



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report-Issued November 19, 2012

Massachusetts State College Building Authority

For the period July 1, 2009 through June 30, 2011



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Massachusetts State College Building Authority (MSCBA) was established under Chapter 703 of the Acts of 1963¹, which authorizes it to finance and oversee the design and construction of dormitories, dining facilities, and certain other buildings and to collect student rents and fees for the operation of student living facilities at the state universities of Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester, as well as the Massachusetts College of Art, the Massachusetts Maritime Academy, and the Massachusetts College of Liberal Arts.² During 2010, MSCBA issued bonds for six projects totaling \$60.4 million.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) conducted an audit of MSCBA for the period July 1, 2009 through June 30, 2011. Our audit was conducted in accordance with generally accepted government auditing standards, and its objectives were to evaluate the adequacy of the internal controls MSCBA has established over its contract administration and project oversight activities and its compliance with applicable laws, rules, and regulations governing these activities.

Based on our audit, we have concluded that during our audit period, MSCBA maintained adequate internal controls and complied with applicable laws, rules, and regulations in the areas reviewed.

¹ This statute was amended by Chapter 290 of the Acts of 1998 and Chapter 193, Section 30, of the Acts of 2004.

² The University of Massachusetts Building Authority is responsible for construction of facilities at the University of Massachusetts campuses.

OVERVIEW OF AUDITED AGENCY

The Massachusetts State College Building Authority (MSCBA) was established under Chapter 703 of the Acts of 1963. This statute authorizes MSCBA to finance and oversee the design and construction of dormitories, dining facilities, and certain other buildings at the state universities of Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester, as well as the Massachusetts College of Art, the Massachusetts Maritime Academy, and the Massachusetts College of Liberal Arts, subject to written approval from the Secretary of Administration and Finance and the Commissioner of Higher Education for Massachusetts. MSCBA is also authorized to collect student rents and fees for the operation of student living facilities. MSCBA uses its rental and fee income to service the debt it incurs to finance its projects.

MSCBA is governed by a nine-member Board of Trustees appointed by the Governor, three members of which must also be members of the state's Board of Higher Education. The financial powers and functions of MSCBA are established by its enabling legislation, and it is also governed by various state procurement laws and regulations, the trust agreements for each of its bond issues, and the contract³ for financial assistance between it and the Board of Higher Education, which acts on behalf of the state colleges and universities served by MSCBA. Further, the Secretary of Administration and Finance and the State Treasurer and Receiver General must approve the sale of all bonds and notes issued by MSCBA to fund its projects. MSCBA's Board of Trustees appoints an Executive Director who is responsible for overseeing the day-to-day operations of MSCBA.

The Commonwealth does not appropriate any state funding to MSCBA, nor does it guarantee the bonds issued by MSCBA for its building projects. As of March 1, 2010, MSCBA had \$812.7 million in total debt and during 2010 issued bonds totaling \$60.4 million for six projects.

³ This is a commitment to provide revenue and pledged funds for payment of debt service on bonds.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we conducted a performance audit of the Massachusetts State College Building Authority (MSCBA) for the period July 1, 2009 through June 30, 2011. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit scope included a review of the process that MSCBA uses to administer contracts and oversee projects from initiation to completion. Our audit objective was to evaluate the adequacy of the internal controls MSCBA has established over its contract administration and project oversight activities and its compliance with applicable laws, rules, and regulations governing these activities.

To accomplish our objective, we reviewed MSCBA's most recent financial report and management letter issued by its private accounting firm and interviewed MSCBA management and other personnel. In addition, we reviewed and evaluated the internal controls MSCBA has established over contract procurement and project oversight, contractor certification⁴ and debarment, construction management services, and contract change orders. We also reviewed the documentation MSCBA was maintaining in support of selected transactions in the areas reviewed to assess MSCBA's compliance with applicable laws, rules, and regulations and the adequacy and effectiveness of MSCBA's internal controls in these areas.

At the conclusion of our audit, a draft copy of our report was provided to MSCBA officials for their review and comments. MSCBA's response was considered in the preparation of our final report, which was modified as necessary.

Based on our audit, we concluded that during our audit period, MSCBA maintained adequate internal controls to provide reasonable assurance that it would meet its control objectives regarding the financing, design, construction, oversight, and management of its projects and that it complied with applicable laws, rules, and regulations in the areas reviewed.

⁴ Contractors wishing to submit bids on public building projects estimated to cost more than \$100,000 for the construction, reconstruction, installation, demolition, maintenance, or repair of any publicly owned building must first be certified by the state's Division of Capital Asset Management.
