

# Comptroller Advisory Board

March 28, 2019, 11:00 a.m.  
Office of the Comptroller  
One Ashburton Place, Room 901  
Boston, MA 02108

## APPROVED MINUTES

Michael Heffernan, (Chair), Secretary for Administration and Finance (ANF)  
Suzanne Bump, Auditor, Office of the State Auditor (SAO)  
Marcel Vernon, (designee) CFO, Office of the Trial Court (TRC)  
Mary Strother (designee), First Attorney General, Office of the Attorney General (AGO)  
Karen Guida, (designee) Internal Auditor, TRE  
Natalie Monroe, (Gubernatorial Appointment), First Assistant Inspector General, Office of the Inspector General (IGO)  
Michael Esmond, (Gubernatorial Appointment), CFO, Massachusetts Convention Authority

### Office of the Comptroller (CTR)

Andrew W. Maylor, Comptroller  
Jeffrey Shapiro, First Deputy Comptroller  
Howard Merkwitz, Deputy Comptroller  
Kevin McHugh, Interim Deputy Comptroller  
Jenny Hedderman, Deputy Comptroller and General Counsel  
Christopher Guido, Deputy Comptroller  
Peter Scavotto, Statewide Chief Risk Officer  
Scott Olsen, Director of Strategic Communications  
Michael Rodino, Statewide Financial Reporting Director  
Pauline Lieu, Statewide Financial Reporting Deputy Director  
Elizabeth Hemond, Assistant to the Comptroller  
Latsada Rigney, Risk Management Staff  
Stacy Hoag, Risk Management Staff

### KPMG

Scott Warnetski, Partner, KPMG  
Blakeney Bell, Audit Manager, KPMG

### Other

Kenneth Woodland, First Deputy Auditor, SAO  
Judy Zeprun Kalman, General Counsel, AGO  
Gary Blank, Chief of Staff, ANF  
Paul Donovan, Kearney, Donovan & McGee P.C.

## AGENDA

- I. Introduction of Members and Attendees
- II. Review and Approval of January 17, 2018 Advisory Board Meeting Minutes
- III. KPMG Report to the Committee
  - a. Presentation and Discussion of the OMB Uniform Guidance Report as per Title 2 U.S. Code of Federal Regulations part 200

- IV. Comptroller Update
  - a. Entry Plan
  - b. Financial Systems Transformation
- V. Comptroller Compensation Review per M.G.L. c/7A sec. 1
- VI. New Business or Issues
- VII. Next Meeting

## **I. Introduction**

Secretary Heffernan called the meeting to order at 11:05 a.m. and introduced the new Comptroller citing his extensive background in the municipal sector and highlighting his leadership in the Merrimack Valley crisis late last year. Comptroller Maylor thanked the Comptroller staff who have assisted him in his transition. He brings different skills, experience and perspective to the role and is looking forward to partnering with this group on future projects.

## **II. Minutes**

The Board turned its attention to the first item of business - the review and approval of the minutes of the January 17, 2019 Board meeting. On a motion by Auditor Bump and seconded by Ms. Monroe, the Board approved the minutes of January 17, 2019 meeting.

## **III. KPMG Report to the Committee**

Scott Warnetski, the KPMG partner on the Commonwealth engagement, indicated the Uniform Guidance Report is in draft form but about to be issued. There are seven findings in the report on internal control over financial reporting; one new one and six continuing findings. The Executive Office of Labor and Workforce Development's (EOL) finding is a material weakness and relates to the controls in reconciling MMARS and UI Online; the detailed transaction data in UI Online did not agree to the summary transaction data in MMARS. Significant adjustments have to be made to reconcile them which is a control issue. The auditors look at IT systems that interact with MMARS and four findings relate to the IT audits. The number of these comments is decreasing as the business owners are taking the auditor's comments into consideration. The Comptroller's Office has a significant deficiency related to financial reporting controls over MassDOT's capital assets and EOL's unemployment allowance for uncollectible accounts. EOL has a significant deficiency related to unemployment allowance for uncollectible accounts.

The Commonwealth receives approximately \$18 billion in federal money. The auditors do not look at every program, but in FY2018 looked at 17 programs totaling \$13 billion. Last year 11 major programs were audited. There were fewer findings than last year, but the findings were more severe; three with material weaknesses and one material non-compliance findings. A theme is emerging in IT controls and manual controls are required over 3<sup>rd</sup> party providers. The findings at the Department of Labor results from a lack of documentation as to what is charged in MMARS. Smaller programs are looked at now and then; the Employment Services Center has never been part of the audit rotation before. A summary of past audit findings was distributed.

Next year's plan is based on the results from this year. Type A programs have to be audited in a 3-year cycle, unless they have a prior year finding. Some programs with high dollar volumes, like Medicaid, have to be audited every year. The IT team is already in the field looking at IT programs for FY19.

## **IV. Comptroller Entry Plan**

Comptroller Maylor then proceeded to present his entry plan for his first thirty days as Comptroller.

### Financial Systems Transformation

The Comptroller has met with Secretaries Heffernan and Wood several times on the Financial Systems Transformation. They have formulated a framework for governance. The project will be headed by an Executive Steering Committee (ESC) with two overlapping workgroups that would provide feedback to the ESC. A Project Management Office (PMO) run out of CTR will be established and staffed by April 1st; their function will be to shepherd the process between the ESC and the users. A funding recommendation of \$3 million has been made for visioning in FY19 to determine if the product aligns with future business models. The project would last many years and could cost \$120 million.

The Comptroller has three goals

To Improve Communications

Standardize and Rebrand Internal Control Policies

Provide for Succession Planning, Recruitment and Training

To this end, CTR has established three work groups comprised of CTR employees at all levels to explore and make recommendations to effectuate these changes.

### Improve Communications

One of Comptroller's Maylor's goals is to improve internal and external communication with CTR. The group will look at current communications; who is using what of our information and how we can improve communications both within CTR and to our users, the department and the public. The Comptroller intends to visit every agency during his tenure as Comptroller.

### Standardize and Rebrand Internal Control Policies

The goal is to two-fold. To reflect on the current internal control policies, are they correct and still relevant. The other goal is to provide a more efficient and interactive way at viewing the policies.

### Succession Planning, Recruitment and Training

The third group is tasked with exploring ways to recruit and retain staff. Some other improvements will include continued upgrading CTR space and performing a 360 Degree Scan of the Leadership Team.

## **V. Comptroller Compensation Review**

The Chair communicated to the Board that per state statute it was the responsibility of the group to review and approve changes in salary for the Comptroller and that such a process should take place annually. He indicated that he was not requesting any action be taken now, but that the topic would be added to the next agenda.

## **VI. New Business or Issues**

Comptroller Maylor indicated that cybersecurity presents the most significant risk/concern for CTR. Secretary Heffernan agreed that cybersecurity was a combined priority for EOTSS, ANF and CTR.

## **Adjournment**

The Board voted to adjourn at 11:45 a.m.

Attachments Distributed for the March 28 2019 meeting

1. Agenda
2. January 17, 2019 Advisory Board Meeting Minutes

3. KPMG Report to the Committee
4. Draft OMB Uniform Guidance Report
5. Summary of Single Audit Findings
6. Comptroller Entry Plan