



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

Making government work better

Official Audit Report – Issued August 17, 2011

Massachusetts Technology Collaborative

For the period November 1, 2009 through March 31, 2011



TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION**1**

In 1994, the Massachusetts Technology Park Corporation (MTPC) formed the Massachusetts Technology Collaborative, which replaced the Massachusetts Microelectronics Center as its operating entity for fostering economic growth within the Commonwealth. MTPC was a public instrumentality of the Commonwealth of Massachusetts created pursuant to Chapter 40J of the Massachusetts General Laws whose mission was to foster the expansion of industrial and commercial activity and employment opportunities within the Commonwealth. The Massachusetts Technology Collaborative's (MTC) goal is to enhance the state's economic competitiveness, strengthen its high-tech industry clusters, and harness local, clean energy resources. MTC, which receives funding from public utilities, state appropriations, and lease revenues, has two primary areas of operations. The first operational area is the John Adams Innovation Institute (JAII), which is the economic development arm of the MTC. The JAII strives to improve the state's competitive edge in the innovation economy, supporting industry clusters and institutions in efforts to stimulate new job creation and job retention in knowledge- and technology-based companies. MTC's other major divisions are the Massachusetts e-Health Institute and the Massachusetts Broadband Institute. MTC strives to stimulate economic activity in every corner of the Commonwealth. The agency brings together leaders from industry, government, and academia to advance technology-based solutions that improve the healthcare system, expand high-speed Internet access, and strengthen regional economies .

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of American Recovery and Reinvestment Act (ARRA) funds received and expended at the Massachusetts Technology Collaborative (MTC) for the period November 1, 2009 through March 31, 2011. The objectives of our audit were to review and evaluate MTC's controls over ARRA expenditures to determine whether ARRA funds were expended for their intended purposes and in compliance with the grant, MTC complied with ARRA accounting and reporting requirements, MTC identified and reported the number of jobs created/retained with ARRA funds, and funds were awarded to subrecipients in compliance with ARRA requirements.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review we have concluded that, for the period November 1, 2009 through March 31, 2011, MTC used ARRA funds for the intended purposes; maintained adequate management controls; and complied with applicable laws, rules, and regulations for the areas tested.

INTRODUCTION

Background

In 1994, the Massachusetts Technology Park Corporation (MTPC) formed the Massachusetts Technology Collaborative, which replaced the Massachusetts Microelectronics Center as its operating entity for fostering economic growth within the Commonwealth. The MTPC was a public instrumentality of the Commonwealth of Massachusetts created pursuant to Chapter 40J of the Massachusetts General Laws whose mission was to foster the expansion of industrial and commercial activity and employment opportunities within the Commonwealth. The Massachusetts Technology Collaborative's (MTC) goal is to enhance the state's economic competitiveness, strengthen its high-tech industry clusters, and harness local, clean energy resources. MTC, which receives funding from public utilities, state appropriations, and lease revenues, has two primary areas of operations. The first operational area is the John Adams Innovation Institute (JAII), which is the economic development arm of the MTC. The JAII strives to improve the state's competitive edge in the innovation economy, supporting industry clusters and institutions in efforts to stimulate new job creation and job retention in knowledge- and technology-based companies. MTC's other major divisions are the Massachusetts e-Health Institute and the Massachusetts Broadband Institute. MTC strives to stimulate economic activity in every corner of the Commonwealth. The agency brings together leaders from industry, government, and academia to advance technology-based solutions that improve the healthcare system, expand high-speed Internet access, and strengthen regional economies.

MTC owns, manages, and develops its Westborough headquarters in the Massachusetts Technology Park. The 36-acre campus includes the George Kariotis Center, which serves as MTC's administrative headquarters; the Karl Weiss Education and Conference Center, which is leased by the Worcester Polytechnic Institute; and the Innovation Center, which houses the Renewable Energy Trust (RET) and the John Adams Innovation Institute (JAII). The campus also includes a 74,000 square foot state-of-the-art fabrication facility, currently leased by the Kopin Corporation, a Massachusetts-based manufacturer of high-resolution flat panel displays.

MTC's activities are directed by a 23-member Board of Directors, representing senior officials from public and private colleges and universities, technology companies, and state government. In

accordance with Chapter 40J, Section 3, of the General Laws, the board consists of three state officials that serve as ex officio members and 20 individuals appointed by the Governor.

During the audit period, MTC was awarded federal stimulus funds totaling \$79,638,121. As of March 31, 2011, MTC had expended \$5,656,834, or 7%, of the total federal stimulus funds awarded, as detailed in the following chart. Also, MTC created/retained 67.14 FTEs for the period November 1, 2009 through March 31, 2011.

	<u>Funds Awarded</u>	<u>Funds Expended</u>
Broadband Technology Opportunities Program (BTOP)	\$ 45,445,444	\$2,148,794
<p>This ARRA grant was awarded to Massachusetts Technology Collaborative's Massachusetts Broadband Institute (MBI) from the Department of Commerce and they are utilizing the funding to build MassBroadband 123, a fiber network covering over one third of the state. This network will connect 123 communities in western Massachusetts. These initial expenditures were for legal services, architectural assessments, and MBI payroll.</p>		
State Broadband Data and Development (SBDD)	\$ 6,162,554	\$ 870,232
<p>This grant from the Department of Commerce is being used to create and maintain a complete, accurate, functional, and accessible map of statewide broadband availability. Expenses included network consulting, mapping software and payroll.</p>		
Regional Extension Center for Massachusetts (REC)	\$ 14,037,775	\$1,488,063
<p>In 2008, Massachusetts created the Massachusetts eHealth Institute (MeHI), a division of the Massachusetts Technology Collaborative (MTC) to oversee deployment of Electronic Health Records (EHR) systems. MeHI is one of 60 federally-designated Regional Extension Centers (REC) and is the designated REC for the Commonwealth of Massachusetts. As the REC, the funds will be used to provide federally subsidized direct assistance support to priority primary care physicians offering a variety of programs and services designed to help clinical providers transition into a practice that uses electronic health records. Expenses to date include payroll costs and payments to sub-recipients.</p>		
Massachusetts Health Information Exchange (HIE)	<u>\$13,992,348</u>	<u>\$1,149,745</u>
<p>These funds will be used to operate a Program Management Office to oversee implementation of the statewide HEI. Expenses include payroll, administrative expenses and conferences.</p>		
Total	<u>\$79,638,121</u>	<u>\$5,656,834</u>

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of American Recovery and Reinvestment Act (ARRA) funds received and expended at the Massachusetts Technology Collaborative (MTC) for the period November 1, 2009 through March 31, 2011. The objectives of our audit were to review and evaluate MTC's controls over ARRA expenditures to determine whether ARRA funds were expended for their intended purposes and in compliance with the grant, MTC complied with ARRA accounting and reporting requirements, MTC identified and reported the number of jobs created/retained with ARRA funds, and funds were awarded to subrecipients in compliance with ARRA requirements.

We conducted this performance 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.

To achieve our audit objectives, we reviewed the following:

- Internal controls over ARRA expenditures to determine whether ARRA funds were expended for the intended purposes and in compliance with applicable laws, rules, and regulations.
- Accounting procedures to determine whether the receipt and expenditure of ARRA funds were properly authorized, supported by adequate documentation, and accounted for separately within MTC's accounting records.
- ARRA reports to ensure that MTC complied with ARRA reporting requirements, including identifying the number of jobs created/retained.
- The process for awarding funds to subrecipients.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review we have concluded that, for the period November 1, 2009 through March 31, 2011, MTC used ARRA funds for the intended purposes; maintained adequate management controls; and complied with applicable laws, rules, and regulations for the areas tested.