional identity theft and fraud fighting steps for the states like they do for the IRS.

NEW ACH TAX REFUND NAMING FILE

The stakeholder group has identified a suggested template for naming ACH files in connection with state tax refunds. Wherever possible, the template matches the IRS file information.

States are encouraged to conform to these requirements. If a state does not implement the common ACH solutions, it could prevent the state from having questionable tax refunds identified as fraudulent, and the state might not be able to use future processes such as a state version of the R17 ACH reject process, external leads reporting or other newly implemented fraud prevention methods.

HOW YOUR ACH FILE SHOULD BE FORMATTED FOR A STATE OR A CITY TAX REFUND

Company Entry Description: List the IRS assigned four-digit MEF code and the phrase TAXRFD.

- State Example: NYSTTAXRFD
- City Example: NYCTTAXRFD

Individual Name: Last Name, First Name, Middle Initial (if provided) and joint First Name, and Middle initial. Display the first 22 characters of name.

- Example: Jones, Steven E & Deborah L = JONES, STEVEN E & DEBO

Individual Identification Number - List the full Social Security number or the last four digits of the Social Security number without the dashes

- Full SSN Example: 123456789
- Last 4 SSN Example: XXXX6789

BENEFITS OF ADOPTING THE NEW FILE FORMAT

- Industry can identify the ACH tax refunds states issue.
- Industry can notify states of questionable ACH tax refunds before the money is deposited into the account and the fraudster has wiped the account.
- Industry can more quickly notify states of suspicious refunds.
- Industry can implement technical solutions that allow them to reject more fraudulent refunds.
- States can participate in fraud prevention programs similar to those the IRS has in place and prevent fraudulent behavior and loss of revenue.
- States can reduce the risk of the tax return/refund being used as a vehicle for fraud.
- States can reduce the risk of their refunds being sent to the IRS in error (instead of to the state).

Stakeholders can all work together to make it more difficult for criminals to commit fraud while instilling confidence in customers that everything possible is being done to protect the integrity of tax revenue systems and financial industry.

Continued, next page
The Internal Revenue Service has announced three changes to the proposed rules for new tax-favored Achieving a Better Life Experience (ABLE) accounts. The changes, which will make it easier for states to offer and administer ABLE programs, will appear in the final regulation once released.

The ABLE Act established section 529A of the Internal Revenue Code, which allows a state to establish and maintain a tax advantaged savings program for qualified disabled persons to cover certain disability expenses. The ABLE Act is built on the basis of current 529 education savings plans that help families save for college.

In June, the Internal Revenue Service issued proposed regulations, "Guidance Under Section 529A: Qualified ABLE Programs," to implement the provisions of the ABLE Act. Similar to a section 529 college savings program, a qualified ABLE program is to be established and maintained by a state. The assets accumulate on a tax-free basis, and although the federal law sets forth the authority to establish these tax advantaged accounts, each state must develop their own regulations before making the accounts available.

The IRS is making changes to the proposed regulations based on comments and concerns expressed by states and other interested parties during a public hearing held earlier this year. Specifically, comments were concentrated on three areas: (1) a requirement to establish safeguards to categorize distributions from ABLE accounts, (2) a requirement to request a taxpayer identification number for each contributor to an ABLE account and (3) requirements to process disability certifications.

According to the announcement of Notice 2015-81, the IRS is seeking to respond to the concerns by announcing changes in each of these three areas:

1. **Categorization of Distributions Not Required:** ABLE programs need not include safeguards to determine which distributions are for qualified disability expenses, nor are they required to specifically identify those used for housing expenses.

2. **Contributor TIN Not Required:** If the program has a system in place to reject contributions that exceed the annual limits, it will not be required to request the TIN of contributors to the ABLE account at the time when the contributions are made. However, if an excess contribution is deposited into a designated beneficiary’s ABLE account, the program will need to request the contributor’s TIN. For most people, the TIN is their Social Security number.

3. **Disability Diagnosis Certification Permitted:** Designated beneficiaries can open an ABLE account by certifying, under penalties of perjury, that they meet the qualification standards, including their receipt of a signed physician’s diagnosis if necessary, and that they will retain that diagnosis and provide it to the program or the IRS upon request. This means that eligible individuals with disabilities will not need to provide the written diagnosis when opening the ABLE account, and ABLE programs will not need to receive, retain or evaluate detailed medical records.

Until the final regulations are issued, Notice 2015-81 should be followed. The notice, the proposed regulations and additional information on ABLE accounts can be found at www.irs.gov/Tax Benefit for Disability: IRC Section 529A.

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**ACH NAMING RECOMMENDATIONS**

*Continued from previous page*

**A FEW MORE THINGS YOU MAY WANT TO DO**

- Coordinate file changes with the treasury department and/or financial institution.
- Consider how to handle refunds returned and identified as suspicious.
- Consider how to notify the taxpayer when a refund is returned to keep them informed and facilitate the investigative process.

**WHEN SHOULD STATES ADOPT THE NEW ACH FILE FORMAT**

States are encouraged to adopt the new format by June 30, 2016, so they can participate in future processes such as a state version of the R17 ACH reject process, external leads reporting or other new fraud prevention methods. Questions may be directed to Terri.Steenblock@state.mn.us.
HOW DIGITAL TRENDS ARE
RESHAPING GOVERNMENT
FINANCIAL MANAGEMENT

Wednesday, January 20
2:00 - 3:50 p.m. Eastern

Digital technologies are fundamentally transforming the way state organizations conduct financial management, from the use of digital technologies to complex algorithms to machine learning.

Join us for a discussion of current digital trends shaping government financial management and key findings from the Deloitte-NASACT 2015 Digital Transformation survey. We’ll explore how public sector financial executives can overcome barriers to digital adoption ranging from culture to workforce skills to procurement processes. In addition, learn leading practices for taking a strategic approach to digital and the six questions NASACT agency leaders should consider to help accelerate their digital transformation. Lastly, we’ll take a look at how specific technologies like artificial intelligence coupled with analytics are helping to transform the audit of the future.

SPEAKERS
• Bill Eggers, public sector research director, Deloitte
• Debbie Sills, public sector west region leader (principal), Deloitte
• Christina Dorfhuber, principal, Deloitte

COST
$299 per group (unlimited attendance)
$50 per person
Use promo code: INDWEB to receive individual discount pricing.

CPE
Two credits are available for this event.

ANALYTICS: THE WINNING EDGE
IN THE BATTLE FOR TALENT
Thursday, February 25
2:00 - 3:50 p.m. Eastern

All employers, including state and local governments, are facing a long-term talent shortage—baby boomers are retiring and the percentage of the population of working age is shrinking. Talent that was plentiful is becoming scarce. A battle for talent is taking place. In this session, you will learn about the nature of the challenge, and whether the traditional talent management model will continue to work. Is there a better model for the future?

SPEAKERS
• Bill Kilmartin, director, Public Service Strategy, Health & Public Service, Accenture
• Breck Marshall, managing director, Talent & Organization Practice, Health & Public Service, Accenture

COST
$299 per group (unlimited attendance)
$50 per person
Use promo code: INDWEB to receive individual discount pricing.

CPE
Two credits are available for this event.

MORE INFORMATION
Questions about NASACT’s webinars may be directed to Anna Peniston or Pat Hackney at (859) 276-1147. Registration is available now at www.nasact.org.

NSAA TO ESTABLISH PEOPLESOF AUDIT GROUP

The E-Government Committee of the National State Auditors Association is establishing a PeopleSoft Audit Group (similar to the Banner Audit Group created last year).

The kick-off call is scheduled for Wednesday, January 20, 2016, at 3:00 p.m. Eastern time. Roger Boyd (GA) will lead this call. On this first call, participants will determine the interest in the group and set a few topics for future discussions.

If you (or others in your office) wish to join this group and participate in the conference calls, please contact Sherri Rowland at srowland@nasact.org or (859) 276-1147.

The agenda for the first call will be distributed in mid-January.
ASSOCIATION NOTES / NEWS FROM AROUND THE NATION

NASACT 2016
ANNUAL CONFERENCE
March 16-18 | Salt Lake City, UT

John Reidhead, director of Utah’s Division of Finance and president of NASC will host the 2016 conference in Salt Lake City. See page 14 for details!

NASACT MEMBER NEWS

NEVADA
On December 4, Paul Townsend, legislative auditor of Nevada, retired after a long and successful career.
Mr. Townsend served on various committees of the National State Auditors Association over the years, including the Executive Committee.
Rocky Cooper has been named interim legislative auditor until a permanent successor is appointed.

UTAH
David Damschen was appointed recently by Gov. Gary Herbert as the new Utah state treasurer. Damschen will fill the remaining term of Richard Ellis, who stepped down to pursue another career opportunity.
Prior to this appointment, Damschen served as chief deputy to the Utah Office of the State Treasurer for six years.

WASHINGTON
Troy Kelley has returned to office as state auditor after a seven-month leave of absence
Jan Jutte, who was serving as acting state auditor, will now be deputy state auditor.

OTHER
James A. Barber is the new executive director of Mississippi’s Joint Committee on Performance Evaluation and Review. He replaces Max Arinder.

McCOY APPOINTED TO NASACT EXECUTIVE COMMITTEE

As reported in the November issue of the NASACT News, a state treasurer vacancy existed on the NASACT Executive Committee. The National Association of State Treasurers has appointed Steve McCoy, state treasurer of Georgia, to fill the vacancy.
McCoy joins David H. Lillard, Jr. (TN), Beth Pearce (VT), Manju Ganeriwala (VA) and Mike Frerichs (IL) to represent state treasurer interests on the committee.
McCoy has served in his role as Georgia’s state treasurer since November 2011.
McCoy has been an active participant on several NASACT committees including the Financial Management and Intergovernmental Affairs Committee.
NEWS FROM GASB & FAF

GASB NAMES FINANCIAL REPORTING MODEL TASK FORCE

Governmental Accounting Standards Board Chairman David A. Vaudt recently announced the appointment of a task force to assist with the Board’s project reexamining Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments and related pronouncements on the financial reporting model. The members of the task force are:

- Douglas Benton, vice president/senior municipal credit manager, Cavanal Hill Investment Management
- Eric Berman, partner, Eide Bailly
- David Bullock, partner, Macias, Gini & O’Connell
- Michael Calvert, director, Legislative Fiscal Office, Nebraska
- Tom Canby, associate executive director for governmental relations, Texas Association of School Business Officers
- Richard Ciccarone, president and chief executive officer, Merritt Research Services
- Harriet Commons, retired finance director, Fremont, California
- Frank Crawford, partner, Crawford & Associates
- Joni Davis, accounting manager, Nebraska Public Power District
- Susan Friend, director, Accounting Division, Broward County, Florida
- Stephen Gauthier, director, Technical Services Center, Government Finance Officers Association
- Elizabeth (Betsy) Hill, chief executive officer, Bright Bay Advisors
- Lacey Horn, treasurer, Cherokee Nation
- Amy Laskey, managing director, Fitch Ratings
- Michelle Mark Levine, deputy comptroller for accounting, Office of the New York City Comptroller
- Justin Marlowe, endowed professor of public finance and civic engagement, University of Washington
- Christopher Mier, managing director, Loop Capital Markets, LLC
- Jacqueline Reck, professor of accounting, School of Accountancy, University of South Florida
- Doug Ringler, auditor general, Michigan
- Paul Rotzenburg, director of finance/treasurer, Franklin, Wisconsin
- George Scott, retired partner, Deloitte
- Alan Skelton, state accounting officer, Georgia
- Stephen Stuart, senior analyst, Bureau of Governmental Research, New Orleans
- Charles Tegen, associate vice president for finance, Clemson University

FAF ELECTS NEW CHAIR, VICE CHAIR & FIVE NEW TRUSTEES

Charles H. Noski was recently elected chair of the Financial Accounting Foundation board, effective January 1, 2016. He will serve an initial term of three years, succeeding Jeffrey J. Diermeier, whose term ends on December 31, 2015.

W. Daniel Ebersole was elected vice chairman and Anne Marie Petach was re-elected as secretary/treasurer.

The FAF also announced the appointment of five new trustees, each to a five-year term beginning January 1, 2016:

- Charles M. Allen, a partner and vice chairman with Crowe Horwath LLP
- Christine M. Cumming, retired first vice president and chief operating officer of the Federal Reserve Bank of New York
- Eugene Flood, Jr., a member of the board of directors of Janus Capital Group, Inc.
- Kenneth B. Robinson, former chief audit executive and global risk and compliance leader of the Procter & Gamble Company
- Diane M. Rubin, retired audit partner and quality control partner of Novogradac & Company LLP

For more about the FAF board, visit www.accountingfoundation.org.
NASACT News  |  December 2015

**FAF NAMES NEW GASAC MEMBERS**

The Financial Accounting Foundation recently announced the appointment of three new members to the Governmental Accounting Standards Advisory Council.

The new appointments include a first-time representative from the National Association of State Treasurers, which joins the GASAC as a member organization in 2016.

The newly appointed members and the stakeholder organizations that nominated them are:

- **David Lillard**, Tennessee state treasurer, representing NAST
- **James Wells**, director, Nevada Governor’s Finance Office, representing the National Association of State Budget Officers
- **Terri Wenck**, senior financial analyst, Fitch Ratings, representing bond rating agencies

In addition to the new appointees, the FAF reappointed 12 current members of the GASAC to two-year terms:

- **Stephen Klein**, National Conference of State Legislatures
- **Gerard Lian**, Investment Company Institute
- **Lealan Miller**, Association of Government Accountants
- **Sandra Moorman**, American Public Power Association
- **Alan Skelton**, NASACT
- **Daniel Smith**, Association for Budgeting and Financial Management
- **Joseph Stefko**, Governmental Research Association
- **Charles Tegen**, National Association of College and University Business Officers
- **Glen Whitley**, National Association of Counties

Three GASAC members—Jim Reardon, GASAC vice chair, Barbara Flickinger and Dominic Colafati—will complete their service at the end of December 2015.
IS YOUR ORGANIZATION READY FOR THE CLOUD?
BY ROBERT SABO, ERP CLOUD PROGRAM LEAD, ORACLE PUBLIC SECTOR

Computer technology is constantly evolving. Organizations started with mainframe technology, embraced client-server models, and then Internet-based applications. We are now in the midst of another change: the move toward cloud-based computing. A recent Gartner survey (August 2015), reveals that when compared with traditional on-premise licenses, alternative models like cloud computing, account for more than 50 percent of new software implementations. So most public sector organizations have to ask themselves, “Are we ready for the cloud?”

WHY CONSIDER CLOUD APPLICATIONS?
As with any major investment, government leaders must first ask why they should consider cloud applications. What advantages does the model offer—in terms of cost, sustainability or citizen service—that current on-premise or even hosted applications cannot? Some key considerations include:

- **Major System Changes**
  Governments across the country are faced with modernizing aging systems built on last-generation technology. This presents an opportunity to review their requirements in light of capabilities currently available to provide better, more adaptable systems at the same or even lower cost. One example is the city of Detroit. As it moved toward greater fiscal stability, the city recognized the need to replace an older, on-premise financial system with one that offered greater flexibility and functionality. In this case Detroit selected Oracle Cloud financial and budgeting applications to position the city for the future.

- **User Demands**
  Today’s public sector employees expect modern applications with the same usability and social capabilities they enjoy at home. Most cloud applications have advanced usability as a core principle. Features such as graphical data access, dashboards and social collaboration make cloud applications easier to use. This in turn helps employees become more productive.

- **Resources**
  Most public agencies are facing a shortage of technology talent. Veteran employees are retiring at the same time demand for highly trained technology staff is increasing in all industries. According to the National Association of State Chief Information Officers’ State IT Workforce Survey, “…it is clear that CIOs are concerned about the state of their workforce… for the first time in several years.” Human resources/talent management made NASCIO’s Top 10 list for 2015. Cloud applications change the staffing mix required of personnel to support technology. Vendors now can manage much of the infrastructure and maintenance, such as database administration, networking and upgrades. This in turn means government needs fewer employees with specific core technology skills. The result is that agencies can focus on employing staff who are experts in core government business processes.

- **Funding and Cost**
  Organizations facing capital funding constraints find that cloud models are easier and more predictable to fund from operational budgets. High up-front costs are replaced with monthly “subscription” prices. Agencies are also finding cost advantages. While the model differs by organization, long-term investment models show Cloud deployments can be less expensive in the long run. Because Cloud applications are often faster to implement, up-front implementation costs are lower. An excellent series on cloud computing in state government is available from NASCIO. Part one of the “Capitals in the Cloud” series, *The Case for Cloud Computing in State Government*, provides an excellent overview: http://www.nascio.org/Publications/ArtMID/485/

IF YOU THINK YOUR ORGANIZATION IS READY, WHAT’S NEXT?

- **Analyze your needs.** Cloud-based applications rarely replace every system. Many organizations, after analyzing their overall modernization approach, plan for a hybrid deployment. A hybrid approach will determine which systems will benefit most from the cloud. For example, some agencies have implemented cloud applications for specific functions, like budgeting or recruiting, and integrated them with specific on-premise applications. Others have implemented a cloud financial system for all or specific units within their state.

- **Review procurement and contracting options.** Cloud computing poses different challenges from procurement and contracting perspective.

- **Examine staffing implications.** Cloud models will affect the mix of skills and activities demanded of your technical and business staff. Review how responsibilities will change with Cloud deployments.

- **It’s not only about applications.** Many organizations, such as the city of Aspen, are deploying supporting technology using Platform as a Service functions (PaaS) both to complement Software as a Service (SaaS) applications or as standalone functions. PaaS areas include application development, document/content management, business intelligence, and integration functions.

Cloud computing holds great promise for many organizations. Whether they are looking to upgrade their infrastructure, or deploy modern applications that are easier to implement, use and maintain. But it all starts with a plan.
WHAT’S NEW AT www.nasact.org?
The following new items have been posted on NASACT’s website:

- Gerry Boaz’s observations of the November 18-20, 2015, meeting of the GASB at www.nasact.org/member_content (you must be logged in to view this content).
- Letter from the Public Pension Network opposing additional pension reporting in Puerto Rico-specific legislation at www.nasact.org/congress_reg_comments.
- Letters from state and local groups urging support for legislation to treat municipal securities as high quality liquid assets at www.nasact.org/congress_reg_comments.
- NASACT’s response to the GASB on the exposure draft Implementation Guide No. 20XX-X at www.nasact.org/gasb.
- A technical inquiry from the National Association of State Comptrollers on W-9 Signature and Date Requirements at www.nasact.org/technical_inquiries (you must be logged in to view this content).

NASACT’S HOLIDAY SCHEDULE
NASACT’s offices will be closed on the following days during the upcoming holiday season:

- Thursday, December 24 (half day)
- Friday, December 25
- Friday, January 1

UPCOMING INFORMATION SHARING CALLS

JANUARY
- NSAA Peoplesoft Audit Work Group – Jan 20
- NSAA Human Resources Info Sharing Group – Jan 27

FEBRUARY
- NASC Electronic Payments Info Sharing Group – Feb 9
- NASC Payroll Info Sharing Group – Feb 10
- NASC Travel & P-Card Info Sharing Group – Feb 17

MARCH
- NASACT Committee on Accounting, Reporting and Auditing – Mar 1

APRIL
- NSAA Human Resources Info Sharing Group – Apr 27

GET INVOLVED!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
REGISTRATION IS NOW OPEN FOR NASC 2016!

BY DONNA MALOY, CONFERENCE MANAGER

The 2016 annual conference of the National Association of State Comptrollers will be held on March 16-18, 2016, at the Little America Hotel in Salt Lake City, Utah. The conference will be hosted by Utah Department of Finance Director and NASC President John Reidhead.

CONFERENCE HOTEL

The negotiated room rate at the Little America Hotel is $179/night (single occupancy; each additional guest is $15 per night) plus applicable taxes. To book your room, call the Little America Hotel at (800) 437-5288 and ask for the NASC Annual Conference group rate. The cut-off date to receive this rate is February 19, 2016.

PROGRAM AND SCHEDULE OF EVENTS

NASC’s Program Committee, chaired by Anna Maria Kiehl, state comptroller, Pennsylvania, is working on the technical program. A draft program will be posted to NASACT’s website in early January. Registration is open now at www.nasact.org.

TRAVEL ASSISTANCE FOR NASC MEMBERS

NASC members in good standing will be eligible to receive up to $1,000 to attend the NASC annual conference. The funds will be provided as a reimbursement following the conference and may be used by the state comptroller or a designee.

MORE INFORMATION

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

Congratulations to the Free Registration Winner!

Everyone who filled out the NASC conference topics survey was entered into a drawing to receive either a free iPad or a free registration to the conference. Congratulations to David Von Moll, state controller of Virginia, winner of a free registration!