



The State Controller is North Carolina's chief fiscal officer. The Office of the State Controller ensures the financial integrity of the State by providing accounting, disbursing, payroll, internal control and financial reporting systems that serve state agencies, employees and the public and maximizing financial return through its statewide cash management plan. The OSC issues numerous financial reports including: Financial Highlights, General Fund Monthly Financial Report, IT Expenditures Report, Statewide Accounts Receivable Report, the State's Comprehensive Annual Financial Report (CAFR) as well as the short, easy-to-read version of the CAFR known as the "popular" report.



OSC AR

Office of the State Controller Activity Report

David McCoy, State Controller

Autumn 2009

Controller's Office Leading Nation in IAT Rule Implementation

David Reavis, OSC's Director of E-Commerce Initiatives, has been recognized as a national leader for his development of a set of compliance guidelines for the new International ACH Transactions (IAT) rules that went into effect September 2009. His guidelines have been used as a model for other states by the National Automated Clearing House Association (NACHA), the organization that oversees the Automated Clearing House (ACH) Network.

"My goal was to get out in front of the banking industry and other states in developing a set of due diligence processes and procedures that would hold scrutiny in the view of the Office of Foreign Assets Control," said Reavis. "I would rather be proactive than have someone else develop guidelines that just won't work for us."

Very few states have developed such good faith policies identifying their due diligences processes and procedures. Two of the first states to develop IAT compliance policies were Wisconsin and Massachusetts – both of which patterned their policies after those developed by the North Carolina State Controller's Office.

On July 28, 2009, the Office of the State Controller issued an advisory developed by Reavis to alert all North Carolina governmental entities of the new IAT rules. All entities originating payments electronically, whether for payroll, pensions, or vendor payments, were advised to review the rules for the impact on each agency.

The IAT rules are designed to assist US companies and governments in complying with the requirements of the Office of Foreign Assets Control (OFAC) in identifying payments to parties that potentially may be sanctioned by the OFAC. Examples of sanctioned parties include terrorists, international narcotic traffickers, and others posing a threat to national security. An IAT payment is a direct deposit to a payee where the entire payment amount is subject to being transferred to a foreign bank. The rules apply even though the payments may initially be deposited electronically to a domestic bank account.



David Reavis,
Director of E-commerce Initiatives

Reavis has a long history of accomplishments not only with OSC, but also with the State Treasurer's Office. He has been the director of OSC's E-Commerce initiatives since 2005, and prior to that was the Director of Banking for 29 years at the Treasurer's office. He is a 1974 graduate of East Carolina University and holds a Bachelor of Science in Business Administration.

Reavis has received the following awards during his career:

- 2006 – Barry K. Sanders Award – NC Office of State Budget & Management – Integrity in Treasury Management
- 2004 – Silver Dollar Award – NC State Treasurer – Online Core Banking System Implementation
- 1997 - Excellence in Payments Award - EastPay Association - Regional ACH Association – Direct Deposit Initiatives

He also is a member of the North Carolina Treasury Management Association (NCTMA) where he served as President in 2008. He has served on the Federal Reserve Bank of Richmond's Payment Advisory Council since 2007.

New Virtual Classes Save Agencies Time and Money

Virtual environments play an important role in today's business through the training of employees, and now OSC is offering some of its HR/Payroll classes in the virtual training format.

Virtual classrooms are similar to traditional classrooms in that there is an instructor, visual and written material. Participants log onto a website which hosts the virtual training environment, and "join" the session in which they are enrolled, while also dialing into a conference call, where they interact with the instructor and other participants.

Virtual training has many advantages compared to the traditional classroom. Since students attend classes from their desks, there are no travel expenses and no time away from the office, which optimizes the continued offering and availability of needed classes given the current travel budget restrictions. Virtual training also allows participants to "learn by doing."

Surveys show that participants in the new virtual classrooms are happy with this new form of training. An evaluation offered to students who have taken the OSC virtual classes reveals that 74.9 percent of participants reported that they enjoyed learning in a virtual environment and 18.7 percent stated that they liked taking classes in both the virtual and traditional classrooms equally. Only 6.4 percent strongly preferred just learning in a traditional classroom.

All prospective "virtual" students are required to attend an introductory VC101 class. This class demonstrates the virtual environment and its features which include communication tools, immediate interactive feedback

and live polling. Students also log onto a training portal, complete exercises, and share their screens with others in the virtual environment.



Other classes offered in the virtual classroom format are PA210 (Personnel Administration: Terms Concepts and Display Data), PA300 (Introduction to Create and Maintain Employee Data), OM200 (Organizational Management Overview), PY300 (Payroll for Agencies) and TM310 (Leave Administration). Watch for new classes, currently in development, to be added to this list. Students may register for these classes through their agency's Training Agent.

OSC Makes More Improvements to HR/Payroll System

As part of the ongoing efforts to improve the State's human resources and payroll system, the Office of the State Controller rolled out the second of three 2009 system-wide enhancement in October. This second round of improvements includes more than 28 system enhancements, fixes and new functions.

Highlights include new reporting features and new reports as well as enhancements that make the system more efficient and easier to use.

In January 2009, State Controller David McCoy created an HR/Payroll "Change Control Board" made up of representatives from each agency that uses the State's

HR/Payroll system. This Board helps determine what improvements will be made to the system and ensures that every agency's concerns and suggestions are heard.

The first rollout of improvements to the system in April included numerous technical changes, the rollout of a statewide organizational charting tool, the development of a new job report so agencies can more easily compare employee salary information, as well as improvements to help managers with employee leave requests.

The third round of enhancements for 2009 will be made to the system this month.

OSC Puts the Spotlight on Customer Service

The Shared Services Call Center and the Support Services groups put the spotlight on the customers by celebrating Oct. 5-9 as Customer Service Week. Activities were planned each day to remind employees that our #1 goal is to make sure those who use the HR/Payroll system get exceptional customer service.



Tier 1 Call Center Staff



Tier 2 Call Center Staff

Controller's Office Releases Latest Monthly Financial Report

For September 2009, North Carolina's General Fund continued to see lower tax and non-tax receipts. Tax revenues, net of refunds, declined by \$104.2 million, or 6.2 percent for the month of September compared to the previous year. With lower cash balances, investment earnings declined by \$11.7 million or 75.5 percent for September as compared to the prior year. For the year to date through September, net tax revenues reflected a decline of \$155.6 million, or 3.7 percent, with investment earnings down by \$34.1 million, or 74.1 percent.

The General Fund's unreserved fund had a balance of \$232.7 million as of September 30, as compared to \$306.2 million at the end of August.

This information is contained in the most recent monthly report on the General Fund compiled by the Office of the State Controller. This report can be found at <http://www.osc.nc.gov/index2.html>. Go to "Recent Publications" and click on "General Fund Monthly Financial Report -- September." The July and August monthly reports also are available. The OSC website includes General Fund monthly budgetary basis financial information back through June 1998.



For more information, please contact:

Claire Ennis
in the
**OSC Communications,
Government Relations, and Policy
and Planning Division**
at
**919.981.5542 or
claire.ennis@osc.nc.gov**

