

Minutes of the Advisory Board to the Comptroller

Meeting Date: Tuesday, April 28, 2026
Time: 12:30 p.m.
Location: Virtually via ZOOM, consistent with Chapter 2 of the Acts of 2025.

ADVISORY BOARD MEMBERS PRESENT

Members Present

Matthew Gorzkowicz (Chair), Secretary for Administration and Finance
Georgette Beauchamp (Designee), First Deputy State Auditor, Office of the State Auditor
Kathleen McNamara (Designee), Director of Internal Audit, Office of the State Treasurer
Alex Flannery (Designee), Budget Director, Office of the Attorney General
Thomas G. Ambrosino, Court Administrator of Massachusetts Trial Court
Natalie Monroe (Gubernatorial Appointment)

ADVISORY BOARD MEMBERS ABSENT

Michael Esmond (Gubernatorial Appointment), Director of Municipal Finance, Town of Braintree

OFFICE OF THE COMPTROLLER PARTICIPANTS

William McNamara, Comptroller
Pauline Lieu, Assistant Comptroller / Chief Financial Reporting Officer
Howard Merkwowitz, Senior Advisor
Amy Nable, General Counsel / Assistant Comptroller

CLIFTONLARSONALLEN (CLA) PARTICIPANTS

Chris Rogers, CPA, Managing Principal of Industry
Mathew Goulet, CPA, Audit Manager

AGENDA

1. ADMINISTRATIVE MATTERS

(a) Call to Order

The Chair called the meeting to order.

(b) Statement on Remote Participation

The Chair announced that this meeting was being held remotely in accordance with the Open Meeting Law. All members of the Advisory Board and members of the public participated remotely in the meeting. Because members of the Board participated remotely, votes were taken by roll call.

(c) Notice of Recording

The Chair announced that, pursuant to the Commonwealth's Open Meeting Law, 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 identified themselves.

2. REVIEW AND APPROVAL OF JANUARY 26, 2026, ADVISORY BOARD MEETING MINUTES

On a motion by Ms. Monroe, seconded by Mr. Ambrosino, the Board approved by roll call vote the January 26, 2025, Advisory Board meeting minutes.

- Secretary Gorzkowicz – Yes
- Georgette Beauchamp – Yes
- Kathleen McNamara – Yes
- Alex Flannery – Yee
- Thomas Ambrosino – Yes
- Natalie Monroe – Yes
- Michael Esmond - Absent

3. REMARKS FROM THE CHAIR OF THE ADVISORY BOARD

The Chair welcomed participants and observers to the meeting, including First Deputy State Auditor Georgette Beauchamp, who is the new designee for the Auditor, and Budget Director for the Office of the Attorney General, Alex Flannery, who was attending this meeting as designee for the Attorney General. The Chair stated that the purpose of this meeting was to review the fiscal year (FY) 2025 Annual Comprehensive Financial Report (ACFR). CTR is responsible for completing the ACFR based on financial information received from Commonwealth agencies. The ACFR is audited by an independent CPA firm, CliftonLarsonAllen (CLA), to ensure that it is a fair representation of the Commonwealth's financial results. The FY25 ACFR is being released earlier than it has been compared to past years, which is important because this timeframe is something that ratings agencies pay close attention to.

The Chair reminded the Board that this meeting is meant to provide members with an opportunity to review and ask questions about the ACFR, but no votes by the Board are necessary to approve it. The Chair turned the presentation over to the Comptroller.

4. UPDATES ON THE OFFICE OF THE COMPTROLLER AND REPORTING PROCESS OVERVIEW

The Comptroller thanked participants and observers for their attendance. He provided an update regarding the new state accounting system, Mosaic, which went live at the end of February. The update to Mosaic involved more than six years of planning and more than four years of intensive statewide effort. The final months of preparation required thousands of IT and business work hours for BEST program personnel and CGI, the Commonwealth's partner in the project, training thousands of MMARS users on the new system, building hundreds of how-to videos, job aids, website announcements, and other support materials. It also required activating a fully-staffed Mosaic Go-Live Help Desk to resolve user questions, performing data transformation and cleansing on vast amounts of required financial data, and identification of functionality that could safely be delivered after launching the new system.

The Comptroller said that the Mosaic go-live was highly successful. Mosaic opened with more than three years of financial data and history at the most detailed level (budgets, revenues,

encumbrances, vendors, payment histories, etc.) in place and ready for department use. The cutover from MMARS to Mosaic required a down week in the state accounting system, but there was no interruption of vital payments and transfers. The Commonwealth experienced none of the common implementation nightmares that other states have experienced when transitioning to new accounting systems, such as last-minute delays, missing data, or extended downtimes. There are still ongoing adjustments to roles and authorizations, transaction workflows, and other items. CTR is also managing a downstream data issue that has been partially resolved, involving data availability to departments and on CTR's public transparency platforms.

The Comptroller thanked the thousands of individuals that contributed to the project, including statewide contributors from the BEST project team, CGI, EOTSS, the Office of the Treasurer, agency leaders, financial professionals, and IT experts in more than 175 agencies. He also thanked executive support from Secretary Gorzkowicz, Secretary Snyder at ETOSS, and the Office of the Governor.

The Comptroller said that the BEST project will now mostly shift focus to Phase II, which will be updating the Commonwealth's payroll and human capital systems. Chief Human Resources Office Melissa Pullin has joined as an Executive sponsor. Workday has been selected the software vendor partner, while Accenture has been selected as the implementation vendor partner. Large scale work on this phase of the project has already begun.

The Comptroller then reviewed the three major reporting requirements that CTR is responsible for: the Statutory Basis Financial Report (SBFR), the ACFR, and the Single Audit. He reiterated that the focus of today's meeting is the ACFR.

The Comptroller turned the presentation over to CTR Assistant Comptroller / Chief Financial Reporting Officer Pauline Lieu and CTR Senior Advisor Howard Merkowitz.

5. REVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

Mr. Merkowitz provided a review of the FY25 SBFR, ACFR, and Single Audit. The SBFR was issued on January 28, 2026, and it showed that FY25 ended with a budgetary fund balance of \$14.020 billion, a consolidated net surplus of \$0, indicating a balanced budget, and that the Stabilization ("rainy day") Fund ended the fiscal year with a balance of \$8.111 billion, a

decrease of \$413 million due to a transfer of two years worth of interest earnings to a federal grant matching fund and federal grant debt reduction fund. About half of this transfer was a FY24 transaction that was recorded in FY25.

Mr. Merkowitz said that the FY25 ACFR has been completed and CLA has concluded its audit and delivered the Independent Auditor's Report. After the Advisory Board review concludes, CTR expects to issue the ACFR in the next few days. The ACFR will be submitted to the Government Finance Officers Association for review as part of the Certificate of Achievement for Excellence in Financial Reporting Program. Mr. Merkowitz noted that basic financial statements are presented on two bases of accounting under the Generally Accepted Accounting Principles (GAAP), as defined by the Governmental Accounting Standards Board (GASB): (1) fund perspective; and (2) government-wide perspective. The purpose of the ACFR fund perspective is to measure the government's ability to meet obligations from currently available resources. It uses a "modified accrual" basis of accounting, in accordance with GAAP, and includes short-term accruals. It does not incorporate long-term accruals, such as debt or capital assets, depreciation, or pension and other post-employment benefits (OPEB) liabilities. The ACFR government-wide perspective treats governments according to accounting rules similar to private business accounting. It includes business-type activities, such as Unemployment Insurance, Paid Family and Medical Leave, and the institutions of higher education, within the Commonwealth's net position. It provides full accrual accounting for long-term assets and liabilities and includes component units that have a close relationship to the Commonwealth but are not part of the "primary government" as defined by GASB, such as MassDOT and the MBTA.

Mr. Merkowitz explained that GASB Statements Nos. 68 and 75 changed the requirements for reporting pension and OPEB liabilities for governmental entities. They require the presentation of the net pension and net OPEB liabilities on the government-wide Statement of Net Position. For reporting purposes, GASB allows for these liabilities to be presented using a measurement date that is a year prior to the fiscal year end date. For FY25, these liabilities are measured as of June 30, 2024. For FY25, the Commonwealth's net pension liability on a government-wide basis was approximately \$36.272 billion (net of deferrals) and the net OPEB

liability was approximately \$15.711 billion (net of deferrals), a decline in the liability of \$1.879 billion.

Ms. Lieu then reviewed specific findings of the FY25 ACFR. From a fund perspective basis, there were \$34.776 billion in total assets, \$12.605 billion in total liabilities and deferred inflows, \$106.613 billion in total revenues and other financing sources, \$107.990 billion in total expenditures and other financing uses, and a fund balance of \$22.170 billion at the end of the fiscal year. From a government-wide perspective, the primary government currently has a \$61.151 billion net position deficit due to a few factors: (1) unfunded pension liability of \$36.272 billion (net of deferrals); (2) unfunded retiree health benefits (OPEB) of \$15.711 billion (net of deferrals); (3) School Building Authority debt and grants payable of \$5.773 billion; and (4) \$3.395 billion for Commonwealth debt for road and bridge assets owed by MassDOT and for capital grants and expenditures for state authorities and cities and towns.

Ms. Lieu informed the Board about two new GASB standards that were implemented in FY25. First, was GASB Statement No. 101, Compensated Absences, which updated the recognition and measurement guidance for compensated absences. This statement has no impact on the previously reported net position for governmental activities, as reporting was already in conformance with the new standard. However, there was an impact on the previously reported net position for business-type activities and discretely presented component units. For more information about this impact, Ms. Lieu recommended reviewing page 82 of the ACFR. The second new standard is GASB Statement No. 102, Certain Risk Disclosures, which is intended to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This required additional explanation in the footnotes to the financial statements but had no impact on the statements themselves.

Ms. Lieu informed the Board about three new GASB standards that will be implemented in FY26 and FY27. First, in FY26, is Statement No. 103, Financial Reporting Model Improvements. This standard updates the financial reporting model for the management discussion and analysis and information presented for the proprietary funds and component units. Second, in FY26, is Statement No. 104, Disclosure of Certain Capital Assets. This standard

requires capital assets to be broken out in more detail in the capital assets footnote. The final new standard, which will be implemented in FY27, is Statement No. 105, Subsequent Events. This standard clarifies the type of events that should be disclosed in the financial statement footnotes to provide consistency and comparability of the ACFR across issuers.

Ms. Lieu then turned the presentation over to the Comptroller. The Comptroller discussed the new GASB requirements, then turned the presentation over to CLA representatives Chris Rodgers and Mathew Goulet.

6. CLIFTONLARSONALLEN (CLA) REPORT TO THE BOARD

Mr. Rogers thanked those involved for their work on the ACFR and introduced Mr. Goulet, who oversees and manages the audit of the ACFR at CLA.

Mr. Goulet provided an overview of CLA's presentation, including audit objectives, scope and process, significant risks and GASB implementations, procedures performed, audit opinions and required communications, and engagement finalization. Mr. Goulet provided an overview of CLA's ACFR audit objectives. First, they will express their opinion on the financial statements by obtaining reasonable assurance about whether the financial statements are free from material misstatement and presented fairly in accordance with GAAP. CLA does not perform a forensic audit, they only look to obtain reasonable assurances. CLA does not provide an opinion or assurance on required supplementary information. Second, they will communicate significant audit matters required per Generally Accepted Auditing Standards/governance communication and communicate other matters to management through a management letter.

Mr. Goulet discussed the scope of CLA's ACFR audit. First, it covers governmental funds and activities. This includes the General Fund, the Lottery's long-term investments, annuity contracts and the related prizes payable, the Federal Grants Fund, and other governmental funds. Second, it covers proprietary funds and business-type activities. This includes the Unemployment Compensation Trust Fund and the Family Employment Security Trust Fund. Third, it covers fiduciary funds. This includes pension and OPEB trust funds, private purpose trust funds, and custodial funds. Finally, it covers aggregate, discreetly presented component units. There are several entities that are included in the ACFR but are audited by

other auditors. These include the Massachusetts School Building Authority, the Lottery (excluding long-term investments, annuity contracts, and the related prizes payable), state universities, community colleges (except Roxbury Community College), external investment trust funds, and discretely presented component units, with a few exceptions. CLA relies on the opinions of these other auditors for these activities while maintaining communication with them.

Mr. Goulet explained that CLA takes a risk-based approach to their audit process. This includes internal controls (IT and financial), significant investments, taxes and other receivables, capital assets, revenue recognition, cash and investments, accounts payable, and debt and other long-term liabilities.

Mr. Goulet discussed how significant risks and GASB implementations are built into their audit. Significant risks include management override of controls, improper revenue recognition, decentralized operation, financial close and reporting, and valuations of net pension and OPEB liabilities. GASB implementation involved reviewing implementation of GASB Statements No. 101 and 102.

Mr. Goulet outlined the procedures performed by CLA during their audit. These include risk assessment and internal controls, including analytical procedures, inquiries of management, document inspection, and process observation. Risk assessment helps CLA identify significant transaction classes that the Commonwealth is involved with test controls. Procedures also include substantive testing, including tracing and vouching information presented, recalculation, confirmation, analytical procedures, and third-party specialist actuary testing.

Mr. Goulet stated that this year there will again be an unmodified opinion of the ACFR, which is the best option available, with one “emphasis of matter” paragraph addressing implementation of GASB Statement No. 101. The opinion is dated April 23, 2026.

Mr. Goulet discussed governance communications. Overall, there are significant accounting policies discussed in Note 1 (management’s responsibility). CLA did not identify any transactions that lacked authoritative guidance. All significant transactions are included in the financial statements in the proper period and financial statements are neutral, consistent, and clear. Estimates include net pension and OPEB, worker’s compensation liability, Group

Insurance Commission's incurred but not reported liability, and environmental remediation liability. Difficulties encountered during the audit included:

- Final supplemental budget not signed until November 25, 2025;
- Massachusetts Department of Transportation audited financial statements were not received until April 2026; and
- Roxbury Community College and its related foundation's audited financial statements were not received prior to the Commonwealth's ACFR issuance.

There were no corrected or uncorrected misstatements, no disagreements with management, other than issues with Roxbury Community College and MassDOT, and there was a significant deficiency in internal control over financial reporting for unemployment included in the GAS report on internal control over financial reporting and compliance, which is a repeat finding.

Mr. Goulet then turned the presentation over to the Chair.

7. BOARD DISCUSSION OF THE ACFR

The Chair asked Board members if they had any questions or discussion items regarding the ACFR? Ms. Monroe thanked CTR and CLA for the presentations and their work on the ACFR. No other questions or discussion items were raised.

8. STEPS TO ISSUANCE OF THE ACFR

The Comptroller discussed the timing of next steps for issuance of the ACFR, noting that the process was the same as in past years. He said the target for issuance of the ACFR was end of day on April 30.

9. TIMING OUTLOOK FOR NEXT ADVISORY BOARD MEETING

The Comptroller stated that the next Advisory Board meeting will focus on the Single Audit. The target date for the next meeting is no later than May 21, 2026.

10. OFFICE OF THE COMPTROLLER REGULATIONS REVIEW, PURSUANT TO M.G.L. C. 7A, § 15

Ms. Nable said that, under its enabling act, CTR may promulgate regulations, subject to prior review by the Advisory Board. There is no requirement of approval by the Board, only a requirement that it be given a chance to review and comment on regulations before they are finalized. This statute is unusual because it also exempts CTR from the typical regulatory procedures required by Chapter 30A, such as notice, a hearing, and a public comment period. Secretary Galvin's office confirmed this exemption, but suggested that final regulations be published in the Register, so everyone has notice of the changes, which is what the office intends to do.

Ms. Nable said the proposed revisions to CTR regulations will be broken up into two phases. The first phase, for review at this meeting, includes: (1) replacement of all instances of "MMARS" with "Mosaic" when it appears in any CTR regulation; and (2) repealing 815 CMR 3.00 (Ready payment system), because this system is no longer in use, thus the regulation is no longer required. The second phase, for discussion at future meetings, will be a more comprehensive review and revision of individual CTR regulations. Ms. Nable asked if there were any questions regarding the proposed revisions? None were raised. Ms. Nable stated that CTR will move forward with the revisions and repeal of 815 CMS 3.00, now that the Board has had an opportunity to review.

11. ITEMS NOT REASONABLY ANTICIPATED BY THE CHAIR

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

12. MEETING ADJOURNMENT

The Chair adjourned the meeting.