

Minutes of the Advisory Board to the Comptroller

Meeting Date: Friday, June 30, 2023
Time: 10:30 a.m.
Location: Virtually via ZOOM, consistent with Section 40 of Chapter 2 of the Acts of 2023.

MEMBERS AND OTHER ATTENDEES

Members Present

Matthew Gorzkowicz (Chair), Secretary for Administration and Finance
Meredith Barrieau (Designee), First Deputy Auditor, Office of the State Auditor
M. Patrick Moore, Jr. (Designee), First Assistant Attorney General, Office of the Attorney General
Kathleen McNamara (Designee), Internal Auditor, Office of the State Treasurer
Michael Esmond (Gubernatorial Appointment), Chief Financial Officer, Massachusetts Convention Center Authority

Members Absent

Thomas G. Ambrosino, Court Administrator of Massachusetts Trial Court
Natalie Monroe (Gubernatorial Appointment), First Assistant Inspector General, Office of the Inspector General

Office of the Comptroller Attendees

Tryntje Bumgardner, Assistant Comptroller for Payments and Payroll
David Godin, Single and Internal Audit Lead
Kristine Hill-Jones, Assistant Comptroller for Contracts, Vendors, and Non-Tax Revenue
Kristin Lacroix, Assistant Comptroller and Chief Accounting Officer
Pauline Lieu, Assistant Comptroller and Chief Financial Reporting Officer
William McNamara, Comptroller
Amy Nable, Assistant Comptroller and General Counsel
Darian Roberts, Records Access Officer/Legal Analyst
Michael Sangalang, Communications Manager
Peter Scavotto, Assistant Comptroller for Risk
Thomas Smith-Vaughn, Chief Operating Officer
Dara Valcour, Multimedia Producer
Katie Verma, Chief Process & Innovation Officer

CliftonLarsonAllen Attendees

Chris Rogers, Managing Principal of Industry

Shana Doiron, Single Audit Manager

Bill Early, Principal

AGENDA

1. CALL TO ORDER

1.1 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.

The Chair 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 one else identified themselves as recording the meeting.

1.2 Statement on Remote Participation

The Chair announced that on March 29, 2023, Governor Healey signed into law a supplemental budget bill which, among other things, extends certain temporary provisions pertaining to the Open Meeting Law until March 31, 2025. Specifically, this further extension allows public bodies to continue holding meetings remotely without a quorum of the public body physically present at a meeting location, and to provide "adequate, alternative" access to remote meetings. 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.

2. REMARKS FROM THE CHAIR

The Chair welcomed everyone to the meeting. The Chair noted that the focus of this meeting is on the Statewide Single Audit, which is the final step needed to complete the fiscal year ("FY") 2022 audit process. This covers the period of July 2021 – June 2022. The audit process for FY23, covering July 2022 – June 2023 is already underway. The Single Audit is

completed by independent agency CliftonLarsonAllen (“CLA”) with the cooperation of individual agencies across state government and CTR. The goal of every audit is to come out with no findings, but there will likely be some. At the Executive Office of Administration and Finance they take all reported findings very seriously and work with agencies, CTR, and federal partners to address them. They also work throughout the year to make sure that mitigation and remediations are in place to avoid repeat findings. As stated in the Single Audit Report, many of these actions are already underway for reported findings. The Chair turned the presentation over to Comptroller McNamara for remarks.

3. COMPTROLLER’S UPDATE / REVIEW OF THE SINGLE AUDIT PROCESS

The Comptroller provided background about the three major reporting requirements at CTR: the Statutory Basis Financial Report (“SBFR”); the Annual Comprehensive Financial Report (“ACFR”); and the Single Audit. The Single Audit is conducted by CLA and focuses on internal controls and compliance with federal program requirements. However, CTR plays an important role in the process of uniform guidance and the follow-up on corrective actions. The Comptroller then handed the presentation over to Assistant Comptroller Peter Scavotto to discuss the Single Audit more in-depth.

Mr. Scavotto stated that the Single Audit is filed with the federal government, and it includes the financial statement report, corrective plans, and a status of prior year findings. The Single Audit cycle has three components. The first is planning which IT systems will be audited, which begins near the end of the fiscal year in May or June. CLA selects what to audit based on systems that provide and support large numbers that go into the financial statements. CLA also selects departments with federal awards, based on federal requirements which determine what a “major program” is. CTR’s role is to alert any agency that will have an audit presence. CTR also engages with departments to focus on resolution of prior year issues. Fifteen FY21 issues were resolved and the total number of findings in FY22 is substantially lower than FY21. There were six material weaknesses and thirteen significant deficiencies, for a total of nineteen findings. This is nine less than the twenty-eight findings in FY21. Mr. Scavotto asked for questions and there were none. The Comptroller turned the presentation over to CLA.

4. CLA REPORT TO THE ADVISORY BOARD

CLA Principal Chris Rogers said that they would be reporting in this meeting on internal controls over financial reporting and on compliance and other matters based on an audit of financial statements performance in accordance with government auditing standards.

Last year, CLA reported two material weaknesses and four significant deficiencies in internal control over financial reporting. This year there is only one finding. It is a repeat material weakness finding related to the accounting and financial reporting, specifically the Unemployment Compensation Trust Fund. Unemployment is run off a delegated system. They input information into the Massachusetts Management Accounting and Reporting System (“MMARS”), and are responsible for reporting a GAAP package at the end of the year to CTR so that it can complete the ACFR. CLA found systemic accounting and reporting deficiencies that have resulted in untimely and inaccurate information. There is a lack of controls surrounding the cash benefits and the federal draw reconciliation. That resulted in a prior period adjustment of approximately \$1.9 billion and a liability amount due to the federal government of approximately \$2.49 billion. There are other issues, including certain transactions that were not recorded in MMARS until October 2022 and an unreconciled cash variance of approximately \$44 million. The initial GAAP package, which is due to CTR in September 2022, was not received until February 2023. Then there were many back-and-forth communications between CTR and Unemployment before it was sent to CLA. Finally, there was no standard daily process to draw down federal pandemic funds. Mr. Rogers then turned the presentation over to CLA Single Audit Manager Shana Doiron.

Ms. Doiron presented regarding the Single Audit. The Single Audit Report consists of six items:

1. Report on compliance for each major federal program;
2. Report on internal control over compliance;
3. Report on the Schedule of Expenditures of Federal Awards (“SEFA”) required by the Uniform Guidance;
4. SEFA;
5. Notes to the SEFA;

6. Schedule of Findings and Questioned Costs.

In FY22, the Commonwealth spent about \$32 billion in federal expenditures, a decrease of about \$10 billion from FY21. This is mostly due to the Commonwealth receiving less COVID-19 funding from the federal government. Mr. Doiron provided background on the eighteen major programs audited, which spanned over ten Commonwealth agencies. There were communications with many other agencies on top of these ten however, when items at audited agencies required reaching out to those agencies to get expenditure detail or other relevant information. Ms. Doiron provided a summary of their findings. Six resulted in qualified opinions due to the severity of the findings. A qualified opinion occurs when a department does not comply with specific requirements. Overall, there were six material weaknesses and thirteen significant deficiencies. Seven were repeat findings, although this was mostly due to the timing of the report because agencies did not have sufficient time last year to respond to findings. Eight audited programs had no findings. The final steps for finalizing the report are: obtaining management representation letters, providing final reports to CTR, and uploading the Data Collection Form submission to the Federal Audit Clearinghouse.

CLA Principal Bill Early provided some highlights from the Single Audit Report. First, there was a decrease in the number of findings compared to FY21. Second, some of the findings are related to the Federal Funding Accountability and Transparency Act, which has requirements that were added back after previously being taken away. Many states have findings because of this change, so Massachusetts is not an outlier and will likely improve next year. Overall, the Commonwealth is moving in the right direction. Mr. Early then turned the presentation over to the Comptroller. The Comptroller informed Board members and attendees that Single Audit draft information has been uploaded onto CTR's website. It will be replaced by the final report once it is ready, but no substantive differences are anticipated.

The Chair opened the floor for any questions for CLA. Mr. Esmond commended CLA and CTR for their work on the Single Audit report. The Comptroller thanked CLA for their work and partnership.

5. OUTLOOK FOR FISCAL YEAR 2023 REPORTING

The Comptroller provided an update on the outlook for FY23. He highlighted two new Government Accounting Standards Board (“GASB”) requirements that become active in FY23. The first is GASB 94, concerning public-private and public-public partnerships. The second is GASB 96, concerning subscription-based information technology arrangements. In the case of both GASB requirements, depending on the item, the obligation to pay and the nature of the public-private partnership must be reflected on the Commonwealth’s books. CTR is already working on both requirements. The process involves working closely with departments, leveraging the financial system, reviewing written contracts, records, and facilities, and partnering with experts to assess materiality and arrive at valuations. Mr. Esmond commented about the new GASB requirements and his appreciation for the difficult process behind implementing them. He reiterated the importance of partnering with experts in the process. The Comptroller asked for any other comments or questions about the GASB requirements. None were raised.

The Comptroller provided timing goals for the FY23 ACFR and Single Audit. FY22 was a particularly slow year in rolling out reports, but the work done during the past fiscal year has laid the foundation for a more timely delivery in FY23. He spoke about several items that will help with CTR’s timeliness and his hope that they will be completed earlier next year. These items include continuous improvement in CTR tools, processes, and communication; a rigorous approach to GASBs 94 and 96; strong engagements with off-MMARS entities; focusing on departments with new leadership or financial staff; and continued engagement on Unemployment controls and reporting. The Comptroller asked for any comments or questions regarding FY23 reporting. None were raised.

6. REVIEW AND APPROVAL OF MAY 31, 2023, ADVISORY BOARD MEETING MINUTES

On a motion by Mr. Esmond, seconded by Chair Gorzkowicz, the Board approved by roll call vote the May 31, 2023, Advisory Board meeting minutes.

- Secretary Gorzkowicz – yes
- Meredith Barrieau – yes

- Patrick Moore – yes
- Thomas Ambrosino – Not present.
- Kathleen McNamara – yes
- Michael Esmond – yes
- Natalie Monroe – Not present.

7. ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR

The Chair asked if there were any other items not reasonably anticipated by the Chair to be discussed. None were raised.

8. NEXT MEETING DATE

The Comptroller stated that the next Advisory Board meeting is anticipated to occur in late August or early September 2023. The next meeting will likely not cover any of the three major reports. It will cover updates on their status and timing. It will also cover operational updates within CTR, such as IT upgrades and changes. The Chair agreed with this proposal.

9. ADJOURNMENT

The Chair adjourned the meeting.