

Comptroller Advisory Board Meeting

April 28, 2022



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



Comptroller Advisory Board

Statutory Members

- ★ **Michael Heffernan**, Secretary of Administration and Finance (Chair)
- ★ **Suzanne M. Bump**, State Auditor
- ★ **Deborah Goldberg**, Treasurer
- ★ **Maura Healey**, Attorney General
- ★ **John Bello**, Court Administrator of Massachusetts Trial Court

Appointed Members

- ★ **Michael Esmond**, Chief Fiscal Officer of Massachusetts Convention Center Authority
- ★ **Natalie Monroe**, First Assistant Inspector General

Agenda

- I. Call to order; authorization for remote meeting**
Michael Heffernan, Secretary, Executive Office for Administration and Finance
- II. Review and approval of the April 5, 2022 Comptroller Advisory Board Meeting Minutes**
Michael Heffernan, Secretary, Executive Office for Administration and Finance
- III. Remarks from the Comptroller**
William J. McNamara, Comptroller of the Commonwealth
- IV. Review of the Annual Comprehensive Financial Report**
Pauline Lieu, Chief Financial Reporting Officer, Office of the Comptroller
- V. CLA Report to the Board**
Chris Rogers, Managing Principal of Industry, CLA
- VI. Items not reasonably anticipated by the Chair**
Michael Heffernan, Secretary, Executive Office for Administration and Finance
- VII. Next meeting**
Michael Heffernan, Secretary, Executive Office for Administration and Finance

Meeting Information

- ★ Due to the outbreak of the 2019 novel coronavirus (“COVID-19”), the Governor issued an Executive Order on March 10, 2020 that, among other things, allowed all members of public bodies to participate in deliberations remotely. Thus, the requirement that a quorum of the Advisory Board be physically present at a meeting was suspended. On February 12, 2022, these remote meeting provisions were extended by Chapter 22 of the Acts of 2022 until July 15, 2022.
- ★ Accordingly, this meeting will be held using Zoom and may be accessed by the public as either a video conference or as a telephone conference call using the following contact information:

Date and Time: April 28, 2022 at 10:00 A.M. via

Location: Zoom (website: www.zoom.us)

Meeting ID: 895 2427 3101

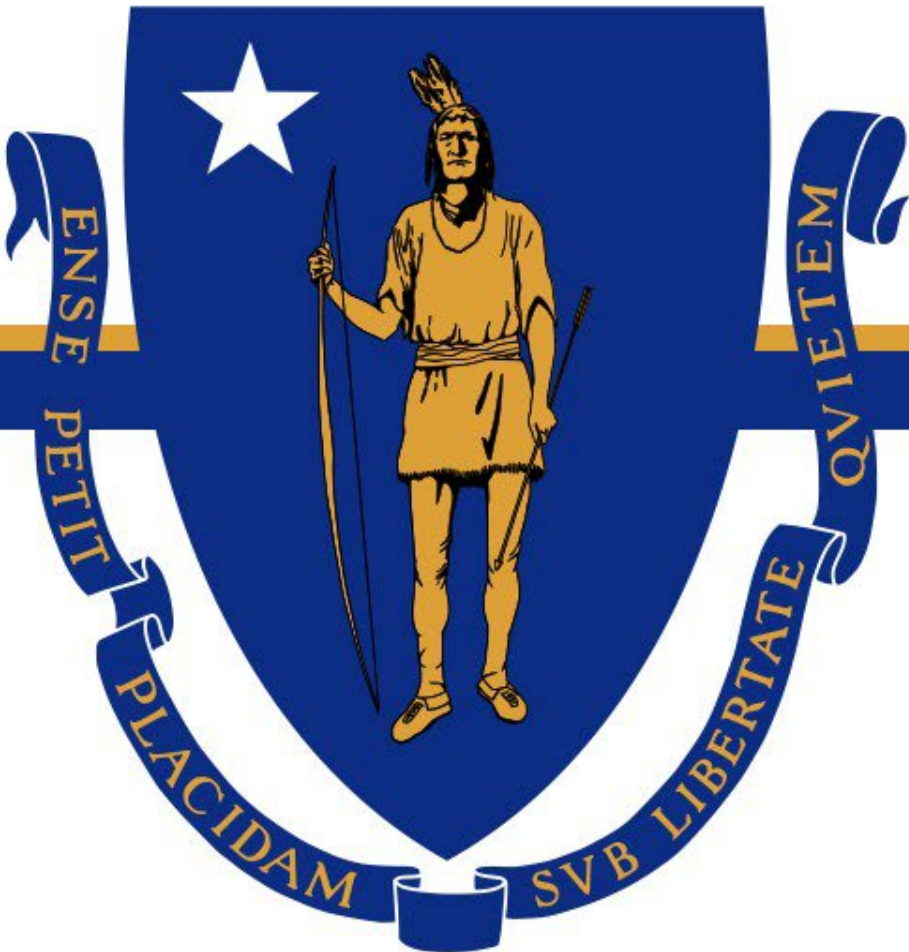
Passcode: 615637

Link: <https://macomptroller.zoom.us/j/87055838391?pwd=OGdiSFRYYUpMejJvNzRpTGk0MUNyZz09>

Dial-in: 301-715-8592 (alternative to online)

Review and approval of the April 5, 2022 Comptroller Advisory Board Meeting Minutes

Michael Heffernan
Secretary
Executive Office for Administration and Finance



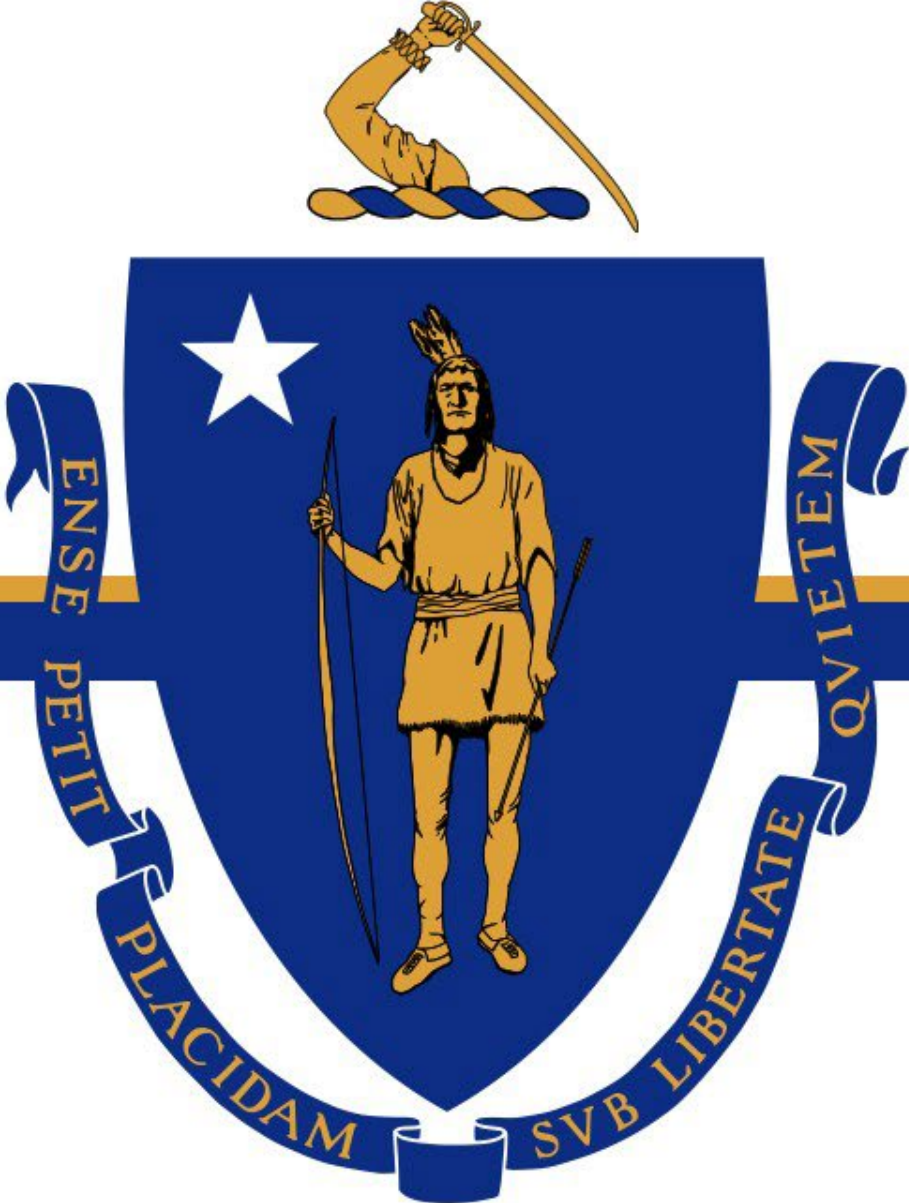
OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS

Remarks from the Comptroller

William McNamara
Comptroller of the Commonwealth



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



Three major reporting requirements

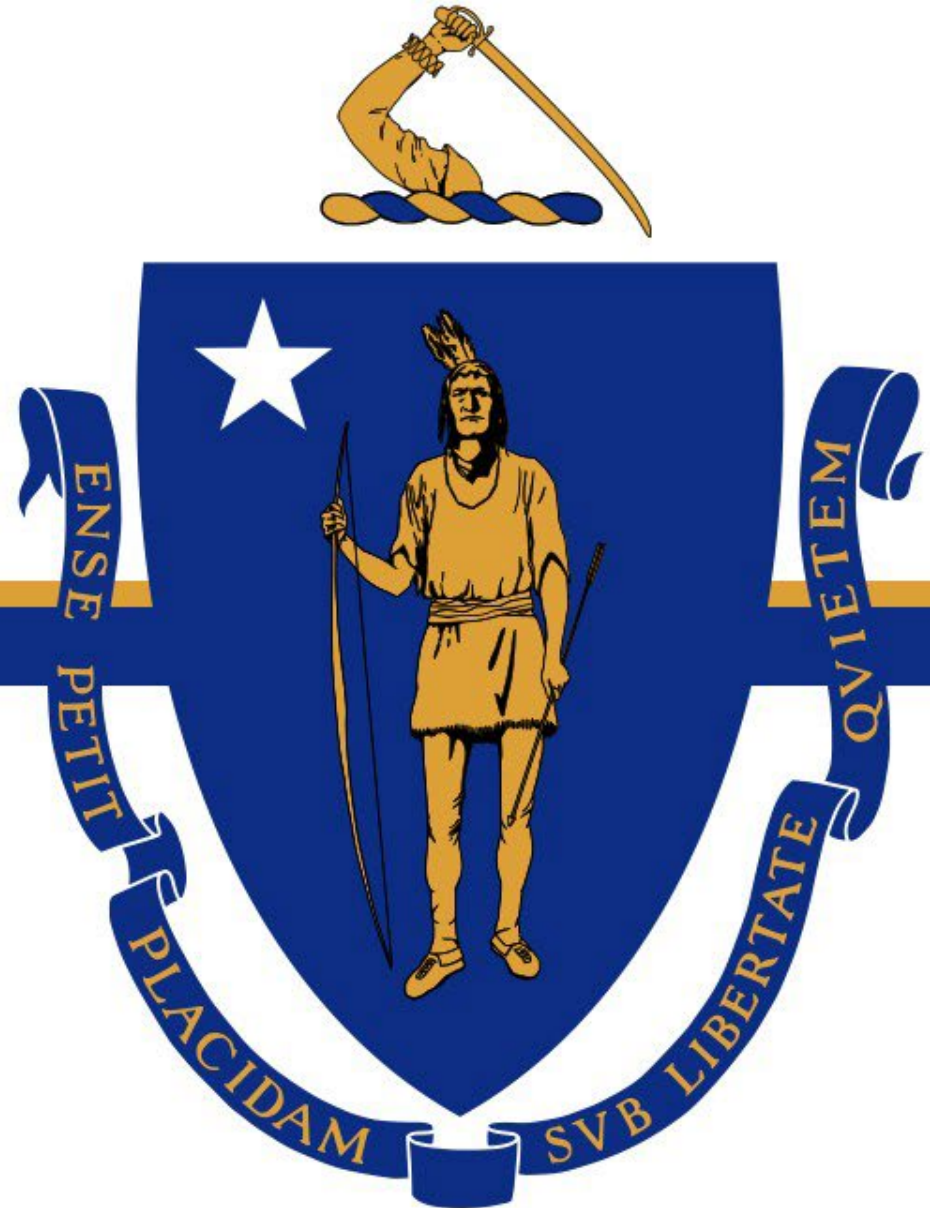
SBFR	ACFR	“Single Audit”
Statutory Basis Financial Report	Annual Comprehensive Financial Report	Term for set of federal requirements
<ul style="list-style-type: none"> Massachusetts-specific requirement under M.G.L. c. 7A, § 12 Some other states have similar requirements Present the results of the prior fiscal year activity in the Commonwealth’s funds primarily on a cash, non-GAAP basis Compute and certify the annual budget balance and end of fiscal year transfer to the Stabilization Fund Disclose and report certain aspects of financial performance as directed by statute or judged relevant by the Comptroller 	<ul style="list-style-type: none"> 50-state requirement (plus other local government entities) Financial statements of a state, municipal or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (GASB), which sets Generally Accepting Accounting Principles (GAAP) for those governments and entities 	<ul style="list-style-type: none"> Uniform Guidance: authoritative set of administrative and financial requirements for recipients of federal grants & funds SEFA: Schedule of Expenditure of Federal Awards; details the use of federal funds Single Audit: Organization-wide financial statement and federal awards’ audit of entities that expend \$750,000 or more in federal funds. Focused on internal controls and compliance with program requirements.
<ul style="list-style-type: none"> Reviewed by independent CPA firm 	<ul style="list-style-type: none"> Audited by the independent CPA firm 	<ul style="list-style-type: none"> Conducted by the independent CPA firm

FY2021 Annual Comprehensive Financial Report (ACFR)

Pauline Lieu, Chief Financial Reporting Officer
Howard Merkowitz



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR)

Changes between Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022)

There were no changes to the governmental activities and business-type activities, including higher education (i.e., non-EOL) sections of the report.

Business-type activities - Proprietary funds (EOLWD):

Key highlight:

○ Unemployment Compensation Trust Fund

Outstanding note payable to Federal \$2.268 billion

Unemployment compensation contribution decreased from \$1.806 billion (FY20) to \$1.565 billion (FY21)

Unemployment compensation expenses increased from \$11.948 billion (FY20) to \$19.439 billion (FY21)

Other Federal revenue increased from \$8.284 billion to \$17.200 billion – mainly related to Cares Act Federal Disaster Recovery

KPMG issued Unemployment Insurance Trust Fund Reconciliation Project Summary Report (April 1, 2020 to November 30, 2021) released on 12/31/2021

<https://www.mass.gov/news/unemployment-insurance-trust-fund-reconciliation-report-released>

○ Family and Employment Security Trust Fund

Family and employment security contribution increased from \$841 million (FY20) to \$1.005 billion (FY21)

Unemployment compensation expenses increased from \$5.4 million (FY20) to \$236 million (FY21)

Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR)

Changes between Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022)

Key changes:

EOLWD financial numbers changes between drafts - please see changes in the Proprietary Funds sections.

- Page 50-51 Statement of Net Position
- Page 52 Statement of Revenues, Expenses and Changes in Net Position
- Page 53 Statement of Cash Flows

The above EOLWD changes will affect business-type activities throughout the ACFR report.

Please note the highlights in ACFR draft show page numbering that is not confirmed and the UMass bond section which needs more info.

Fiscal Year 2021 Annual Comprehensive Financial Report

Changes in Proprietary Funds from Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022) (in thousands of dollars)

	Unemployment Compensation Trust Fund			Family and Employment Security Trust Fund		
	Advisory Board Draft (4/5/2022)	Current Draft (4/26/2022)	\$ Change	Advisory Board Draft (4/5/2022)	Current Draft (4/26/2022)	\$ Change
Statement of Net Position						
Assets:						
Cash & cash equivalents	\$ 2,464,156	\$ 2,714,565	\$ 250,409	\$ 1,342,587	\$ 1,342,587	\$ -
Other receivables	309,620	336,213	26,593	296,134	293,948	(2,186)
Other noncurrent assets	259,368	-	(259,368)	-	-	-
Total assets	3,033,144	3,050,778	17,634	1,638,721	1,636,535	(2,186)
Liabilities:						
Accounts payable	365,985	365,985	-	11,648	31,315	19,667
Accrued payroll	-	-	-	119	119	-
Tax refunds payable	684,656	684,656	-	8,734	8,734	-
Due to federal government	117,428	152,226	34,798	-	-	-
Notes payable	2,268,015	2,268,015	-	-	-	-
Total liabilities	3,436,084	3,470,882	34,798	20,501	40,168	19,667
Net Position:						
Restricted for family & employment benefits	-	-	-	1,618,220	1,596,367	(21,853)
Unrestricted	(402,940)	(420,104)	(17,164)	-	-	-
Total net position	\$ (402,940)	\$ (420,104)	\$ (17,164)	\$ 1,618,220	\$ 1,596,367	\$ (21,853)

Fiscal Year 2021 Annual Comprehensive Financial Report

Changes in Proprietary Funds from Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022) (in thousands of dollars)

	Unemployment Compensation Trust Fund			Family and Employment Security Trust Fund		
	Advisory Board Draft (4/5/2022)	Current Draft (4/26/2022)	\$ Change	Advisory Board Draft (4/5/2022)	Current Draft (4/26/2022)	\$ Change
Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues:						
Unemployment compensation contributions	\$ 2,033,342	\$ 1,565,470	\$ (467,872)	\$ -	\$ -	\$ -
Family and employment security contribution	-	-	-	985,115	1,005,102	19,987
Miscellaneous	43,122	43,133	11	-	-	-
Total operating revenues	2,076,464	1,608,603	(467,861)	985,115	1,005,102	19,987
Operating expenses:						
Unemployment compensation	19,863,171	19,438,890	(424,281)	-	-	-
Family and employment security	-	-	-	194,520	236,361	41,841
Total operating expenses	19,863,171	19,438,890	(424,281)	194,520	236,361	41,841
Operating income/(loss)	(17,786,707)	(17,830,287)	(43,580)	790,595	768,741	(21,854)
Nonoperating revenues/(expenses):						
Other federal revenues	17,173,698	17,200,114	26,416	-	-	-
Investment income/(loss)	8,371	8,371	-	1,163	1,164	1
Transfers, net	-	-	-	(3,252)	(3,252)	-
Total nonoperating revenues/(expenses)	17,182,069	17,208,485	26,416	(2,089)	(2,088)	1
Change in net position	(604,638)	(621,802)	(17,164)	788,506	766,653	(21,853)
Total net position - beginning	201,698	201,698	-	829,714	829,714	-
Total net position - ending	\$ (402,940)	\$ (420,104)	\$ (17,164)	\$ 1,618,220	\$ 1,596,367	\$ (21,853)

Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR)

Changes in Proprietary Funds from Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022)

Business-type activities - Proprietary funds changes – ACFR page 52:

Unemployment Compensation Trust Fund (Fund 0630)

❑ Operating Revenue decreased by \$467.9 million:

▪ *Unemployment compensation contribution*

- Duplicate wait week tax revenue recorded decreased by \$406.7 million
- Workshare grant program revenue reported in the wrong category decreased by \$61.2 million
- Miscellaneous revenue reclass from Unemployment compensation contributions decreased by \$10K

▪ *Miscellaneous*

- Miscellaneous revenue reclass from Unemployment compensation contributions increased by \$10K

❑ Operating expenses decreased by \$424.3 million:

▪ *Unemployment compensation*

- Overdraft accounting adjustment (KPMG audit report 3.5 - page 12) decreased by \$362.9 million
- Overpayment accounts receivable net of allowance for uncollectibles decreased by \$26.6 million
- Bank returns net updated adjustment decreased by \$34.8 million - (KPMG audit report 3.6 - page 12) changed from \$117.4 million to \$152.2 million

❑ Nonoperating revenues (expenses) increased by \$26.4 million:

▪ *Other Federal Revenues*

- Workshare grant program revenue reported in the wrong category increased by \$61.2 million
- Bank returns net updated adjustment decreased by \$34.8 million - (KPMG audit report 3.6 - page 12) changed from \$117.4 million to \$152.2 million

Fiscal Year 2021 Annual Comprehensive Financial Report (ACFR)

Changes in Proprietary Funds from Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022)

Business-type activities - Proprietary funds changes – ACFR page 52:

Family and Employment Security Trust Fund (Fund 0631)

❑ Operating Revenue increased by \$20 million:

- *Family and employment security contribution*
 - PFML accounts receivable, net of allowance for uncollectibles increased by \$20 million

❑ Operating expenses increased by \$41.8 million:

- *Family and employment security*
 - PFML benefits expenses that should have been recorded in MMARS increased by \$7.2k
 - PFML additional accrued benefits payable increased by \$12.5 million
 - PFML Overpayments accounts receivable increased by \$22.1 million

❑ Nonoperating revenues (expenses):

- *No changes*

Fiscal Year 2021 Annual Comprehensive Financial Report

Changes in Proprietary Funds from Advisory Board Meeting (April 5th, 2022) to Current Draft (April 26th, 2022) (in thousands of dollars)

	Unemployment Compensation Trust Fund			Family and Employment Security Trust Fund		
	Advisory Board Draft (4/5/2022)	Current Draft (4/26/2022)	\$ Change	Advisory Board Draft (4/5/2022)	Current Draft (4/26/2022)	\$ Change
Statement of Cash Flows						
Cash Flows from Operating Activities:						
Collection of unemployment contributions	\$ 2,058,429	\$ 1,823,332	\$ (235,097)	\$ -	\$ -	\$ -
Collection of family and employment security contributions	-	-	-	936,281	958,454	22,173
Payments for unemployment benefits	(19,146,204)	(18,687,125)	459,079	-	-	-
Payments for family and employment security benefits	-	-	-	(193,153)	(215,327)	(22,174)
Other receipts/(payments)	43,122	43,133	11	-	-	-
Net cash provided by/(used in) operating activities	(17,044,653)	(16,820,660)	223,993	743,128	743,127	(1)
Cash Flows from Non-Capital Financing Activities:						
Grants and contracts	17,173,698	17,200,114	26,416	-	-	-
Net transfers in/(out)	-	-	-	(3,252)	(3,252)	-
Net cash provided by/(used in) noncapital financing activities	17,173,698	17,200,114	26,416	(3,252)	(3,252)	-
Cash Flows from Capital & Related Financing Activities:						
Proceeds from debt issuance	2,108,108	2,108,108	-	-	-	-
Net cash provided by/(used in) capital financing activities	2,108,108	2,108,108	-	-	-	-
Cash Flows from Investing Activities:						
Investment earnings	8,371	8,371	-	1,163	1,164	1
Net cash provided by/(used in) investing activities	8,371	8,371	-	1,163	1,164	1
Net increase/(decrease) in cash and cash equivalents	2,245,524	2,495,933	250,409	741,039	741,039	-
Cash and cash equivalents - beginning	218,632	218,632	-	601,548	601,548	-
Cash and cash equivalents - ending	\$ 2,464,156	\$ 2,714,565	\$ 250,409	\$ 1,342,587	\$ 1,342,587	\$ -
Reconciliation of net operating revenues & expenses to cash used by operating activities:						
Operating income/(loss)	\$ (17,786,707)	\$ (17,830,287)	\$ (43,580)	\$ 790,595	\$ 768,741	\$ (21,854)
Changes in assets and liabilities:						
Accounts receivable	86,475	59,882	(26,593)	(57,568)	(55,382)	2,186
Accounts payable	716,967	751,765	34,798	10,101	29,768	19,667
Other noncurrent assets	(61,388)	197,980	259,368	-	-	-
Net cash provided by/(used in) operating activities	\$ (17,044,653)	\$ (16,820,660)	\$ 223,993	\$ 743,128	\$ 743,127	\$ (1)

Fiscal Year 2021 Annual Comprehensive Financial Report

**Thank you!
Questions?**

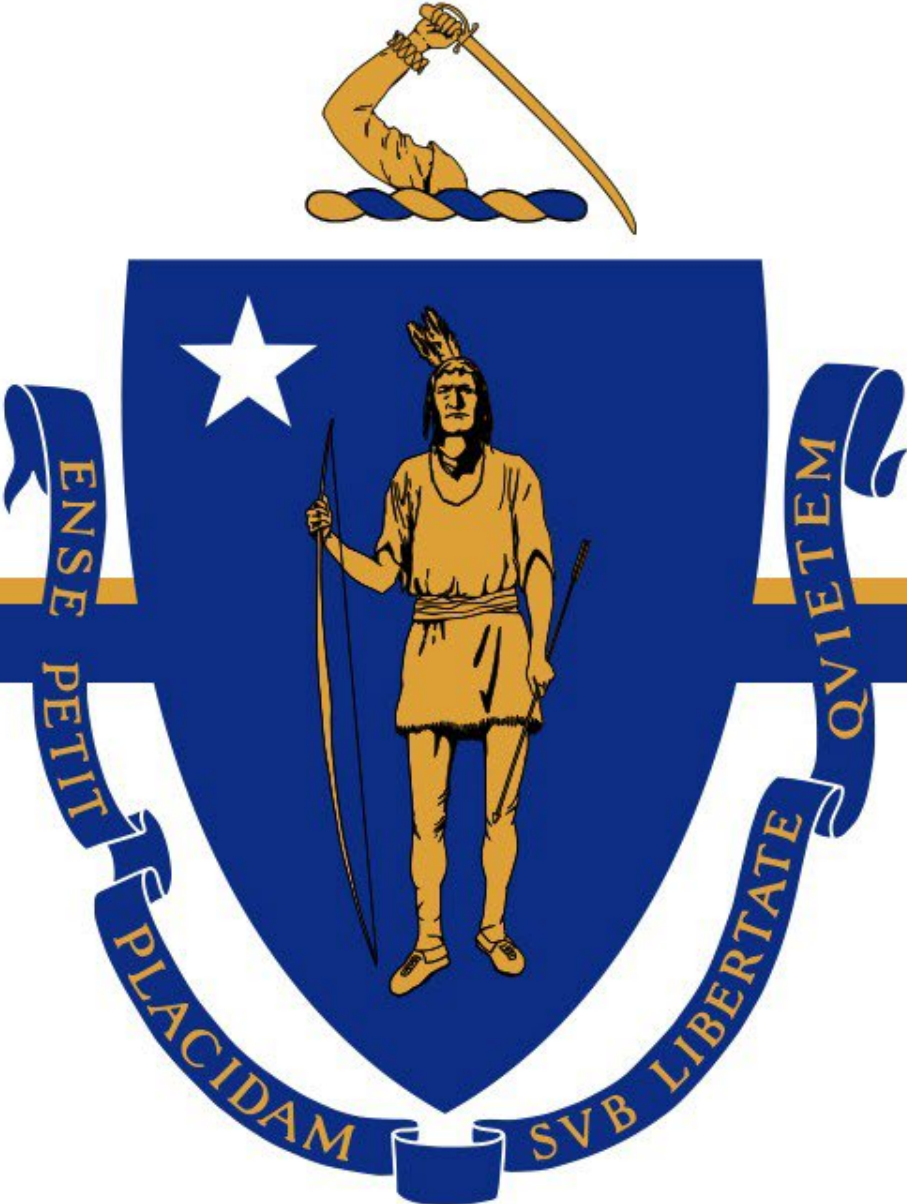
Pauline Lieu, Chief Financial Reporting Officer
pauline.lieu@mass.gov
617-973-2668

CLA Report to the Board

Chris Rogers
Managing Principal of Industry, CLA



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



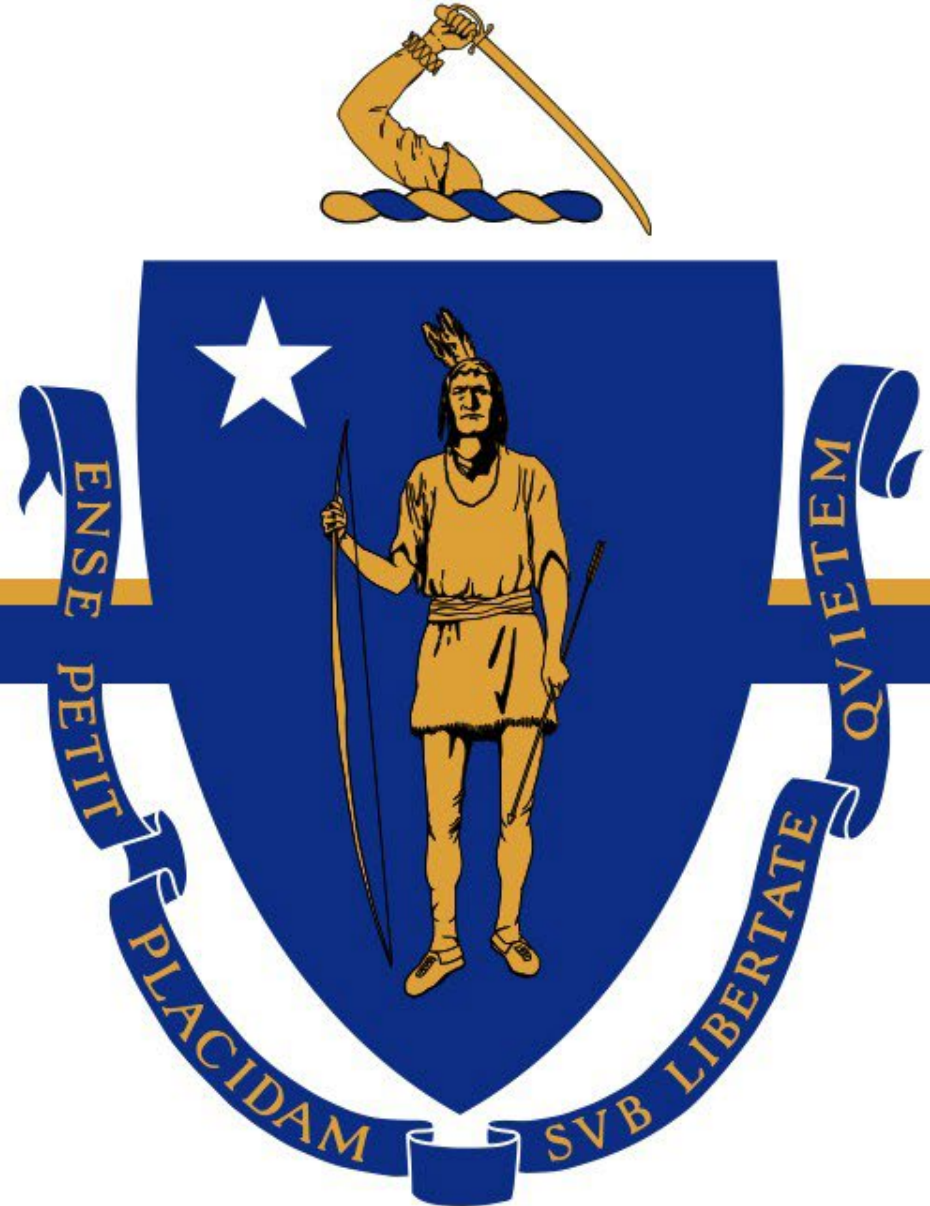
Items not reasonably anticipated by the chair

Michael Heffernan
Secretary

Executive Office for Administration and Finance



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



Next meeting

Michael Heffernan
Secretary
Executive Office for Administration and Finance



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS

