



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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THOMAS G. SHACK III, ESQ.
COMPTROLLER

November 2, 2015

The Honorable Charles Baker
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

Secretary Kristen Lepore
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Chairman Brian S. Dempsey
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

Dear Governor Baker, Secretary Lepore, Chairs Dempsey and Spilka, Mr. Welch and Mr. James:

As required by Chapter 7A §12(a) of the Massachusetts General Laws, the Comptroller's Office is required to submit the Statutory Basis Financial Report (SBFR) for the fiscal year ended June 30, 2015. The Comptroller's Office is filing a status report today and will issue the final report when all actions required in the final supplemental are implemented.

If you have questions please contact me at 617.973.2315.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas G. Shack, III".

Thomas G. Shack, III
Comptroller of the Commonwealth



The Commonwealth of Massachusetts
Office of the Comptroller

Status Report

Re: Statutory Basis Financial Report Filing

November 2, 2015

I am filing this status report in light of emergency supplemental legislation approved by the Legislature on October 28, 2015 and signed by the Governor today.¹ The legislation substantially alters the Commonwealth's final accounting for FY 2015.

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 31 annually. Additionally, under M.G.L. c. 29, s. 5C, I am required to certify and report the Consolidated Net Surplus (CNS). By convention, these filing obligations fall to the next business day or today, November 2, 2015.

In order to meet these deadlines, my Office must first close the FY 2015 books. The date of passage and subsequent enactment of the bill has created an inherent dilemma, and to the extent that the filing obligations conflict with the legislative treatment, I am compelled to choose completeness over filing expediency.

Thus, we have closed the books for FY 2015 upon legislative enactment. As soon as practical my Office will implement the requisite transactions, finalize and submit the SBFR for review to our external auditors, 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 a cautionary note, the October 31 SBFR filing deadline historically contemplates a fiscal year closing as of the end of the Accounts Payable (AP) and Accounts Receivable (AR) periods on August 31.² The date of supplemental fiscal year-end statutory enactment has also trended later

¹ Pursuant to convention, the Governor has ten days to review legislation for action. Having signed the bill today, the enactment was within that allotted timeframe.

² 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 FY15.

in recent years. In the past ten years alone, enactment before October has occurred only twice.³ 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 treatment also has potential downstream effects. Not only does it prevent meeting the statutory filing deadlines outlined *supra*, but also in the preparation and external review of the Comprehensive Annual Financial Report (CAFR), and in meeting the deadlines to qualify for the Certificate of Excellence in Financial Reporting – both of which are of known interest to rating agencies and the investment community. Anecdotally, Massachusetts is also now among the very last, nationwide, to close out FY 2015.

While I appreciate that legislative development is challenging, on a going forward basis, I strongly recommend that a greater sense of urgency be brought to the fiscal year-end closing process. My Office will provide a recommended timeline for consideration and I hope we can all agree that late fiscal year close-out creates conflicting obligations and is not a recommended practice.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Shack, III', with a stylized flourish at the end.

Thomas G. Shack, III, Esq.
Comptroller of the Commonwealth

³ See attached a listing of historical fiscal year-end supplemental enactment dates.

Commonwealth of Massachusetts
Year-end Supplemental 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 05, 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