



OSCAR

The OSC Activity Report

Office of the State Controller

David McCoy, State Controller

Autumn Quarter 2008

New management team members for OSC



David McCoy

State Controller David McCoy has installed a new management team at OSC and started reorganizing the office to address the State's business needs.

"As a customer service organization for state government, I want to be sure that we are organized to exceed the expectations of the entities we serve," McCoy said. "I believe this team of experienced professionals will be able to provide that level of service."

The State Controller serves as the State's chief financial officer. The State Controller's Office performs a number of accounting and financial services for State agencies, including producing the annual Comprehensive Annual Financial Report for North Carolina, accounting for State expenditures and processing payroll and personnel records for nearly 90,000 state employees.

McCoy was sworn in as State Controller on September 2 after being nominated by Gov. Mike Easley and receiving unanimous confirmation in the state House and Senate.



Jim Dolan

He had served as Easley's Director of the Office of State Budget and Management since January 2001. McCoy served as the State's Budget Director and Secretary to the Council of State.

He had previously served as Secretary of Transportation, deputy chief of staff and chief deputy secretary of the Department of Administration under Gov. Jim Hunt. He also served in several positions during the administration of Gov. Jim Martin.

Joining McCoy at OSC is Tom Newsome, Chief Deputy State Controller; Jim Dolan, Deputy State Controller; and Thomas Cheek, Manager of Business Services. They join Deputy State Controllers Wesley Ray and Julie Batchelor, and E-Commerce Director David Reavis on the management team.

Newsome has served in state government for 24 years, working in the Department of Administration and at the Office of State Budget and Management.



Tom Newsome

He worked for 20 years in manufacturing before going into public service. He served as Assistant State Budget Officer for Management under McCoy at OSBM. In that position, Newsome was responsible for overseeing legislatively mandated productivity and management audit and efficiency studies, development of the support function for the state's Internal Audit Initiative and Executive Branch tools for IT procurement under Senate Bill 991.

Dolan will oversee the BEACON division under OSC. His responsibilities will include continued development of the HR/Payroll system and overseeing the BEST Shared Services Center that provides centralized personnel and payroll services to state agencies and employees. He previously worked as Associate State Budget Officer in OSBM, and has an extensive background in information technology and management services. Prior to joining state government, Dolan worked at IBM for over 20 years.

As manager of business services, Cheek is OSC's chief financial officer. He served as Senior State Budget Analyst at OSBM, and was the budget analyst for OSC. Prior to serving in OSBM, he spent over seven years working with several divisions in the Department of Health and Human Services.



Thomas Cheek

Economic conditions put focus on OSC cash management responsibilities

The economic problems that are affecting both the nation and North Carolina are likely to put a greater focus on OSC's responsibilities for overseeing the State's cash management efforts. OSC staff routinely monitors state revenues and spending to make sure that there is enough money on hand to cover expenses.

"We stay in contact with the Department of Revenue, the Treasurer's Office and other agencies," said Amber Young, manager of OSC's Central Compliance Section and State Cash Management Officer. "In difficult economic times, that communication gets even tighter, closer, as we keep an eye on the available cash."

An agency, for instance, may have a \$1 million appropriation, but the appropriation itself does not mean the tax collections and other revenues are there to cover it. Appropriations, and the budget, are based on projected revenues for the coming year.

The Legislature's Fiscal Research Division has reported that General Fund revenue from July 1 to September 30 came in about \$230 to \$235 million below the forecast target for the period. Many of the State's industry sectors, once thought resistant to the national housing and financial market meltdown, are now showing signs of vulnerability. The combination of weak housing, high commodity prices (both gas and food), and tight credit have taken a toll on consumer spending. This is causing declines in the service and retail sectors.

Economic forecasters predict employment growth will stall in the State with no growth envisioned for this fiscal year and less than 2 percent in Fiscal Year 2009-10. This will translate into below normal growth in personal income. All of those factors also result in reduced revenues for the State.

In response to the economic conditions, Governor Mike Easley has reduced allotments to state agencies and called on most agencies to reduce their budgeted expenditures by 3 percent. Making the reductions early in the fiscal year, the Governor said, are easier to accomplish than waiting until later in the year. And declining economic conditions could put even more pressure on the State's budget as the fiscal year winds down.

OSC's Data Integration Project gets real-world trial with criminal justice

The Data Integration Project is getting a real-world trial with a pilot project to make criminal justice information available across agency lines so law enforcement officers, corrections officials, magistrates, judges and court officials can make informed decisions.

The General Assembly asked for the pilot project in Wake County as part of this year's budget. An advisory committee chaired by State Controller David McCoy that includes representatives of the affected agencies is developing the integration project. The legislation for the pilot project requires it to be implemented by May 1, 2009.

Initial studies of the project completed this fall indicate that criminal justice and corrections agencies are contending with massive amounts of data which is not easily accessible by all members of these agencies. A review of the business operations at the Wake County Courthouse revealed the complexity involved in accessing, reviewing and understanding information about an offender.

In many instances multiple systems and screens are utilized to research the criminal history of an individual. This complexity is compounded by the need

to match an individual's information across records with similar names and/or patterns of information.

The Criminal Justice Data Integration Program will focus on developing a secure flow of information that integrates existing data for reporting, analysis and/or predictive modeling. The system must be easily accessed by those needing information and contain data that is as current as possible.

The Criminal Justice project is part of a long term vision for statewide data integration that will maximize the state's data assets for efficient and informed business decisions.

The objective of OSC's Data Integration Initiative is to develop a framework and the business infrastructure needed to expand and promote the use of data, as an information asset, in support of strategic business operations. This framework is founded on the principle of collaboration. It relies on stakeholders coming together to identify business needs and data access points.

Report shows 10.46% growth in IT spending for last fiscal year

North Carolina spent more than \$1.124 billion in the fiscal year that ended June 30, 2008, on information technology equipment and services, according to a new IT Spending Report compiled by the Office of the State Controller. The figure reflects an increase of \$107 million, or 10.46 percent, from the previous year.

The report, which includes most state agencies and universities, indicates total expenditures of \$1,124,748,807 from July 2007 through June 2008. The annual report, which is required by the General Assembly, indicates that salaries and fringe benefits account for the largest amount of information technology spending, accounting for 40 percent of the total. The next largest categories include applications development, 23 percent; and telecommunication, 12 percent.

The basis for this report is the statewide chart of accounts and the personnel classification system. The primary sources of this data are the North Carolina Accounting System, the Personnel Management Information System, the Information Technology Portfolio Management System, and for the first time, the new HR/Payroll System.

The full report is available on the OSC website at: http://www.osc.nc.gov/financial/ITReport_06302008.pdf

Eagle second wave takes off with training session

The first group of state agencies and other groups implementing the EAGLE Program is completing their self-assessment efforts, and the second group is preparing to launch their work. Training for the second wave of EAGLE participants was held in late October in Raleigh.

Bruce Dillard, Inspector General for the Department of Transportation, one of the initial agencies to join the EAGLE Program, told the training group that DOT's self-assessment process had given managers beneficial insight into ways the agency can operate both more efficiently and effectively.

The Office of the State Controller is evaluating comments from the initial participants regarding their implementation experiences. OSC will use those comments, where feasible, to incorporate necessary changes to the program.



State Controller David McCoy addresses Group Two agency representatives at training session for EAGLE program



DOT Inspector General Bruce Dillard, left; Keith Feuz of Ernest & Young; and State Controller David McCoy at EAGLE training session

The EAGLE program was launched in February 2008 by OSC after passage of the State Governmental Accountability and Internal Control Act (North Carolina General Statutes, Chapter 143D) during the 2007 session of the General Assembly. EAGLE, which stands for **E**nhancing **A**ccountability in **G**overnment through **L**eadership and **E**ducation, is intended to meet the public's increasing expectations for effective operations and accountability within state government. It provides an opportunity for North Carolina to leverage on the best practices that have recently been implemented in the private sector.

OSC chose a phased-in implementation for the EAGLE Program. In Phase I of the implementation, each agency is required to perform an annual assessment of internal control over financial reporting. By performing these assessments, agencies are able to identify risks and compensating controls that reduce the possibility of material misstatements and misappropriation of assets. Opportunities to increase efficiency and control effectiveness in business processes and operations also result from these assessments.

In addition to group training sessions, OSC staff has conducted one-on-one agency training sessions to help implement the program.

Annual CAFR turned over to Office of the State Auditor

The 2008 Comprehensive Annual Financial Report for the State has been turned over to the Office of the State Auditor for auditing prior to its release. The report, one of the major tasks handled by the Office of the State Controller, outlines North Carolina's financial condition for the fiscal year that ended June 30. It is a critical document used by bond-rating houses and others to assess the health of the State's finances.

"We expect to have it back from the auditors sometime right after Thanksgiving and will send it out for publishing in early December," said Anne Godwin, who manages OSC's CAFR production. In addition to printed reports, the CAFR also is posted on the OSC website as soon as it is available.

Godwin said there was a new note disclosure for pledged revenues and some technical changes made in the CAFR this year due to requirements of the Government Accounting Standards Board, but no sweeping changes or additions to the report. The last major change in the standards, instituted last year, required a financial note indicating the amount of "Other Post-Employment Benefits," or OPEB, accrued by the State. Generally, those benefits cover health care for retirees.

OSC gets new address -- at least in the virtual world

The Office of the State Controller has moved to a new address – at least in the virtual world.

Email and web pages for OSC have carried the designation "ncosc.net" in the past, but that has now changed to "osc.nc.gov." Email to OSC staff, for instance, should now be sent to firstname.lastname@osc.nc.gov instead of "@ncosc.net."

"This is a step toward uniform addresses for all state agencies," said Deputy State Controller Julie Batchelor. "Users should not notice any difference, but they should note the new email addresses and web addresses in their address book or favorites so they can be sure they are making the right connection."

Email sent to the old "@ncosc.net" address or links to the "ncosc.net" web pages will continue to function for some months, with traffic automatically forwarded to the new addresses."

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