

The background of the slide features a large, faint, light blue seal of the State of North Carolina. The seal is circular and contains the text "The STATE OF NORTH CAROLINA" around the top and "ESSE QUAM VIDERI" at the bottom. In the center of the seal is a depiction of a Native American figure holding a bow and arrow, with a plow and sheaves of wheat nearby. The date "APRIL 12, 1776" is also visible.

Office of the State Controller

Presentation to the
Joint Appropriations Committee
on General Government

March 8, 2017

INTEGRITY
ACCOUNTABILITY

Content

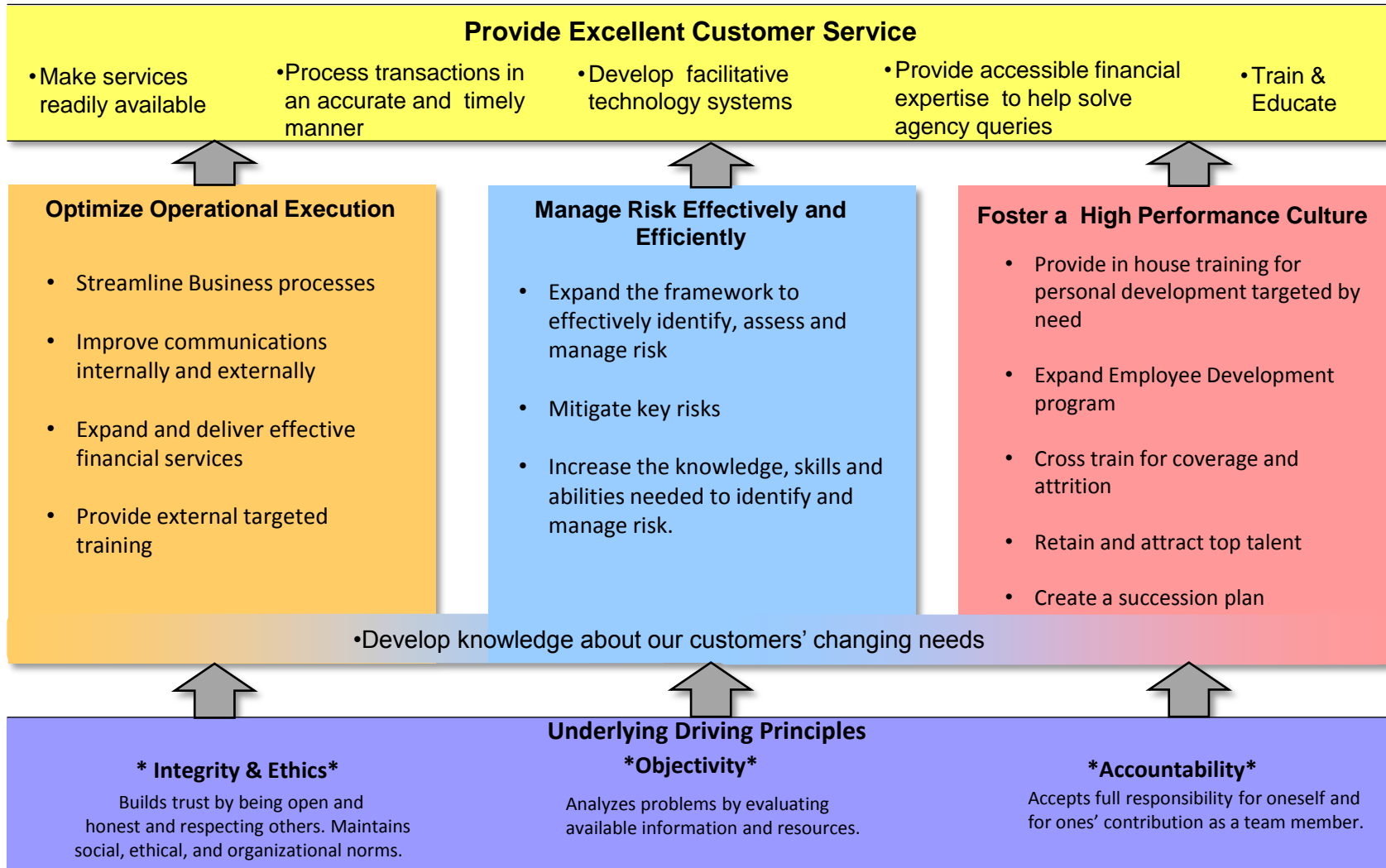
- Effectiveness / Outcomes
- Efficiency / Metrics
- Organization Structure
- Budget Request for Biennium
- Overall Agency Goals ➔ Continued excellent customer service and financial backbone replacement.



Effectiveness / Outcomes



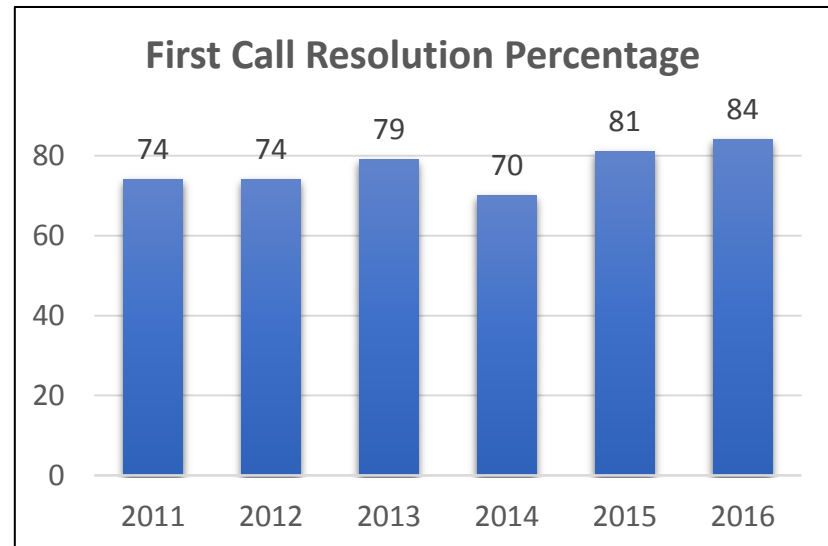
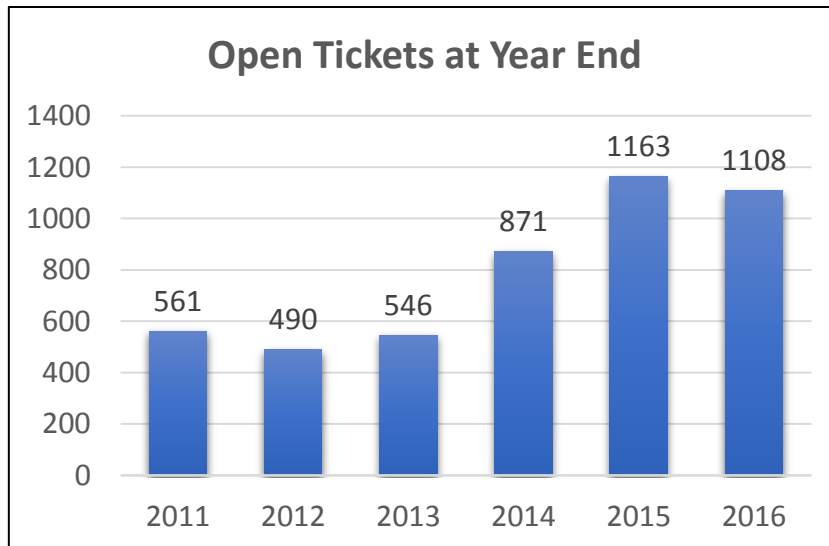
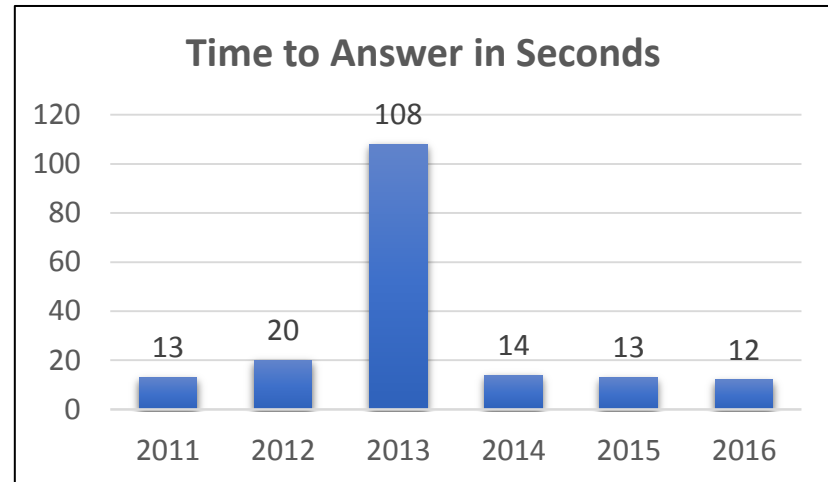
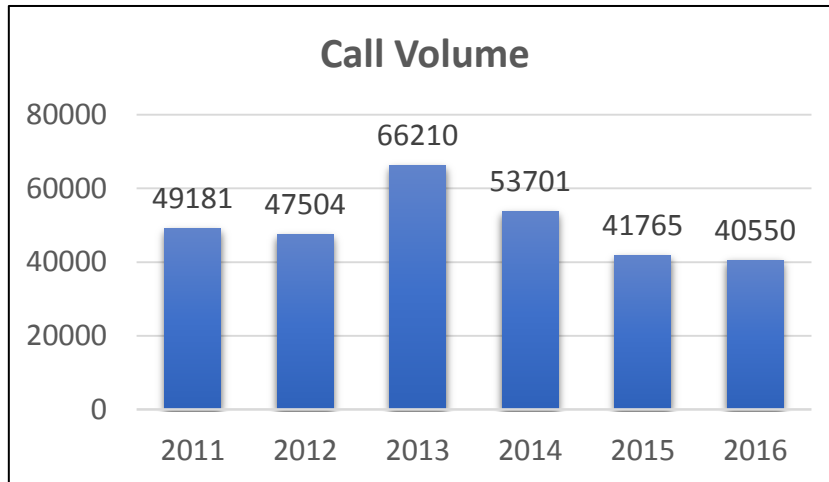
The Controller's office *MISSION* is to protect the financial integrity of the State and promote accountability in an objective and efficient manner.



Efficiency / Metrics



OSC Shared Services (Selected Metrics)



<https://osc.nc.gov/sscstats> contains >20 other metrics that are tracked monthly



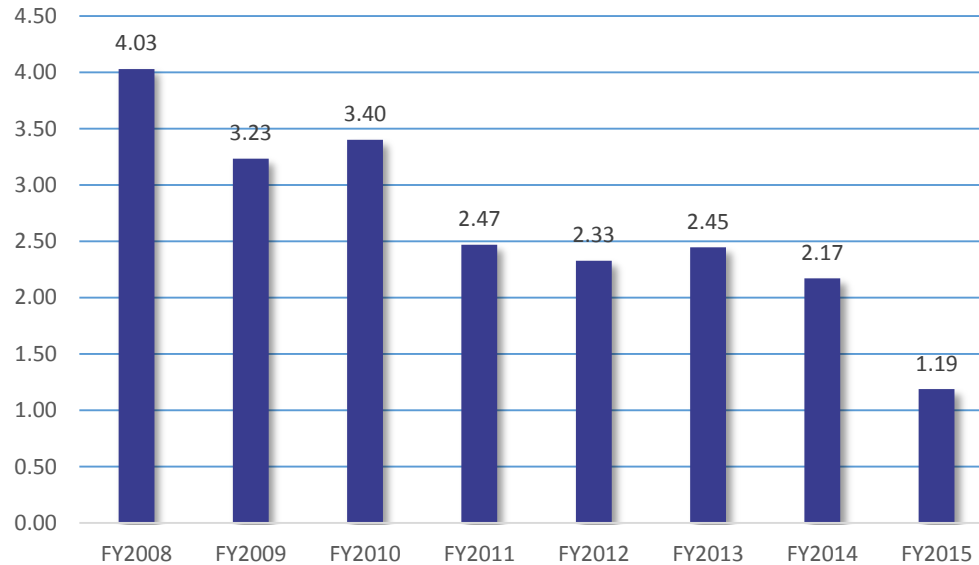
Statewide Accounting

Report Metrics:

- 22th consecutive year receiving the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada for the 2015 Comprehensive Annual Financial Report (CAFR)
- 18th consecutive year receiving the Award for Outstanding Achievement in Popular Annual Financial Reporting by the GFOA for 2015 Popular Report
- The CAFR has received an unqualified or “clean” audit opinion since 1994.
- North Carolina is one of only 9 States that have both AAA bond rating and received the GFOA Certificate of Achievement.
- For the last 5 years, completed the CAFR within 161 days or less. The average time for states to complete the FY 15 CAFR was 198 days.
- The 2015 CAFR was the 6th in completion time. Only 5 states (NY, Utah, Michigan, Washington, South Carolina) were faster.



State Agency Audits



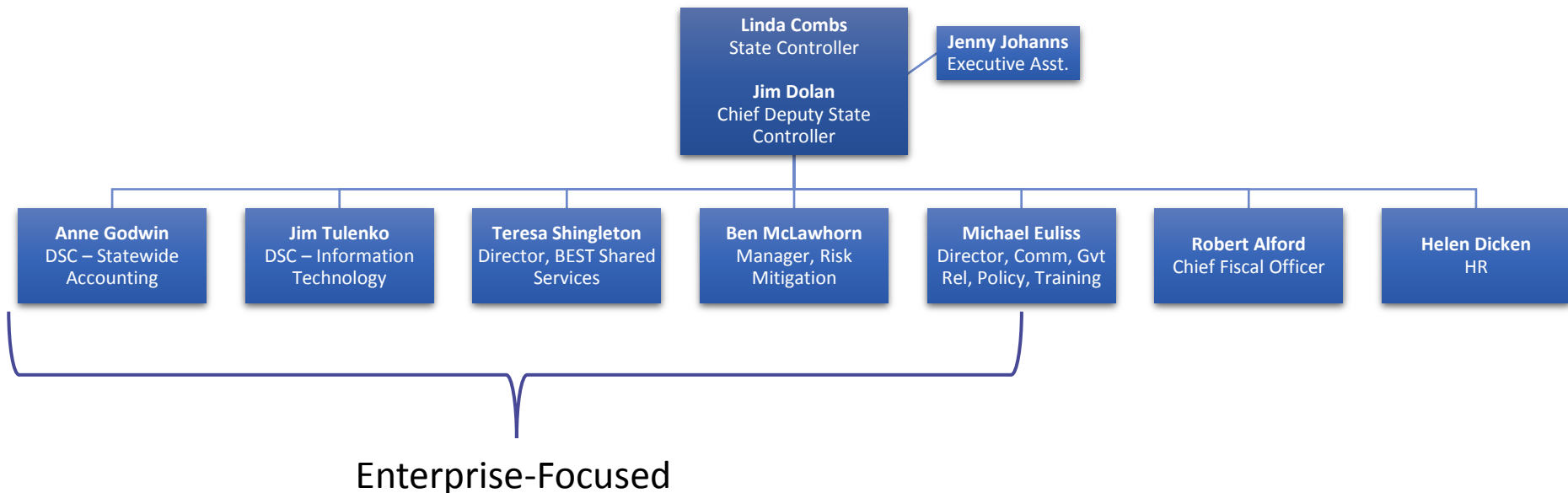
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Total Audits Reports Issued	133	152	85	79	107	93	76	38
Total Number of Reportable Audit Findings	33	47	25	32	46	38	35	32
Average Number of Audit Findings Per Audit	4.03	3.23	3.40	2.47	2.33	2.45	2.17	1.19

Between FY2009 and FY2015, there has been a 63% decline in the number of reportable audit findings per audit at state agencies.



Organization Structure

- ✓ Flat organizational structure; continuous evaluation and position compression since 2009
- ✓ Down ~39 positions or 19%; driven by efficiencies in operationalizing processes and consolidating areas
- ✓ Validation of steady state position count at 169 → need for temp employees for benefits enrollment/reconciliations



Enterprise-Focused

DSC = Deputy State Controller | Comm = Communications | Gvt Rel = Government Relations



Budget Request / Biennium Needs

OSC Appropriations Profile

	FY 15-16	FY 16-17	YTY	FY17-18	YTY	FY 18-19	YTY
Net Appropriation	\$22.85M	\$23.09M	1.1%	\$23.02M	-0.3%	\$23.20M	0.8%

2017-2019 Budget Submission to OSBM

Realignment of purchased services related to negotiated reduction of lease costs and increase in costs related to contractual enterprise software obligations and compliance requirements.

Increase (Decrease) 2017-2018	Increase (Decrease) 2018-2019	Description
\$(449,025)	\$(266,029)	Lease payments are being reduced as a result of a new lease term
\$381,804	\$382,404	Increased cost for obligations related to system maintenance, operations, as well as financial and payroll reporting compliance



Budget Request / Biennium Needs

Special Provision

This provision has been included in the budget for many years.

Overpayments Audit

- Receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account budget code 24172 as required by G.S. 147-86.22(c).
- Five hundred thousand dollars (\$500,000) per fiscal year of the funds in the Special Reserve Account budget code 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs and are hereby appropriated for that purpose.
- The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account budget code 24172 and the disbursement of that revenue.



NC Financial Backbone Replacement Project



Abstract

Just as roads and bridges are the physical infrastructure for the State; The NC Accounting System or Financial Backbone is the technology infrastructure for the state. Both need continuous improvement to ensure consistent, dependable service.

Critical Need

The current financial system's reporting capabilities do not meet the demands of the State:

- The current system presents difficulties in pulling consistent agency level data for General Assembly requests.
- The current financial system was developed over 25 years ago and the technology does not take into consideration modern day security requirements to protect the data.
- The current financial system is scheduled to go end of life in terms of support in 2023 with many of the technical support team supporting the system are eligible for retirement.
- The current financial system cannot accommodate modern financial subsystems such as grants management, fleet/facilities management and project level accounting.
- Many agencies resort to finding ad-hoc non-integrated system solutions to accomplish their needs.

Cost Summary

- **Current Fiscal Year** - \$931K
- **2017-19 Biennium**
 - FY 2017/2018 - \$3.3M
 - FY 2018/2019 - \$37M
- **Following Biennium** - \$70M

Recommendation

- Secure agreement from the Administration and General Assembly to adequately fund a new financial backbone for the State.
- Create RFPs for the software and system integrator.
- Commence project immediately.



Questions

