A MESSAGE FROM NASC'S PRESIDENT
BY JOHN C. REIDHEAD, PRESIDENT OF NASC, 2015-16

The 2016 NASC Annual Conference will be held March 16-18 in Salt Lake City, Utah. I’m honored to host the conference at the Little America Hotel, a locally-owned hotel with spacious, upgraded rooms and a long tradition of excellence.

The Little America Hotel is located at the southern end of downtown and is just a short light-rail ride to the heart of downtown and the shops at City Creek and the historic Temple Square. The Utah State Capitol is located just a few blocks north of downtown on Capitol Hill, overlooking the Salt Lake Valley. The Utah State Capitol was restored and renovated in 2008, and I’m very excited that a tour has been arranged for Thursday evening during the conference. I look forward to joining you on a tour of our beautiful Capitol building.

For those who are able to extend their stay, you may want to experience the “Greatest Snow on Earth” at one of several ski resorts within a short distance from Salt Lake City.

This year’s conference will be another outstanding and informative program. The Program Committee, chaired by Anna Maria Kiehl, Pennsylvania’s state comptroller and chief accounting officer, has worked hard to put together a great lineup of timely and relevant sessions. I want to thank Anna Maria for her leadership and the entire committee for taking time out of their busy schedules to put together an excellent program.

We are very fortunate to have David Vaudt, chair, Jan Sylvis, vice chair, and David Bean, director of research and technical activities from the Governmental Accounting Standards Board, who will present an update on GASB’s busy agenda and discuss implementation issues for recently issued and soon-to-be-issued pronouncements. Where else other than the NASC or NASACT conferences can you have your questions answered by and personally get to know the top management of the GASB?

We are excited to have an update of the fiscal outlook of the states from the always engaging Scott Patterson, now the executive director and CEO of the National Governors Association. Additionally, we look forward to having Mark Reger, deputy controller of the U.S. Office of Management and Budget, who will provide us with an update on pertinent issues from the OMB and participate in the federal/state issues roundtable.

Other conference topics will include sessions on modernizing and leveraging ERP systems, Big Data, grants management, data security, talent science, the impact of the retirement wave, and other federal/state issues. Due to their popularity, three roundtable sessions are scheduled again this year, so start now to get your questions ready!

Keep in mind that the NASACT Executive Committee has once again approved its travel policy.
assistance program. State comptrollers (or their designees) are eligible to be reimbursed up to $1,000 in travel assistance to attend the conference. Please take advantage of this tremendous benefit to your NASACT membership. This assistance, along with the valuable networking opportunity with your fellow comptrollers and the fantastic program are great reasons to attend!

It is an honor to be the president of NASC this year. The NASC Executive Committee and the NASACT staff have been wonderful to work with. I want to personally thank the following Executive Committee members:

- Anna Maria Kiehl, Pennsylvania, Vice President
- Thomas L. White, Jr., Alabama, Secretary/Treasurer
- David Von Moll, Virginia, Immediate Past President
- Cynthia Cloud, Wyoming
- Alan Skelton, Georgia
- Steve Barnett, South Dakota

Also, a special thank you to Diane Langham who served faithfully on the Executive Committee until she recently changed positions to be in charge of Mississippi’s ERP implementation.

I also want to offer special thanks to the chairs and vice chairs of NASC’s committees and information sharing groups (see the complete list at www.nasact.org/nasc_committees). Their active involvement in NASC and their willingness to serve in these leadership roles makes the association more valuable for us all.

Our association could not function without the strong support of NASC’s tremendous staff, led by Kinney Poynter, executive director; Cornelia Chebinou, Washington director; Donna Maloy, conference manager; Lori Slagle, finance manager; Glenda Johnson, communications manager; and Kim O’Ryan, NASC association director. I want to especially recognize and thank Kim O’Ryan for the outstanding support she has given me, the Executive Committee and the NASC association during my term as president. She is amazing to work with and a big part of NASC’s success.

NASC has welcomed 10 new state comptrollers since our annual conference last March. I encourage these new colleagues to get involved in the association’s activities and to attend the annual conference if possible. I hope to see them, and all of you, in Salt Lake City in a few weeks.

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.

CALL FOR ROUNDTABLE TOPICS
Please email roundtable topics to Kim O’Ryan at koryan@nasact.org by Friday, March 4.
NEWS FROM WASHINGTON

HOUSE CLEARS BILL TO TREAT MUNICIPAL SECURITIES AS HIGH-QUALITY LIQUID ASSETS

In May, Representatives Luke Messer (R-IN) and Carolyn Maloney (D-NY) introduced bipartisan legislation (H.R. 2209) that would require federal banking regulators to treat municipal securities held by large banks and other financial institutions as high-quality liquid assets (HQLAs). Just recently the legislation passed the House and is now awaiting action in the Senate.

HQLAs are defined as assets that can be easily and quickly converted to cash with little or no loss of value during a period of liquidity stress. The Federal Reserve, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency previously voted to approve final liquidity standards for banks to ensure that large financial institutions have enough liquid assets to fund their operations for at least 30 days. The standards require that banks meeting the total asset threshold of $250 billion must maintain a designated level of HQLAs. The final rule, however, failed to classify municipal securities as HQLAs. When the rule was proposed back in November 2013, NASACT, the Government Finance Officers Association, and several other state and local associations wrote a letter urging federal regulators to classify municipal securities as HQLAs.

Many believe the failure to qualify municipal bonds as HQLAs will reduce the appeal of municipal securities for banks to underwrite them, which in turn could increase borrowing costs for state and local governments to finance needed infrastructure projects. There was also concern that the standards could provide a disincentive for banks to hold public deposits. In most states banks must pledge collateral against any public deposits they hold. Municipal securities may be used as pledged collateral. Under the liquidity coverage ratio rule, banks may choose to replace pledged municipal securities with other securities. Accounts of municipal entities are usually not highly profitable for financial institutions. Movement by banks away from utilizing municipal securities as pledged securities will reduce profit margins even more, thus incentivizing banks to not hold public depository accounts. State and local governments need access to the cash management and treasury tools offered by financial institutions. These services are either not available or limited in scope from community banks, which are not subject to the liquidity coverage rule. The result is more costly banking services, lower yields, or lack of needed cash management products to operate an efficient treasury system.

Responding to concern over the failure to classify municipal bonds as HQLAs, the Federal Reserve issued a proposal that would qualify some municipal securities as HQLAs. Unfortunately, the practical effects of the rule are limited. Specifically, the proposal is only one from the Federal Reserve and not from the OCC or FDIC, and there are several strict limitations affecting the applicability to municipal securities. Under the proposal, municipal securities would only be eligible as HQLAs if they are uninsured investment-grade general obligation bonds. Municipal securities would also not qualify as HQLAs if they exceed 25 percent of an individual CUSIP, an amount equal to two times the average daily trading volume of an issuer’s bonds over the previous four quarters, and five percent of a bank’s total stock of HQLAs.

H.R. 2209 would rectify the issue by requiring all appropriate federal banking agencies to treat certain municipal obligations as level-2A liquid assets. A companion bill is expected to be introduced in the Senate very soon.

GAO REPORT FINDS ISSUES WITH SOME DATA ACT ELEMENTS


(article continued, next page)
NEWS FROM WASHINGTON

NASACT MEMBERS MEET WITH IRS COMMISSIONER TO DISCUSS AFFORDABLE CARE ACT REPORTING

This month three NASACT members traveled to Washington, D.C., to share their experiences in implementing the information reporting requirements of the Affordable Care Act.

Members participating were Kathy Sheppard, deputy comptroller of Massachusetts; Ronnie Head, senior assistant to the comptroller general in South Carolina; and Jeremy Piggott, director of payroll and tax reporting in Michigan’s Office of Financial Management.

Internal Revenue Service Commissioner John Koskinen was present for part of the meeting, which also included members from IRS’s ACA executive team, the IRS’s government entities division, and representatives from the Government Finance Officers Association and the Association of School Business Officials International.

Some of the challenges shared by NASACT’s representatives included the limitations of enterprise system support where globally defined data fields with no prior purpose were misused and/or new fields were patched in with little implementation time. The complexity of tracking working hours for certain job types and the dependency on software providers to provide the necessary reporting tools (often requiring subsequent updates or fixes in a timely manner) were also discussed. The group also raised concerns regarding the lack of an IRS timeline for feedback to the tax year 2015 form submissions, which could delay opportunities for corrective actions until tax year 2017.

While another extension is unlikely, the IRS did indicate that it would be considering the issues brought forth by the government groups and by private sector representatives as well. Additionally, the IRS shared that funds have been appropriated to assist in improving the help desk and help lines.

SEC TO BEGIN ENFORCEMENT ACTIONS AGAINST ISSUERS UNDER MCDC

The U.S. Securities and Exchange Commission has concluded its round of enforcement actions against underwriters under the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative. Under the MCDC program, which was launched in 2014, issuers and underwriters were asked to voluntarily self-report to the SEC possible violations involving materially inaccurate statements relating to prior compliance with continuing disclosure in bond offering documents. Seventy-two underwriters have been charged.

The SEC now turns its attention to issuers who may have provided investors with inaccurate information about their compliance with continuing disclosure obligations. Although the number of issuers that self-reported violations is unknown, the SEC has indicated that issuers will be given greater flexibility in approving proposed settlements.

Just recently the Government Finance Officers Association issued an alert to its members warning them that they may have very little time to agree to settlement terms once those terms are offered by the SEC’s Enforcement Division. The alert offers issuers some insight into preparing to respond to settlement offers. To access the GFOA alert visit gfoa.org/gfoa-alert-sec-mcdc-initiative-and-issuers.

GAO Report on DATA Act (continued from previous page)

1. Identifies steps taken by OMB and Treasury to standardize data element definitions and the extent to which those definitions are consistent with leading practices or face challenges that could affect data quality.

2. Reviews efforts by OMB and Treasury to provide agencies with technical implementation guidance and related challenges.

3. Examines the implementation status of selected federal agencies.

In its latest research, GAO found that most definitions adhered to leading practices derived from international standards for formulating data definitions. However, GAO did find several definitions that could lead to inconsistent reporting. GAO determined that without more interpretive clarification, agencies run the risk of reporting data that cannot be aggregated government-wide. Based on these findings, GAO concluded that OMB and Treasury need to provide agencies with clarifications to address potential quality issues with the definitions and take steps to align the release of finalized technical guidance with agency implementation time frames.
To inform the strategic planning process, NASACT conducts a yearly membership satisfaction survey. The 2016 survey was conducted in January:

- 82 members responded (40 audit offices, 27 comptroller offices and 15 treasurer offices).
- Responses were submitted by 42 state principals and 40 deputy-level staff.
- The responses were quite positive, with 99 percent of respondents indicating overall satisfaction with membership in NASACT.

Responses to the survey were reviewed by the Strategic Planning Committee during a conference call on Thursday, February 16. The committee will be meeting in-person on March 14 to finalize a strategic plan that will be effective FY 2017-19 and will submit the draft plan to the Executive Committee for review and adoption.

Questions about NASACT’s membership satisfaction survey or strategic planning process may be directed to Glenda Johnson at gjohnson@nasact.org or (859) 276-1147.

### 2016 NASACT Membership Satisfaction Survey: Summary of Results

<table>
<thead>
<tr>
<th>Statement</th>
<th>NASACT</th>
<th>NSAA</th>
<th>NASC</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASACT’s conferences and training events enable me to better address professional challenges and issues within my state.</td>
<td>97%</td>
<td>95%</td>
<td>97%</td>
</tr>
<tr>
<td>NSAA Annual</td>
<td>96%</td>
<td>95%</td>
<td>97%</td>
</tr>
<tr>
<td>NASC Annual</td>
<td>97%</td>
<td>97%</td>
<td>99%</td>
</tr>
<tr>
<td>Middle Management</td>
<td>79%</td>
<td>89%</td>
<td>89%</td>
</tr>
<tr>
<td>NSAA IT</td>
<td>99%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td>Webinars</td>
<td>93%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>NASACT News</td>
<td>97%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Washington Update</td>
<td>95%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Email Bulletins</td>
<td>91%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td>Through its newsletters, updates and emails, NASACT helps keep me informed about industry developments and emerging issues.</td>
<td>NASACT</td>
<td>NSAA</td>
<td>NASC</td>
</tr>
<tr>
<td>Participation in committees is valuable.</td>
<td>87%</td>
<td>85%</td>
<td>87.5%</td>
</tr>
<tr>
<td>NSAA</td>
<td>85%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>NASC</td>
<td>87.5%</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Participation in information sharing groups is valuable.</td>
<td>NSAA</td>
<td>98%</td>
<td>0%</td>
</tr>
<tr>
<td>NASC</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Participation in the technical inquiry network/information services network is valuable.</td>
<td>NSAA</td>
<td>98%</td>
<td>2%</td>
</tr>
<tr>
<td>NASC</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>NASACT’s involvement in legislative/regulatory processes protects the interests of my state.</td>
<td>88%</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>NASACT’s involvement in the standards-setting process protects the interests of my state.</td>
<td>94%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>I understand NASACT’s mission.</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>I am aware of services available through the association.</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>I am satisfied with my office’s membership in NASACT.</td>
<td>99%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>
LEARN PROVEN DATA ANALYTICS TECHNIQUES FOR FRAUD ANALYSIS

FRAUD ANALYSIS & DETECTION: USING BENFORD’S LAW AND OTHER EFFECTIVE TECHNIQUES
Thursday, March 24
2:00 - 3:50 p.m. Eastern

Would you like to know how to mine data as part of a fraud investigation? If so, this highly interactive webinar will show you how to conduct fraud investigations using data analytics. You will also gain an understanding of the concepts behind Benford’s Law and how to apply statistical tools when reviewing financial records for fraudulent activity. You will also learn about other real world methods to identify outliers that could indicate fraud or performance issues. These techniques have been used by the Oregon Audits Division to help put many fraudsters behind bars.

Concepts and techniques presented in this webinar can be applied by auditors, comptrollers or treasurers – essentially anyone wishing to detect fraud in government payments or programs.

SPEAKERS
• Ian Green, Senior Auditor, Audits Division (OR)
• Jamie Ralls, Principal Auditor, Audits Division (OR)
• Wendy Kam, Staff Auditor, Audits Division (OR)

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

CPE
Two credits are available.

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.

Register now at www.nasact.org!

STATE AUDITORS: PARTICIPATE IN THE 2016 EXCELLENCE IN ACCOUNTABILITY AWARDS!

Each year, the National State Auditors Association recognizes exceptional work by state auditors through the Excellence in Accountability Awards Program. The 2016 program will offer awards in the following categories:
• Performance audits (large and small)
• Forensic reports
• Special projects

Submissions are due by 5:00 p.m. Eastern time on Friday, February 26, 2016. Award winners will be recognized at the NSAA annual conference in June in Beaver Creek, Colorado.

All entries must be submitted electronically and should be emailed to Sherri Rowland at srowland@nasact.org.

The entry form and additional information can be found at www.nasact.org/nsaa_awards.

HELP SELECT THE WINNERS — VOLUNTEER TO BE A JUDGE!

We are also currently seeking volunteers to help in the judging process for the Excellence in Accountability Awards. Judges can be NSAA principals or their designees. If you are interested in volunteering to be a judge, email Sherri Rowland at srowland@nasact.org. The rewards of participating as a judge are many:
• You will get to learn more about your state audit counterparts.
• You will be participating in an effort that improves the public’s perception of state auditing and its results.
• You will continue the tradition of excellence that NSAA promotes and practices.

Please note that judges are not eligible to submit an entry in a category in which they are participating as a judge.
ASSOCIATION NOTES

HALL OF FAME DEADLINE APPROACHES: FEBRUARY 26

If you would like to nominate someone for the NASACT Hall of Fame, you have limited time! The deadline to nominate is quickly approaching: **Friday, February 26 at 5:00 p.m. Eastern time**.

The 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.

CRITERIA

Nominees will be evaluated by these criteria:

- 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 26, 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 2016 NASACT Annual Conference in August in Indianapolis, Indiana. Inductees will also be recognized in a gallery of winners at NASACT’s headquarters office in Lexington, Kentucky.

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

QUESTIONS?

Past Hall of Fame inductees are listed at www.nasact.org/content.asp?admin=Y&contentid=269. Questions may be directed to Glenda Johnson at gjohnson@nasact.org or (859) 276-1147.

NSAA and NASC have teamed up to provide the training needed by future leaders in your office! Register at www.nasact.org!

What do attendees say about the conference?

“I had the opportunity to attend the 2015 NASACT Middle Management Conference in Raleigh, NC. I wasn’t sure what to expect, but I was intrigued by some of the topics on the agenda, and I knew if NASACT was running it, it would be top notch. The entire program exceeded my expectations and was well worth the time and money. There were so many valuable takeaways I was able to bring back to my office and immediately share. The technical sessions were terrific, but for me, the most memorable were the sessions focusing on grooming and forming better managers. Understanding people, how we think, how we communicate, and how we react to and deal with change is such an important part of being a good manager and leader. The skills acquired at these sessions certainly help today’s mid-level managers transform into future leaders.”

- Scott Olsen, MA Office of the Comptroller
NEWS FROM GASB

GASB ISSUES PROPOSED GUIDANCE ON BLENDING CERTAIN COMPONENT UNITS INTO FINANCIAL STATEMENTS

The Governmental Accounting Standards Board recently issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The statement is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government.

Statement 80 clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring these component units to be blended into the primary state or local government’s financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member.

While this statement applies to a limited number of governmental units, such as public hospitals, it is meant to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

The requirements of the statement are effective for reporting periods beginning after June 15, 2016, with earlier application encouraged.

The full text of Statement 80 is available at www.gasb.org.

NASACT MEMBERS — PROVIDE YOUR INPUT ON GASB EXPOSURE DRAFTS

In December, the GASB issued several exposure drafts for comment. NASACT, through its Committee on Accounting, Reporting and Auditing, will be preparing association responses.

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 for your comments.

Each ED can be downloaded at www.gasb.org.

**Certain Asset Retirement Obligations**

The proposed statement would establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

Comments for inclusion in NASACT’s letter should be submitted by Friday, March 4 to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org). GASB’s comment deadline is March 31.

**Fiduciary Activities**

The proposed statement describes four fiduciary fund types that would be required to be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. A public hearing is scheduled for April 21, 2016 in Rosemont, IL.

**Leases**

The proposed statement would provide guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings—but exclude grants, donated assets, and leases of intangible assets (such as patents and software licenses).

A public hearing is scheduled for June 29, 2016 in Burlingame, CA.

Comments for inclusion in NASACT’s letter should be submitted by Monday, May 2 to Kim O’Ryan (koryan@nasact.org) or Sherri Rowland (srowland@nasact.org). GASB’s comment deadline is May 31.

**VIEW NASACT’S RESPONSES TO GASB**

View NASACT’s responses to GASB due process documents at www.nasact.org/gasb. The most recent response on GASB’s ED *Pension Issues* was posted there on February 18.
ASSOCIATION NOTES

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

• The following technical inquiries from state comptrollers (members only content):
  - Creditor Garnishment Payments

• Benchmarking Program contract addendum for benchmark-related consulting services from (www.nasact.org/nasact_benchmarking):
  - Accenture
  - Grant Thornton
  - Plante & Moran

• Joint association letter supporting passage of H.R. 2209, legislation to treat municipal securities as high-quality liquid assets (www.nasact.org).

TRAVEL ASSISTANCE OPPORTUNITIES FOR MEMBERS IN FY 2016
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 FY 2016:

• 2016 NASC Annual Conference, March 16-18, Salt Lake City, Utah: State comptrollers in good standing (or designees) are eligible to receive up to $1,000 to attend this conference.

• 2016 NSAA Annual Conference, June 13-16, Beaver Creek, CO: 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 2015 NSAA Annual Conference) are also eligible to receive a free registration to attend.

UPCOMING INFORMATION SHARING CALLS

MARCH
- NASACT Committee on Accounting, Reporting and Auditing – Mar 1
- NSAA Performance Audit Information Sharing Group – Mar 8

APRIL
- NSAA Human Resources Info Sharing Group – Apr 27

MAY
- NASC Electronic Payments Info Sharing Group – May 10
- NASC Payroll Info Sharing Group – May 11
- NASACT Committee on Accounting, Reporting and Auditing – May 17
- NASC Travel & P-Card Info Sharing Group – May 18

JULY
- NSAA Human Resources Info Sharing Group – Jul 27

GET INVOLVED!
For information on participating in any of these calls, contact NASACT’s headquarters office at (859) 276-1147.
CREATING AN AUDIT-BASED APPROACH TO TURNING AROUND SCHOOL DISTRICTS

BY GILA BRONNER, PRESIDENT/CEO, BRONNER GROUP & PAUL VALLAS, FORMER CEO, CHICAGO PUBLIC SCHOOLS

An on-going crisis exists within public education as school districts face inadequate funding, shifts in enrollment, increased demands for services, and weak academic achievement. This public education crisis has a long-term negative impact on communities and states, because youth are not prepared to enter the workforce and communities are less desirable to new residents and businesses. Unfortunately, there are few examples of successful turnaround efforts that rehabilitate districts through long-term financial and educational plans. One leading education expert, Paul Vallas, has focused his career around successfully leading turnaround efforts as superintendent or CEO in a number of big city school districts such as Chicago, Philadelphia, New Orleans, and Bridgeport. Through his work, Mr. Vallas recognized the need to develop a standardized, scalable, and effective school turnaround approach that could be deployed at districts of all sizes throughout the United States. Mr. Vallas worked with experts including the Bronner Group, LLC, a firm that specializes in optimizing government operations, in developing an audit-based approach to addressing school performance issues. This approach to school reform can be used by NASACT and other state officials responsible for audit and accountability to guide the turnaround of troubled school districts and mitigate the risk of failed schools. The turnaround approach is based on two premises:

1. **The critical element of effective education services and continual student and school improvement is long-term financial sustainability.**

   Financial sustainability is essential to improving education services and providing a stable, supportive environment for teachers. Annual budgeting and comprehensive long-term financial plans are essential. In this approach, budget priorities, organizational structure, institutional partnerships, and grant acquisition are all designed to support a school improvement plan. The financial review needs to properly assess these components and identify a corrective action plan to ensure they are performing in an optimal manner.

2. **Schools need to address and strategically plan for financial and educational issues simultaneously.**

   While financial sustainability is vital to school turnaround, it is equally important to address the educational deficiencies. Developing a balanced budget plan and implementing strategies to improve educational service need not be sequential. Indeed, the reason many school districts are in financial distress is because they do not tackle both simultaneously.

**SCHOOL IMPROVEMENT TEAMS**

Through the use of skilled, community-based School Improvement Teams (SITs) that improve the essential components of school operations, the school performance audit can help districts across the country achieve educational success and sustained financial stability. SITs combine three to five respected, retired, or current educators and/or school operators and a group of subject matter experts. Within weeks, these teams are assembled to conduct comprehensive performance audits of troubled school districts. SITs use superior assessment tools and restructuring models available to ensure quality, speed, and cost-efficiency in the school turnaround process. The SIT also provides feedback on each project, allowing templates and models to be improved based on field experiences. While the knowledge of SIT experts is crucial to the success of each turnaround process, the team encourages inclusive planning and evaluation activities, which build community buy-in during this process. The SIT review process focuses on 12 areas:

1. Existing and potential revenue sources
2. Cost-effectiveness of existing programs
3. Cost-effectiveness of central administration and local school staffing models
4. Effectiveness of the central administration
5. District's facilities and its facilities plan
6. District's technology and its long-term tech strategy
7. Effectiveness of special education programs and financial controls
8. Effective use of Strategic Sourcing
9. Utilization of intergovernmental shared service agreements
10. Grant sourcing and management strategies
11. Utilization of institutional partnerships with colleges, universities, and businesses
12. District's financial accountability system

**PHASES OF THE TURNAROUND PROCESS**

Turnaround begins with the SIT’s meeting with district leaders and key stakeholders to explain the process, expectations, best practices, and necessary assistance. Next, the SIT conducts the financial, operations, and educational assessment of the district. The assessment leads to the development of a Corrective Action Plan (CAP), which includes areas of weakness and recommendations. After the CAP is complete, it is presented to school district stakeholders to generate widespread support. The final phase is obtaining feedback on the implementation and providing as-needed technical support. This standardized school turnaround model is both effective and scalable. It holds the promise of leveraging the systematic professional approach of audit professionals to comprehensively address this critical issue with measurable results.

**ADDITIONAL INFORMATION**

For additional information, please contact Chris Kelly of Bronner Group, LLC at ckelly@bronnergroup.com.
CALENDAR

2016

March 14 | NASACT Strategic Planning Committee Meeting, Salt Lake City, UT
March 15 | NASACT Executive Committee Meeting, Salt Lake City, UT
March 16-18 | NASC Annual Conference, Salt Lake City, UT
March 24 | Webinar: Fraud Analysis and Detection
April 12-14 | NASACT Middle Management Conference, Austin, TX
April 27-28 | Tennessee Training Seminars, Chattanooga, TN
May 2-3 | Tennessee Training Seminars, Nashville, TN
May 9-10 | Tennessee Training Seminars, Morristown, TN
May 12-13 | Tennessee Training Seminars, Jackson, TN
June 13-16 | NSAA Annual Conference, Beaver Creek, CO
July 13 | Webinar: GASB Review
August 14 | NASACT Executive Committee Meeting, Indianapolis, IN
August 13-17 | NASACT Annual Conference, Indianapolis, IN
September 20-23 | NSAA IT Workshop & Conference, Phoenix, AZ

CORPORATE ASSOCIATES: SIGN UP TODAY!

BY DONNA MALOY, CONFERENCE MANAGER

The Corporate Associates Program is NASACT’s effort to facilitate partnership between the private sector and state government. Contact us today to find out how to join this prestigious group of corporate partners.

The program offers your company various opportunities for exposure and participation at NASACT’s annual conferences as well as other benefits throughout the year, including a company listing on NASACT’s website. As a corporate associate, you will also receive copies of NASACT’s publications and e-distributions.

Whether your goal is networking, staying informed about state government finance, or participating in one of the premier conferences of the year for state government officials, the corporate associates program will benefit your company. The program has four levels of participation: platinum, gold, silver and bronze.

Benefits associated with these levels vary. To view the complete brochure outlining the benefits and to see which companies are currently members, visit www.nasact.org/caps. Questions about the Corporate Associates Program may be directed to Donna Maloy at dmaloy@nasact.org or (859) 276-1147.

MEMBERS OF THE FY 2016 CORPORATE ASSOCIATES PROGRAM

Platinum Level
- Accenture
- CGI
- Deloitte

Silver Level
- CliftonLarsonAllen
- Eide Bailly LLP
- Grant Thornton
- ISG (Information Services Group)
- KPMG

McGladrey LLP
- SAP
- StreamLink Software
- The Hackett Group
- Visa
- Workday

Bronze Level
- ACL
- Berry Dunn
- CherryRoad Technologies
- Ernst & Young
- Kronos
- Plante & Moran, PLLC
- Sjoberg Evashenk Consulting
- Standard & Poor’s

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