

# Office of the State Controller

## OFFICIAL MEMORANDUM

**To:** Chief Fiscal Officers, Vice Chancellors, and Business Managers  
**From:** Dr. Linda Combs, State Controller  
**Date:** October 15, 2018  
**Subject:** 2018 OSC Financial Conference

I am pleased to announce that on December 11, 2018, the Office of the State Controller will hold its annual Financial Conference for Chief Fiscal Officers and agency designated representatives at NCSU's McKimmon Center in Raleigh. This year's conference will include topics such as emerging issues in government, economic outlook for the State and nation, State auditor, budget and controller updates, cybersecurity, and professional development.

In addition, the recipients of the State Controller Fiscal Integrity Award and the Internal Audit Award of Excellence will be announced during the conference. Attendance will qualify for eight hours of CPE credit. The course announcement is attached for your review. Instructor biographies are available on OSC's website (see link below).

The registration fee is **\$65 per attendee** and includes breakfast and a buffet lunch. To register for this conference, visit the Office of the State Controller website at <https://www.osc.nc.gov/2018-osc-financial-conference>. Please register as soon as possible as the **registration deadline is Tuesday November 27, 2018. Payment must be received by this date or you will be removed from the registration.** No requests for refunds will be considered after this date.

Payment can be made by credit card or electronic transfer in the Cash Management Control System (CMCS) to the **Office of State Controller**. Please note the change in how payments should be made. Agencies should register attendees individually (with separate email addresses). Agencies using CMCS can submit one payment to cover all registration fees as long as all necessary notations have been made (see website for details).

If you are paying by electronic transfer, please follow the instructions below:

- **NCAS agencies:** Use IGO vendor number 561611588-03. For the cash management transfer – in the description or remit message line you must include the following for proper processing: Attendee full name; Reference 2018 OSC Financial Conference.
- **Non-NCAS agencies paying through CMCS:** Use department code 4161 for payment – in the description or remit message line you must include the following for proper processing: Attendee full name; Reference 2018 OSC Financial Conference.

If you have questions, please contact Jan Prevo at [jan.prevo@osc.nc.gov](mailto:jan.prevo@osc.nc.gov) or 919-707-0714. We look forward to your participation in the conference and thank you for your service to our State.

Attachment  
**SA 19-15**

DR. LINDA COMBS, STATE CONTROLLER  
MAILING ADDRESS: 1410 Mail Service Center, Raleigh, North Carolina 27699-1410  
STREET ADDRESS: 3512 Bush Street, Raleigh, North Carolina 27609  
Phone (919) 707-0500 ~ Fax (919) 981-5444  
<http://www.osc.nc.gov> ~ An EEO/AA/AWD Employer



## 2018 OSC Financial Conference

Continuing Professional Education  
North Carolina Office of the State Controller

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<b>Date:</b>	December 11, 2018 12:25 p.m. to 4:45 p.m.
<b>Location:</b>	The McKimmon Conference and Training Center N.C. State University 1101 Gorman Street Raleigh, NC 27606
<b>Objective:</b>	To offer training on recent topics of interest to Chief Fiscal Officers and agency representatives including emerging issues in government, the State and national economic outlook, State auditor updates, cybersecurity, and change management.
<b>Content:</b>	<ul style="list-style-type: none"><li>– Emerging Issues in Government Accountability</li><li>– State Auditor Updates</li><li>– Economic Update</li><li>– Cybersecurity...what is your role?</li><li>– The Roots of Resistance</li></ul>
<b>Instructors:</b>	Kinney Poynter – Executive Director, NASACT Beth Wood – State Auditor Dr. Michael Walden – Professor and Extension Economist, N.C. State University Maria Thompson – State Chief Risk Officer, Department of Information Technology Jonathan Kraftchick – Managing Director, Assurance Services, Cherry Bekaert
<b>CPE Credit Offered:</b>	Five hours
<b>Materials:</b>	Will be available in advance on the OSC web page
<b>Teaching Method:</b>	Lecture
<b>Lunch:</b>	12:30 p.m. – 1:30 p.m. (barbeque, fried chicken, sides, and dessert)
<b>Prerequisites:</b>	Employed by a State agency or institution that is part of the State financial reporting entity (i.e., an entity included in the State's Comprehensive Annual Financial Report)
<b>Advance Preparation:</b>	None
<b>Level:</b>	Basic

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**DEVELOPERS:** [NASACT](#), [OSA](#), [NCSU](#), [DIT](#), [CHERRY BEKAERT](#)

**SPONSOR:** [NC Office of the State Controller](#)



# AGENDA

## *OSC Financial Conference*

December 11, 2018

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- 12:00 – 12:25 Registration
- 12:25 – 12:30 Call to Order – Michael Euliss, Office of the State Controller,  
Communications/Government Relations/Training Director
- 12:30 – 1:30 Emerging Issues in Government Accountability – Kinney Poynter, National Association  
of State Auditors, Comptrollers, and Treasurers (NASACT) Executive Director
- Lunch
- 1:30 – 2:20 National and State Economic Outlook – Dr. Michael Walden, N.C. State University
- 2:20 – 3:15 State Auditor Update – Beth Wood, State Auditor
- 3:15 – 3:45 System Security and Vendor Risk Management – Maria Thompson, Department of  
Information Technology Chief Risk Officer
- 3:45 – 4:45 The Roots of Resistance – Jonathan Kraftchick, Cherry Bekaert LLP
- Closing Remarks – Michael Euliss, Office of the State Controller

Upcoming Training Dates:

June 5, 2019 – 2019 Governmental Accounting Update

December 10, 2019 – 2019 OSC Financial Conference

### **Jonathan Kraftchick Bio:**

Jonathan is Cherry Bekaert's Managing Director of Audit Process and Innovation where he identifies and implements new services and technologies for the A&A practice. He has spent more than 15 years conducting audit engagements for a variety of companies and industries throughout the country, as well as writing and delivering courses both inside and outside of the Firm.



Outside of his work at Cherry Bekaert, Jonathan served as an adjunct professor at Elon University in their accounting department. He has also received NCACPA's 5.0 Discussion Leader Award and their Outstanding Seminar Discussion Leader award on several occasions. In 2017, Jonathan placed second runner-up in CPA.com's Innovative Practitioner of the Year, which recognizes innovation in process, services or technology implementation in public accounting.

### **Session Description: The Roots of Resistance**

Change management has always been a challenging undertaking. We put so much energy into selecting the right tool, tweaking the perfect process, or planning out the best new strategy. We tend to put less attention on exactly what type of plan we have for positively and proactively communicating these changes to the people they affect most. These are the people who will make or break any new initiative, and, in this course, we'll explore how quickly different types of resistance can take hold and how to make sure our people are experiencing the change as leadership intended.

## The Roots of Resistance

**Jonathan Kraftchick, CPA**  
Managing Director – Audit Process  
@kraftchick



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## Failure is great, right?

- **Jack Ma, Founder of Alibaba** –Turned down by Harvard 10 times. “If you can not get used to failure, just like a boxer, if you can’t get used to being hit, how can you win?”
- **Milton Hershey** – Fired from apprenticeship with a printing company. Tried to start three candy companies all of which failed before Hershey’s became what it is today.
- **Sarah Robb O’Hagan, CEO of Flywheel** – “You have to say to yourself, failure is a part of growth; it’s going to happen. Don’t be scared of it because if you hold back, you aren’t going to get to the places that actually give you new skills.”



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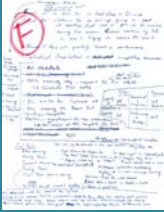
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<p><b><u>We hear this...</u></b></p> <ul style="list-style-type: none"> <li>Fail fast</li> <li>Fail forward</li> <li>Fail often</li> <li>Fail early</li> <li>Seek failure</li> <li>Fail better</li> <li>Celebrate failure</li> </ul>	<p><b><u>But feel this...</u></b></p>  <p style="text-align: right; font-size: small;">CherryBlossom COLLEGE</p>
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No company leader is going to say they don't like innovation.

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- 1. True innovation requires failure – we know this (in theory)
- 2. Humans (and companies) are wired to avoid failure
- 3. Some failure is good; some failure is bad
- 4. We're good at defining success...not so good at defining failure
- 5. Stop using the word failure

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**Where does resistance to change come from?**

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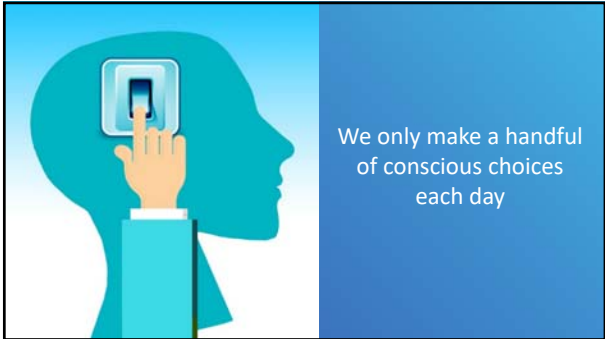
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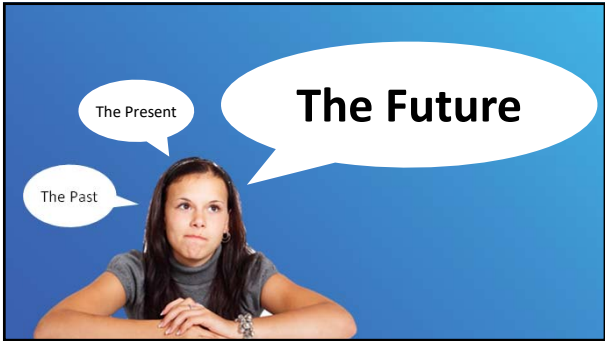
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**The Roots of Resistance**

- ▶ Survival
- ▶ Success
- ▶ Stamina
- ▶ Short-term
- ▶ Sentiment

**Sychology**



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**Survival**



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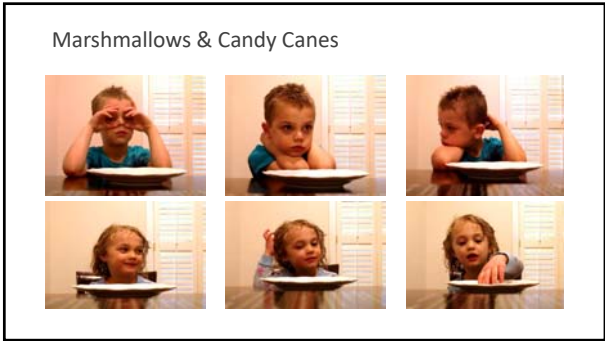
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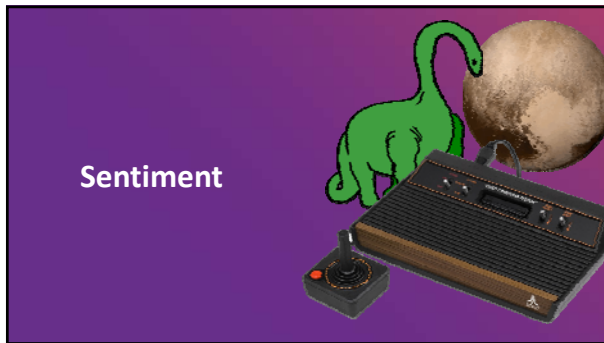
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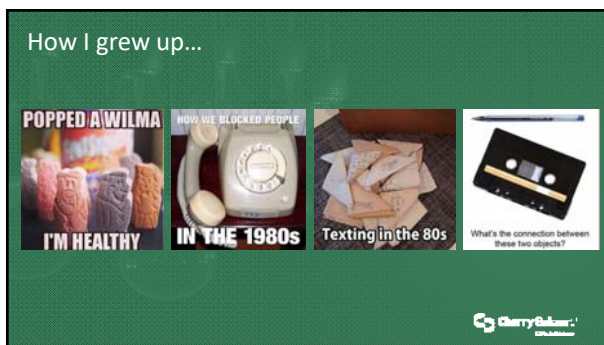
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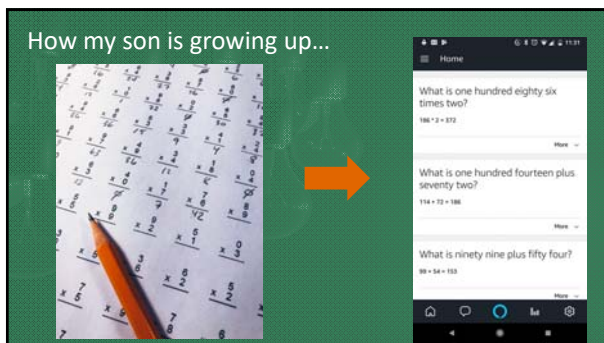
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*I'm the Boss*



**Manage** ~ manus: hand, manual, handle things

**Leader** ~ leado; duc: to go, journey, take to places never explored



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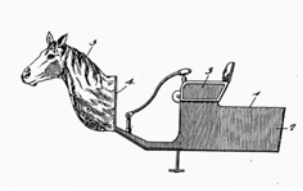
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**The Horsey Horseless**

- ▶ Patented in 1899
- ▶ Designed to calm horses
- ▶ Ended up calming humans



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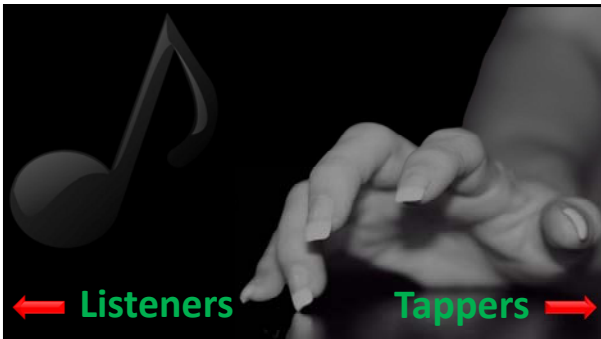
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**Listeners** ← **Tappers** →

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Resistance spreads faster than germs

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**D x V x F > R**

D = Dissatisfaction with the status quo  
 V = Vision for the change's positive impact  
 F = First step to implement change  
 R = Resistance

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All our movies suck at first.

- Ed Catmull, President of Walt Disney Animation Studios and Pixar





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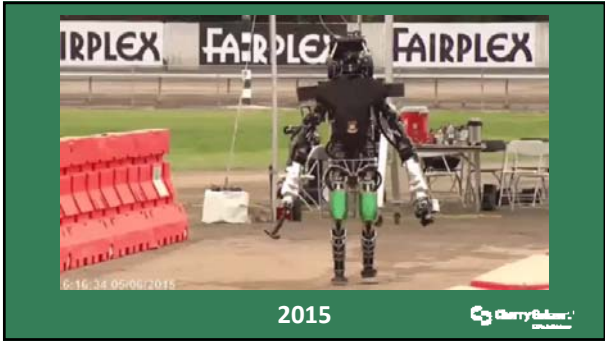
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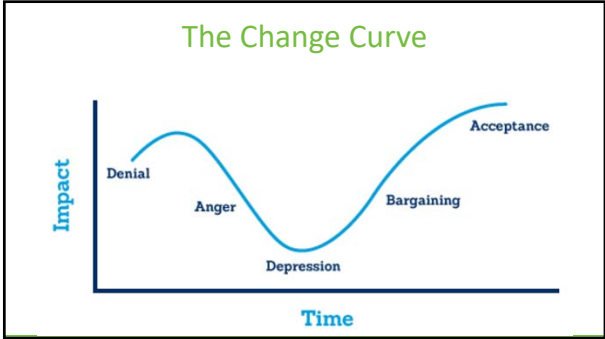
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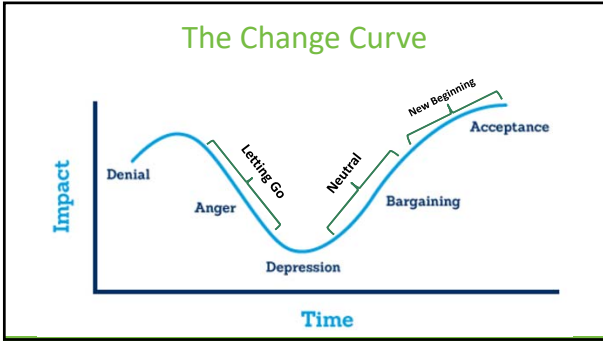
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### Letting Go

- This won't affect me
- That will never get approved
- Our people will hate this
- I don't see the need for this
- The timeline is too aggressive
- Just a solution in search of a problem

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### Neutral

- What will this mean for us?
- This is going to be a lot of work
- Haven't we done this before?

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### New Beginning



- How will this work?
- I'm ready to be done with this
- I'll just figure it out
- This might just work

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### The Change Curve Conversation



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### The Change Curve



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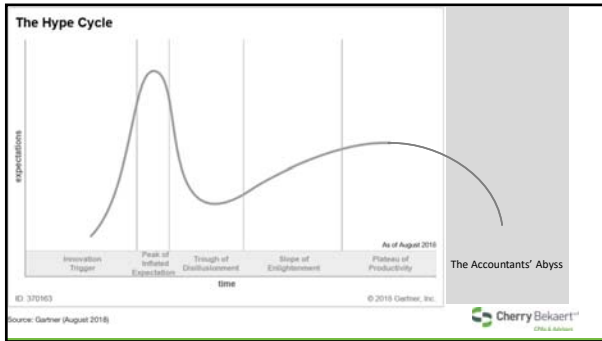
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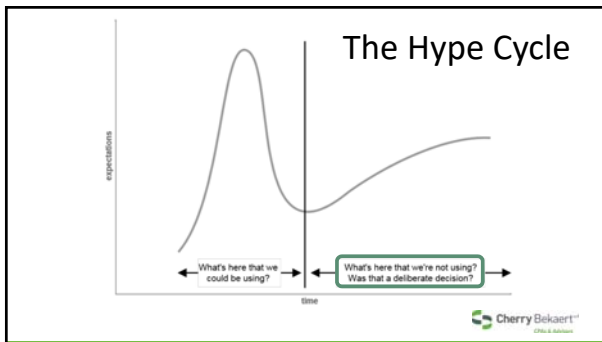
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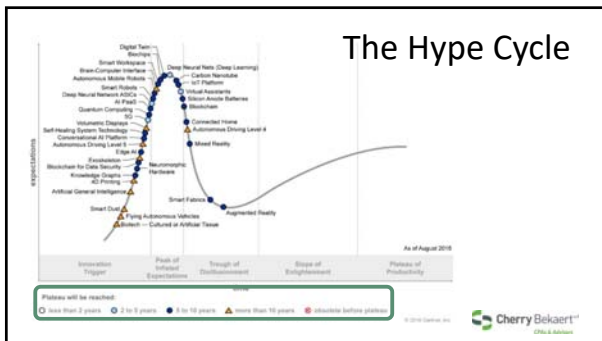
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It's 2020 and you have each just been elected to the board.

Like any new leader, you want to make a good first impression with your vision and path to get there. What is that vision?

Knowing where your company is today, what immediate steps would you and the board take to get there? In the next 2 years? 5 years?

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It's 12 months in the future and we've failed. What went wrong?

1. List all the possible reasons for failure (no solutions)
2. Pick the top 10 problems – which do you have control over?
3. Identify proactive solutions, find back up plans and assign owners

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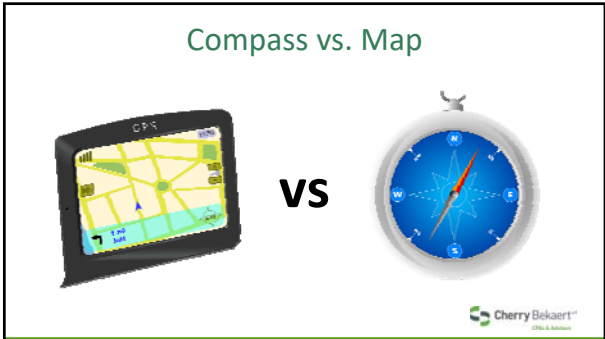
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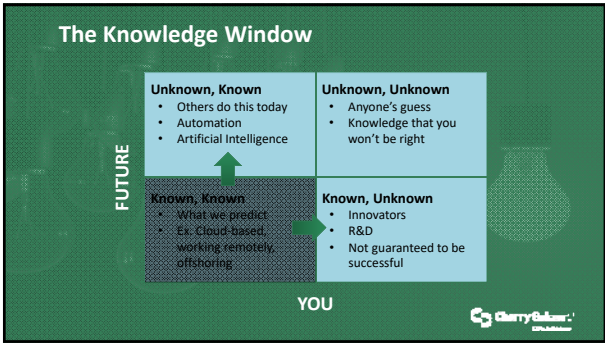
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### The Roots of Resistance

**Jonathan Kraftchick, CPA**  
 Managing Director – Audit Process  
 @jkraftchick


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R. KINNEY POYNTER, CPA  
Executive Director, NASACT

Kinney Poynter is the Executive Director for the National Association of State Auditors, Comptrollers, and Treasurers (NASACT). In this capacity, he is responsible for the overall operations of NASACT as well as the programs of the National Association of State Comptrollers and National State Auditors Association. NASACT is a professional organization whose mission is to assist state leaders to enhance and promote effective and efficient management of governmental resources. Kinney has been with NASACT since 1989, previously serving as the association's Deputy Director and various other positions.

In addition to his experience with NASACT, he has been a partner of a local public accounting firm in Lexington, Kentucky, and a principal auditor with the Kentucky Auditor of Public Accounts, where he conducted financial, performance, and investigative audits on state agencies and local governments. While in public practice, he performed single audits on various nonprofit organizations.

Kinney has BS and MS degrees in accounting from the University of Kentucky. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants, where he previously served on the AICPA Governing Council. He is also a member of the Kentucky Society of Certified Public Accountants, where he has served as chairman of the Governmental Accounting Committee. Kinney has served as an instructor domestically and internationally on a variety of governmental accounting and auditing issues.

Session Description – Emerging Issues in Government Accountability

Like many in the past, this year is shaping up to be another year of change. This session will provide an overview of recent economic, industry, regulatory, and professional developments that impact auditors of state and local governments. Included in this session will be developments from Congress, the U.S. Office of Management and Budget, the Government Accountability Office, and other regulatory bodies.

# Emerging Issues in Government Accounting & Auditing

NC OSC Financial Conference  
December 11, 2018



**NASACT**

National Association of State  
Auditors, Comptrollers  
and Treasurers

1

## Today's Agenda

- State Fiscal Outlook
- Legislative and Regulatory Issues
- Uniform Guidance Implementation
- Accounting and Auditing Issues
- Other Emerging Issues

 **NASACT**

2

**Do You Ever  
Feel Like This?**



3

## **State Fiscal Outlook**

## NATIONAL OVERVIEW



∨  
GDP growth:  
2.3% in 2017 compared to 1.5% in 2016 (lowest since 2011)  
2.7% est. in 2018  
2.4% forecast for 2019

∨  
Stock Market:  
2016 – DJIA up 13.5%  
2017 – DJIA up 24%  
2018 – DJIA up 6.6% through 3rd quarter

∨  
Recession:  
WSJ panel of economists predict 18% probability of recession in next 12 months (July 2018); the highest level since October 2016.

∨  
Unemployment:  
3.7% in October 2018 (lowest level since December 1969)  
Wage and salary growth:  
3.1% overall annual increase in 3<sup>rd</sup> qtr. 2018

∨  
Jobs:  
October 2018 – 250,000 (97<sup>th</sup> straight month of positive job creation)  
2017 – 181,000  
2016 – 195,000

∨  
Interest rates:  
Fed Reserve raised rates .25% in September 2018. Eighth increase since the Great Recession.

Source: Wall Street Journal

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## STATE OVERVIEW



>  
Governors' budgets for fiscal 2019 recommend a general fund spending increase of **3.2 percent**, as fiscal conditions have improved compared to this time last year.

Revenue growth picked up in fiscal 2018 after 2 years of weakness, and is estimated at **4.9 percent**, though growth varies by state and the median is lower at **2.7 percent**.

Only **9 states** have had to make mid-year budget cuts, and **47 states** reported meeting or exceeding budgeted revenue projections for fiscal 2018.

Governors proposed mostly modest tax changes for fiscal 2019, some in response to the new federal tax law, with a net revenue impact of **+\$2.8 billion**.

Most states continue to strengthen their rainy day funds, with the forecasted median balance as a share of general fund spending rising to **6.2 percent** in fiscal 2019, from a recent low of 1.9 percent in fiscal 2011.

Medicaid spending is projected to slow in fiscal 2019, with a median growth rate of **1.9 percent** from all funds (**1.5 percent** state funds), but the program continues to pose spending pressures over the long term.

Source: NASBO Spring 2018 Fiscal Survey

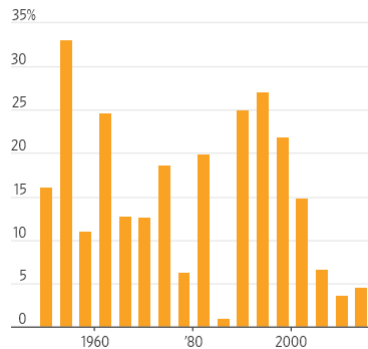
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## Midterms Are a Boon for Stocks—No Matter Who Wins

### Winning Streak

S&P 500 performance in the 12-month period following midterm elections



Source: Strategas Securities

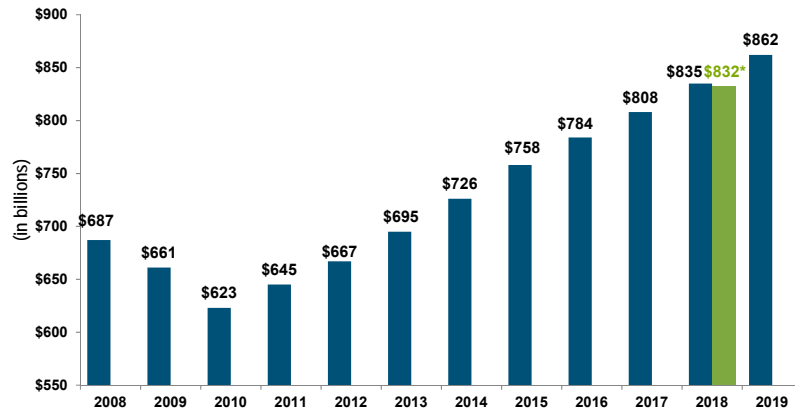
- The year after the midterms has historically been the best of the four-year cycle for stocks
  - The S&P 500 hasn't declined in the year after midterm elections since the 1946 cycle and has climbed 15% on average regardless of which party won or lost control of Congress
  - In comparison, the average annual gain in every year going back to 1946 is 8.8%, and it has slumped in 20 of those years, according to Dow Jones Market Data.



## FISCAL 2018 GENERAL FUND SPENDING

SLIGHTLY EXCEEDS INFLATION-ADJUSTED PRE-RECESSION PEAK

### General Fund Spending: FY 2008 – FY 2019

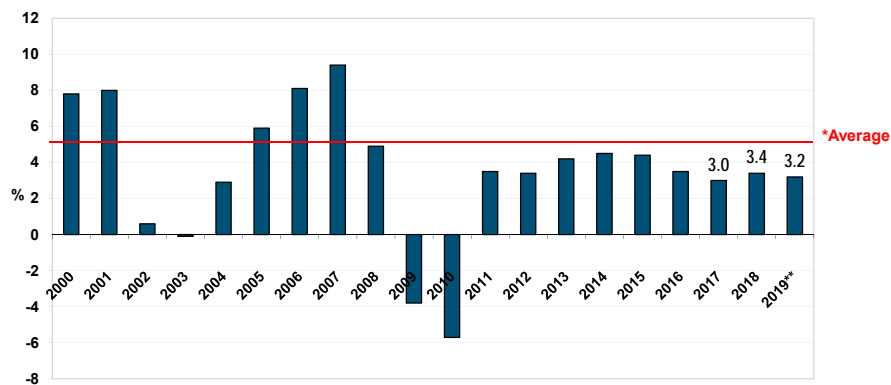


Source: NASBO Fiscal Survey of States; Fiscal 2019 figure is based on governors' recommended budgets.  
 \*Aggregate spending level needed to total at least \$832 billion in fiscal 2018 to be equivalent with or exceed real 2008 spending level.

## STATE GENERAL FUND SPENDING EXPECTED TO SEE

### MODEST INCREASE IN FISCAL 2019

### Annual General Fund Expenditure Growth (%)



\*40-year historical average annual rate of growth is 5.4 percent.

\*\*Fiscal 2019 percentage growth is based on recommended budgets (and enacted budgets for some biennial states that passed two-year budgets in 2017). Median growth rate for fiscal 2019 is **2.7 percent**.

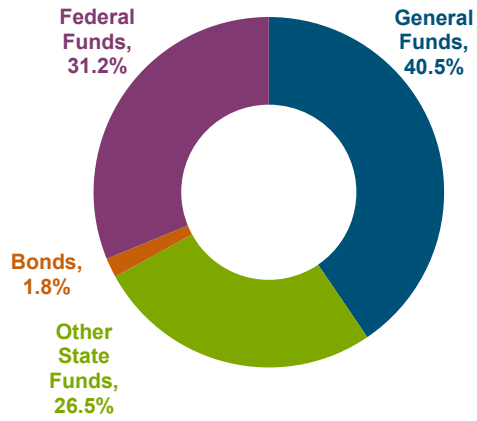
Source: NASBO Fiscal Survey of States



## TOTAL STATE EXPENDITURES BY FUND SOURCE

FISCAL YEAR  
2018

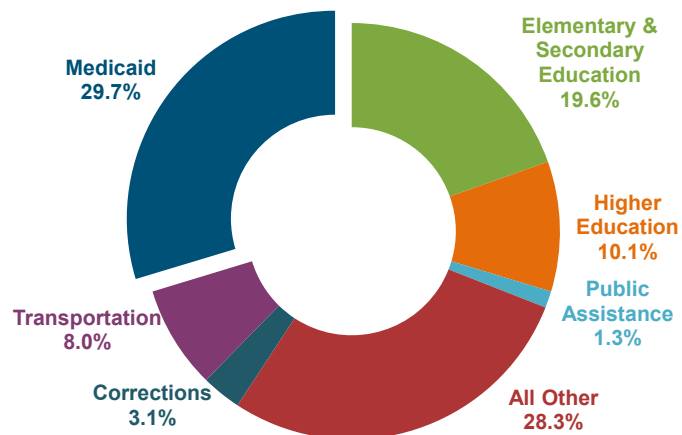
**\$2.032 Trillion**



Source: NASBO State Expenditure Report – November 2018



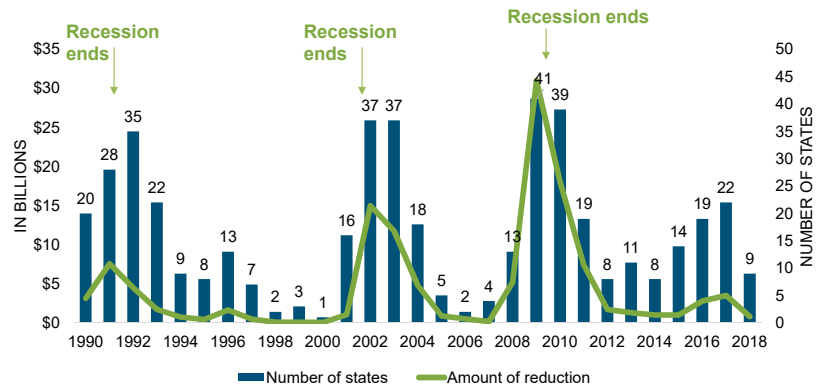
## TOTAL STATE EXPENDITURES BY FUNCTION ESTIMATED FISCAL 2018



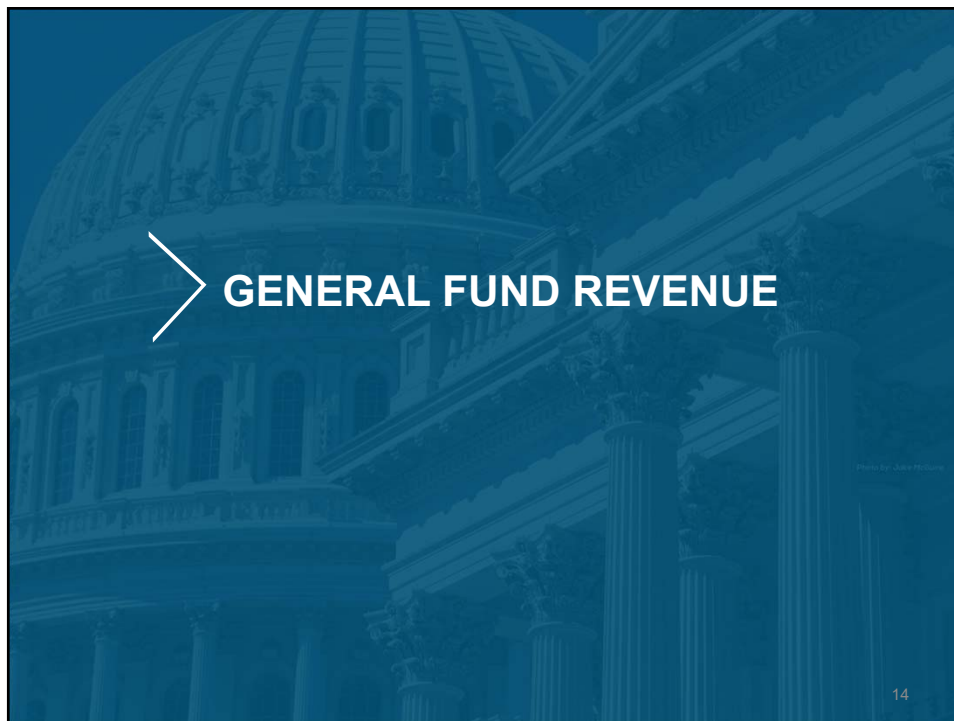
Source: NASBO State Expenditure Report – November 2018

> **ONLY 9 STATES MADE MID-YEAR BUDGET CUTS IN FISCAL 2018, TOTALING \$830 MILLION**

Budget Cuts Made After the Budget Passed



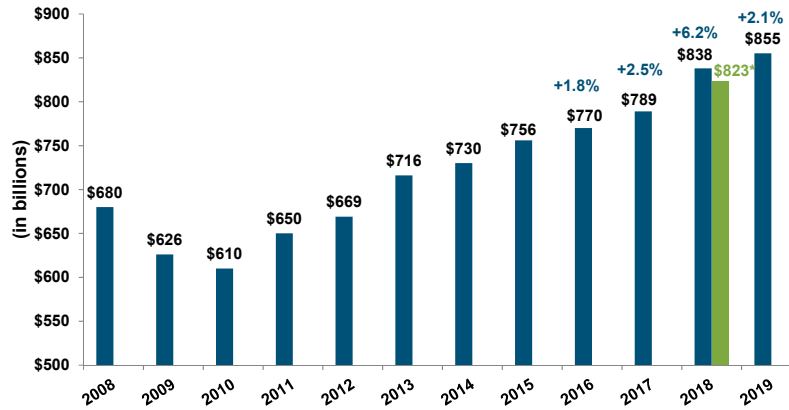
Source: NASBO Fiscal Survey of States



## REVENUE GROWTH ACCELERATES IN FISCAL 2018 AFTER TWO YEARS OF WEAKNESS

Governor's Budgets - Modest Growth Expected in Fiscal 2019

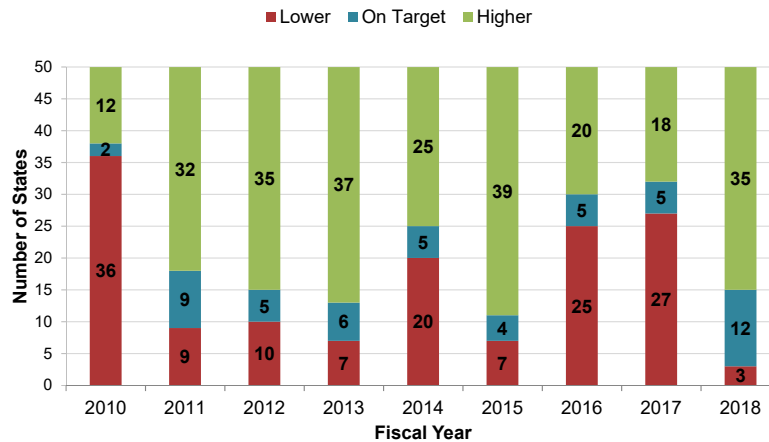
### General Fund Revenue: FY 2008-FY 2019



Source: NASBO Fiscal Survey of States; Fiscal 2019 figure is based on recommended budgets. The median estimated growth rate for fiscal 2018 is **2.7 percent**; the median projected growth rate for fiscal 2019 is **2.8 percent**.  
 \*Aggregate revenue level needed to total at least \$823 billion in fiscal 2018 to be equivalent with or exceed real 2008 spending level.

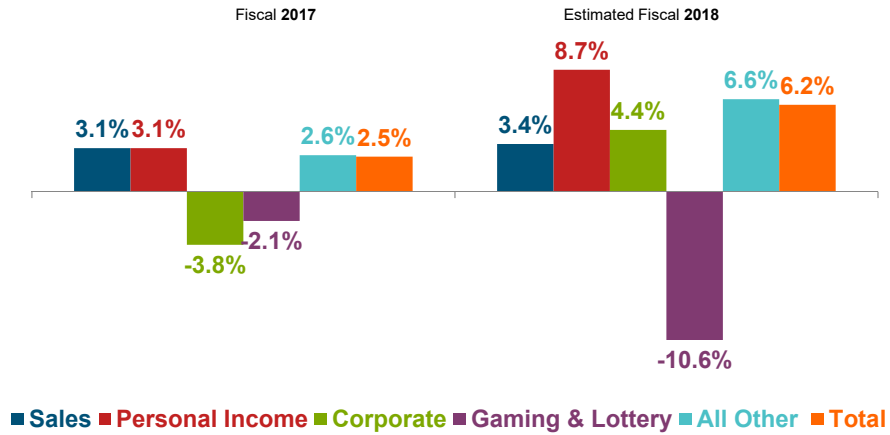
## VAST MAJORITY OF STATES MET OR EXCEEDED REVENUE PROJECTIONS FOR FISCAL 2018

### General Fund Revenue Collections Compared to Original Budget Projections

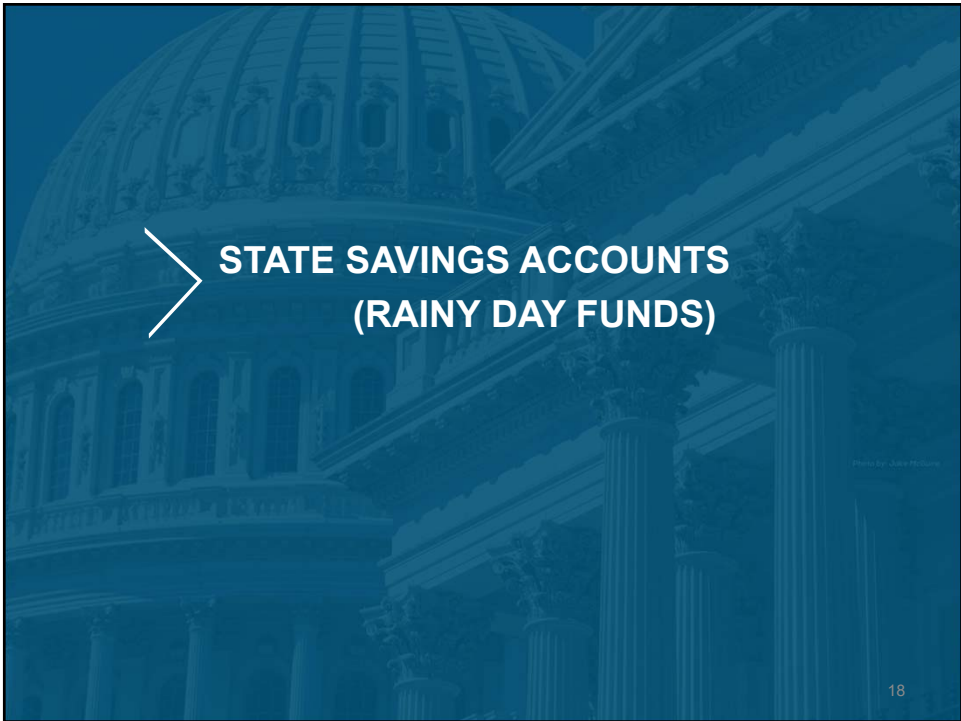


Source: NASBO Fiscal Survey of States.

### REVENUE GROWTH BY PERCENTAGE STATE GENERAL FUNDS

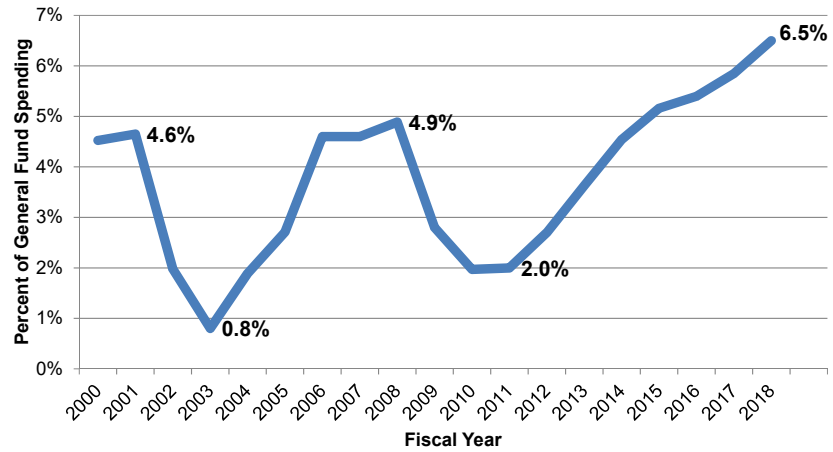


Source: NASBO State Expenditure Report – November 2018



➤ **MEDIAN RAINY DAY FUND LEVEL EXCEEDS PRE-RECESSION PEAK, CONTINUES TO RISE**

Median Rainy Day Fund Balance Over Time



Source: NASBO Fiscal Survey of States

13 states are under 3% in 2018

➤ **FEDERAL OUTLOOK FOR STATES**



> **FEDERAL UNCERTAINTY FOR STATES  
THIS TIME LAST YEAR**

**1**

The Affordable Care Act, especially Medicaid – Per capita caps, Block Grants, Expansion

**2**

Tax Policy Considerations – municipal debt, border-adjusted corporate tax, state/local tax deductibility

**3**

Infrastructure

**4**

The Fiscal 2018 Budget



> **FEDERAL UNCERTAINTY FOR STATES  
EARLY 2018**

**1**

The Affordable Care Act, especially Medicaid – Per capita caps, Block Grants, Expansion

**2**

Tax Policy Considerations – municipal debt, border-adjusted corporate tax, state/local tax deductibility

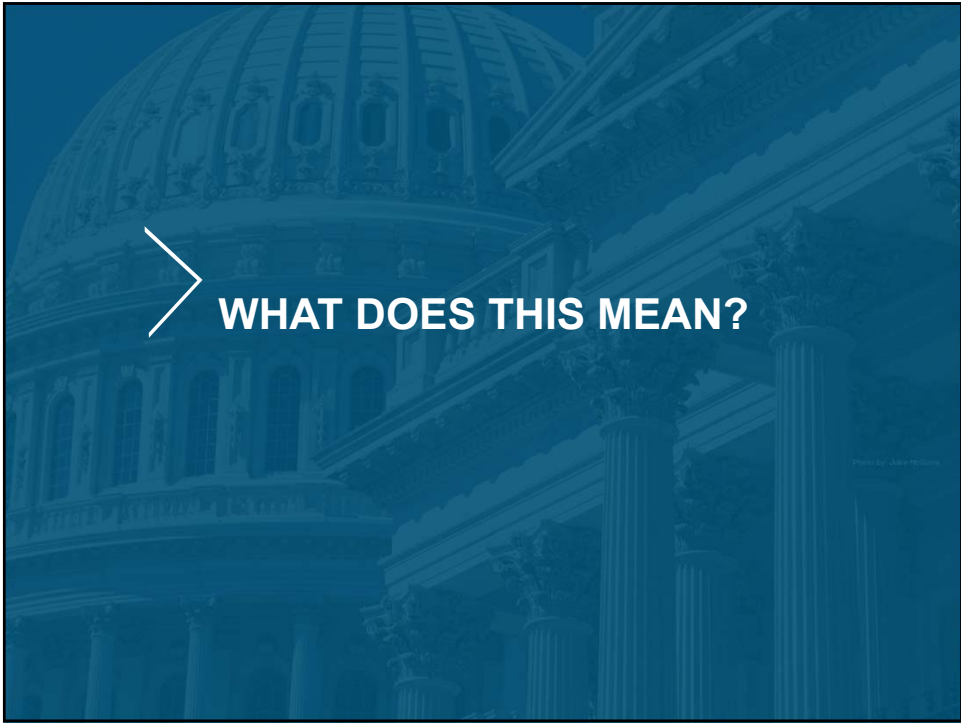
**3**

Infrastructure – a “good” uncertainty

**4**

~~The Fiscal 2018 Budget~~  
The Fiscal 2019 Budget - March 23, 2018





> **WHAT DOES THIS MEAN FOR YOU?**

- Better revenue situation for FY 2018 and 2019 than last two years.
- Revenue uncertainty with federal tax law changes-tax policy in mix.
- Mixture of tight labor market sectors and minimal pay increases
- Pension costs growing share and K-12 priority remains
- Federal funding in the short-run is not much of a threat.

# Legislative and Regulatory Issues



## Key Tax Issues

- Online Sales Taxes
  - *South Dakota vs. Wayfair*
- The Tax Cuts and Jobs Act of 2017
  - P.L. 115-97
  - Signed into law December 22, 2017
  - Most significant changes to the IRC in 30 years
  - Several key impacts on S&L governments



## South Dakota v. Wayfair

- U.S. Supreme Court **overturned** 1992 *Quill v. North Dakota* on June 21, 2018
  - Allows state and local governments to require retailers with no in-state presence to collect sales taxes
  - Physical presence in state no longer needed
- Impact:
  - GAO [report](#) (December 2017) estimates that states lost \$8 billion to \$13 billion in sales tax revenue in 2017 which is a 2 to 4% increase
  - eCommerce sales in 2005 were \$87 billion compared to \$225.5 billion in 2012 (Dept. of Commerce)
    - Estimated to be \$462 billion in 2018



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## South Dakota v. Wayfair

- What's next?
  - States will need to get businesses to register under their systems and release rules and technical guidance
    - 14 states are collecting effective October 1, 2018
    - Another wave of states is expected on January 1, 2019
  - Possible legislation
    - [The Remote Transactions Parity Act](#) (HR 2193)
    - [Marketplace Fairness Act](#) (S. 976)
      - Introduced April 27, 2017 but stalled
    - Stop Taxing Our Potential (STOP) Act of 2018 (S. 1320)
      - Introduced on June 28, 2018
    - Some prefer a legislative solution for consistency



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## Tax Cuts and Jobs Act of 2017

- Potential impacts – S&L governments:
  - Will depend on how each state **conforms** to the new IRC. For example,
    - 20 states are automatic, 19 states pick specific date
    - 30 tie to AGI, 6 to taxable income
    - 24 tie to either the number of exemptions or the \$
    - 10 require same deduction on state return as on Fed
    - 6 states tie to new pass-through deduction

## Tax Cuts and Jobs Act of 2017

- What are states going to do?
  - Will automatic states change to fixed date?
  - Many are looking to avoid inadvertent tax increases
  - Break tie to number of federal personal exemptions – MI, MD, NE, NY
  - Relax mandatory use of matching federal return's choice of itemized or standard deduction
  - Less conformity without increasing complexity

## Tax Cuts and Jobs Act of 2017

- What did states do in 2018 sessions?
  - **28 states took some actions:**
    - AZ, AR, CT, FL, GA, HI, ID, IL, IN, IA, KY, MD, MI, MO, NE, NY, NC, NJ, OH, OK, OR, SD, TN, UT, VA, VT, WV, WI
  - **16 states did not or haven't yet:**
    - AL, CA, CO, DE, KS, LA, MA, ME, MN, MS, MT, NM, ND, PA, RI, SC
    - KS-tie vote in House, MN-Gov vetoed, ME-special session, MT, ND-no session
  - **6 states = NA:** AK, NH, NV, TX, WA, WY



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## Tax Cuts and Jobs Act of 2017

- Impact on municipal bonds
  - The good news:
    - Interest remains tax-exempt
    - Private activity bonds were left unchanged
      - Initial House version eliminated exemption
  - The bad news:
    - Advance refunding has been eliminated
    - Tax credit bonds have been repealed
      - Qualified school construction bonds (QSCB)
      - Qualified zone academy bonds (QZAB)
      - Clean renewable energy bonds (CREB)



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## Municipal Disclosures – SEC Proposes and Finalizes Amendments to Rule 15c2-12

- Proposal issued on March 1, 2017
  - Improves investor protection and enhances transparency in municipal securities market
    - Addresses concern about private bank lending
- Adds **two** new event notices under continuing disclosure undertakings
  - Currently there are 14 listed events
  - Requires notice within 10 days of the occurrence
- Final Rule issued on August 31, 2018
- Dates
  - Effective Date: October 30, 2018
  - Compliance Date: February 27, 2019



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## Municipal Disclosures – Amendments to Rule 15c2-12

- Two new events are:
  - Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material
  - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties



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## Municipal Disclosures –Amendments to Rule 15c2-12

- “Financial Obligation” is defined as:
  - A debt obligation (e.g., bank loans, capital leases)
  - Derivative instrument, or a
  - Guarantee of either of the above
- Final Rule does **not** include in the definition of “financial obligations”
  - Operating leases
  - Monetary obligation resulting from a judicial, administrative, or arbitration proceeding
- Materiality also not defined in the Final Rule.



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## Municipal Disclosures –Amendments to Rule 15c2-12

- What should be disclosed?
  - A description of the material terms of the financial obligation, including:
    - Date of incurrence
    - Principal amount
    - Maturity and amortization
    - Interest rate (or method of computation of the interest rate)
    - Default rates



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## Economic Growth, Regulatory Relief, and Consumer Protection Act

- SB 2125
  - Signed into law by President on May 24, 2018
- Two key provisions:
  - Treats municipal securities as 2B liquid assets
  - Maintains funding for GASB as provided in section 978 of Dodd-Frank Act

## OMB Uniform Guidance



## Uniform Guidance Implementation – Current Developments

- OMB issued latest round of [FAQs](#) in July 2017
  - 24 new FAQs bringing total to 122
- OMB released [M-17-26](#) on June 15, 2017
  - Reduces burden for federal agencies
- 2018 Compliance Supplement
  - A “skinny supplement”
- OMB issued [addendum](#) in May 2017
  - Delays new procurement rules until FY beginning on or after December 26, 2017 (200.110)
- OMB released [M-18-18](#) on June 20, 2018
- President’s Management Agenda – March 2018
- Draft 2019 SF-SAC (Data Collection Form) – April, November 2018
- Proposed Rule change expected in Fall 2018
- 2019 Compliance Supplement



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## 2018 Compliance Supplement

- OMB will be issuing the Compliance Supplement every two years
  - Future issue date would be January
  - 2018 Compliance Supplement will be a “skinny” version to address major changes from 2017
    - 251 pages (was supposed to be approx. 35 pages)
    - Released in May 2018 (was supposed to be February 2018)
    - Federal agencies would use 2018 to take a hard look at their compliance requirements
  - Practical transition issues
    - What will be auditors’ responsibilities in 2018?



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## Implementation Issue: Pension and OPEB Costs Allowability

- Section 200.431(g)(3)
  - “For entities using accrual based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP”
    - GASB 68 calculated pension costs differ from the amounts funded
  - HHS DCA is currently allowing amounts funded in excess of GASB 68 amount (but awaiting OMB guidance)
  - OMB hopes to release a proposed revision in summer 2018
- Similar issue for OPEB costs



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## Implementation Issue: Leases

- Section 200.465(c)(5)
  - “Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the non-Federal entity purchased the property on the date the lease agreement was executed.”
    - GASB 87 establishes a single model for lease accounting, and eliminates all distinctions between operating and capital leases
  - How will the provisions of UG that specifically reference GAAP capital leases be applied?
  - Will UG’s capitalization threshold \$5,000 apply?



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## OMB M-18-18: Micro-Purchase & Simplified Acquisition Thresholds

- Issued June 20, 2018
- Based on recent statutory changes to the NDAA, this memo raises the thresholds for **all** recipients:
  - Micro-purchases to \$10,000 and
  - Simplified acquisitions to \$250,000
- Also implements an approval process for certain institutions that want to request micro-purchase thresholds higher than \$10,000
  - Recipients should contact their cognizant agency for indirect costs for information
- Effective upon issuance of OMB memo
  - OMB granting an exception to use higher thresholds until FAR is finalized
- Recipients should document changes in procurement policies



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## President's Management Agenda

- Issued March 20, 2018
  - Contains various cross-agency priority (CAP) goals
- [Results-Oriented Accountability for Grants](#)
  - Seeks to rebalance compliance efforts with a focus on results
  - Standardize grant reporting data and improve data collection in ways that will increase efficiency, promote evaluation, reduce reporting burden
    - OMB [Federal Register Notice](#) on November 7, 2018
    - 426 proposed grants management common data standards
    - Comments due January 15, 2019 [here](#)
  - Measure progress and share lessons learned and best practices to inform future efforts, and support innovation to achieve results



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## Draft 2019 SF-SAC (Data Collection Form)

- [Published](#) for comments in Federal Register on April 3, 2018
  - Comment period ends June 4, 2018
  - Should be used for audits covering fiscal periods ending in 2019, 2020 or 2021.
    - Audits with FY ending prior to January 1, 2019 must use the appropriate year form
  - New form is designed to enable streamlined reporting (a DATA Act goal)
- [Published](#) for comments in Federal Register on November 6, 2018
  - Comment period ends December 6, 2018



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## Draft 2019 SF-SAC (Data Collection Form)

- New items:
  1. Notes to the Schedule of Expenditures of Federal Awards (SEFA) (Part II, item 2)
  2. Written communications (management letters) issued to the auditee (Part III, item 2(f))
  3. Text of the audit findings (Part III, item 5)
  4. Corrective action plan (Part IV)
  5. Auditee certification statement (Part V, item 1)
  6. Auditor statement (Part V, item 2)
- Census currently working on a template to automatically generate the SEFA



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## Draft 2019 SF-SAC: SEFA Notes

FORM SF-SAC	Report ID:	Version:
<b>PART II: FEDERAL AWARDS - Continued</b>		
<b>2. Notes to the Schedule of Expenditures of Federal Awards (SEFA)</b>		
Note 1: Describe the significant accounting policies used in preparing the SEFA (2 CFR 200.510(b)(6)).		
<input type="text"/>		
Note 2: Did the auditee elect to use the de minimis cost rate? (2 CFR 200.414(f))		
<input type="checkbox"/> Yes, the auditee elected to use the de minimis cost rate. <input type="checkbox"/> No, the auditee did not elect to use the de minimis cost rate. <input type="checkbox"/> Both. Please explain.		
<input type="text"/>		
Additional Notes		
Note 3: <input type="text"/>		
<input type="text"/>		



## Draft 2019 SF-SAC: Audit Findings

FORM SF-SAC	Report ID:	Version:
<b>PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued</b>		
<b>5. Text of the Audit Findings</b>		
a. Audit Finding Reference Number	b. Audit Finding Text	
YYYY-###	<input type="text"/> <p>Enter the text of the finding exactly as it appears in the Schedule of Findings and Questioned Costs. You may copy and paste this text directly from the audit report.</p>	
<p>This column is populated automatically from Part III, Item 4(a).</p> <p>One row is created for each unique reference number.</p> <p>This page cannot be used if no audit findings are reported on Part III, Item 3(c) (each award listed "Y" in Part III, Item 3(c)).</p>	<p>This column will display the text of the audit finding. If there are any charts or tables within the text of the audit finding, "See Schedule of Findings and Questioned Costs for chart/table" will be displayed in place of the chart or table. If the auditee qualifies as an Indian Tribe and opts not to authorize the FAC to make the reporting package publicly available, "Exemption for Indian Tribes" will be displayed in this column in place of the finding text for each Audit Finding Reference Number.</p>	



## Draft 2019 SF-SAC: Corrective Action Plan

FORM SF-SAC		Report ID:	Version:
<b>PART IV: CORRECTIVE ACTION PLAN</b>			
1. Audit Finding Reference Number	2. Text of the Corrective Action Plan		
YYYY-##	Enter the text of the Corrective Action Plan exactly as it appears in the reporting package. You may copy and paste this text directly from the audit report.		
<p>This column is populated automatically from Part III, item 4(e).            One row is created for each unique reference number.            This page cannot be used if no audit findings are reported on Part III, item 1(c) (each award listed "X" in Part III, item 1(c)).</p>	<p>This column will display the text of the corrective action plan. If there are any charts or tables within the text of the CAP, "See Corrective Action Plan for chart/table" will be displayed in place of the chart or table. If the auditee qualifies as an Indian Tribe and opts not to authorize the FAC to make the reporting package publicly available, "Exemption for Indian Tribes" will be displayed in this column in place of the CAP text for each Audit Finding Reference Number.</p>		



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## Draft 2019 SF-SAC (Data Collection Form) – November 2018

- Revises existing data elements (not in the April 2018 release):
  - Added a checkbox for each audit finding and corrective action plan (CAP) asking the user if there are any charts or tables that could not be copied or pasted to analyze how often this occurs
  - Added a new yes/no question regarding whether the auditors communicated to the auditee, in a written document, any issues that were not audit findings (e.g., management letters)
- Adds new data elements:
  - Collect the date the auditor's report(s) were received by the auditee
  - Collect items that were modified when a revision has been conducted.



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## 2019 Compliance Supplement

- OMB is considering some interesting concepts:
  - 20 percent of agency programs are being examined for scrubbing and streamlining
  - Compliance review areas limited to 6 compliance areas
    - All 12 compliance areas remain applicable
    - Program specific
    - Rotate on a year to year basis
  - Timing:
    - Vett Draft in December 2018
    - Final in February 2019



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## Transparency Issues

FFATA, DATA, GREAT  
Act



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## Increasing Transparency: The Continuing Story

- FFATA (2006)
  - Ongoing monthly reporting of federal awards and contracts at prime/first-tier sub levels
- DATA (2014)
  - Amends FFATA
- GREAT (2018)
  - Proposed legislation to further DATA



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## DATA Act: Timeline/Deadlines

- May 2015
  - Establish data standards
- May 2017
  - Federal agencies must report spending data using data standards
- August 2017
  - OMB must report Section 5 pilot results
- May 2018
  - Federal agencies must post spending data in machine-readable formats



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## Strategies to Reduce Grant Recipient Reporting Burden

- [OMB M-18-24](#)
  - Released September 5, 2018
  - DATA Act required OMB to provide guidance to Federal agencies to implement lessons learned from Section 5 pilot
  - Applies to all CFO Act agencies
  - Intended to align with the results of the pilot and other agency grant-related reform initiatives with the President's Management Agenda (PMA)

## Strategies to Reduce Grant Recipient Reporting Burden

- Among the requirements:
  - Use government-wide data standards to modify existing or design new grant systems
  - Work with other agencies and OMB to reduce the number of existing legacy systems and grant recipient burden via sharing quality services and systems
  - Assess existing grant making policies to identify unnecessary or duplicate data collection or reporting requirements

## Strategies to Reduce Grant Recipient Reporting Burden

- Centralized Certifications and Representations
  - Effective January 1, 2019, the SF-424B will become optional and agencies shall make plans to phase out its use in Funding Opportunity Announcements
  - Effective January 1, 2020, SAM will become the central repository
    - Registration in SAM is required annually
    - Agencies will use SAM information to comply with award requirements and avoid increased burden and costs of separate requests



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## Strategies to Reduce Grant Recipient Reporting Burden

- Agency Evaluation of Recipient Data
  - By April 30, 2019:
    - Each agency must evaluate all systems and other methods currently used to collect info from grant recipients and determine if the same data is being collected by the agency multiple times
    - Use information from this review to construct a strategy (in conjunction with the objectives of CAP Goal #8) to eliminate duplicative requests with the agency.



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## GREAT Act

- The Grant Reporting Efficiency and Agreements Transparency (GREAT) Act
  - Continuation of the vision of the DATA Act
  - Requires data structure (taxonomy) to cover all the data elements required of **recipients** of federal funds



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## GREAT Act

- Legislative Update
  - House (H.R. 4887)
    - Introduced January 29, 2018
    - Passed House on September 26, 2018
  - Senate (S. 3484, the companion bill)
    - Introduced on September 24, 2018
    - Passed out of Committee on Homeland Security and Government Affairs by voice vote on September 26, 2018



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## GREAT Act

- House and Senate bills have same requirements:
  - Establish government-wide data standards for information related to federal awards reported by recipients of federal awards (within 1 year).
  - Issue guidance to grantmaking agencies on how to utilize new technologies and implement new data standards into existing reporting practices with minimum disruption (within 2 years).
  - Amends the Single Audit Act to provide for grantee audits to be reported in an electronic format consistent with the data standards (guidance to be issued within 2 years)



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## Accounting Issues



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## **GASB's Current Projects – The “Big Three”**

- In 2018, the GASB is working on three related efforts that will help reshape state and local governmental accounting and financial reporting
  1. The financial reporting model reexamination
  2. Revenue and expense recognition, and
  3. Research reexamining most existing note disclosure



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## **GASB's Reexamination of the Reporting Model – What's Next?**

- Timing
  - Deliberations begin in October 2015
  - December 2016: Invitation to Comment
  - September 2018: Preliminary Views
  - April 2020: Exposure Draft
  - November 2021: Final Statement
  - Implementation dates: sometime in 2022, 2023

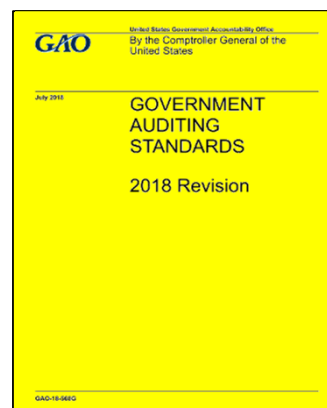


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# Auditing Issues

## Update on the Developments in Government Auditing Standards

- 2018 *Government Auditing Standards* Revision (aka, Yellow Book or GAGAS)
- Exposure Draft was issued on April 5, 2017
  - 95 comment letters with over 1,700 individual comments received
- Final version issued July 17, 2018
  - First revision since 2011



## Effective Date

- 2018 Revision is effective for
  - Financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and
  - Performance audits beginning on or after July 1, 2019
- Early implementation is not permitted



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## AICPA Professional Ethics Division: *State and Local Government Entities*

- [Exposure Draft](#) issued July 7, 2017
  - Formerly Entities Included in State and Local Government Financial Statements (ET sec. 1.224.020)
  - Addresses a member's (of the AICPA) independence with respect to entities that are required to be included in a state or local government's financial reporting entity
- Final expected in late 2018
  - PEEC decided at November 2018 meeting to re-expose for 60 days to address questions about overall clarity
    - Expected to be released in December 2018



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## AICPA Professional Ethics Division: *State and Local Government Entities*

- Makes use of terms *downstream*, *upstream* and *brother-sister entities*
  - Downstream: refers to those entities that are “below” the f/s attest client in its organization structure
    - e.g., financial statement attest client is the primary government, funds and component units to be evaluated are those required to be included in the primary government’s financial reporting entity
  - Upstream: refers to those entities that are “above” the f/s attest client
    - e.g., financial statement attest client is a fund or component unit
  - Brother-sister: refers to other funds and component units that the member does not provide attest services to but are included in the same upstream financial reporting entity as the financial statement attest client



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## Other Emerging Issues

Things on the radar...



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## XBRL Developments: State and Local Governments

- XBRL US has formed a state and local government workgroup
  - Developing a taxonomy for a CAFR
- Florida [HB 1073](#)
  - Authorizes the creation of Florida Open Financial Statement System
    - An interactive data repository for government financial statements
    - Requires the Florida CFO to determine whether a suitable XBRL taxonomy has been developed.
    - Effective for FY ending on or after September 1, 2022
- Will other states follow?



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These continue to  
be interesting  
times...



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# Questions or Comments?

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## **Maria S. Thompson**

Maria S. Thompson is the State Chief Risk and Security Officer for the State of North Carolina.

Maria brings to the State over 20 years of experience in Information Technology and cybersecurity. She served 20 years in the United States Marine Corps and retired as the Cybersecurity Chief/Information Assurance Chief for the Marine Corps. Since then, she has served in numerous security roles such as Certification and Accreditation (C&A) lead for the Multi National Forces – Iraq and Senior Security Engineer in a Joint Military organization and Federal Agency. Maria joined the State of North Carolina, Department of Information Technology in 2015 as the State's first Chief Risk Officer.

Maria earned her bachelor's degree in Information Systems Management and also holds a Masters in Information Technology. Maria's personal honors include receiving the 2007 National Security Agency's prestigious Rowlett Award for individual achievement in Information Assurance. Additionally, she received the 2008 Office of Secretary of Defense Certificate of Excellence for the implementation of an IA strategy for the Information Assurance Workforce. Most recently, Maria was selected as a winner of one of the 2018 Triangle Business Journal Women in Business award and State Scoop's 50<sup>th</sup> Award State Cybersecurity Leader. Maria currently holds the following industry certifications, ISC2 CISSP, ISACA CRISC, National Security Agency IAM/IEM and ITIL v3.

# System Security and Vendor Risk Management

Maria S. Thompson  
State Chief Risk Officer



## WHO NEEDS PASSWORDS?



# AGENDA

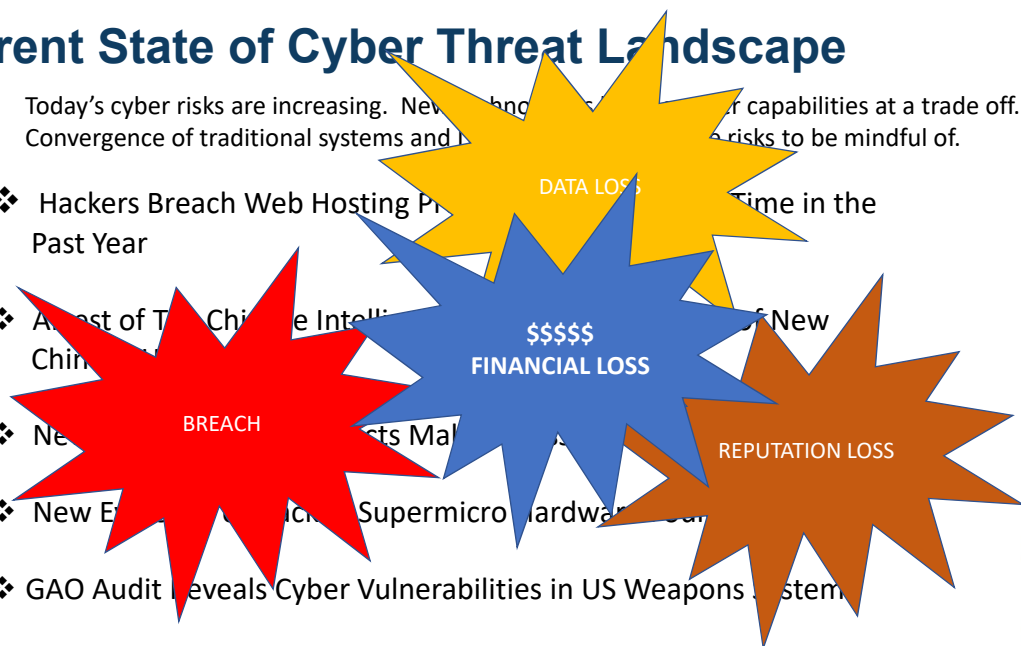
- ❖ Current State Threat Landscape
  - ✓ Phishing
  - ✓ Denial of Service / TDOS
  - ✓ Internet of Things
  - ✓ Cyber Hygiene
- ❖ Why is this important to me?
- ❖ ERP Threat Report Findings
- ❖ Cyber Best Practices
  - ✓ Vendor Risk Management
- ❖ Free Cyber Training Resources
- ❖ Cybersecurity Incident Reporting Requirements
- ❖ Questions?



## Current State of Cyber Threat Landscape

Today's cyber risks are increasing. New technology offers new capabilities at a trade off. Convergence of traditional systems and new technologies creates new risks to be mindful of.

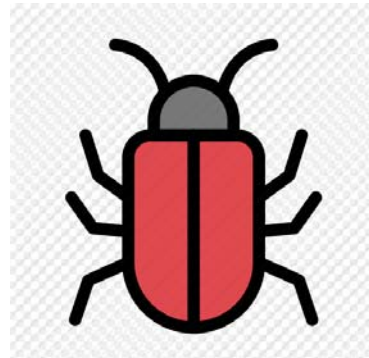
- ❖ Hackers Breach Web Hosting Provider Time in the Past Year
- ❖ Arrest of Top Chinese Intelligence Officer of New China
- ❖ New Breach Breasts Malware
- ❖ New Embedded Micro Supermicro hardware
- ❖ GAO Audit Reveals Cyber Vulnerabilities in US Weapons System



## Current State of Cyber Threat Landscape

...You are only as strong as the weakest link!

- ❖ Between 50 – 70% of incoming emails are identified as Phishing, SPAM or Virus
- ❖ The past couple of years, local counties have reported an uptick in ransomware
- ❖ There is a reported 133% increase in data breaches reported by first half of 2018 in comparison to previous year
- ❖ The use of Internet of Things increase daily...along with their associated risks
- ❖ Business owners continue to accept risks blindly...



## WHY IS THIS IMPORTANT TO ME?

### Homeland Security warns of spike in ERP system attacks

The web-based applications are designed to help organizations manage finances, HR issues and more – meaning they contain troves of personal data sought by nation-state hackers and other cybercriminals.

By [Jessica Davis](#) | July 26, 2018 | 03:59 PM



## ERP Threat Report Findings

### Research Report

## ERP Applications Under Fire: How cyberattackers target the crown jewels



Recent research from Onapsis and Digital Shadows provides evidence of how cybercriminals target and exploit SAP and Oracle ERP applications.

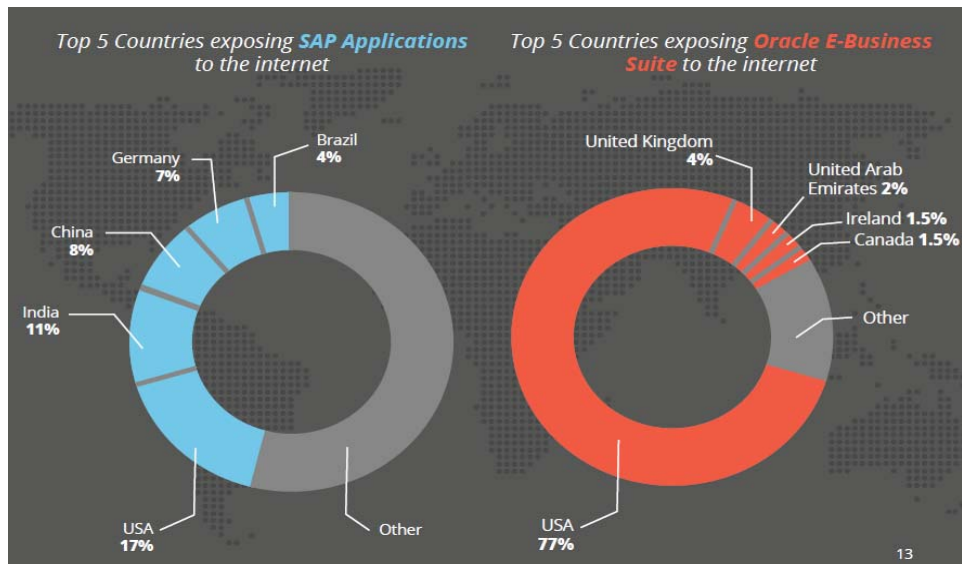
Download the latest research from Onapsis and digital risk management firm, [Digital Shadows](#), detailing how cyberattackers are actively targeting companies' ERP systems, specifically SAP and Oracle. These systems hold the crown jewels organizations need to successfully operate.

The research report includes what cyberattackers are doing to gain information about exploits for these business-critical applications and what steps organizations can do to protect themselves.

"This goes in hand with an observed 100 percent increase of public exploits for SAP and Oracle ERP applications over the last three years, and a 160 percent increase in the activity and interest in ERP-specific vulnerabilities from 2016 to 2017," the report found."



## ERP Threat Report Findings – ERP Footprint



## ERP Threat Report Findings

These vulnerabilities affect both SAP and Oracle ERP systems. The key findings were:

- ⚡ Hactivist groups are actively attacking ERP applications to disrupt critical business operations and penetrate target organizations
- ⚡ Cybercriminals have evolved malware to target internal, “behind-the-firewall” ERP applications.
- ⚡ Nation-state sponsored actors have targeted ERP applications for cyber espionage and sabotage
- ⚡ Attacks vectors are evolving, still mainly leveraging known ERP vulnerabilities vs. zero-days
- ⚡ Cloud, mobile and digital transformations are rapidly expanding the ERP attack surface, and threat actors are taking advantage.
- ⚡ Leaked information by third parties and employees can expose internal ERP applications



## ERP Threat Report Findings

- “attackers could target one of thousands of ERP vulnerabilities, therefore making it crucial for organizations to prioritize and address ERP vulnerabilities as they would any other existing production application.”
- “The biggest risk for organizations is not knowing the risks. Organizations must ensure the right level of governance around cyber risks that could affect ERP applications..
  - ✓ Visibility and proactive management of potential vulnerabilities and risks affecting ERP applications
  - ✓ Non-production systems are higher risks...less security controls or audits





## ERP Threat Report Findings

- “Moving your ERP applications to the cloud will not transfer accountability and your organization is still responsible for the data hosted and processed by those applications. ERP customers still need to address security in cloud environments, to ensure the data is safe.”

Note: DHS sent out an alert to notify large organizations about these threat due to the nature of the evidence identified. **There is clear evidence of intent from threat actors to target ERP applications**, so organizations must be aware of this and be able to prevent a breach by following the recommended protocols.



## Cyber Best Practices

*“As financially motivated attackers turn their attention ‘up the stack’ to the application layer, business applications such as ERP, CRM and human resources are attractive targets. In many organizations, the ERP application is maintained by a completely separate team and security has not been a high priority. As a result, systems are often left unpatched for years in the name of operational availability.”*

*Gartner, Hype Cycle for Application Security, 2017, July 2017 <sup>1</sup>*



## Cyber Best Practices

- Identify and mitigate ERP application layer vulnerabilities, insecure configurations and excessive user privileges.
  - ✓ Implement Continuous Monitoring of:
    - Vendor's security patching cadence (monthly for SAP and quarterly for Oracle), beyond current efforts to review operating system and database security gaps
    - Review the privileges of users responsible for administration or development activities, as well as those used for batch jobs and interfaces with other applications
    - Implement a repeatable process to ensure gaps with the desired ERP security baseline are prevented or detected in a timely manner and corrective actions implemented
    - Review internet-facing ERP presence, to understand whether sensitive applications are being exposed without a legitimate business reason
- Monitor and respond to sensitive ERP user activity and ERP-specific indicators of compromise.
- Monitor for leaked ERP data and user credentials



## Cyber Best Practices

Effective cybersecurity practices, governance policies and risk assessment methods.

- Cyber Hygiene!!!
  - ✓ Change passwords frequently. Hackers leverage password info leaked in other breaches
  - ✓ Implement strong account management and access control practices
- Develop, implement and test Incident Response Plans
- Conduct cyber resiliency exercises
  - ✓ What happens to your business if this system is not accessible?
  - ✓ What is your continuity of operations plan?
- Vendor Risk Management
  - ✓ Tailor your audits to meet the specifics of the type of system and threats associated
  - ✓ Ensure vendor stays updated on patch management and product lifecycle



## Free Cybersecurity Training Resources

Federal Virtual Training Environment (FedVTE)

- ❑ Course proficiency ranges from beginner to advanced levels. Several courses align with a variety of IT certifications such as Certified Information Systems Security Professional (CISSP), CISA, CEH, Pen Testing etc.

✓ <https://niccs.us-cert.gov/training/fedvte>

- ❑ National Initiative for Cybersecurity Careers and Studies

✓ <https://niccs.us-cert.gov/formal-education>



## Let's Connect!



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NC Department  
of Information  
Technology



NCDIT



NC DIT



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## MICHAEL L. WALDEN

Dr. Michael L. Walden is a William Neal Reynolds Distinguished Professor and Extension Economist in the Department of Agricultural and Resource Economics at North Carolina State University, and a member of the Graduate Economics faculty with The Poole College of Management. His Ph.D. degree is from Cornell University, and he has been at N.C. State since 1978. He has also been a Visiting Professor at Duke University.

Dr. Walden has teaching, research, and extension responsibilities at NCSU in the areas of consumer economics, economic outlook, and public policy. He has published twelve books and over 300 articles and reports, including his newest book *North Carolina beyond the Connected Age: The Tar Heel State in 2050*, published by the UNC Press. He has served on several local and state level commissions, including the Governor's Welfare Reform Task Force, the School Capital Construction Legislative Study Commission, and the Blue-Ribbon Committee for the Future of Wake County, and on the staffs of the State and Local Fiscal Modernization Study Commission and the UNC Tomorrow Commission.

Dr. Walden can be frequently seen, heard, and read in the media. He has daily radio programs aired on stations around North Carolina for which he has won two national awards. He is often interviewed on local TV and radio news broadcasts and has appeared on *NBC*, *CBS*, *The Fox Report*, and *PBS*. His biweekly column, *You Decide*, is carried by over forty newspapers in the state. He has made over 2,800 personal presentations.

Dr. Walden directs the semiannual economic forecast, *The North Carolina Economic Outlook*. He has won numerous academic and public awards, including the Champion-Tuck Award for Excellence in Broadcasting, the UNC Board of Governor's Award for Excellence in Public Service, the Order of the Long Leaf Pine, and the Holladay Medal for Excellence from North Carolina State University. With his wife, he has co-authored three "economic thrillers."

## ECONOMIC OUTLOOK 2019: THE LATE INNINGS OF GROWTH?



Dr. Mike Walden

Reynolds  
Distinguished  
Professor

North Carolina  
State  
University

1

## A REVIEW OF 2018: A GOOD YEAR

GDP GROWTH: 3.2%

2.5 MILLION JOBS ADDED

JOBLESS RATE: 3.7%

INVEST. RT.: 17.7%

2018

2

## IN JUNE 2019, CURRENT EXPANSION WILL BE LONGEST IN HISTORY, BUT WILL IT GO ON?



### THREE VIEWS:

1. YES, BECAUSE THERE WAS A "RECESSION" IN 2015
2. YES, BECAUSE TAX CUTS AND DEREGULATION RE-CHARGED THE ECONOMY
3. NO – RECESSION IN 2020

3

## WHAT COULD IGNITE A RECESSION?



HOUSEHOLD DEBT

BUSINESS DEBT

ENERGY PRICES

FEDERAL RESERVE

TRADE WAR

FOREIGN SHOCK

STOCK MARKET

4

## FEDERAL RESERVE HAS SHIFTED FOCUS FROM GROWTH TO INFLATION



FED'S DUAL MANDATE

"TAKE THE PUNCH BOWL AWAY"

HAS BEEN GRADUALLY INCREASING INTEREST RATES

IF MOVE TOO FAST, COULD SQUASH PRIVATE SPENDING

SIGNAL OF A PAUSE IN HIKES?

5

## TRADE WARS



- \* NEW NAFTA: USMCA
- \* EU TALKS
- \* S. KOREA TREATY
- \* JAPAN TALKS

REMAINING BIG CHALLENGE – CHINA

0.4% HIT TO GDP GROWTH RATE IF FAIL

6

## FOREIGN SHOCK



### CHINA'S CHALLENGES:

SLOWING GROWTH  
 HIGH DEBT  
 WOBBLY FINANCIAL SECTOR  
 TRADE WAR WITH U.S. –  
 MEANS MORE TO CHINA

ALSO – SLOWING GROWTH  
 IN GERMANY AND JAPAN

7

## STOCK MARKET



SOME SIGNS MARKET  
 MAY BE OVER-VALUED

MARKET WILL REACT  
 TO FUNDAMENTAL  
 FACTORS

DAILY EVALUATION OF  
 THE ECONOMY

8



## WHAT ABOUT THE NATIONAL DEBT?



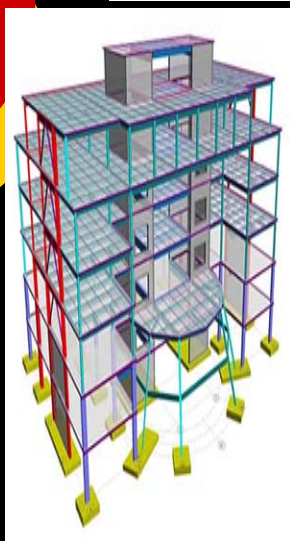
WE SLEEPWALKED THROUGH RECENT DEBT HIKES AS INTEREST RATES FELL

BUT WITH HIGHER RATES AND FASTER DEBT GROWTH:

INTEREST ON DEBT AS % OF BUDGET COULD DOUBLE FROM 7% TO 14% IN 2028

9

## MANY STRUCTURAL CHALLENGES



LABOR PRODUCTIVITY

AGING POPULATION & SLOW LABOR FORCE GROWTH

"INVISIBLE" UNEMPLOYMENT

HOLLOWING-OUT OF LABOR MARKET

URBAN/RURAL DIVIDE

TECHNOLOGY AND UNEMPLOYMENT

10

## OUTLOOK FOR 2019



GROWTH BUT SLOWER: GDP UP 2.7% COMPARED TO 3.3% IN 2018

JOBLESS RATE NOW 3.7%; POST WW II LOW IS 2.8% - KEY TO LOWER IS RAISING PARTICIPATION RATE

WATCH INFLATION AND FED

11

## NORTH CAROLINA



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## STATE ECONOMY IMPROVED IN 2018



100,000 NET NEW JOBS –  
FASTER GROWTH RATE  
THAN NATION

BUT SLOWER GDP  
GROWTH RATE THAN THE  
NATION

13

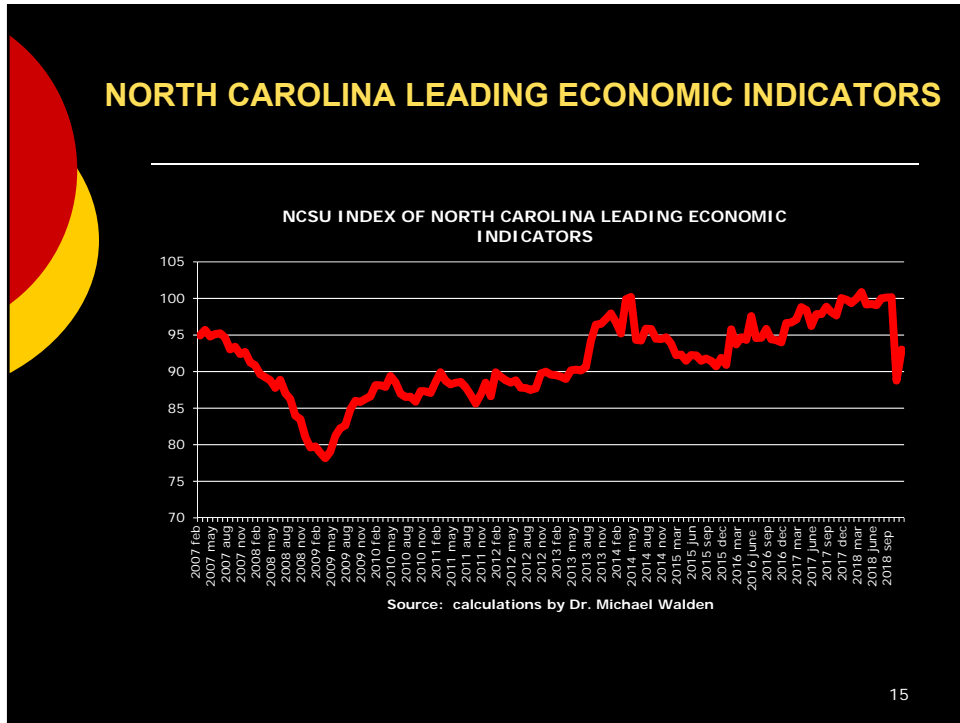
## ALSO, PROGRESS ON THE TWO ECONOMIC DIVIDES



FASTER GROWTH RATE IN  
MIDDLE-PAY JOBS THAN  
IN RECENT PAST


FASTER GROWTH RATE IN  
RURAL AREA JOBS THAN  
IN RECENT PAST

14



15

## ON-GOING CHALLENGES



- MORE GAINS IN K-12
- COLLEGE COSTS AND OUTCOMES
- WORKFORCE: RE-TRAINING
- ROADS: FUNDING
- DEMOGRAPHICS: AGING –  
BATTLE OVER \$ WITH YOUTH?

16

**QUESTIONS FOR HIM, NOT ME!**



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## North Carolina State Auditor Beth A. Wood, CPA

Beth Wood is a Certified Public Accountant in her third term as North Carolina's elected State Auditor. She is a long-time public servant with nearly 25 years of auditing experience, having worked in the Auditor's Office for nearly 10 years before her election in 2008 and also in the State Treasurer's Office. Before that, she worked for several companies in the private sector. She is the first woman elected State Auditor in North Carolina.

Through her work as State Auditor, Beth has helped strengthen and improve state government. Audit teams across the state watch every area of state government for potential savings and smart use of taxpayer dollars. As a result, audits published by OSA during her tenure have identified millions of dollars of potential savings.

# OFFICE OF STATE CONTROLLER FINANCIAL CONFERENCE

## STATE AUDITOR'S UPDATE

DECEMBER 11, 2018

BETH A. WOOD, CPA, STATE AUDITOR



## SESSION OBJECTIVES

- ✓ **Yellow Book Changes and How They Will Impact Audits Performed by Office of State Auditor**
- ✓ **New Legislation Regarding Agency Audits**
- ✓ **Enterprise Resource Planning/Financial Backbone Replacement (ERP/FBR)**
- ✓ **Preparation of State's Compliance Supplements**



## YB – OVERALL CHANGES

Revised Format – All Chapters

- **Differentiates Requirements and Related Application Guidance**
- Chapters are Reorganized/Realigned
- Supplemental Guidance Removed/Incorporated into Chapters

**NCOSA**  
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## 2018 REVISED YB – OVERALL CHANGES

### **Differentiates Requirements and Related Application Guidance**

*Requirement: Availability of Individuals and Documentation*

**8.133** Subject to applicable provisions of laws and regulations, auditors should make appropriate individuals, as well as audit documentation, available upon request and in a timely manner to other auditors or reviewers.

*Application Guidance: Availability of Individuals and Documentation*

**8.134** Underlying GAGAS audits is the premise that audit organizations in federal, state, and local governments and public accounting firms engaged to conduct audits in accordance with GAGAS cooperate in auditing programs of common interest so that auditors may use others' work and avoid duplication of efforts. The use of auditors' work by other auditors may be facilitated by contractual arrangements for GAGAS audits that provide for full and timely access to appropriate individuals and to audit documentation.

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The Taxpayers' Watchdog



## 2018 REVISED YB – OVERALL CHANGES

### Chapters Are Reorganized and Realigned

- Chapter 1- Now Addresses Types of GAGAS Engagements
- Chapter 2 – Contains General Requirements for Complying with GAGAS
- Ethical Principles and Independence in Single Chapter (Chapter 3)
- Competence and CPE in Single Chapter (Chapter 4)
- Quality Control & Peer Review Requirements (Chapter 5)



## 2018 REVISED YB – OVERALL CHANGES

### Supplemental Guidance From Appendix of 2011

- Removed, OR
- Incorporated Into Individual Chapters



## 2018 REVISED YB – CHAPTER 3

### ETHICS, INDEPENDENCE & PROFESSIONAL JUDGMENT

- Further Explanation of Independence Requirements of Auditor When Engaging Party Differs From Responsible Party
- Guidance When Govt. Auditors Conditions Do Not Permit Independence
- **Standard Expanded – Requirement Auditors Reevaluate Threats to Independence...Organization Aware of New Information/Changes in Facts/Changes in Circumstances**
- Further Explanation of Guidance Related to Professional Services in Government
- **Standard Expanded Regarding Preparation of Accounting Records/Financial Statements Create Significant Threats to Auditors' Independence**



## NEW LEGISLATION

**OFFICE OF STATE AUDITOR/STATE AGENCIES REQUIRED TO PREPARE FINANCIAL STATEMENTS PRIOR TO AUDIT SECTION 27.1. G.S. 147-64.6 reads as rewritten:**

**"§ 147-64.6. Duties and responsibilities.**

(c) The Auditor shall be responsible for the following acts and activities:

- (3) The Auditor, on the Auditor's own initiative and as often as the Auditor deems necessary, or as requested by the Governor or the General Assembly, shall, to the extent deemed practicable and consistent with the Auditor's overall responsibility as contained in this act, make or cause to be made audits of all or any part of the activities of the State agencies. Each agency or department receiving a financial statement audit by the Auditor under this subdivision **shall prepare a financial statement and supplementary information** in the format required by the Auditor. Financial statements and supplementary information prepared as required by this subdivision shall be completed and submitted to the **Auditor not later than 60** days after the deadline for the agency's or department's Comprehensive Annual Financial Report submission as established by the State Controller.



## 2018 REVISED YB – CHAPTER 4

### COMPETENCE & CONTINUING PROFESSIONAL EDUCATION

- Requirement Management Assigns Auditors To Conduct an Engagement Who Possess Competence Needed for Assigned Roles at Time of Assignment
- Concept of Competence Discussed in Application Guidance
  - Level of Proficiency
  - Competence of Specialists
- Requirements of Continuing Professional Education (CPE)
  - New 4-Hour Requirement in GAGAS Topics
  - Guidance Concerning Topics Required for 80-hour GAGAS CPE Requirements
  - Detailing Exemptions That May Be Granted in Certain Circumstances
- Elements of GAGAS CPE Guidance Incorporated in 2017 Revision



## 2018 REVISED YB – CHAPTER 5

### QUALITY CONTROL & PEER REVIEW

- Requirement Modified Audit Organizations Obtain Written Affirmation of Compliance w/ Policies & Procedures From All Audit Organization Personnel Required to be Independent
- Requirement Audit Organizations Establish Policies/Procedures...Provide Reasonable Assurance Audit Organizations Undertake Engagements Only if Has Capabilities to Do So



## 2018 REVISED YB – CHAPTER 5

### QUALITY CONTROL & PEER REVIEW

- Requirements Added & Guidance Provided for Engagement Performance, Documentation & Reporting **Including Requirements for Policies & Procedures Pertaining to Review & Supervision of Engagement Work**
  - **Require Experienced Team Members Review Work of Less Experienced Team Members**
  - **Assignment of Responsibility For Engagement Only to Team Partner or Director w/ Authority to Assume That Responsibility**
  - Require Audit Org to Communicate Identity & Role of Engagement Partner/Director to Those Charged w/ Governance
  - Define the Responsibilities of Engagement Partner/Director & Communicate to That Individual
  - Require Reasonable Assurance That Appropriate Consultation Takes Place on Contentious Issues; Sufficient Resources...; Documentation/Agreement...; Conclusions Documented
  - Required Documentation for Terminated Engagements

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## 2018 REVISED YB – WASTE/ABUSE

### STANDARDS RELATED TO WASTE AND ABUSE

- Based on the Concept of “Accountability for Use of Public Resources and Government Authority”
  - No Requirement for Performing Specific Procedures,
  - May Communicate if Discovered
  - Has Material Effect on Financial Statements (Qualitative/Quantitative)
- Yellow Book Provides Guidance:
  - Financial Statement Audits – Chapter 6, paragraphs 6.21 – 6.24
  - Attestations and Reviews – Chapter 7, paragraphs 7.22 – 7.26
  - Performance Audits – Chapter 8, paragraphs 8.120 – 8.123

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**STATE AUDITOR'S UPDATE**

**ENTERPRISE RESOURCE  
PLANNING/FINANCIAL BACKBONE  
REPLACEMENT**

**PRE-IMPLEMENTATION AUDIT**



**ENTERPRISE RESOURCE PLANNING/  
FINANCIAL BACKBONE REPLACEMENT**

**Enterprise Resource Planning/Financial Backbone  
Replacement (ERP/FBR)**

- **Required by Statute**
- **State Controller, State CIO, Budget Director – Sponsors**
- **Responsible for Conducting the Planning and Design of an ERP,**
  - **By utilizing business process reengineering**
  - **To identify and organize processes and workflow**
  - **In order to prioritize and link work activities**
  - **To realize efficiencies and organize around outcomes.**



## **ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT**

The ERP system shall address, at a minimum,

- Core Financial Management,
- Grants,
- Assets,
- Inventory,
- Fleet Management, and
- Human Resource Management



## **ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT**

The Financial Backbone Replacement Project Focuses on the Replacement of:

- North Carolina Accounting System (NCAS) and
- State's Cash Management Control System



## ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT

### Skepticism:

- So Many Failed IT Projects in the State
  - Did Not Work
  - Unsuccessful Implementations
- Failures Were Costly



## ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT

### State Auditor's Role:

- Audit the Project
- Issues/Problems/Risks Assessed and Identified and Reported Sooner Rather than Later



## ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT

### State Auditor's Approach:

- Continuous Audit Approach
- Findings/Issues Reported Along the Process
- Reporting Done In Memo
- Final Report at End



## ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT

### OBJECTIVES:

- The ERP/FBR project is implemented in accordance with industry best practices for the System Development Life Cycle (SDLC)
- ERP/FBR project status and cost reports, as presented to the ERP Steering Committee, the General Assembly or to other management, are accurate, sufficient, and submitted in accordance with industry best practices and can serve as valuable management tools for project governance





## **ENTERPRISE RESOURCE PLANNING/ FINANCIAL BACKBONE REPLACEMENT**

### **TO DATE:**

- **Had to Play “Catch Up”**
- **One Memo Issued**
- **Second Memo Coming Soon**



## **STATE AUDITOR'S UPDATE**

### **NORTH CAROLINA COMPLIANCE SUPPLEMENTS**



## **NORTH CAROLINA COMPLIANCE SUPPLEMENTS**

### **What is a Compliance Supplement?**

- **Guide Created, First by Federal Government**
- **Used in Auditing (Federal) Assistance/(Federal) Grant Programs**
- **As Well as Respective Recipients**
- **Considered Most Important tool of Auditor Auditing Grants/Assistance**



## **NORTH CAROLINA COMPLIANCE SUPPLEMENTS**

### **Purpose of a Compliance Supplement?**

- **Single Programs**
- **Administered Across the Nation**
- **Audited by Hundreds of Different Auditors**
- **Need for Consistency**

**NOTE: Burden is on Agency to Identify What They Want Auditors to Consider**



## **NORTH CAROLINA COMPLIANCE SUPPLEMENTS**

### **North Carolina Compliance Supplement?**

- **Required by State Statute**
- **Provides Auditors of Local Governments and Not-For-Profits Guidance of What to Consider**
- **Federal Programs Passed Down/State Grants**



## **NORTH CAROLINA COMPLIANCE SUPPLEMENTS**

### **Issues w/ North Carolina Prepared Compliance Supplement?**

- **State Statute is Vague**
- **Preparers Have No Clue**
- **Not Reflective of Most Critical Issues**
- **Reflective of Issues Not Useful To Agency**
- **Not Timely**



## NORTH CAROLINA COMPLIANCE SUPPLEMENTS

### Results of Poorly Prepared Supplements

- Agency Lost Useful Tool
- Local Governments Audit Costs
- Programs Not Properly Administered

Note: Internal/External Audit Topic



## STATE AUDITOR'S UPDATE



**2018 Financial Conference  
December 11, 2018**

**Attendees by Last Name (426)**

John Adams-ASU  
Jennifer Addison-UNC Pembroke  
Robert Alford-OSC  
Daysi Allen-UNC-Chapel Hill  
Carolyn Alley-Blue Ridge CC  
Lisa Allnutt-DHHS  
Shelly Alman-Gaston College  
Greg Alvord-DHHS  
Nirav Amin-NC Education Lottery  
Lewis Andrews-State Treasurer  
Melinda Andrews-State Treasurer  
Stacy Atkins-Halifax CC  
Cyndi Autenrieth-UNC Charlotte  
Kristina Autio  
Khalid Awan-DPS  
Jarrett Bailey-OSA  
John Baird-OSA  
Jesse Baker-UNC-Chapel Hill  
William Ball-AOC  
Matthew Banko-Alamance CC  
Lorrie Barbee-DOT  
Latrice Barner-DEQ  
Deborah Barnes-DHHS  
Ritchie Barnette-OSC  
Ruth Bartholomew-UNC Hospitals  
Kim Battle-OSC  
DeAhn Baucom-UNC-Chapel Hill  
Andrew Beamon-OSA  
Kelly Beasley-OSC  
Jennifer Bell-NCSU  
Sharon Bell-ASU  
Randy Bennett-UNC Greensboro  
Thomas Berryman-DHHS  
Jeannie Betts-DHHS

Cory Billings-OSA  
Jeffrey Birdsong-UNC-Chapel Hill  
Justin Bishop-UNC Greensboro  
Amy Bissette-Agriculture  
Leslie Blankenship-Isothermal CC  
Judy Blount-DPI  
Michael Bonner-UNC Hospitals  
Michael Boucher-OSA  
Floyd Bowen-DHHS  
Desiree Bowling-ECU  
Amy Bowman-OSHR  
Jessica Boyce-Central Piedmont CC  
Jennifer Brady-NCSU  
Bryan Brannon-DOA  
Robert Brinson-DPS  
Gena Brock-OSA  
Kevin Brodie-NC Housing Finance Agency  
Madelene Brooks-NCSU  
Monica Brooks-Commerce  
Sharon Brooks-NCSU  
Angela Brown-OSC  
Anne Brown-UNC Charlotte  
Barry Brown-OSC  
Tonia Brown-Commerce  
Leon Browning-UNC General Administration  
Miranda Brownlow-UNC-Chapel Hill  
Taylor Brumbeloe-OSC  
Ryan Brummeyer-DHHS  
Helen Buck-NC A&T  
Heath Bullock-DHHS  
Anita Bunch-Revenue  
Wes Bunch-Catawba Valley CC  
Fabian Burch-OSA  
Katherine Burckley-NC A&T  
James Burke-State Treasurer  
Dottie Burns-DHHS  
Mary Ellen Burns-Commerce

Laurie Burroughs-UNC-Chapel Hill  
Joannie Burtoff-OSC  
Timothy Byrd-UNC Hospitals  
Edith Cannady-OSC  
Cynthia Capps-Commerce  
Wynona Cash-OSC  
Mark Causey-UNC Hospitals  
Angela Chafalovitch-DOA  
Lisa Chapman-OSC  
Susan Charlton-DPS  
Steve Chase-Wildlife  
Thomas Cheek-OSBM  
Dan Chen-UNC-Chapel Hill  
Jeannie Chen-NCSU  
James Cherokee-DPS  
Cathy Clark-OSA  
Tommy Clark-Secretary of the State  
Darrus Cofield-State Treasurer  
Elizabeth Colcord-OSC  
Crystal Cole-OSC  
Lorie Coley-DOT  
Cindy Collie-Alamance CC  
Kris Collum-OSA  
Jennifer Coltrane-NCSU  
Lark Coltrane  
Linda Combs-OSC  
Katie Condit-Jang-UNC Greensboro  
Adrienne Covington-Nash CC  
Margaret Craig-NC State Ports Authority  
Beth Crutchfield-UNC General Administration  
Sharon Cullipher-ECU  
Ann Cutler-State Treasurer  
Terry Dail-NC State Ports Authority  
Joy Darden-OSC  
Clayton Darnell-OSC  
Ross Davidson-NC Education Lottery  
Angela Davis-UNC-Chapel Hill

Cheryl Davis-Commerce  
Diane Davis-NC A&T  
Garrett Davis-OSA  
Joshua Davis-DCR  
Rod Davis-DHHS  
Steven Davis-DPS  
Yolanda Deaver-NCCU  
Deborah DeBourg-Brown-DHHS  
Joseph DeBragga-DCR  
John DelGreco-DPS  
George Dennis-AOC  
Jim Dolan-OSC  
Sara Domby-OSA  
Michelle Donegain-UNC Pembroke  
Debbie Dryer-UNC General Administration  
Bessie Dsouza-OSBM  
Dana Dupree-UNC School of the Arts  
Mike Edwards-NCSU  
Bivian Ejimakor-NC A&T  
Claire Ennis-OSC  
Michael Euliss-OSC  
Laresia Everett-DOI  
Bonaventure Ezewuzie-DPI  
Karen Faggart-OSC  
Vincent Falvo-ECU  
Dora Fazzini-State Treasurer  
Melissa Fenton-UNC Hospitals  
Joanne Ferguson-UNC Wilmington  
W Patrick Flanary-NCSU  
Cliff Flood-UNC General Administration  
Susan Flowers-DCR  
AJ Fluker-DHHS  
Joan Fontes-State Treasurer  
Rebecca Fouts-EDP of NC  
Karen Frazier-WCPSS  
Laura Frazier-WCPSS  
Elaine Freeman-Commerce

S. Carrie Freeman-NC Housing Finance	Jim Horne-General Assembly	Patcha Kidking-OSA	Kristina McCain-UNC School of the Arts
Samiel Fuller-DPI	Heather Horton-Commerce	Patcha Kidking-OSC	Antonio McDaniel-NCCU
Joe Futima-State Treasurer	Tammy Horton-DOI	Rob Kindsvatter-DHHS	Biff McGilvray-State Treasurer
Jack Gagnon-OSBM	Teresa Hosford-DHHS	David King-DHHS	Luke McHale-NCSU
Linda Garr-UNC Hospitals	Bill Hosterman-UNC Hospitals	Bliss Kite-Commerce	Marianne McKnight-OSA
Lauren Gates-Central Piedmont CC	John House-Centennial Authority	Andrew Kleitsch-Durham Technical CC	Jackie McKoy-DOR
Teresa Gault-UNC-Chapel Hill	Tammy Hubbell-DOR	Laura Klem-OSC	Kent McLamb-OSA
Derek Gee-DCR	Cindy Hucks-UNC Wilmington	Jim Knight-NC Education Lottery	Leanne McLaughlin-OSA
Anthony Gentile-UNC Hospitals	Kris Hudson-DOI	Heidi Kozlowski-NCSU	Ben McLawhorn-OSC
Susan Gentry-College of The Albemarle	Larry Huffman Jr.-DHHS	Ariana Kudlats-NC Housing Finance Agency	Jessica McMahan-Lenoir CC
Tami George-Robeson CC	Scott Hummel-NC A&T	Kathy Lagana-OSC	Angela McNeill-DEQ
Anne Godwin-OSC	Heather Hummer-Univ of NC System Office	David Lance-ASU	John Meese-NC Housing Finance Agency
Jacob Green-UNC-Chapel Hill	Prentice Hunt-DOA	Karin Langbehn-Pecaut-UNC-Chapel Hill	Joel Mercer-DHHS
Laura Greenwood-DOI	Chrissy Hurst-Craven CC	Darlene Langston-DPS	Erwin Mialkowski-NC Education Lottery
Larna Griffin-State Education Assistance Authority	Elwanda Hyman-Farrow-Commerce	Kevin Lanzikos-OSA	Daniel Michael-OSA
Sarah Grimsrud-OSBM	Sani Ibrahim-DHHS	Kizzy Lea-Rowan-Cabarrus CC	Courtney Michelle-OSC
Paul Grosswald-UNC-Chapel Hill	Chris Inscoc-WCPSS	Rachel Leaptrot-DHHS	Jasheen Midgette-UNC School of the Arts
Elizabeth Grovenstein-NC CC System	Rokos Isaak-OSC	Susan Lee-OSA	Laketha Miller-DHHS
Charles Gullette-ECU	Ibreta Jackson-Robeson CC	Linda Lejnar-WTCC	Marvin Miller-Piedmont CC
Sean Gutowski-OSC	Sharon Jacobs-NC Education Lottery	Lauren Lemons-OSC	Matt Miller-NCSU
Providence Hakizimana-OSBM	David Jamison-ASU	John Lengyel-OSA	William Miller-UNC Hospitals
Jericho Hallimore-UNC Hospitals	Shivani Jani-OSC	Donna Lensen-Commerce	Alina Misiunas-OSA
Jennifer Hamm-Catawba Valley CC	Carmen Jarmon-AOC	John Leskovec-OSBM	Firoza Mistry-UNC Hospitals
Keith Hammonds-State Treasurer	Bryan Jenkins-NC CC System	Peizhu Liu-UNC Hospitals	Seong Woon Mo-UNC Hospitals
Brenda Hampshire-UNC Greensboro	Patricia Jeter-Commerce	Quita Loflin-UNC Greensboro	Cynthia Modlin-ECU
Jennifer Harkness-EDP of NC	Jenny Johanns-OSC	Christopher Long-DOR	LaTasha Moore-James Sprunt CC
Elizabeth Haynes-USS NC Battleship Comm	Elizabeth John-AOC	Frank Lord-WSSU	Pattie Moore-Boyette-UNC Hospitals
Jeffrey Henderson-FSU	Brad Johnson-OSC	Vince Lovell-Military Vets Admin	Cathryn Moose-OSA
Sybil Henderson-NCCU	Corby Johnson-UNC Wilmington	Matt Ludwig-OSA	Chris Morea-OSA
Allen Hicks-WCPSS	Lori Johnson-NCSU	Harriet Lunsford-OSA	Roberta Morgart-DPS
Freda Hilburn-Commerce	Mary Johnson-DHHS	Kelsey Mabe-OSA	Tim Morris-ECU
Evan Hill-OSA	Angela Johnston-OSC	Rory Mackin-DHHS	Patsy Morton-DOR
Amy Hisler-Davidson County CC	Wayne Jones-UNC Greensboro	Charles Maimone-UNC Greensboro	Beatrice Muganda-UNC-Chapel Hill
Shannon Hobby-Commerce	Jason Juffras-OSBM	Jessica Mapes-OSA	James Murphy-OSA
Simuel Hodges-NC Housing Finance Agency	Ginny Kammer-OSC	Mark Mazzone-OSA	Lettie Navarrete-Robeson CC
Milburn Holbrook-NCSU	Sue Kearney-Agriculture	Tabitha Mbaka-DHHS	Debra Neal-DPS
Tereasa Hopkins-ECU	Ronnie Kelley-WCPSS	Beth McAndrew-UNC-Chapel Hill	Lisa Neal-Bladen CC

Mark Newsome-State Treasurer	Bing Roenigk-UNC-Chapel Hill	Danny Stewart-DHHS	Rebecca Watson-OSA
Tiffiney Newton-DHHS	Wayne Rogers-DOT	Patricia Stewart-OSC	Mary Jane Westphal-DOT
Hans Norland-DPS	Tim Romocki-State Treasurer	Rebecca Stewart-Auctioneer Licensing Board	Rex Whaley-DEQ
Jones Norris-State Treasurer	Barbara Roper-DPI	Justin Stiles-UNC-Chapel Hill	Elizabeth White-College of The Albemarle
Gwen Norwood-UNC-Chapel Hill	Elizabeth Rozakis-State Education Assistance	Catherine Stogner-Agriculture	Lorraine Whitman-OSC
Tony Norwood-DOA	Camilla Sandlin-NC Education Lottery	John Storment-UNC Hospitals	Laurel Whitten-DOR
RobinAnn O'Connell-OSC	Joanie Saucier-DPS	Lisa Stubbs-OSC	Ashlee Williams-OSC
Todd Oldenburg-OSA	Cher Savas	Mike Suggs-NC Education Lottery	Jeri Williams-UNC Hospitals
Lori Oldham-DCR	Susan Schena-UNC Hospitals	Hannah Sullivan-DHHS	Susan Williams-UNC General Administration
Jennifer Pacheco-OSC	William Schmidt-DCR	Michael Sullivan-UNC Hospitals	Tara Williams-Brown-Labor
Kim Padfield-DOT	Troy Scoggins-OSC	Jacob Taitague-OSA	Joseph Wilson-DOT
Paul Palermo-State Treasurer	Kimberly Seamans-UNC Charlotte	Dawei Tang-UNC-Chapel Hill	Misty Wilson-NCSU
Laura Parker-Commerce	Amy Senogles-OSA	Samuel Tarlton-UNC Hospitals	Richard Wilson-UNC Hospitals
Bridget Paschal-Commerce	Kathryn Shadron-Fayetteville Technical CC	Marla Tart-Wake Tech CC	Jennifer Wimmer-State Treasurer
Bhumi Patel-OSA	Peta-Gaye Shaw-Commerce	Krissie Taylor-DHHS	Elisa Wolper-NC Courts
Cindy Patterson-Craven CC	Teresa Shingleton-OSC	Wesley Taylor-General Assembly	Steve Woodruff-Rockingham CC
Wendy Pendergraph-OSA	Britt Sholar-ECU	Areli Tejero-Commerce	Jennifer Wooten-OSC
Amy Penson-Isothermal CC	Kimberley Simmons-OSA	Elizabeth Thomas-Sandhills CC	Melanie Wright-UNC-Chapel Hill
Johnny Peterson-Craven CC	Brock Simonds-UNC Hospitals	Kim Thomas-NC Education Lottery	David Yokley-DOR
Phyllis Petree-UNC-Chapel Hill	DP Singla-UNC General Administration	Roy Thompson-Bladen CC	Michael Zanchelli-DHHS
Stephanie Pflum-UNC Greensboro	Virginia Sisson-OSC	Debbie Todd-Fayetteville Technical CC	Yelena Zaytseva-OSA
Tina Pickett-DHHS	Donald Skeen-UNC Greensboro	Kathleen Tolbert-OSC	Fenge Zhang-Commerce
Rick Pieringer-OSC	Katherine Skinner-OSA	Jim Tulenko-OSC	
Lynn Powell-DOT	Betty Smith-Fayetteville Technical CC	Mark Tyler-DOI	
Jan Prevo-OSC	Dana Smith-DIT	Kimberly Van Metre-NC CC System	
Ashley Price-OSA	Jonathan Smith-WSSU	Gary Vanderpool-ECU	
David Price-NCSU	Kelly Smith-UNC-Chapel Hill	Brianna Van-Stekelenburg-OSBM	
Dawn Quist-ECU	Laurie Smith-DOT	Prabha Vijayaraghavan-OAH	
Kay Radford-OSBM	Randy Smith-OSC	Karen Visnosky-NCSU	
Chandrika Rao-UNC-Chapel Hill	Sarah Smith-UNC General Administration	Helen Vozzo-NCSU	
Paula Ricard-Real Estate Commission	Heather Snelling-UNC Greensboro	Pam Wade-OSA	
Joanne Rich-UNC Hospitals	Kathy Sommese-DHHS	Hunter Wagstaff-UNC Hospitals	
Michael Roberts-OSA	Kenny Spayd-UNC Pembroke	Peggy Walker-DEQ	
James Robinson-OSBM	Jennifer Stackpole-Labor	Chris Wallace-OSA	
Ellen Rockefeller-OSC	Jay Stanley-Bladen CC	Megan Wallace-UNC General Administration	
Hilarie Rodenhizer-UNC-Chapel Hill	Faye Steele-ECU	Danielle Ward-AOC	
Evan Rodewald-DOT	Jeffrey Stevens-UNC Hospitals	Gary Ward-NCCU	

**2018 Financial Conference  
December 11, 2018**

**Attendees by Agency (426)**

Kristina Autio  
Lark Coltrane  
Cher Savas  
Amy Bisette-Agriculture  
Sue Kearney-Agriculture  
Catherine Stogner-Agriculture  
Matthew Banko-Alamance CC  
Cindy Collie-Alamance CC  
William Ball-AOC  
George Dennis-AOC  
Carmen Jarmon-AOC  
Elizabeth John-AOC  
Danielle Ward-AOC  
John Adams-ASU  
Sharon Bell-ASU  
David Jamison-ASU  
David Lance-ASU  
Rebecca Stewart-Auctioneer Board  
Lisa Neal-Bladen CC  
Jay Stanley-Bladen CC  
Roy Thompson-Bladen CC  
Carolyn Alley-Blue Ridge CC  
Wes Bunch-Catawba Valley CC  
Jennifer Hamm-Catawba Valley CC  
John House-Centennial Authority  
Jessica Boyce-Central Piedmont CC  
Lauren Gates-Central Piedmont CC  
Susan Gentry-College of The Albemarle  
Elizabeth White-College of The Albemarle  
Monica Brooks-Commerce  
Tonia Brown-Commerce  
Mary Ellen Burns-Commerce  
Cynthia Capps-Commerce  
Cheryl Davis-Commerce  
Elaine Freeman-Commerce  
Freda Hilburn-Commerce  
Shannon Hobby-Commerce  
Heather Horton-Commerce  
Elwanda Hyman-Farrow-Commerce  
Patricia Jeter-Commerce  
Bliss Kite-Commerce  
Donna Lensen-Commerce  
Laura Parker-Commerce  
Bridget Paschal-Commerce  
Peta-Gaye Shaw-Commerce  
Areli Tejero-Commerce  
Fenge Zhang-Commerce  
Chrissy Hurst-Craven CC  
Cindy Patterson-Craven CC  
Johnny Peterson-Craven CC  
Amy Hisler-Davidson County CC  
Joshua Davis-DCR  
Joseph DeBragga-DCR  
Susan Flowers-DCR  
Derek Gee-DCR  
Lori Oldham-DCR  
William Schmidt-DCR  
Latrice Barner-DEQ  
Angela McNeill-DEQ  
Peggy Walker-DEQ  
Rex Whaley-DEQ  
Lisa Allnutt-DHHS  
Greg Alvord-DHHS  
Deborah Barnes-DHHS  
Thomas Berryman-DHHS  
Jeannie Betts-DHHS  
Floyd Bowen-DHHS  
Ryan Brummeyer-DHHS  
Heath Bullock-DHHS  
Dottie Burns-DHHS  
Rod Davis-DHHS  
Deborah DeBourg-Brown-DHHS  
AJ Fluker-DHHS  
Teresa Hosford-DHHS  
Larry Huffman Jr.-DHHS  
Sani Ibrahim-DHHS  
Mary Johnson-DHHS  
Rob Kindsvatter-DHHS  
David King-DHHS  
Rachel Leaptrot-DHHS  
Rory Mackin-DHHS  
Tabitha Mbaka-DHHS  
Joel Mercer-DHHS  
Laketha Miller-DHHS  
Tiffiney Newton-DHHS  
Tina Pickett-DHHS  
Kathy Sommese-DHHS  
Danny Stewart-DHHS  
Hannah Sullivan-DHHS  
Krissey Taylor-DHHS  
Michael Zanchelli-DHHS  
Dana Smith-DIT  
Bryan Brannon-DOA  
Angela Chafalovitch-DOA  
Prentice Hunt-DOA  
Tony Norwood-DOA  
Laresia Everett-DOI  
Laura Greenwood-DOI  
Tammy Horton-DOI  
Kris Hudson-DOI  
Mark Tyler-DOI  
Tammy Hubbell-DOR  
Christopher Long-DOR  
Jackie McKoy-DOR  
Patsy Morton-DOR  
Laurel Whitten-DOR  
David Yokley-DOR  
Lorrie Barbee-DOT  
Lorie Coley-DOT  
Kim Padfield-DOT  
Lynn Powell-DOT  
Evan Rodewald-DOT  
Wayne Rogers-DOT  
Laurie Smith-DOT  
Mary Jane Westphal-DOT  
Joseph Wilson-DOT  
Judy Blount-DPI  
Bonaventure Ezewuzie-DPI  
Samiel Fuller-DPI  
Barbara Roper-DPI  
Khalid Awan-DPS  
Robert Brinson-DPS  
Susan Charlton-DPS  
James Cherokee-DPS  
Steven Davis-DPS  
John DelGreco-DPS  
Darlene Langston-DPS  
Roberta Morgart-DPS  
Debra Neal-DPS  
Hans Norland-DPS  
Joanie Saucier-DPS  
Andrew Kleitsch-Durham Tech CC  
Desiree Bowling-ECU  
Sharon Cullipher-ECU  
Vincent Falvo-ECU  
Charles Gullette-ECU  
Tereasa Hopkins-ECU  
Cynthia Modlin-ECU  
Tim Morris-ECU  
Dawn Quist-ECU  
Britt Sholar-ECU  
Faye Steele-ECU  
Gary Vanderpool-ECU  
Rebecca Fouts-EDP of NC  
Jennifer Harkness-EDP of NC



Kathryn Shadron-Fayetteville Technical CC	John Meese-NC Housing Finance Agency	Patcha Kidking-OSA	Kay Radford-OSBM
Betty Smith-Fayetteville Technical CC	Margaret Craig-NC State Ports Authority	Kevin Lanzikos-OSA	James Robinson-OSBM
Debbie Todd-Fayetteville Technical CC	Terry Dail-NC State Ports Authority	Susan Lee-OSA	Brianna Van-Stekelenburg-OSBM
Jeffrey Henderson-FSU	Yolanda Deaver-NCCU	John Lengyel-OSA	Robert Alford-OSC
Shelly Alman-Gaston College	Sybil Henderson-NCCU	Matt Ludwig-OSA	Ritchie Barnette-OSC
Jim Horne-General Assembly	Antonio McDaniel-NCCU	Harriet Lunsford-OSA	Kim Battle-OSC
Wesley Taylor-General Assembly	Gary Ward-NCCU	Kelsey Mabe-OSA	Kelly Beasley-OSC
Stacy Atkins-Halifax CC	Jennifer Bell-NCSU	Jessica Mapes-OSA	Angela Brown-OSC
Leslie Blankenship-Isothermal CC	Jennifer Brady-NCSU	Mark Mazzone-OSA	Barry Brown-OSC
Amy Penson-Isothermal CC	Madelene Brooks-NCSU	Marianne McKnight-OSA	Taylor Brumbeloe-OSC
LaTasha Moore-James Sprunt CC	Sharon Brooks-NCSU	Kent McLamb-OSA	Joannie Burtoff-OSC
Jennifer Stackpole-Labor	Jeannie Chen-NCSU	Leanne McLaughlin-OSA	Edith Cannady-OSC
Tara Williams-Brown-Labor	Jennifer Coltrane-NCSU	Daniel Michael-OSA	Wynona Cash-OSC
Jessica McMahan-Lenoir CC	Mike Edwards-NCSU	Alina Misiunas-OSA	Lisa Chapman-OSC
Vince Lovell-Military Vets Admin	W Patrick Flanary-NCSU	Cathryn Moose-OSA	Elizabeth Colcord-OSC
Adrienne Covington-Nash CC	Milburn Holbrook-NCSU	Chris Morea-OSA	Crystal Cole-OSC
Helen Buck-NC A&T	Lori Johnson-NCSU	James Murphy-OSA	Linda Combs-OSC
Katherine Burckley-NC A&T	Heidi Kozlowski-NCSU	Todd Oldenburg-OSA	Joy Darden-OSC
Diane Davis-NC A&T	Luke McHale-NCSU	Bhumi Patel-OSA	Clayton Darnell-OSC
Bivian Ejimakor-NC A&T	Matt Miller-NCSU	Wendy Pendergraph-OSA	Jim Dolan-OSC
Scott Hummel-NC A&T	David Price-NCSU	Ashley Price-OSA	Claire Ennis-OSC
Elizabeth Grovenstein-NC CC System	Karen Visnosky-NCSU	Michael Roberts-OSA	Michael Euliss-OSC
Bryan Jenkins-NC CC System	Helen Vozzo-NCSU	Amy Senogles-OSA	Karen Faggart-OSC
Kimberly Van Metre-NC CC System	Misty Wilson-NCSU	Kimberley Simmons-OSA	Anne Godwin-OSC
Elisa Wolper-NC Courts	Prabha Vijayaraghavan-OAH	Katherine Skinner-OSA	Sean Gutowski-OSC
Nirav Amin-NC Education Lottery	Jarrett Bailey-OSA	Jacob Taitague-OSA	Rokos Isaak-OSC
Ross Davidson-NC Education Lottery	John Baird-OSA	Pam Wade-OSA	Shivani Jani-OSC
Sharon Jacobs-NC Education Lottery	Andrew Beamon-OSA	Chris Wallace-OSA	Jenny Johanns-OSC
Jim Knight-NC Education Lottery	Cory Billings-OSA	Rebecca Watson-OSA	Brad Johnson-OSC
Erwin Mialkowski-NC Education Lottery	Michael Boucher-OSA	Yelena Zaytseva-OSA	Angela Johnston-OSC
Camilla Sandlin-NC Education Lottery	Gena Brock-OSA	Thomas Cheek-OSBM	Ginny Kammer-OSC
Mike Suggs-NC Education Lottery	Fabian Burch-OSA	Bessie Dsouza-OSBM	Patcha Kidking-OSC
Kim Thomas-NC Education Lottery	Cathy Clark-OSA	Jack Gagnon-OSBM	Laura Klem-OSC
Kevin Brodie-NC Housing Finance Agency	Kris Collum-OSA	Sarah Grimsrud-OSBM	Kathy Lagana-OSC
S. Carrie Freeman-NC Housing Finance	Garrett Davis-OSA	Providence Hakizimana-OSBM	Lauren Lemons-OSC
Simuel Hodges-NC Housing Finance Agency	Sara Domby-OSA	Jason Juffras-OSBM	Ben McLawhorn-OSC
Ariana Kudlats-NC Housing Finance Agency	Evan Hill-OSA	John Leskovec-OSBM	Courtney Michelle-OSC

RobinAnn O'Connell-OSC	Keith Hammonds-State Treasurer	Peizhu Liu-UNC Hospitals	Beatrice Muganda-UNC-Chapel Hill
Jennifer Pacheco-OSC	Biff McGilvray-State Treasurer	William Miller-UNC Hospitals	Gwen Norwood-UNC-Chapel Hill
Rick Pieringer-OSC	Mark Newsome-State Treasurer	Firoza Mistry-UNC Hospitals	Phyllis Petree-UNC-Chapel Hill
Jan Prevo-OSC	Jones Norris-State Treasurer	Seong Woon Mo-UNC Hospitals	Chandrika Rao-UNC-Chapel Hill
Ellen Rockefeller-OSC	Paul Palermo-State Treasurer	Pattie Moore-Boyette-UNC Hospitals	Hilarie Rodenhizer-UNC-Chapel Hill
Troy Scoggins-OSC	Tim Romocki-State Treasurer	Joanne Rich-UNC Hospitals	Bing Roenigk-UNC-Chapel Hill
Teresa Shingleton-OSC	Jennifer Wimmer-State Treasurer	Susan Schena-UNC Hospitals	Kelly Smith-UNC-Chapel Hill
Virginia Sisson-OSC	Cyndi Autenrieth-UNC Charlotte	Brock Simonds-UNC Hospitals	Justin Stiles-UNC-Chapel Hill
Randy Smith-OSC	Anne Brown-UNC Charlotte	Jeffrey Stevens-UNC Hospitals	Dawei Tang-UNC-Chapel Hill
Patricia Stewart-OSC	Kimberly Seamans-UNC Charlotte	John Storment-UNC Hospitals	Melanie Wright-UNC-Chapel Hill
Lisa Stubbs-OSC	Leon Browning-UNC General Administration	Michael Sullivan-UNC Hospitals	Heather Hummer-Univ of NC System Office
Kathleen Tolbert-OSC	Beth Crutchfield-UNC General Administration	Samuel Tarlton-UNC Hospitals	Elizabeth Haynes-USS NC Battleship Comm
Jim Tulenko-OSC	Debbie Dryer-UNC General Administration	Hunter Wagstaff-UNC Hospitals	Marla Tart-Wake Tech CC
Lorraine Whitman-OSC	Cliff Flood-UNC General Administration	Jeri Williams-UNC Hospitals	Karen Frazier-WCPSS
Ashlee Williams-OSC	DP Singla-UNC General Administration	Richard Wilson-UNC Hospitals	Laura Frazier-WCPSS
Jennifer Wooten-OSC	Sarah Smith-UNC General Administration	Jennifer Addison-UNC Pembroke	Allen Hicks-WCPSS
Amy Bowman-OSHR	Megan Wallace-UNC General Administration	Michelle Donegain-UNC Pembroke	Chris Inscoe-WCPSS
Marvin Miller-Piedmont CC	Susan Williams-UNC General Administration	Kenny Spayd-UNC Pembroke	Ronnie Kelley-WCPSS
Paula Ricard-Real Estate Commission	Randy Bennett-UNC Greensboro	Dana Dupree-UNC School of the Arts	Steve Chase-Wildlife
Anita Bunch-Revenue	Justin Bishop-UNC Greensboro	Kristina McCain-UNC School of the Arts	Frank Lord-WSSU
Tami George-Robeson CC	Katie Condit-Jang-UNC Greensboro	Jasheen Midgette-UNC School of the Arts	Jonathan Smith-WSSU
Ibreta Jackson-Robeson CC	Brenda Hampshire-UNC Greensboro	Joanne Ferguson-UNC Wilmington	Linda Lejnar-WTCC
Lettie Navarrete-Robeson CC	Wayne Jones-UNC Greensboro	Cindy Hucks-UNC Wilmington	
Steve Woodruff-Rockingham CC	Quita Loflin-UNC Greensboro	Corby Johnson-UNC Wilmington	
Kizzy Lea-Rowan-Cabarrus CC	Charles Maimone-UNC Greensboro	Daysi Allen-UNC-Chapel Hill	
Elizabeth Thomas-Sandhills CC	Stephanie Pflum-UNC Greensboro	Jesse Baker-UNC-Chapel Hill	
Tommy Clark-Secretary of the State	Donald Skeen-UNC Greensboro	DeAhn Baucom-UNC-Chapel Hill	
Elizabeth Rozakis-State Education Assist	Heather Snelling-UNC Greensboro	Jeffrey Birdsong-UNC-Chapel Hill	
Larna Griffin-State Education Assistance	Ruth Bartholomew-UNC Hospitals	Miranda Brownlow-UNC-Chapel Hill	
Lewis Andrews-State Treasurer	Michael Bonner-UNC Hospitals	Laurie Burroughs-UNC-Chapel Hill	
Melinda Andrews-State Treasurer	Timothy Byrd-UNC Hospitals	Dan Chen-UNC-Chapel Hill	
James Burke-State Treasurer	Mark Causey-UNC Hospitals	Angela Davis-UNC-Chapel Hill	
Darrus Cofield-State Treasurer	Melissa Fenton-UNC Hospitals	Teresa Gault-UNC-Chapel Hill	
Ann Cutler-State Treasurer	Linda Garr-UNC Hospitals	Jacob Green-UNC-Chapel Hill	
Dora Fazzini-State Treasurer	Anthony Gentile-UNC Hospitals	Paul Grosswald-UNC-Chapel Hill	
Joan Fontes-State Treasurer	Jericho Hallimore-UNC Hospitals	Karin Langbehn-Pecaut-UNC-Chapel Hill	
Joe Futima-State Treasurer	Bill Hosterman-UNC Hospitals	Beth McAndrew-UNC-Chapel Hill	