

Minutes of the Advisory Board to the Comptroller

Meeting Date: Wednesday, October 25, 2023
Time: 1:30 p.m.
Location: Virtually via ZOOM, and 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
Thomas G. Ambrosino, Court Administrator of Massachusetts Trial Court
Meredith Barrieau (Designee), First Deputy Auditor, Office of the State Auditor
Michael Esmond (Gubernatorial Appointment), Chief Financial Officer, Massachusetts Convention Center Authority
Kathleen McNamara (Designee), Internal Auditor, Office of the State Treasurer
Natalie Monroe (Gubernatorial Appointment), First Assistant Inspector General, Office of the Inspector General
M. Patrick Moore, Jr. (Designee), First Assistant Attorney General, Office of the Attorney General

Members Absent

None

Office of the Comptroller Attendees

Jessica Cogswell, Statewide Payments and Tax Reporting Manager
David Godin, Single and Internal Audit Lead
Kristine Hill-Jones, Assistant Comptroller for Contracts, Vendors, and Non-Tax Revenue
Kristin Lacroix, Assistant Comptroller/Chief Accounting Officer
Pauline Lieu, Assistant Comptroller/Chief Financial Reporting Officer
William McNamara, Comptroller of the Commonwealth
Howard Merkwowitz, Senior Advisor
Amy Nable, Assistant Comptroller/General Counsel
Rosemary Navarro, Executive Assistant to the Comptroller
Darian Roberts, Records Access Officer/Legal Analyst
Michael Sangalang, Chief Communications Officer
Peter Scavotto, Assistant Comptroller for Risk
Thomas Smith-Vaughn, Chief Operating Officer
Andrea Wadsworth, Chief Financial Officer

Clifton Larson Allen (CLA) Attendees

Chris Rogers, Managing Principal of Industry

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. Chris Lisinski from the State House News Service stated that he was also 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. REVIEW AND APPROVAL OF JUNE 30, 2023, ADVISORY BOARD MEETING MINUTES

On a motion by Michael Esmond, seconded by Natalie Monroe, the Board approved by roll call vote the June 30, 2023, Advisory Board meeting minutes.

- Secretary Gorzkowicz – Yes

- Thomas Ambrosino – Yes
- Meredith Barrieau – Yes
- Michael Esmond – Yes
- Kathleen McNamara – Yes
- Natalie Monroe – Yes
- Patrick Moore – Yes

3. REMARKS FROM THE ADVISORY BOARD CHAIR

The Chair welcomed the participants and observers to the meeting. He stated that this meeting was purposefully scheduled prior to the release of any fiscal year 2023 (“FY23”) reports to inform the Board about the financial reporting and audit process. It will provide an opportunity for broader information sharing and questions, and an opportunity to better understand how CTR produces the three key reports that this Board uses: the Statutory Basis Financial Report (“SBFR”); the Annual Comprehensive Financial Report (“ACFR”); and the Single Audit. This meeting also presents an opportunity to discuss the timing of the release of the SBFR, which is the first report due to be released. The timing of its release is delayed due to a delay in the passage of the FY23 closeout supplemental budget, which must pass before it can be completed. The Chair ended his opening remarks by thanking CTR, the State Auditor, and the Treasurer for their hard work closing out FY23.

4. OUTLOOK FOR FISCAL YEAR 2023 REPORTING

The Chair turned the presentation over to the Comptroller for remarks about the outlook for FY23 reporting. The Comptroller summarized the purpose of each of CTR’s three major reporting requirements: the SBFR; ACFR; and Single Audit. He mentioned that CTR produces many other smaller reports, but these three stand out and present the most comprehensive picture of the Commonwealth’s fiscal condition and operations.

The SBFR is required under Massachusetts state law and presents the annual state spending and fund balances in a way that corresponds closely to the State’s budgeting process. It

computes and certifies the annual budget balance and end of the fiscal year transfer to the Stabilization Fund. It is reviewed by the independent CPA firm CLA.

The ACFR is required under federal law and is a larger and more complex report than the SBFR. It is more comprehensive because it includes many entities that are absent or only minimally included in the SBFR. It must be completed by CTR and audited by CLA to ensure that it meets Generally Accepted Accounting Principles (GAAP), promulgated by the Governmental Accounting Standards Board (GASB).

The Single Audit is a different kind of reporting requirement from the SBFR and ACFR. The federal government requires the Single Audit process for all states, counties, and large cities. The Single Audit begins with a complete recap of the Schedule of Expenditure of Federal Awards (SEFA), which details the use of federal funds across the state. Every year, all larger programs and a few select smaller programs are chosen for a more in-depth audit. This audit is different from the ACFR, because the independent accounting firm CLA conducts the audit.

The Comptroller explained the timeline for each report. The fiscal year ends on June 30, which kicks off the reporting period, although the work begins before this date. The SBFR is due on October 31 under Massachusetts state law. The ACFR is due six months after the close of the fiscal year, per the GASB. The federal Single Audit is due nine months after the end of the fiscal year, per the Office of Management and Budget and the General Services Administration. Limited due date extensions are possible, but CTR's goal is to avoid using them if possible.

The Comptroller explained the accounting and reporting work timeline for each report. First, CTR works on "closing the books" in the State accounting system, MMARS, after the fiscal year ends and cannot complete this work until a final closeout supplemental budget is signed by the governor. This is because the closeout supplemental budget creates new accounting activity for transactions in the previous fiscal year that must be addressed before the books can be closed. CTR does not wait until the closeout supplemental budget is signed before beginning work on the three major reports. They begin building the SBFR and ACFR reports at the beginning of August. The different teams at CTR attempt to do as much work as possible building the reports so that they can be quickly completed after the books are closed on the fiscal

year. CLA also begins their Information Technology audits before the end of the fiscal year, leaving more time to begin financial auditing in July or August.

The Comptroller invited questions or comments. None were raised.

The Comptroller then reviewed key dependencies for the timing of each report's issuance. The SBFR requires about three to four weeks of additional work after the closeout supplemental budget is signed before it can be completed and issued. This time is required because CTR must address any new transactions and fund transfers, as well as potentially set up new funds created in the budget. CTR must then deliver the completed document to CLA for their review. Once these tasks are completed, the SBFR can be issued.

The ACFR has more factors that affect the timing of its issuance than the SCFR. CTR must receive timely delivery of accrual information by departments that use MMARS. CTR must wait for the issuance of audited financial statements from entities that are separately audited, such as the State Universities and Community Colleges, the MBTA, and others. CTR must also wait for the delivery of accurate financial statements by non-audited entities, such as Unemployment. After all this information is received, CTR must integrate it with the base provided by the SBFR, and draft the ACFR financial statements and accompanying schedules. Finally, CLA must have sufficient time to complete their audit.

The Comptroller provided an update on current reporting deadlines for FY23. The SBFR will miss its October 31 deadline. The timing of the closing supplemental budget is key. Given the three to four weeks of work required for accounting, report compilation, and audit, the best case is a mid-to-late November delivery, which may be further complicated by the Thanksgiving holiday.

CTR is currently monitoring and addressing risk factors for the ACFR based on the FY22 experience. They are specifically monitoring Unemployment because it was a major driver of the ACFR's delay last year. The FY23 Unemployment financials are not yet complete but are close to completion. The Department of Unemployment Assistance internal and consulting resources have been increased and are working to deliver on CTR's expectations. The MSCBA delivered its audited financials late in FY22. Based on that experience, CTR is monitoring all separately-

audited units for timely delivery and the next weeks will be determinative. CTR is also working through correctly addressing the new GASB requirements, 94 and 96.

There are no concerns about the Single Audit process at this time, but CTR will revisit based on the timing of the ACFR's issuance.

The Comptroller paused for questions or comments. None were raised. The Chair thanked the Comptroller for his presentation and the update on fiscal year reporting. The Chair then handed the presentation over to CTR Chief Operating Officer Thomas Smith-Vaughan for an overview of the office.

5. UPDATE ON THE OFFICE OF THE COMPTROLLER

Mr. Smith-Vaughan provided an overview of CTR and the eight major departments into which the office's 140 employees are divided: (1) Statewide Financial Reporting; (2) Statewide General Accounting; (3) Statewide Payroll; (4) Statewide Payments and Tax Reporting; (5) Statewide Contracts, Vendor Registration, and Non-Tax Revenue; (6) Enterprise Systems Services; (7) Statewide Risk Management; and (8) Executive and Administration.

The Statewide Financial Reporting team is led by Assistant Comptroller Pauline Lieu. They produce the financial reports of the Commonwealth, including the SBFR, ACFR, GASB reporting, and legislatively mandated reporting. They also manage the Commonwealth's relationship with the independent external auditor CLA and prepare information required for Commonwealth bond issuances.

The Statewide General Accounting team is led by Assistant Comptroller Kristin Lacroix. Their responsibilities include:

- Ensuring accuracy and integrity in the General Ledger.
- Overseeing the chart of account management in the accounting systems.
- Overseeing the annual accounts receivable process.
- Setting up funds in accordance with the General Appropriation Act and supplemental budgets.
- Executing transfers and other transactions.
- Setting up federal grant funds, accounting, and drawdown management.

The Statewide Payroll team is led by Assistant Comptroller Tryntje Bumgardner. Their responsibilities include:

- Conducting the bi-weekly payroll process, running about 90,000 paychecks every two weeks.
- Providing oversight to ensure that agencies timely, accurately, and properly code transactions in the statewide human resources system HR/CMS.
- Conducting quarterly HR/CMS payroll user group meetings.
- Monitoring payroll funding levels.

The Comptroller noted that these departments, and CTR as a whole, are a critical link between every agency and department across the Commonwealth. He noted that the relatively small teams at CTR provide key partnerships and resources across the state.

Mr. Smith-Vaughan then discussed CTR's Statewide Payments and Tax Reporting team, which is also led by Assistant Comptroller Bumgardner. Their responsibilities include:

- Providing forms W-2 and 1095-C to all Commonwealth employees.
- Providing forms 1099 to Commonwealth vendors.
- Administering the statewide procurement card program.
- Administering prompt payment discounts.
- Issuing tax reports to the Massachusetts Department of Revenue and the United States Internal Revenue Service.
- Coordinating statewide payments of settlements and judgments and the Liability Management Reduction Fund.

The Statewide Contracts, Vendor Registration, and Non-Tax Revenue team is led by Assistant Comptroller Kristine Hill-Jones. Their responsibilities include:

- Intake vendor forms W-9 and Electronic Funds Transfer Authorization Forms.
- Overseeing and processing Commonwealth contracts with state vendors.
- Overseeing and providing guidance on Interdepartmental Service Agreements.
- Managing statewide contracts for payment card processing, electronic revenue, and debt collection.

- Administering the Commonwealth Intercept Program.
- Providing oversight and review of departmental contracts within MMARS with a total value of more than \$500,000.
- The non-tax revenue team oversees the non-tax revenue enhancement, which includes billing for fees and fines, debt collection, and payment intercepts on behalf of all agencies.

The Statewide Risk Management team is led by Assistant Comptroller Peter Scavotto. They identify risks externally for state agencies and internally for CTR. Their responsibilities include:

- Publishing the Internal Control Guide to state agencies.
- Working with department security officers to manage access to Enterprise Systems, in partnership with the Executive Office of Technology Services and Security.
- Coordinating emergency response to cyber breaches at departments.
- Providing cybersecurity awareness across state government.
- Coordinating the statewide Single Audit.

The Enterprise Systems Services team is led by Assistant Comptroller Peter Murphy. They maintain and operationally support MMARS, HR/CMS, and other related enterprise applications. They also manage the electronic interface to agencies statewide, which automates thousands of payments to residents in social safety net programs. They also help CTR provide public fiscal transparency by managing the CTHRU platform with old data and providing a roadmap for new data.

The Executive and Administration team is divided into several small teams led by Chief Operating Officer Thomas Smith-Vaughan:

- Finance;
- Operations;
- Human Resources;

- Learning and Development, who provide standard and customized statewide training to Commonwealth employees and internally to CTR employees;
- Communications, who manage CTR's external and internal web presence, including social media accounts;
- Solution Desk, who provides customer support via Service Now to Commonwealth employees, system users, Commonwealth vendors, and the general public.

The Legal Team is led by General Counsel Amy Nable, who reports directly to the Comptroller. She supports all teams, advises CTR management internally, and is a resource for other agency counsel across state government regarding state finance law and CTR policies and procedures.

The Executive and Administration team also centrally manages and administers updates to CTR's issued forms to ensure compatibility with Commonwealth e-signature tools, such as DocuSign and Adobe Sign. They also support CTR compliance as an agency, for items such as record retention, public records request responses, and internal controls.

Mr. Smith-Vaugh highlighted some key relationships that CTR has with other state agencies, CLA, and the Governor's Council.

Mr. Smith-Vaughan asked for any questions or comments. Board member Natalie Monroe thanked Mr. Smith-Vaughan for the overview because it was the first comprehensive overview she has had as a Board member, and it was really helpful. She advised that the overview should be given again for future Board members. Mr. Smith-Vaughan and the Comptroller commented that, in the future, they hope to share more about CTR's visions for new technologies tools that they are looking to develop and deploy. The Comptroller also stated that they will share more in the future about how CTR is improving organizational capabilities, retaining their employees, and becoming more efficient at internal processes. The Chair commented that the Board looks forward to hearing more CTR updates and thanked Mr. Smith-Vaughn for his presentation.

6. ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR

The Chair asked if there were any other items not reasonably anticipated by the Board to discuss. No items were presented.

7. TIMING OUTLOOK FOR NEXT MEETING

The Chair stated that there is not a set time for the next Advisory Board meeting. He advised the Board to stay tuned based on the timing of financial reporting. The Chair asked if the Comptroller had any further remarks before adjournment. The Comptroller advised that the next Advisory Board meeting will be scheduled around legislative action on the closing supplemental budget.

9. MEETING ADJOURNMENT

The Chair adjourned the meeting.