

Comptroller Advisory Board Meeting

Date: January 13, 2020

Time: 12:30 p.m.

Location: Office of the Comptroller, One Ashburton Place, 9th Floor, Boston, Massachusetts

MEMBERS AND ATTENDEES

Members Present

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

Office of the Comptroller (CTR)

Andrew W. Maylor, Comptroller
Jeffrey Shapiro, First Deputy Comptroller
Amy Nable, Assistant Comptroller and General Counsel
Howard Merkowitz, Deputy Comptroller
Kevin McHugh, Assistant Comptroller
Kristine Hill-Jones, Assistant Comptroller
Peter Scavotto, Assistant Comptroller
Tatiana Peralta, Chief Risk Officer
Michael Rodino, Statewide Financial Reporting Director
Pauline Lieu, Statewide Financial Reporting Deputy Director
Parris Kyriakakis, Assistant General Counsel
Michael Sangalang, Communications Manager

Other Attendees

Meredith Barrieau, Assistant Deputy Auditor, SAO
Zhouxin Tan, Internal Auditor, TRE
Jerry Lherisson, Internal Communications Director, ANF
Scott Warnetski, KPMG
Blakeny Bell, KPMG
Lucas Aguiar, KPMG
Sandra Malony, CGI
Mike Clair, CGI
Paul Donovan, Kearney, Donovan & McGee P.C.

AGENDA

1 CALL TO ORDER

1.1 RECORDING ANNOUNCEMENT BY ADVISORY BOARD CHAIR HEFFERNAN

Pursuant to the Commonwealth's Open Meeting Law, Massachusetts General Laws, Chapter 30A, section 20, as Chair of the Comptroller's Advisory Board, I would like to advise that any person may make a video or audio recording of this open meeting.

However, I am obligated to inform attendees of any recording at the beginning of the meeting, so I ask that those who are making any recording identify themselves now as doing so.

- Parris Kyriakakis recording for the purpose of the minutes

2 REVIEW AND APPROVAL OF JUNE 24, 2019 ADVISORY BOARD MEETING MINUTES

On a motion by Chair Heffernan, the Board unanimously approved the June 24, 2019 Advisory Board meeting minutes

3 REVIEW OF THE STATUTORY BASIS FINANCIAL REPORT (SBFR) BY HOWARD MERKOWITZ

Deputy Comptroller Howard Merkowitz gave a presentation on the FY2019 SBFR. Howard presented a background of the SBFR, specifically what it includes and determines.

Howard presented the following highlights of the FY2019 SBFR:

- Consolidated Net Surplus of \$623 million in the budgeted funds
- Operating gain of \$1.573 billion in the budgeted funds
- Budgeted fund ending balance of approximately \$3.959 billion -- \$1.423 billion deposited in the Stabilization Fund in FY19
- Total budgeted fund revenue increased by \$2.563 billion
- Budgeted fund tax revenue increased by \$1.862 billion
- Budgeted fund expenditures and other uses totaled \$44.810 billion
- Budgetary fund debt service was up \$2.327 billion
- \$113 million deposited to the State Retirement Benefits Trust Fund to fund Other Post-employment benefits
- Stabilization Fund Activity
 - Change in Stabilization Fund Balance, FY18-19 -- \$1,423,077

Howard also gave an update on the Comprehensive Annual Financial Annual Report (CAFR):

- Due to delay in filing SBFR, CAFR is delayed as well
- CTR expects to provide KPMG with a final draft of the CAFR within the next week, and file it immediately after KPMG completes its audit.
- Background – What is in the CAFR

Questions and Comments:

Secretary Heffernan asked what the timeline is for the CAFR

Howard Merkowitz explained that we are hoping to get the CAFR to KPMG within the next week/week and a half and KPMG will probably take two weeks

Michael Esmond asked what the percentage is of the state balance versus operating expenses?

Howard Merkowitz explained that for FY19, the Commonwealth's Stabilization Fund balance as a percentage of General Fund own source expenditures was 11.0%, well above the national median of 7.6% as reported in the NASBO survey.

Auditor Bump asked in regards to the previous question where we were positioned in 2007?

Comptroller Maylor explained he stabilization balance in 2007 was 2 billion 335 million, however further detail can be given.

A question was asked about the 73% increase in capital gains and whether it was caused by a particular incident

Howard Merkowitz explained that that particular information can be obtained through DOR but from his experience, it is usually not usually due to one particular instance. Secretary Heffernan confirmed that there was widespread in capital gains across the board.

4 KPMG REPORT TO THE BOARD

KPMG's Scott Warnetski and Blakeny Bell gave a presentation on the results of KPMG's review of the Commonwealth of Massachusetts SBFR.

They explained what their scope, object of review, and responsibilities are when reviewing the SBFR. They emphasized that their responsibilities are to conduct a review of the report's conformity with the statutory basis of accounting as defined in the Massachusetts General Laws and not an audit under GAAP.

They presented a summary of results and communications where they classified their results as a "clean review." They did highlight that there was a misstatement of beginning balances, which had to do with funds that were deemed to be misclassified, so there was a beginning balance adjustment related to those funds.

Howard Merkowitz explained that those funds were classified in MMARS as trust accounts. They did a review of all statutes that set up those funds, and it was found that they should have been classified as special revenue funds, not trust accounts. As a result, in MMARS they changed them to funds instead of accounts.

KPMG is hoping to get started on the auditor's opinion on the CAFR at the end of January or early February, depending on when the report is provided to them.

Questions and Comments:

Auditor Bump asked how the Single Audit is going?

KPMG explained that it was ongoing and that they have had some closing meetings. Scott Warnetski brought attention to the Auditor's interest in Medicaid and expressed that they have findings there still – some are a little less severe than the past – but he believes that they have made some strides on correcting some of the deficiencies on their side.

The topic of Eligibility Testing was brought up.

Scott explained that this year they were asked by the federal government to conduct eligibility testing – a rule that came down in July. KPMG has not found anything significant as of material weaknesses or material noncompliance in MAGI based eligibility.

5 COMPTROLLER UPDATE

Comptroller Maylor presented an update of the Office of the Comptroller's (CTR) initiatives.

5.1 STRATEGIC FOCUS TEAMS

The Office of the Comptroller has 5 Strategic Focus Teams: Recruitment, Retention, and Training; Communications; Women in the Workplace; Strategic Planning; and Internal Control Policies

The Recruitment, Retention, and Training Focus team has created 6 uniform schedules, including CTR's first compressed schedule and is exploring "Work from Home Options." They have also organized three corporate site visits, provided enhanced training opportunities, including the Certified Government Financial Manager (CGFM) program, and expanded the use of social media platforms for recruitment.

Comptroller Maylor highlighted that Massachusetts is generally underrepresented in the CGFM area. CTR sent out a statewide notice about the program. There have been 4 CGFMs over the last 3 years; through CTR's initiative they will be adding 30 in one year. Auditor Bump expressed her interest in having her office participate in future CGFM programs.

The Communications team has integrated and expanded CTR's social media platforms, improved CTR branding and language (including a new agency seal), organized quarterly staff lunches, and created a CTR staff portal.

The Women in the Workplace team has been working on identifying strategies to support women in the workplace. Also, they have organized brown bag lunches, designed the SBFR and CAFR themes, and sponsored professional development opportunities.

The Strategic Planning team has updated CTR's mission and vision statement and is working to develop 3 to 5 year goals.

The Internal Control Policies team has been working to remove the redundancies and duplications in their policies. In addition, they have contracted with an interactive policy software vendor.

A Comptroller Policy Stakeholder Advisory Group is being assembled to review CTR's policies; the review process will commence in January 2020.

5.2 E-SIGNATURE INITIATIVE

CTR is moving away from wet signatures. CTR has piloted an e-signature program within the agency, and began a pilot e-signature program with Higher Education, focusing on ISAs. CTR has identified DocuSign as a strategic partner in this initiative.

Both KPMG and TRC shared that they are also implementing e-signature programs.

5.3 ROBOTIC PROCESS AUTOMATION (RPA)

CTR staff identified 50 possible workflows with may be streamlined. Senior staff chose 10 of the 50 workflows that would have the biggest impact. CTR used a "Shark Tank" like process to prioritize the 10 workflows and selected 2 priority projects and 3 secondary projects. CTR identified 3 consulting partners to review and submit a proposal for the 2 priority project. The first RPA project is expected to go live during the second quarter of calendar year 2020.

5.4 ENHANCED TRANSPARENCY

CTR has made several additions to CTHRU, including non-budgeted special revenue funds and trust accounts, budget to actual spending, stabilization fund, settlements and judgments.

Comptroller Maylor visited 43 of the 151 agencies to date as part of the agency site visit initiative.

CTR is set to go live in January 2020 with a web based public records request site. This site will allow requestors to track the status of their requests, post completed requests on the web, and provide an internal workflow to comply with the Secretary of the Commonwealth's reporting requirements.

5.5 ORGANIZATION RELATED

CTR created 3 new roles: Chief Process and Innovation Officer, Enterprise Relationship Manager, and Communications Manager. In addition, the former Help Desk Manager position has been reimaged as the Customer Success Manager.

CTR has also renamed the former Help Desk the "Solutions Desk"

Comptroller Maylor also presented CTR's Calendar Year Exempt Employee Analysis for 2019.

5.6 CYBER CENTER

CTR has responded to 4 significant cyber-attacks since late 2019. CTR has partnered with EOTSS vendors to respond.

CTR has developed cyber-attack summary and cyber-attack “lesson learned” reports.

CTR is also conducting a procurement for cyber response-related services.

5.7 ANECDOTES VS. ANALYTICS

CTR has developed a layered series of dashboards, and has identified Tableau as a strategic partner. To assist in this initiative, in January 2020 CTR will be posting their first Data Scientist Position.

5.8 BUSINESS ENTERPRISE SYSTEMS TRANSFORMATION (BEST) PROJECT

The BEST project has launched as a joint project of CTR, ANF and EOTTS. This project will replace MMARS and HRCMS and will utilize best practices and employee feedback. McKinsey has joined as a support vendor to help support the project management office with visioning, feedback and requirements gathering. Points of contact across 93 agencies have submitted names to take part in upcoming workshops to help collect feedback.

6 ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR

No items presented.

7 ADJOURNMENT

On a motion by Chair Heffernan, the Board unanimously voted to adjourn at 1:40 p.m.

8 DOCUMENTS USED

- June 24, 2019 Comptroller Advisory Boards Meeting Minutes
- Comptroller Report to the Advisory Board, January 13, 2020