

Approved Minutes of the Advisory Board of the Comptroller

Meeting Date: Thursday, June 10, 2021
Time: 11:00 a.m.
Location: Virtually via ZOOM, due to COVID-19, consistent with Governor Baker's March 12, 2020 Executive Order

MEMBERS AND COMPTROLLER ATTENDEES

Members Present

Michael Heffernan (Chair), Secretary for Administration and Finance
Michael Esmond (Gubernatorial Appointment), Chief Fiscal Officer,
Massachusetts Convention Center Authority
Michael McKay (Designee), Internal Operations Manager, Office of the Trial Court
Karen Guida (Designee), Internal Auditor, Office of the State Treasurer
Natalie Monroe (Gubernatorial Appointment), First Assistant Inspector General, Office of the
Inspector General
Mary Strother (Designee), First Assistant Attorney General, Office of the Attorney General

Members Absent

Suzanne Bump, Auditor, Office of the State Auditor

Office of the Comptroller Attendees

Ian Coletti, Intern
Jesse Crane, Intern
Elizabeth Hemond, Assistant to the Comptroller
Stacy Hoag, Relationship Manager
Katie Kendall, Chief Process and Innovation Officer
Parris Kyriakakis, Assistant General Counsel
Pauline Lieu, Deputy Chief Financial Reporting Officer
William McNamara, Comptroller
Howard Merkwowitz, Deputy Comptroller
Amy Nable, Assistant Comptroller and General Counsel
Tatiana Peralta, Chief Risk Officer
Michael Rodino, Chief Financial Reporting Officer
Michael Sangalang, Communications Manager
Peter Scavotto, Assistant Comptroller
Jeffrey Shapiro, First Deputy Comptroller

Other Attendees

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

AGENDA

1 CALL TO ORDER

The meeting was called to order with Secretary Heffernan, Natalie Monroe, Michael McKay, Michael Esmond, Mary Strother and Karen Guida in attendance.

1.1 Statement on Remote Participation

The chair announced that on March 12, 2020, Governor Baker issued an Executive Order suspending certain provisions of the Open Meeting Law, in conjunction with the state of emergency declared on March 10, 2020 due to the outbreak of the 2019 novel Coronavirus (“COVID-19”).

Because of that state of emergency, and in accordance with the Governor’s Executive Order, all members of the Advisory Board and members of the public are participating remotely in today’s meeting.

Because members of the Board are participating remotely, all votes today will be taken by roll call.

1.2 Recording Announcement by the Chair

The chair announced that, pursuant to the Commonwealth’s Open Meeting Law, Massachusetts General Laws, Chapter 30A, Section 20, any person may make a video or audio recording of this open meeting.

He noted that the Office of the Comptroller (CTR) was recording for the purpose of keeping the minutes and asked anyone else making a recording to please identify themselves. No attendees stated that they were recording the meeting.

2 REVIEW AND APPROVAL OF MARCH 24, 2021 ADVISORY BOARD MEETING MINUTES

On a motion by Karen Guida, seconded by Michael Esmond, the Board unanimously approved the March 24, 2021 Advisory Board meeting minutes.

- Secretary Heffernan – Yes
- Michael McKay – Yes
- Michael Esmond – Yes
- Karen Guida – Yes
- Natalie Monroe – Yes
- Mary Strother – Yes

3 KPMG REPORT TO THE BOARD

Comptroller McNamara introduced Scott Warnetski, Partner at KPMG, and Blakeney Bell, Audit Manager at KPMG, to present their report on the Uniform Guidance Audit to the Board. Mr. Warnetski noted that KPMG’s results were later than usual due to the delay of CARES Act funding guidance and other coronavirus-related delays. He then introduced Ms. Bell to present KPMG’s findings.

Ms. Bell explained that the Uniform Guidance Audit report is comprised of two auditor reports with a handful of other related sections. She presented the first auditor report, the Report on Internal Control over Financial Reporting. Ms. Bell stressed that this report is not an opinion of the Commonwealth’s compliance overall but is an assessment of whether there is a material weakness or significant deficiency in one of the Commonwealth’s internal controls. The report noted three material weaknesses and three significant

deficiencies. Ms. Bell reported that three of these were repeat findings from last year's Report on Internal Control over Financial Reporting.

Ms. Monroe asked whether the Comptroller or the relevant agency has the role of addressing these repeat issues.

Ms. Bell responded that it was a shared responsibility between the relevant agency and the Comptroller. Responsibility is a balancing act because the agency has the detailed records for these reporting items, but the Comptroller is ultimately responsible for reporting the information. Ms. Bell noted that CTR had put in effort to improve communication with agencies, but that there was still room for improvement.

Ms. Monroe responded that it seemed like it was ultimately up to the agency to address repeated issues. Ms. Bell responded that it is still a shared responsibility because it is the Comptroller's responsibility to report this information. Mr. Warnetski added that controls on financial reporting lie throughout the process, so both with the agency, which has basic financial details, and with CTR, which is the preparer of the financial statements.

Deputy Comptroller Howard Merkowitz noted that CTR has been working with the agencies highlighted in the Report on Internal Control over Financial Reporting for more than a year to get accurate information, but that the Comptroller certainly has shared responsibility as the agency that signs off on the statements. Secretary Heffernan added that there is accountability on the agency level and that these agencies are aware of the need to conform to accounting principles on the secretariat level.

Mr. Warnetski pointed out that there are success stories on resolving issues from year to year, but that KPMG's role is to report shortcomings. There are, however, examples of improvement.

Ms. Monroe stressed that she was not trying to apportion blame but wanted to understand the process of correcting these repeated items.

Mr. Merkowitz noted that there was a long-standing accounting issue with the Department of Revenue that was similar to the items noted in the Report on Internal Control over Financial Reporting and was resolved. CTR is working to resolve the issues highlighted by KPMG's report just as it did with DOR.

Comptroller McNamara thanked Ms. Monroe for her question and stated that CTR does not interpret the question as blame and instead embraces the shared responsibility. He stated that CTR is working actively with partners in other agencies to address these deficiencies and that he will focus in the coming year on issues that are both repeated and severe.

Ms. Bell then presented the second auditor's report summarizing KPMG's findings of the Commonwealth's compliance with the requirements of major federal programs. The report highlighted fifteen programs and identified internal control deficiencies and compliance findings. KPMG is still analyzing the Covid-19 – Coronavirus Relief Fund. Ms. Bell highlighted material weaknesses or significant deficiencies in internal controls as well as any instances of noncompliance in these programs. Ms. Bell thanked several attendees for their assistance during the single year audit and said it had been an honor to serve the Commonwealth over the past several years.

Secretary Heffernan thanked Ms. Bell and Mr. Warnetski and said that it had been a pleasure to work with KPMG.

Ms. Guida then asked to refer back to the first slide of KPMG's presentation, which summarized the Report on Internal Control over Financial Reporting, and asked about the recording of retired employee healthcare

payments as it relates to the state employee retiree benefit trust fund. She asked how the significant deficiency highlighted in the report came about and what KPMG had seen in past years.

Ms. Bell responded that this entry is related to recording Other Post-Employment Benefits (OPEB). KPMG had found issues in the past related to the true-up amount between the actual expenses and the budgeted amount, but that the Group Insurance Commission (GIC) has put in controls to improve this situation. There were unanticipated issues that appeared in the data that KPMG sampled in its audit, though. Coding issues led to problems between how GIC budgeted between the trust and the state because when retired employees died, their former status was not maintained. GIC is working on correcting that issue. Ms. Guida said that answered her question but that she had further questions for another forum.

Mr. Warnetski added that KPMG's next steps are to finalize reporting on the Covid-19 relief fund. Once the report is complete, they will file their report with the federal government. He thanked Ms. Bell for her presentation and said that it had been a great few years working with the Commonwealth.

Secretary Heffernan and Ms. Guida thanked Ms. Bell and Mr. Warnetski.

4 UPDATE ON THE OFFICE OF THE COMPTROLLER

Secretary Heffernan asked Comptroller McNamara to give his report. Comptroller McNamara also praised KPMG and said they had been a strong partner throughout the past year. Assistant Comptroller Peter Scavotto also thanked KPMG for their many years of service and said their teams had been great to work with. He said that he thought the Commonwealth is in a much stronger position in terms of financial controls thanks to KPMG's recommendations.

Comptroller McNamara provided two updates related to CTR. First, with the state of emergency lifting, CTR is planning for future employee work arrangements. The current plan is that the CTR office will be mainly remote with a flexible work site and employees will come into the office at least four days a month. Second, he noted that CTR continues to address issues like electronic signatures and electronic storage of documents, noting that policies will need to be updated to reflect this new work context.

Comptroller McNamara then provided an update on the progress of the BEST Program. He shared that the Program is receiving bids from software suppliers. After this step, the process of judging and reviewing packages will begin. He added that the Program is also looking at independent verification and validation providers.

Ms. Monroe asked whether there was a sense of timeframe for implementation. Comptroller McNamara responded that the goal was to begin implementation by December 2021 or January 2022. Secretary Heffernan added that the schedule is moving briskly, but that implementation of the BEST Project will move at the correct pace.

5 OUTLOOK FOR THE FY2021 PROCESS AND BOARD MEETINGS

Comptroller McNamara provided an outlook for the Fiscal Year 2021 closing and reporting process. He noted that there had been delays the past two years in issuing the Statutory Basis Financial Report, but that he was committed to completing reporting processes by the due date as required. He stressed a deep respect for the prerogatives of policy makers, but that he would do what he could to appropriately urge a final fiscal budget this year that would allow for the closing of the Commonwealth's books on time.

Secretary Heffernan noted that the Board is discussing the pluses and minuses of hybrid participation and that legislation addressing hybrid participation in public meetings is currently under consideration in the

state house. He added that the Board would take advantage of any potential legislation to allow it to operate as effectively as possible.

6 ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR

Secretary Heffernan asked for items not reasonably anticipated by the Chair. None were presented.

7 ADJOURNMENT

On a motion by Ms. Monroe, seconded by Ms. Strother, the Board unanimously moved to adjourn the meeting.

- Secretary Heffernan – Yes
- Michael McKay – Yes
- Michael Esmond – Yes
- Karen Guida – Yes
- Natalie Monroe – Yes
- Mary Strother – Yes