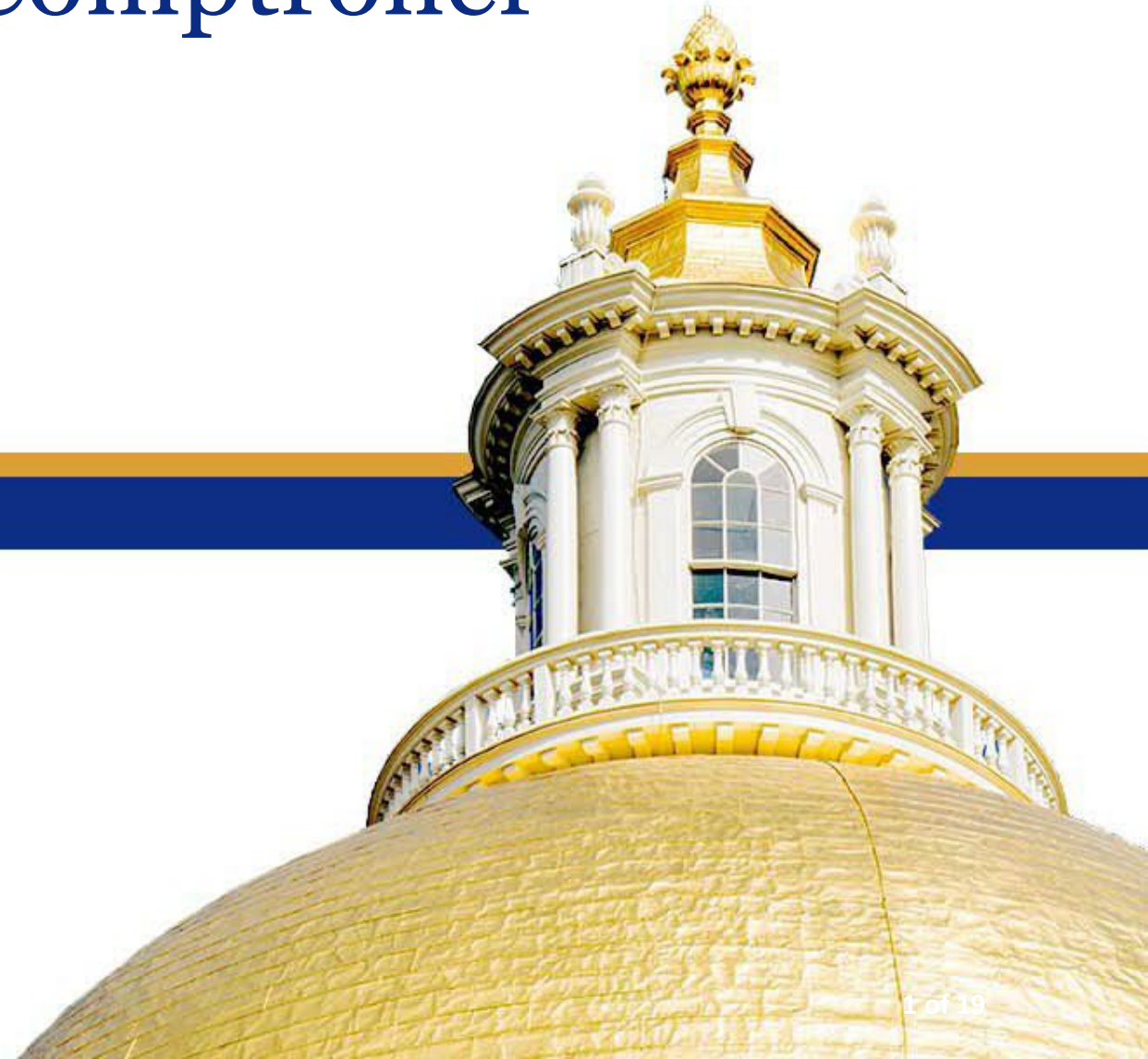


Meeting of the Advisory Board to the Comptroller

July 11, 2024



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



Advisory Board to the Comptroller

Statutory Members

- ★ **Matthew Gorzkowicz**, Secretary of Administration and Finance (Chair)
- ★ **Diana DiZoglio**, State Auditor
Designee: Meredith K. Barrieau, First Deputy Auditor
- ★ **Deborah B. Goldberg**, Treasurer and Receiver General
Designee: Kathleen McNamara, Internal Auditor
- ★ **Andrea Joy Campbell**, Attorney General
Designee: M. Patrick Moore, Jr., First Assistant Attorney General
- ★ **Thomas G. Ambrosino**, Court Administrator of Massachusetts Trial Court

Appointed Members

- ★ **Michael Esmond**, Director of Municipal Finance, Town of Braintree
- ★ **Natalie Monroe**, Chief Administrative Magistrate, Division of Administrative Law Appeals

Agenda

- I. Administrative matters: Call to Order, Authorization for Remote Meeting, Notice of Recording**
Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance
- II. Review and approval of the May 31, 2024 Advisory Board meeting minutes**
Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance
- III. Remarks from the Chair of the Advisory Board**
Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance
- IV. Comptroller's Update & Review of the Single Audit Process**
William McNamara, Comptroller of the Commonwealth / Peter Scavotto, Assistant Comptroller
- V. CliftonLarsonAllen (CLA) Report on the Single Audit**
- VI. Office of the Comptroller Single audit follow-up plan**
William McNamara, Comptroller
- VII. Items not reasonably anticipated by the Chair**
Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance
- VIII. Next meeting**
Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance
- IX. Adjournment**

Meeting Information

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.

Meeting:	Advisory Board to the Comptroller
Date:	July 11, 2024
Time:	10:30am
Format:	Meeting will be held virtually on Zoom
URL to join online:	https://macomptroller.zoom.us/j/89188722331?pwd=DjNZZaBtMBqNXoG6nOXTEmbSZAurS.1
Meeting ID:	891 8872 2331
Passcode:	441516
Dial-in (alternative to Zoom)	(929) 205-6099

Agenda Item I
Call to Order,
Authorization for Remote Meeting,
Notice of Recording

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item II

Review and approval of minutes

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item III

Remarks from the Chair of the Advisory Board

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item IV

Comptroller's Update & Review of the Single Audit Process

William McNamara, Comptroller of the Commonwealth
Peter Scavotto, Assistant Comptroller

Comptroller's Update

★ Office of the Comptroller

- Personnel:
 - CTR Senior Management had no turnover in FY2024; added new CFO
 - The “next level” Leadership Team has experienced moderate turnover due to retirements and departures
 - For positions at all levels, we have attracted high-quality backfills. Strong mix of promotions, transfers, and new hires from within state service and externally.
- Operational: Moving to “hoteling” versus assigned workspaces for all employees

★ BEST

- Phase 1 (Financials / replacement of MMARS) is in progress toward July 1, 2025 “go-live”
- Phase 2 (Payroll & Human Capital) procurement moves to RFR in the coming days
- Secretary Gorzkowicz, Secretary Snyder, and Comptroller are the Sponsors overseeing this statewide effort

Single Audit Process: broader context

SBFR	ACFR	Single Audit
Statutory Basis Financial Report	Annual Comprehensive Financial Report	A step in a series of federal requirements
<ul style="list-style-type: none"> • Required under state law (M.G.L. c. 7A, § 12) • Most other states have similar reports • 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 across the state • Single Audit: Organization-wide financial statement of federal awards. All programs over a dollar threshold and sample of smaller programs are audited. Focused on internal controls and compliance with program requirements.
<ul style="list-style-type: none"> • Produced by the Office of the Comptroller • Reviewed by the independent CPA firm 	<ul style="list-style-type: none"> • Produced by the Office of the Comptroller • Audited by the independent CPA firm 	<ul style="list-style-type: none"> • Facilitated by Office of the Comptroller • Conducted by the independent CPA firm

Quick process overview (Commonwealth view)

1. Comptroller submits the **SEFA** (Schedule of Expenditures of Federal Awards)

- Detailed listing of expenditures according to federal department coding

- Example:

- Federal entity: U.S. Dept of Agriculture
- ALN (Assistance Listing Number): 10.680
- Description: Forest Health Protection
- FY23 amount: \$43,356.46

2. CLA selects programs for audit

3. CLA conducts the audit process directly with the department (with CTR facilitation)

4. CLA engages Commonwealth in findings/response cycle, corrective action plans, reporting

5. CLA/CTR collaborate in federal submission process

6. Departments implement corrective action plans to achieve improvement before next cycle

7. Cycle starts again

FY23 results preview: by the numbers

★ The total number of findings increased by 16 to 35:

	FY21	FY22	FY23	FY23 vs FY22
Material Weaknesses	4	6	12	+6
Significant Deficiencies	24	13	23	+10
Total	28	19	35	+16

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

★ Beneath that net change of 16:

	FY22	<i>Less: FY22 findings resolved</i>	<i>MW to SD</i>	<i>SD to MW</i>	<i>New FY23 Findings</i>	FY23 Total
Material Weaknesses	6	-2	-1	+1	+8	12
Significant Deficiencies	13	-7	+1	-1	+17	23
Total	19	-9	0	0	+25	35

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Agenda Item V

CliftonLarsonAllen (CLA) Report on the Single Audit

Jim Piotrowski, CPA, CGFM
Principal

Shana C. Doiron, CPA
Engagement Director

Christian Rogers
Managing Principal of Industry

Agenda Item VI
Office of the Comptroller Single Audit follow-up plan

William McNamara, Comptroller of the Commonwealth
Peter Scavotto, Assistant Comptroller

Office of the Comptroller follow-up plan

- ★ Through the interactive process and corrective action plans, departments are set up to succeed in resolving issues. Ongoing support is on offer.
- ★ For FY23 and beyond, additional steps and supports will be offered:
 - Comptroller communication to responsible agency- and Cabinet- level management
 - Quarterly check-ins with departments
 - Potential to offer external professional resources
- ★ Objective: return to a positive trend in total findings, with emphasis on resolving material weaknesses
- ★ New FY23 findings occurred in departments with excellent track records and leadership. We expect that management will focus strongly on resolution.

Agenda Item VII
Items not reasonably anticipated by the Chair

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item VIII

Next meeting

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance