

## **Approved Minutes of the Advisory Board of the Comptroller**

**Meeting Date:** Monday, October 25, 2021  
**Time:** 10:00 a.m.  
**Location:** Virtually via ZOOM, due to COVID-19, consistent with the June 16, 2021 “Act Extending Certain COVID-19 Measures Adopted During the State of Emergency.”

### **MEMBERS AND COMPTROLLER ATTENDEES**

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#### **Members Present**

Michael Heffernan (Chair), Secretary for Administration and Finance  
Suzanne Bump, Auditor, Office of the State Auditor  
Michael Esmond (Gubernatorial Appointment), Chief Fiscal Officer, Massachusetts Convention Center Authority  
Karen Guida (Designee), Internal Auditor, Office of the State Treasurer  
Michael McKay (Designee), Internal Operations Manager, Office of the Trial Court  
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**

None.

#### **Office of the Comptroller Attendees**

David Godin, Single and Internal Audit Lead  
Elizabeth Hemond, Assistant to the Comptroller  
Stacy Hoag, Relationship Manager  
Katie Kendall, Chief Process and Innovation Officer  
Pauline Lieu, Chief Financial Reporting Officer  
William McNamara, Comptroller  
Howard Merkwowitz, Project Manager  
Amy Nable, Assistant Comptroller and General Counsel  
Tatiana Peralta, Chief Risk Officer  
Michael Sangalang, Communications Manager  
Peter Scavotto, Assistant Comptroller  
Thomas Smith-Vaughan, Chief Financial Officer

#### **Other Attendees**

Chris Rogers, Clifton Larson Allen (CLA)  
Bill Early, Clifton Larson Allen (CLA)

## AGENDA

### 1. CALL TO ORDER

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The Chair confirmed there was a quorum present and called the meeting to order.

#### 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”).

On June 16, 2021, the Governor signed into law “An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency.” This Act included an extension, until April 1, 2022, of the remote meeting provisions of his March 12, 2020 Executive Order.

In accordance with that law, 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.

### 2. REVIEW AND APPROVAL OF JUNE 10, 2021 ADVISORY BOARD MEETING MINUTES

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On a motion by Karen Guida, seconded by Natalie Monroe, the Board unanimously approved by roll call vote the June 10, 2021 Advisory Board meeting minutes.

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

### **3. FINANCIAL REPORTING ON FISCAL YEAR 2021: EXPECTED TIMING OF KEY REPORTS**

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The Chair turned the discussion over to the Comptroller. The Comptroller discussed the timing for the office's filing of certain financial reports, noting we are now in the critical season for the creation, independent review, and issuance of the major financial statements of the Commonwealth that are done through CTR.

He said that the first of the two slides on this topic shows the two major published reports that will come out through our office but represent a statewide effort. The Statutory Basis Financial Report (SBFR) is a statutory requirement unique to Massachusetts to put out financial statements on the basis of the statute to explain how the Commonwealth's finances have worked in the preceding year. That report is reviewed by our independent CPA firm. The statutory due date is October 31 of every year. The Comptroller said he will speak more about this later, but our expected delivery date for the FY21 report is mid-November. The timing of the final supplementary budget, also called the closing supp, is the major driver of when this report can be produced.

The second major published financial report is known starting this year as the ACFR (Annual Comprehensive Financial Report). That report is due in mid-January. There is also a December deadline for the Government Financial Officers Association, but we believe there may be an extension coming there. The ACFR has its own unique requirements, and is done by 50 states across the country, but when the SBFR is completed we have a solid foundation to then complete the ACFR.

The next slide concerns federal requirements. Uniform guidance refers to the ongoing authoritative set of rules and requirements that cover the expenditure of federal funds. It applies to non-federal recipients of those funds in a broad sense. State and local governments are examples of people who must operate, report, and prove that they respected the uniform guidance.

The next report is the SEFA – Schedule of Expenditure of Federal Awards. This schedule details the use of federal funds. It will be filed with the Single Audit at the end of March, and we look to get it to the independent auditor (CLA) by the end of February.

Finally, the Single Audit is the organization-wide financial statement that covers all of these topics. If \$750,000 or more in federal funds is expended, the entity is subject to all of these rules. That work is conducted by the independent CPA firm. That report is normally due at the end of March, but due to COVID there is an extension this year until September 30. Both the SEFA and the ACFR constitute components of that federal report.

The Comptroller then said while there's not a lot of news in these two slides, he thought it would be helpful to lay out the reports that will be coming before this board in the coming weeks and months. The Comptroller then asked if there were any questions.

The Auditor asked if they have, in fact, provided the uniform guidance for this Single Audit? The Comptroller asked Peter Scavotto of CTR to confirm it was issued in August. Scavotto said the initial compliance supplement came out in August and there has been one

addendum, and there is another one coming. They have yet to issue all the guidance on Coronavirus and other buckets of federal money coming our way. The Auditor thanked Scavotto.

The Comptroller then gave quick look at some of the timelines for this year. On the calendar, the fiscal year (FY) closes on June 30. In the weeks leading up to June 30 and in the weeks and months since, there is a great deal of work on the multiple processes required to close out the year. As much work as possible is done to have everything prepared in advance of the final or closing supp.

This year, on October 14, the Legislature sent its final supplementary budget for FY21 to the Governor. A few business days later, on Wednesday, October 20, the Governor signed it. That kicked off an intensive process of the final transactions and accounting entries. All of these steps lead to these detailed reports that we do. That is the work that is being completed now.

CTR's Statewide Accounting and Financial Reporting team is working very hard to get everything done. When the SBFR is completed, it goes to CTR's independent audit firm, CLA, who require time to analyze it, test it, pose questions to us and other agencies and get their response. We work hard to complete it accurately and quickly and CLA will too. As an independent auditor, we need to respect the additional time they need to complete their process. With that said, CTR's target date for issuance of the SBFR is the week beginning November 15. That is materially later than the due date by statute.

The Comptroller then shared a slide about the recent history of the issuance of the SBFR. Historically, over the last decade or so, the SBFR came out most times on or just after its due date. In FY12, it came out 8 days early. As you look at FY19 and FY20, you see a real departure from prior years. Those two years resulted from different circumstances, but both were glaringly and worryingly far beyond their date. If our projected date stays good, it's fair to say it's a return closer to historical norms and in the right direction. The Comptroller would love to be back, and will work to get us back, to the zero days lag we had before. He noted that the Comptroller is non-political and non-partisan. He is deeply respectful of the roles and prerogative of the Legislature in the budget process. He thanked the Legislature for advancing the closing supp during the month of October and the Office of the Governor for his timely approval. While we are not in a perfect world, we are moving back to where we should be.

The Comptroller then asked if there were questions. There were none.

#### **4. OFFICE OF THE COMPTROLLER: LEADERSHIP OF THE FINANCIAL REPORTING AND ACCOUNTING FUNCTIONS AND OTHER ORGANIZATIONAL ITEMS OF NOTE**

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The Comptroller shared a few operational updates on the office. He noted that, while the Advisory Board doesn't have operational oversight, the Office's capacity and professional state deserve to be touched on. The Comptroller then gave an update on the Statewide Accounting and Financial Reporting group. He noted that Michael Rodino has left to join the Massachusetts Convention Center Authority and Pauline Lieu has been elevated to the Chief Financial Officer role. Also, Deputy Comptroller Howard Merkwitz has announced his retirement. The

Comptroller noted that Merkowitz was on the call and will be actively participating in coming meetings. He will speak more of the contributions Merkowitz has made to the office and to state government at the next Advisory Board meeting. Merkowitz is with the office on a limited post-retiree basis to advise, guide, and work on the current round of reports. The Comptroller said that we are confident about this year because Merkowitz is working with us.

The Chair then stated that Merkowitz has done an incredible job at the Office of the Comptroller and at other state agencies where he has worked. He said that Merkowitz represents the finest of public service. He's done a fabulous job and his retirement is well deserved. Merkowitz noted that he is still here "indefinitely" and the Chair said he is very pleased that he is.

The Comptroller again praised Merkowitz, then moved on to an update on the BEST project. This is the systems information and business process project that will replace the aged systems that we have now for financial processes and human capital management. The state's team and the CTR team have done a lot to keep our existing systems running and secure. BEST has now advanced dramatically and is in procurement for the software that will replace those aging systems and for the implementation partner who will help us get it in place for the coming years.

Finally, CTR's new flexible work site policy takes effect November 1. CTR has still been operating in a sense under the COVID-emergency approach to things. Starting November 1, it will continue to offer employees a flexible work site policy with limited in-office time and the ability to work at home as long as they can do so in a secure, connected, "embedded in the team" kind of sense. CTR has shown it can be effective that way, and the Comptroller looks forward to turning this from an emergency situation to an ongoing policy.

## **5. INTRODUCTION OF CLIFTON LARSON ALLEN (CLA) AS THE COMMONWEALTH'S NEW INDEPENDENT AUDIT FIRM**

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The Comptroller noted that he put some time on the agenda for Clifton Larson Allen (CLA) to speak with the Board. He said the state had a long, effective, positive relationship with KPMG as the external auditor, but it was time for that contract to go out for procurement. After a rigorous procurement process, CLA was selected to be the state's independent auditor. In coming meetings, you will hear directly from them about the reports, but this is an opportunity for Chris Rogers of CLA to give an introduction to his firm.

Chris Rogers, managing principle of CLA's state and local government practice, introduced himself and Bill Early, a principal out of their Baltimore office who is also CLA's state and state agencies leader. Rogers gave an overview of the company, their philosophy, and what they see as a partnership between CLA and the Commonwealth. They promised to adhere to all of the standards they need to adhere to, and said there are many. They will follow those rules, but are here to help, as evidenced by conversations that have already occurred about ARPA and revenue loss and being able to come together in that capacity to get ahead of it. They want the Commonwealth to succeed.

CLA said the industry specialization they bring to the table is what sets them apart. They work with over 4,000 governments across the country, and are very concentrated on state and local government. Rogers is responsible for the overall engagement and is focused on the ACFR and the SBFR. Early is more focused on the statewide single audit. Early then gave an overview of CLA's state and state agency practice. There are currently 10 states where they are doing statewide full audits as in Massachusetts.

Rogers concluded by saying that auditing the Commonwealth of Massachusetts is a career goal for him, and they are very excited to be the Commonwealth's independent audit firm.

The Chair welcomed CLA and said he looks forward to a long and fruitful partnership. The Comptroller agreed, and said that for CTR, that includes respecting the truly independent part of the independent state auditor. He recognizes it's not their job to make us comfortable, it's their job to make sure we are accurate and doing what we should. We have a close relationship, but are respectful of the different roles.

## **6. DISCUSSION OF COMPTROLLER COMPENSATION**

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The Comptroller introduced the topic but then left the meeting, noting that it remained an open meeting. CTR Chief Financial Officer Thomas Smith-Vaughan was on the call in case any questions came up, and will let the Comptroller know when the topic is finished so he can come back to the meeting to close out the slideshow. The Comptroller noted that he brought this topic to the Secretary because of recent compensation changes in the organization. He has no concerns or dissatisfaction with his compensation, but due to organizational changes he thought it was worth bringing this to the Board.

The Chair noted the Comptroller has left, but this remains an open meeting. The Chair said this is on the agenda because of recent changes to manager compensation across the executive branch and in CTR. Broad based manager increases were implemented in the last few months, which included a retroactive increase of 2.5% for FY21 and 2% for FY22. While staff members in CTR were subject to these adjustments, the Comptroller was not because his compensation can only be changed with the approval of the Board. The last change in Comptroller compensation was in 2014, when Comptroller Benison was in that role, which brought the salary to \$176,624. This remains the current salary today. After the recent adjustments for staff, the Comptroller's compensation is now actually less than the First Deputy. In other parts of government, this is known as "collision." The principle is that a senior manager should be compensated at a higher rate than his or her subordinates. The Chair proposed, to avoid collision, that the Comptroller receive a compensation change that mirrors what executive branch and CTR employees have received. Under this approach, the Comptroller's compensation would be \$184,600 after a 2.5% retroactive adjustment for FY21 and a 2% increase for FY22. At this level, the Comptroller would earn more than the First Deputy by about .7%.

The Chair invited comments / questions. Mike Esmond asked if there were thoughts about making a more structural adjustment? He said he was not sure what best HR practice is, but it feels like the salary should be greater than .7% more than the First Deputy to correct for 8

years of no pay increases. The Chair said that's a separate discussion. They are just trying to avoid collision here. The Comptroller has only been with us for a short tenure. He therefore proposed that they go forward with this adjustment and take up at a future meeting a construct for review of the salary on a more consistent basis. He noted that previous to this, before the adjustments, the difference between the Comptroller and the First Deputy was that same percentage. That existed before. The Comptroller would be getting the exact same salary adjustment as everyone else in the office. Smith-Vaughan confirmed that is correct. The Comptroller's salary would be increased in line with what was done for his staff and managers in the executive branch.

Natalie Monroe said this seems like a reasonable request/ suggestion, especially given that there has been no adjustment since 2014. She supports this and made a motion to vote on the question.

Karen Guida asked for clarification about the vote. Specifically, she asked for confirmation that the salary and proposed change relate to the statutory position of Comptroller on an ongoing basis, rather than being limited to the current Comptroller? The Chair confirmed that interpretation was correct.

Auditor Bump then seconded the motion and a vote was taken. The motion passed unanimously by roll call vote:

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

The Comptroller re-joined the meeting and was informed that the motion had passed unanimously.

## **7. ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR**

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Secretary Heffernan asked if there were any items not reasonably anticipated by the Chair. None were presented.

## **8. NEXT MEETING**

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Auditor Bump asked about timing for the Board's next meeting? Normally, the Board meets to review the ACFR before it's finalized. The Comptroller said the next meeting will be to review the SBFR. As we get closer to issuance, CTR will put placeholders on Board members' calendars. We will likely look to meet the week of November 15.

## **9. ADJOURNMENT**

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On a motion by Auditor Bump, seconded by Mr. Esmond, the Board unanimously voted by roll call to adjourn the meeting:

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