DATA ACT IMPLEMENTATION UNDERWAY

The Digital Accountability and Transparency Act was the topic of conversation recently at several events focusing on data transparency. Kicking off the series of events was a workshop, hosted by the Fiscal Service of the U.S. Department of Treasury, that was designed to help the federal government prioritize its goals for improving the transparency and accountability of federal funds. The workshop was followed by a day-long town hall meeting on the implementation of the DATA Act. Last in the series was a summit hosted by the DATA Transparency Coalition.

The workshop was held on September 25 and focused on Treasury's vision to provide timelier, reliable, secure and consumable financial management data to facilitate better decision making and improve operational efficiency. Participants, including NASACT, were asked to provide input on the use of federal financial data and suggest ways to make data more accessible. The workshop also reviewed several new initiatives and the existing Treasury transparency website (https:// transparency.treasury.gov), which continues to be developed as a one-stop shop for treasury data.

At the conclusion of the workshop, it became clear that there is a growing need for a standard data set and a unique identifier to link all the data. Treasury anticipates that additional transparency workshops will be conducted as efforts to implement the DATA act continue.

On September 26, Treasury partnered with the U.S. Office of Management and Budget to host a DATA transparency town hall meeting, which allowed interested parties an opportunity to share their views on federal financial transparency. Martin J. Benison, comptroller of Massachusetts and past president of NASACT, provided remarks at this meeting on behalf of NASACT. He stressed the importance of close collaboration with the states, as they receive the largest percentage of federal funds.

In delivering his remarks, Mr. Benison noted:

"I have worked in various roles in state government that included statewide responsibilities for federal funds for over 20 years. I have observed or participated in times of close collaboration between state and federal government and times when the collaboration was minimal. I would describe the period prior to the Recovery Act as a period of very limited collaboration. OMB made it a priority to develop Recovery Act policies in collaboration with federal program agencies and major recipient stakeholders, including NASACT. All those involved agree that the consultative process that was employed was successful through early consultation and ongoing communication (weekly calls) bringing together grantor and grantee perspectives, ideas and concepts that were discussed long before draft guidance

BENISON REPRESENTS NASACT AT TOWN HALL MEETING ON THE DATA ACT

Martin J. Benison, comptroller of Massachusetts and past president of NASACT recently represented NASACT's views during a September town hall meeting focused on implementation of the DATA Act. He emphasized the importance of collaboration between state and federal government for a successful implementation, citing the success realized through such collaboration to implement the Recovery Act a few years ago. To view past response letters from NASACT regarding various facets of the DATA Act, visit www.nasact.org/congress_reg_comments.

DATA ACT IMPLEMENTATION *continued from previous page*

was written; in fact many of the conversations occurred during the concept phase. This approach benefited the federal government with a better and more informed set of guidelines and because the constituencies knew they were heard, they had strong buy-in when the final regulations and guidelines were released."

Mr. Benison also commented that while the majority of the requirements of the DATA Act fall on federal agencies, many of the requirements, including the use of common data elements, will ultimately affect those responsible for managing the funds, including recipients and pass-through entities. Therefore, he stressed that while there are no new reporting requirements for recipients *at this time*, it is anticipated that ultimately what is designed for federal agencies will also be required to be reported by recipients. While several public interest groups and technology companies provided remarks, NASACT was the only organization representing the views of state government.

The following week, the DATA Transparency Coalition held its annual DATA Transparency Summit to discuss open data and its use in the federal financial arena. NASACT participated in a panel titled "Open Data: States and Municipalities," explaining the experiences of state auditors and comptrollers in implementing the Recovery Act and reiterating the need for resources for oversight professionals.

Those expressing support for federal spending data standards at the summit were officials from Treasury, OMB and the U.S. Government Accountability Office. Speaking on behalf of GAO, Comptroller General Gene Dodaro commented that standards required by the DATA Act will help the GAO perform its vital investigations.

Stay tuned for more information as implementation efforts proceed. ■

OMB & TREASURY SEEK INPUT ON DATA ACT STANDARDS: NASACT NEEDS YOUR INPUT!

OMB and Treasury are requesting comment on the questions below. Please provide your input for NASACT's association comment letter. The official notice can be found at www.regulations.gov/#!docketDetail;D=FISCAL-2014-0004. **Comments for inclusion in NASACT's response letter on the DATA Act standards are due to Cornelia Chebinou at cchebinou@nasact.org** by November 7.

A. Please describe or provide examples of data standards on data exchange that could ensure the data is "open." "Open" in this context means anyone can access, use or re-use posted information, including the public, federal agencies, local and state governments, academia, media, industry, standard-setting bodies and transparency groups, on a worldwide scale.

B. What are examples of data standards on data exchange that could ensure that "availability" goals are met? "Availability" in this context means free access to the data standard, both during development, at final stage, and for translations. Availability is assurance that core technologies can be implemented royalty-free.

C. What are examples of data standards on data exchange that could ensure the data provides efficient "business reach" to foster private sector innovation? "Business reach" refers to the global reach of the business community with either local or global integration opportunities. The end points of business reach are regional (business integration remains a regional area of opportunity) or international (business integration has the potential for direct links to the international community).

D. Please describe or provide examples of data standards on data exchange that could ensure the implementation of appropriate "validation" processes. "Validation" in this context means an ongoing process for validation and integration. Validation has spectrum end points that are rules-based or document-based. Rules-based refers to business rules of the data standard which are interwoven into the fabric of the standard output and standard governance body. Document-based end points are business rules separately stored and not entirely contained within the standard output or standard governance body.

E. Please describe or provide examples of data standards on data exchange that could ensure appropriate "extensibility." "Extensibility" in this context is defined as functionality for flexibility (maintenance) of future modification to the data standard. The end points of the spectrum for these criteria are flexible and rigid. Flexible references extensibility and implementation ease whereas rigid relates to the pliability of the construction and rules integration.

F. Please describe or provide examples of data standards on data exchange that could ensure ease of implementation. Ease of implementation refers to integration and interoperability within a given environment. The related end points are simple (easily integrates into environment) or difficult (integration into environment necessitates extra steps).

G. How would the data standards examples or descriptions on data exchange you provided in A-F above, if implemented, benefit or add value to your constituent group or pertinent stakeholders?

H. What use cases would you anticipate or envision for information with data structured in accordance with established data standards on data exchange?

I. What impact would established and implemented data standards on data exchange have on you, your business, constituent group or pertinent stakeholders and investments?

J. What other criteria should be considered by Treasury and OMB in establishing the data standards on data exchange? ■

NEWS FROM WASHINGTON

IRS LOOKING TO FILL ADVISORY COMMITTEE SPOTS

The Internal Revenue Service is seeking applications for vacancies on the Advisory Committee on Tax Exempt and Government Entities (ACT). The ACT is a public forum for discussion of relevant employee plans, exempt organizations, tax-exempt bonds, and federal, state, local and Indian tribal government issues between officials of the IRS and representatives of those communities. The ACT allows the IRS to receive regular input on administrative policy and procedures of the Tax Exempt and Government Entities Division (TE/GE). ACT members present the interested public's observations about current or proposed IRS policies, programs and procedures, as well as suggest improvements.

The secretary of the treasury invites those individuals, organizations, and groups affiliated with employee plans, exempt organizations, tax-exempt bonds and federal, state, local and Indian tribal governments to nominate individuals for membership on the ACT. Nominations should describe the proposed member's qualifications for ACT membership, including the nominee's past or current affiliations and dealings with the particular community or segment of the community that he or she would represent.

Vacancies exist in the following areas:

- Employee Plans – two vacancies.
- Exempt Organizations – two vacancies.
- Indian Tribal Governments – one vacancy.
- Tax Exempt Bonds – two vacancies.

Members will serve two-year terms, beginning in June 2015. Those wishing to apply should visit www.irs.gov/pub/irs-pdf/f12339c.pdf.

Applications will be accepted through November 3 and should be sent via one of the following methods:

- Email: Mark.F.O'Donnell@irs.gov
- Fax: (877) 801-7395
- U.S. mail: to Mark O'Donnell, TE/GE Communications and Liaison Director, Internal Revenue Service, 1111 Constitution Ave., NW, SE:T:CL, NCA 676, Washington, DC 20224 ∎

GAO MEDICAID REPORT EXAMINES INMATE EXPANSION COSTS

The U.S. Government Accountability Office recently released a focused report on Medicaid expansion and its effects on prison inmate eligibility. The report is titled "Medicaid: Information on Inmate Eligibility and Federal Costs for Allowable Services." It examines how Medicaid is expected to cover as many as seven million more individuals as a result of the Patient Protection and Affordable Care Act (PPACA), most of whom will be low-income adults, a population that may include inmates in state prisons and local jails. Federal law prohibits states from obtaining federal Medicaid matching funds for health care services provided to inmates—except when inmates are patients in medical institutions, such as hospitals. In the report, GAO looked at six states (California, Colorado, New York, North Carolina, Pennsylvania and Washington) that expanded Medicaid as allowed under the PPACA and some that did not, collecting information on the proportion of inmates eligible for Medicaid and state efforts to enroll inmates in Medicaid and obtain federal matching funds for allowable services. GAO found:

> "As of July 2014, two states were implementing efforts, such as hiring and training staff to assist with inmate enrollment in Medicaid, that could increase the amount of federal funds obtained; and the four other selected states had taken similar steps, generally prior to 2014."

The full report can be found at www.gao.gov/assets/670/665552.pdf. ∎

ASSOCIATION NOTES

NASACT ANNOUNCES 2014-15 COMMITTEES

William G. Holland, auditor general of Illinois and president of NASACT, has finalized the 2014-15 NASACT committee chairs, vice chairs and members. Complete committee rosters and resources are available at www.nasact.org/comms_groups (members only content, you must be logged into the site to view). Committee chairs and vice chairs may be viewed by all at www.nasact.org/committees. ∎

STRATEGIC COMMITTEES

Committee on Accounting, Reporting and Auditing (CARA)

Co-Chair: Randy Roberts, Senior Technical Director, Office of the Auditor General (AZ)

Co-Chair: Alan Skelton, State Accounting Officer (GA)

Financial Management and Intergovernmental Affairs Committee (FMIAC)

Chair: David H. Lillard, Jr., State Treasurer (TN)

Vice Chair: David A. Von Moll, State Comptroller (VA)

Membership Committee

Chair: Anna Maria Kiehl, State Comptroller/Chief Accounting Officer (PA)

Vice Chair: Beth Pearce, State Treasurer (VT)

ADMINISTRATIVE COMMITTEES

Audit

Chair: Beth Wood, State Auditor (NC)

Vice Chair: Tori M. Hunthausen, Legislative Auditor (MT)

Budget

Chair: D. Clark Partridge, State Comptroller (AZ)

Vice Chair: Debra K. Davenport, Auditor General (AZ)

Constitution and Bylaws

Chair: David H. Lillard, Jr., State Treasurer (TN)

Vice Chair: John C. Reidhead, Director, Division of Finance (UT)

Nominating

Chair: James B. Lewis, State Treasurer (NM)

Vice Chair: Ronald L. Jones, Chief Examiner (AL)

Personnel

Chair: William G. Holland, Auditor General (IL)

Vice Chair: Calvin McKelvogue, Chief Operating Officer, State Accounting Enterprise (IA)

Resolutions

Chair: Manju Ganeriwala, State Treasurer (VA)

Vice Chair: David A. Von Moll, State Comptroller (VA)

Strategic Planning

Chair: Calvin McKelvogue, Chief Operating Officer, State Accounting Enterprise (IA)

Vice Chair: Richard K. Ellis, State Treasurer (UT)

Time and Place

Chair: Richard K. Ellis, State Treasurer (UT)

Vice Chair: Debra K. Davenport, Auditor General (AZ)

TASK FORCES & OTHER GROUPS

Interim Disclosures Implementation Work Group

Co-Chair: Colin MacNaught, Deputy Treasurer for Debt Management (MA)

Co-Chair: Alan Skelton, State Accounting Officer (NM)

FAF/GASB/GASAC Selection Task Force

Chair: William G. Holland, Auditor General (IL)

Vice Chair: Calvin McKelvogue, Chief Operating Officer, State Accounting Enterprise (IA)

Pension Standards Implementation Work Group

Chair: Greg S. Griffin, State Auditor (GA)

Vice-Chair: Cindy Jorgenson, Deputy Financial Compliance Audit (MT)

Center for Governmental Financial Management

President: Calvin McKelvogue, Chief Operating Officer, State Accounting Enterprise (IA)

Vice-President: William G. Holland, Auditor General (IL)

Secretary: James B. Lewis, State Treasurer (NM)

Treasurer: Richard K. Ellis, State Treasurer (UT)

ASSOCIATION NOTES

WHAT'S NEW AT www.nasact.org?

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

- Gerry Boaz's observations of the May 28-30, 2014, meeting of the Governmental Accounting Standards Board (members only content) at www.nasact.org/member_content.

- The following technical inquiries from state comptrollers (members only content):
  - Contracting Out Part of SWSA
  - Coordinating ACA Employer Reporting Requirements

- The following technical inquiries from state auditors (members only content):
  - Performance Audit of Child Welfare
  - Local Government Regulations
  - Dissemination of Audit Report

INFO SHARING FEATURE: 3 NEW INFO SHARING CALLS

1. **SWCAP Group:** This group will host a conference call to discuss issues related to the new COFAR Uniform Administrative Requirements for cost principles and audit requirements (December 16).

2. **Electronic Payments: Payment Methodology, Vendor Setup and Security Issues Information Sharing Group:** This group will discuss issues related to vendor data standardization (i.e.,

in the procure-to-pay business process), EDI enrollment, W-9 acquisition, TIN validation, 1099 reporting, and financial sanctions/improper payments (December 2).

3. **Affordable Care Act Group:** This group was formed to discuss tax reporting, readiness planning (including local governments), software decisions, etc., related to the Affordable Care Act. The first call was held on October 22, where Massachusetts shared details on ACA in the state. A second call has not yet been scheduled for this group.
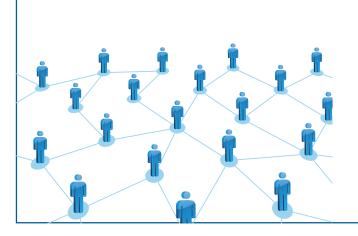
NSAA SEEKS INPUT ON AICPA EDs

Through its Audit Standards and Reporting Committee, NSAA will be commenting on the following exposure drafts:

- *An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements*

  Response due to NSAA: Wednesday, November 12

- *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting: Clarification and Recodification*

  Response due to NSAA: Wednesday, November 19

The exposure drafts can be found at www.aicpa.org. Comments or questions may be directed to Sherri Rowland (srowland@nasact.org).

UPCOMING INFORMATION SHARING CALLS

OCTOBER
NSAA Pension Audit Issues – Oct 30

NOVEMBER
NASC Payroll – Nov 12

NASACT Committee on Accounting, Reporting and Auditing (CARA) – Nov 18

NASC Travel & P-Card – Nov 19

DECEMBER
NASC Electronic Payments – Dec 2

NASC SWCAP – Dec 16

NASC Pension – Dec 11

NSAA Performance Audit – Dec 18

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

NSAA 2014 IT WORKSHOP & CONFERENCE RECAP

Below is the list of sessions presented during the 2014 NSAA IT Workshop and Conference. To download handouts, PowerPoint presentations and speaker biographies from the conference, visit www.nasact.org/2014_it_materials. ■

WORKSHOP — SEPTEMBER 30

CYBERSECURITY OVERVIEW

Mike Zimmerman, Director, Dixon Hughes Goodman LLP

COLORADO'S CYBERSECURITY ASSESSMENT APPROACH

Matt Devlin, Deputy State Auditor, Office of the State Auditor (CO)

SOLUTIONS FOR THE MODERN THREAT LANDSCAPE

Dr. Joe Adams, Vice President Research & Cyber Security, Michigan Cyber Range - Merit Network, Inc.

MICHIGAN CYBER RANGE - MERIT NETWORK, INC. PRESENTS CAPTURE THE FLAG

Nathan Dragun, Lead Cyber Security Analyst, Michigan Cyber Range - Merit Network, Inc.

CONFERENCE — OCTOBER 1-3

PLANNING THE SCOPE OF YOUR IT AUDIT

Robin Garity, Senior Audit Supervisor, Office of the Auditor General (MI)

Jennifer Schreck, Audit Director, Office of the Auditor of Public Accounts (VA)

CREATING VALUE BY KNOWLEDGE SHARING

Karen Helderman, Audit Director, Office of the Auditor of Public Accounts (VA)

CUTTING-EDGE TECHNOLOGY: CURRENT STATE, CHALLENGES & DIRECTION

James Carpp, Director and CIO, Rehmann Consulting

AUDIT INTERVIEWING SKILLS & BEHAVIOR ANALYSIS

Cameron Henke, Inspector, Michigan State Police

AUDITING ACTIVE DIRECTORY

Art Wahl, Lead Senior Auditor, Office of the Auditor General (FL)

WHO'S GAME FOR A ROUNDTABLE?

Allison Mikulec, Senior Audit Supervisor, Office of the Auditor General (MI)

Melissa Schuiling, Audit Division Administrator, Office of the Auditor General (MI)

Shelly Fanson, Audit Manager, Office of the Auditor General (MI)

APPLICATION CONTROLS

Brenda Shiner, Audit Coordinator, Office of the Auditor General (FL)

OBTAINING, STORING & USING CONFIDENTIAL DATA

Dodi Smith, Information Security Manager, Office of the Auditor General (MI)

Lynn Bolton, IT Director, Department of Audits and Accounts (GA)

Doug Peterson, IS Audit Supervisor, Legislative Counsel Bureau (NV)

WHAT KEEPS A CSO UP AT NIGHT

Dan Lohrmann, Chief Strategist & Chief Security Officer, Security Mentor, Inc.

AUDITING BYOD/MOBILE DEVICES

Bob Kern, Principal Audit Supervisor, Office of the Auditor General (MI)

REINVENTING CYBERSECURITY TRAINING

Dan Lohrmann, Chief Strategist & Chief Security Officer, Security Mentor, Inc.

RISK & COMPLIANCE CONSIDERATIONS IN THE CLOUD

Holli Harrison, Information Security Analyst, Citrix Systems, Inc.

REGULATORY ENVIRONMENT CONCERNING STATE GOVERNMENTAL IT AUDITS

David Ashley, Director, IT Audit Section, Office of the State Auditor (MS)

ELECTRONIC WORKING PAPERS

Bruce Vaughan, Principal Auditor, Office of the Auditors of Public Accounts (CT) – CCH ProSystem fx Engagement

Shannah Havens, Senior Auditor, Office of the Auditor General (MI) – TeamMate

Melinda Gardner, IT Audit Manager, Office of the Auditor General (AZ) – SharePoint

WEB-BASED APPLICATION VULNERABILITIES & AUDIT PROGRAMS

Steve Geddes, Applications Manager, Department of Audits and Accounts (GA)

Michele Williamson, IT Audit Manager, Department of Audits and Accounts (GA)

THE ROLE & BENEFITS OF A STATE AUDIT COMMITTEE

Maria Jackson, Assistant Chief Auditor, Office of the Auditor of State (OH)

Joe Bell, Chief Audit Executive, Office of Budget and Management, Office of Internal Audit (OH)

2014 IT WORKSHOP & CONFERENCE RECAP

Left to right: Kinney Poynter, executive director, Sherri Rowland, NSAA program director, and Doug Ringler, Michigan's auditor general. Mr. Ringler welcomed attendees.

Far right: Nathan Dragun, from the Michigan Cyber Range, led a session at the workshop on September 30.

Left to right: Art Wahl (FL), Karen Helderman (VA), chair of NSAA's E-Government Committee, and Erika Ungern (OR), participate in the roundtable session.

Left to right: Josh Peterson (WI) and Alex Entringer (AZ) participate in the roundtable session.

Right: The host state created a game to facilitate discussions during the roundtable on current and relevant case studies.

2014 IT WORKSHOP & CONFERENCE RECAP

Dr. Joe Adams, vice president of research and cyber security at the Michigan Cyber Range, presented "Solutions for the Modern Threat Landscape" during the workshop.

Left: Jim Carpp, director and CIO, Rehmann Consulting, spoke to the group on the topic of cutting-edge technology.

Right: Lynn Bolton (GA) participated in a panel on obtaining, storing and using confidential data.

Left: participants during a conference session.

Right: shown left to right: Shelly Fanson (MI), Sherri Rowland (NSAA) and Melissa Schuiling (MI). Ms. Fanson and Ms. Schuiling helped plan and execute the workshop and conference.

2014 IT WORKSHOP & CONFERENCE RECAP

Joe Bell (OH) and Maria Jackson (OH) discussed the "Role and Benefits of a State Audit Committee" during a conference session.

Left: Mike Zimmerman opened the workshop with a cybersecurity overview.

Right: Melinda Gardner (AZ) discussed her office's use of electronic work papers as related to SharePoint.

Left: There were 97 participants in the workshop and 117 at the conference this year.

Right: Shanna Havens (MI) also discussed electronic work papers, and specifically, her office's use of TeamMate.

REGISTER NOW FOR NASACT'S NEXT WEBINAR: NOVEMBER 6

NASACT is pleased to announce its next webinar, which is scheduled for Thursday, November 6: **"High-Impact Audits and Reports: NSAA's 2014 Excellence in Accountability Award Winners."**

Each year the National State Auditors Association recognizes outstanding performance audit report(s), forensic report(s), and special project(s) through its Excellence in Accountability Awards Program. This webinar will feature an overview of the 2014 winning entries:

- Performance Audit (Large): Medical Marijuana Regulatory System (Part 1), Department of Revenue and Department of Public Health and Environment (Colorado)
- Performance Audit (Small): Taxicab Authority – Nevada Department of Business and Industry (Nevada)
- Special Project: The Local Government Performance Center (Washington)
- Forensic Report: Cuyahoga Heights Local School District (Ohio)

The webinar will include a live Q&A session at the end.

For additional information about the webinar, including more extensive descriptions of the award-winning audits to be featured, visit www.nasact. org/2014_nsaa_winner_webinar.

Questions about the webinar may be directed to Pat Hackney at (859) 276-1174. ■

HIGH-IMPACT AUDITS AND REPORTS: NSAA's 2014 Excellence in Accountability Awards Winners

CPE: 2 CREDITS   TIME: 2:00 - 4:00 P.M. EASTERN TIME

COST: $299.00 PER GROUP (UNLIMITED ATTENDANCE) OR $50 PER PERSON

REGISTER TODAY OR FIND MORE DETAILS AT www.nasact.org!

NAST ANNOUNCES NEW EXECUTIVE DIRECTOR

On September 24, the National Association of State Treasurers announced its new executive director, John Provenzano, of Washington, D.C. Mr. Provenzano formerly served as government relations director for Delta Air Lines; he began his tenure with NAST on October 20.

"John comes highly recommended for his work ethic, ability to dive in and understand new issues, and capacity to build consensus among groups," said 2014 NAST President and Utah State Treasurer Richard Ellis. "His enthusiasm and energy are contagious."

Provenzano was chosen following a nationwide search.

Provenzano has more than 15 years of experience representing corporate and trade association interests, forging diverse and effective coalitions and bipartisan relationships within Congress and the administration. His experience includes executive positions at both Delta Air Lines and Rockwell Collins, in addition to leading government affairs initiatives and fundraising strategies for trade associations. ■

NASCIO CHAMPIONS NATIONAL CYBER SECURITY AWARENESS MONTH

Acknowledging the importance of protecting citizen data and raising awareness of security threats, the National Association of State Chief Information Officers endorses October 2014 as National Cyber Security Awareness Month. This October marks the 11th Anniversary of National Cyber Security Awareness Month and for this observance, NASCIO has updated its *Resource Guide for State Cybersecurity Awareness, Education, and Training Initiatives*. The resource guide is now available at www.nascio.org/ publications/. Visit NASCIO's Cybersecurity Awareness resource page to learn more at www.nascio. org/advocacy/cybersecurity/.

To find out more about National Cyber Security Awareness Month, visit www.staysafeonline.org. ■

NEW REALITIES SHINE LIGHT ON PERFORMANCE-BASED BUDGETING

BY ROBERT SABO, EXECUTIVE DIRECTOR, PUBLIC SECTOR SOLUTIONS, ORACLE CORP.

For years many public sector leaders, media organizations and academics have promoted incorporating performance management information as part of the annual budget approval process. This would help focus the budget on results and outcomes vs. a simple comparison of budgeted to actual expenditures. If accomplished correctly, it would change the entire process and mindset around how the public sector allocates resources and evaluates programs. The two processes have the same purpose–allocate limited public financial resources to serve the citizens. However, the different methods are quite distinct.

Traditional budgeting processes are incremental–they consider what was budgeted last year and how it should change. Many organizations adopted a current services approach, which asks: What will it cost in the new year to provide the same level of service provided the previous year? Performance-based budgeting (PBB) focuses on outcomes. This approach asks: How can I maximize the effectiveness of public resources to produce the best outcomes?

CHANGING LANDSCAPE

There exists a long history of attempts to move away from traditional budgeting processes to one that focuses on results, not just expenditures. Planning, programming, budgeting systems (PPBS) go back to the mid-1960's when federal agencies began using them. In later years, performance management systems based on key performance indicators, or KPI's, formed the basis of "PerformanceStat," "CityStat," or "Compstat" applications created across the country.

While performance management was widely adopted, it was rarely tied closely to the budgeting process. Many jurisdictions have initiated programs that focus on establishing strategies and performance indicators to measure activity. But few have married performance information to the allocation and monitoring of resources.

There are several reasons why the two processes have resisted being closely coupled:

- PBB requires a change in the mindset of all participants–from managers to legislatures to citizens.

- Focusing on outcomes often involves crossing department lines to develop and fund programs.

- A lack of standard methodologies and technology tools to support the effort.

Recently, more governments are exploring PBB with greater sense of urgency, driven by tight resources, public transparency and private sector influence. In 2010 the National Performance Management Advisory Commission issued a report, "A Performance Management Framework for State and Local Government." It urges governments to move from measurement and reporting to management and improvement.

Similarly, the GFOA, GASB, NASBO and other professional organizations have placed a stronger emphasis on PBB. There is also an increase in requests for proposals for budgeting software including requirements that link performance information with line-item budgeting information. And here is a strong argument to be made that PBB has become a driving force toward changing the way governments will budget in the future.

BUDGET FORMULATION

PBB involves two major activities: (1) establishing strategies and performance targets (outcomes) for public sector organizations, and (2) assigning costs to outcomes and using that information during the budgeting process. The first activity is often done quite well. However, that information is not used or only tangentially used during budget deliberations.

What's needed is a solution that combines performance information with traditional line-item information that can be used during budget deliberations. The goal: a system that allocates public resources in a way that maximizes the desired outcomes–something many governments aren't doing today.

There are essentially three elements to a full PBB solution. Only two elements, *performance management* and *planning budgeting*, are typically viewed as necessary. However, a third element, *cost analysis*, can provide a valuable tool toward reviewing costs and ensuring validity.

Several technology vendors support PBB as well as all three solution elements. While the three applications typically work well separately, a complete solution uses performance and cost information during the budget process developed in public sector budgeting and planning.

OKLAHOMA'S PROACTIVE APPROACH

Today, more states and localities are adopting this approach. Here's a recent example:

In Oklahoma, to better allocate and manage its scarce resources, officials plan to use the Oracle Hyperion suite of applications to enable a shift from a process based on incremental changes to the previous year's budget to a performance-informed budget process. The new process is based on developing statewide goals and programs that identify key strategic priorities. Funding decisions will be informed by strategic priorities and state resources allocated based on performance information. Subsequently, success will be measured on key financial and non-financial performance indicators.

While this is just one example, many jurisdictions are moving toward using performance information during their budget preparation and planning processes. Two factors are enabling this move: the first is recognition that while difficult, the value of PBB to citizens is undeniable. Second, enabling technology is available to support the processes in a sustainable and cost-effective way. ∎

CALENDAR

2014

November 6 | Webinar — High Impact Audits and Reports: NSAA's 2014 Excellence in Accountability Award Winners, 2:00 - 3:50 p.m. Eastern Time

2015

March 10 | NASACT Executive Committee Meeting, Richmond, VA

March 11-13 | NASC Annual Conference, Richmond, VA

April 14-16 | NASACT Middle Management Conference, Raleigh, NC

June 9-12 | NSAA Annual Conference, Little Rock, AR

August 23 | NASACT Executive Committee Meeting, Chicago, IL

August 23-26 | NASACT Annual Conference, Chicago, IL

September 22-25 | NSAA IT Workshop & Conference, Hartford, CT

MARK YOUR CALENDARS!

BY DONNA MALOY, CONFERENCE MANAGER

NASC ANNUAL CONFERENCE – MARCH 11-13, 2015, RICHMOND, VIRGINIA

We begin 2015 with the National Association of State Comptrollers' annual conference in March. The conference hotel, the Omni Richmond Hotel, is conveniently located within the Shockoe Slip dining and entertainment area.

NASACT MIDDLE MANAGEMENT CONFERENCE – APRIL 14-16, 2015, RALEIGH, NORTH CAROLINA

The NASACT middle management conference will be held next April in Raleigh, North Carolina. The conference will take place at the Sheraton Raleigh Hotel, located just 15 miles from Raleigh-Durham International Airport. Once at the hotel, there are many options for restaurants, museums and nightlife all within walking distance.

NSAA ANNUAL CONFERENCE – JUNE 9-12, 2015, LITTLE ROCK, ARKANSAS

The state auditors will have their annual conference next June at the Marriott Hotel located in heart of bustling downtown Little Rock, near the Clinton Library and other famous attractions.

NASACT ANNUAL CONFERENCE – AUGUST 22-26, 2015, CHICAGO, ILLINOIS

NASACT's annual conference will be held next August in Chicago, Illinois, at the Marriott Hotel, located on Michigan Avenue in the heart of the Magnificent Mile. The 2015 conference is NASACT's 100th anniversary!

NSAA IT CONFERENCE AND WORKSHOP – SEPTEMBER 22-25, 2015

We will finish our conference year with the NSAA IT conference and workshop next September in Hartford, Connecticut. The Hilton Hartford Hotel has been selected as this year's IT conference hotel. ■