



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

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Official Audit Report – Issued October 13, 2011

Worcester State University's Use of American Recovery and Reinvestment Act Funds

For the period August 6, 2009 through November 30, 2010



TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

Worcester State University (WSU) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor of the Commonwealth controls its operations, and WSU's President is responsible for implementing the policies and procedures set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of WSU for the period August 6, 2009 through November 30, 2010. The objectives of our audit were to evaluate WSU's controls over American Recovery and Reinvestment Act (ARRA) expenditures; determine whether ARRA funds were expended for their intended purposes and in compliance with applicable laws, rules, and regulations; determine whether WSU is complying with ARRA accounting and reporting requirements, as well as other grant requirements; and identify the number of jobs that WSU reported as created and/or retained.

Our audit scope was limited to a review of federal stimulus funds that WSU received under ARRA, which totaled \$6,990,500 during the audit period. WSU's budget for these funds included amounts for state employee compensation; energy costs/utilities; consultant service contracts; information technology expenses; student financial aid; equipment and programmatic operational supplies; library remodeling/renovation and classroom adaptation; and Federal Work Study payments.

Based on our review we have concluded that, for the period August 6, 2009 through November 30, 2010, WSU maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

INTRODUCTION

Background

Worcester State University (WSU) is authorized by Chapter 15A, Section 5, of the Massachusetts General Laws and operates under the oversight of the Board of Higher Education. A Board of Trustees appointed by the Governor of the Commonwealth controls its operations, and WSU's President is responsible for implementing the policies and procedures set by the Board of Trustees, in accordance with the policies and procedures established by the Board of Higher Education.

Audit Scope, Objectives, and Methodology

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Included in the federal stimulus funds that WSU received was a \$199,710 grant from the National Science Foundation (NSF) titled, "Creating a Pipeline for Diversity in the Geosciences: a Sustainability-based Approach." The NSF is an independent federal agency created by Congress in 1950 to promote the progress of science. NSF issues limited-term grants to fund specific research proposals that have been judged the most promising by a rigorous and objective merit-review system. The NSF is the funding source for approximately 20 percent of all federally supported basic research conducted by America's colleges and universities.

As of November 30, 2010 WSU expended \$5,491,999 of its awards and received federal reimbursements totaling \$5,491,999 for these expenses. WSU officials stated that all of its State Fiscal Stabilization Fund (SFSF) ARRA monies will be fully expended by September 30, 2011. The NSF ARRA funding will continue through the grant expiration date of August 31, 2012. The following table details the federal stimulus funds awarded, received, and expended during the audit period as well as the related full-time equivalents (FTE).

<u>Budgeted Purpose</u>	<u>ARRA Award</u>	<u>Award Date</u>	<u>ARRA Funds Received</u>	<u>ARRA Funds Expended</u>	<u>FTE</u>
State Employee Compensation	\$2,620,252	8/7/2009	\$1,822,366	\$1,822,366	21.19
Energy Costs/Utilities	681,973	8/7/2009	576,637	576,637	
Consultant Service Contracts	40,563	8/7/2009	0	0	
Information Technology Expenses	1,063,909	8/7/2009	1,019,809	1,019,809	
Student Financial Aid	636,678	8/7/2009	448,237	448,237	
Equipment & Programmatic Operational Supplies	1,265,462	8/7/2009	1,112,979	1,112,979	
Remodeling/Renovation of Library & Classroom Adaptation	451,905	8/7/2009	451,905	451,905	
Federal Work Study Program	30,048	7/1/2009	30,048	30,048	4.0
National Science Foundation	<u>199,710</u>	9/1/2009	<u>30,018</u>	<u>30,018</u>	<u>0.74</u>
Total	<u>\$6,990,500</u>		<u>\$5,491,999</u>	<u>\$5,491,999</u>	<u>25.93</u>

A requirement of ARRA funding is for institutions to submit quarterly reports that help identify the impact of ARRA funds received and expended, including statistics on the creation and/or retention of personnel or FTEs. As depicted in the preceding table, the SFSF created and/or retained 21.19 FTEs for the period August 6, 2009 through September 30, 2010. Of that FTE total, 17.40 FTEs were reported through the Massachusetts Management Accounting and Reporting System (MMARS) to the Massachusetts Recovery and Reinvestment Office (MRRO), and WSU officials manually submitted quarterly reports for vendors and subrecipient vendors that were paid SFSF ARRA funds for the remaining 3.79 FTEs. In addition to SFSF, WSU officials reported a total of 4.0 FTEs for the Federal Work Study program, and 0.74 FTE for the NSF grant, for a grand total of 25.93 FTEs. Our audit, which included a review of supporting documentation received from the MRRO, found that WSU was in compliance with ARRA reporting 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:

- Massachusetts Department of Higher Education's Final Guidance on ARRA State Fiscal Stabilization Fund Spending.
- Federal stimulus funds awarded to WSU during the audit period for state employee compensation; energy costs/utilities; consultant service contracts; information technology expenses; student financial aid; equipment and programmatic operational supplies; remodeling/renovation of library and classroom adaptation; Federal Work Study payments; and the NSF grant.
- Budgets prepared by WSU to ensure that ARRA funds were expended for their intended purposes.
- Expenditures of ARRA funds to determine whether they were reasonable, allowable, and allocable under the terms of the grant awards.
- Eligibility requirements of the student financial aid programs, including the Federal Work Study program, to determine whether sampled students met program requirements.

- MMARS submissions and supporting documentation for required quarterly reporting of FTEs to ensure compliance with reporting requirements for jobs created and/or retained.
- Internal controls developed to ensure that ARRA funds are safeguarded against theft, loss, or misuse.
- Recordkeeping procedures to determine whether expenditures of ARRA funds were properly authorized, supported by adequate documentation, and accounted for separately within WSU's accounting records.
- Verification of whether WSU has applied for or plans to receive additional ARRA funds in the future.

Based on our review we have concluded that, for the period August 6, 2009 to November 30, 2010, WSU maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.