



Commonwealth of Massachusetts

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THOMAS G. SHACK III, ESQ.
COMPTROLLER

October 31, 2017

His Excellency Charles D. Baker
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

Secretary Michael Heffernan
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Chairman Jeffrey Sanchez
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Chairwoman Karen Spilka
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

Mr. William Welch
Senate Clerk
State House, Room 335
Boston, MA 02133

Mr. Steve James
House Clerk
State House, Room 145
Boston, MA 02133

Re: Delayed FY17 Statutory Basis Financial Report (SBFR) Filing Due to Late Supplemental Appropriation Act

Dear Governor Baker, Chairs Sanchez and Spilka, Secretary Heffernan, Mr. Welch and Mr. James:

I am filing this status report in light of the absence of a final FY17 Supplemental Appropriation Act as of this date, and the fact that the Governor legislatively has up to ten (10) days to sign the Supplemental bill upon submission by the Legislature.

As Comptroller of the Commonwealth, pursuant to M.G.L. c.7A, my primary obligation is to protect the integrity of Commonwealth financial administration and reporting. I am also obligated under c. 7A, s. 12 to file the Statutory Basis Financial Report (SBFR) by October 31st annually. Additionally, under M.G.L. c. 29, s. 5C, I am required to certify and report the Consolidated Net Surplus (CNS) at the same time as the SBFR is issued. As you know, the CNS determines if the budget is balanced and if there is any amount transferred to the Stabilization Fund at the close of FY17.

In order to meet these deadlines, my Office must first close the FY 2017 books. The delayed enactment of the final FY17 Supplemental Appropriation Act has created an inherent dilemma.

To the extent that the late filing and enactment of the FY17 Supplemental conflicts with filing deadlines, I am compelled to choose completeness over filing expediency in light of the fact that without a final FY Supplemental I am unable to close the FY17 books; therefore, the issuance of the SBFR as of October 31, 2017 will be delayed. The extent of the delay in filing is dependent on when the final Supplemental legislation is enacted. My intention is to close the books for FY 2017 upon enactment (i.e., the Governor's signature) of the final FY17 Supplemental Appropriation Act. My Office will implement the requisite transactions in the state accounting system, record those transactions in the Commonwealth's Statutory Basis Financial Report (SBFR), finalize and submit the SBFR for review to our external auditors, who require adequate time to review the SBFR, and file the SBFR pursuant to M.G.L. c.7A. We will also certify and report the CNS pursuant to c. 29, s. 5C at that time. As the FY2017 books will be closed upon the Governor's signing of the final FY17 Supplemental Appropriations Act, any additional fiscal actions by the Legislature pertaining to FY17 (such as veto overrides of FY17 appropriations or prior appropriations continued "PACs") will be recorded as FY18 fiscal activity.

As I noted in a similar status report with the enactment of the FY2015 final Supplemental Appropriations Act on November 2, 2015 delayed the issuance of the FY15 SBFR until November 11 of that year, the October 31st SBFR filing deadline contemplates that all activity in a fiscal year will be completed at the end of the Accounts Payable (AP) and Accounts Receivable (AR) periods on August 31¹ and will be recorded in the Commonwealth's financial system at that time, with any necessary adjustments made soon afterwards. The two months between August 31 and October 31 are then needed for preparation of financial statements and the SBFR document, noting that this 60 day period is necessary for completion of reporting, reconciliation and independent auditor review of the statements, including the CNS. The issued SBFR then serves as the basis for the FY17 Comprehensive Annual Financial Report (CAFR) required pursuant to M.G.L. c. 7A, s.12, and it is difficult to complete the CAFR in a timely manner if the SBFR deadline is not met.

Final fiscal year-end supplemental appropriations bill enactment has trended late in recent years. In the past twelve years alone, enactment has been late ten times.² This is a troubling pattern and puts the accuracy and integrity of the Commonwealth's accounting and audit responsibilities at risk when compressed against strict statutory filing deadlines.

Late fiscal year enactment also has potential downstream effects, with the likelihood and severity of those effects increasing the later final supplemental legislation is enacted. Not only does it prevent the Comptroller's Office from meeting the SBFR statutory filing deadlines, but as noted above, also delays the preparation, external auditor review, and issuance of the Commonwealth's GAAP-based CAFR. This delay may prevent the Commonwealth from

¹ Despite the fact that the fiscal year for the Commonwealth ends annually on June 30, the AP and AR periods provide for the final reconciliation of outstanding invoices for goods and services provided to the Commonwealth and certain reimbursements received for payments made within the ended fiscal year, in this case FY17.

² See attached a listing of historical fiscal year-end supplemental enactment dates.

meeting the December 31, 2017 CAFR filing deadline to qualify for the Governmental Finance Officers Association (GFOA) Certificate of Excellence in Financial Reporting and the CAFR statutory filing deadline of the second Wednesday in January - both of which are of known interest to rating agencies and the investment community. I am required to close the books on FY2017 in order to issue the SBFR and CAFR, and maintain the Commonwealth's good standing with the GFOA, rating agencies, and investment community.

While I appreciate that legislative development is challenging this year, I strongly recommend that the necessary actions to enact the final FY17 Supplemental Appropriation Act be taken as soon as possible to enable enactment and the completion of the required SBFR and CNS and in turn, the CAFR.

Sincerely,

Jeffrey S. Shapiro, Esq.
Acting Comptroller of the Commonwealth

Commonwealth of Massachusetts
Year-end Supplemental Appropriations Bill Enactment Dates

| FY | Chapter | Enacted |
|-----------|----------------|--------------------|
| 1995 | Ch 120 | August 24, 1995 |
| 1996 | Ch 365 | August 10, 1996 |
| 1997 | Ch 88 | August 29, 1997 |
| 1998 | Ch 319 | September 03, 1998 |
| 1999 | Ch 68 | September 02, 1999 |
| 2000 | Ch 236 | August 11, 2000 |
| 2001 | Ch 88 | September 21, 2001 |
| 2002 | Ch 300 | August 30, 2002 |
| 2003 | Ch 55 | August 21, 2003 |
| 2004 | Ch 352 | September 17, 2004 |
| 2005 | Ch 106 | September 30, 2005 |
| 2006 | Ch 310 | October 06, 2006 |
| 2007 | Ch 140 | October 18, 2007 |
| 2008 | Ch 302 | August 08, 2008 |
| 2009 | Ch 120 | October 29, 2009 |
| 2010 | Ch 359 | October 15, 2010 |
| 2011 | Ch 142 | October 27, 2011 |
| 2012 | Ch 239 | August 07, 2012 |
| 2013 | Ch 118 | October 24, 2013 |
| 2014 | Ch 359 | October 31, 2014 |
| 2015 | Ch 119 | November 2, 2015 |
| 2016 | Ch 283 | October 6, 2016 |
| 2017 | Ch xxx | XXXX x, 2017 |