



Massachusetts School Building Authority

Timothy P. Cahill
Chairman, State Treasurer

Katherine P. Craven
Executive Director

To: Administration, Operations and Finance Subcommittee
Massachusetts School Building Authority

From: Katherine Craven
Executive Director

Subject: Results of the MSBA's 2010 Audit

Date: November 9, 2010

I am pleased to report that KPMG has issued a "clean opinion" in their recently completed audit of MSBA financial statements as of and for the year ended June 30, 2010. KPMG found that the 2010 financial statements are presented fairly in accordance with GAAP (Generally Accepted Accounting Principles), that there were no material weaknesses and they will not be issuing a management letter.

Since our inception in 2004, KPMG has issued a clean opinion on our financial statements. In each of the MSBA's six years of existence, there have been:

- No material weaknesses involving internal control over financial reporting and its operation;
- No difficulties encountered by KPMG in performing the audit;
- No disagreements between management and KPMG, and
- No significant audit adjustments affecting the financial reporting process.

As you may remember, in addition to the MSBA's annual KPMG audit, the Office of the State Auditor (SAO) conducted an audit of the MSBA in 2008. The objectives of that audit were primarily to:

- Review MSBA's internal controls over its financial operations,
- Based on an audit of the former program as administered under the Department of Education (DOE), determine whether appropriate corrective action had been taken regarding issues identified by the SAO of the former program as administered by DOE; and
- Determine whether the MSBA's audit functions and oversight practices were comprehensive.



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Based upon its audit, the Office of the State Auditor concluded that the MSBA had taken appropriate corrective action regarding all of the issues noted in a prior audit (of the DOE's school building assistance program), had implemented internal controls and audit oversight activities to ensure that adequate documentation and project records existed in support of construction costs incurred by local authorities under the new MSBA.

I am proud of the results from our most recent audit by KPMG as well as our six years of positive audit results.

KPMG will be presenting a report to you today with the results of the 2010 audit, including certain required communications to the Board. Attached please find KPMG's presentation and the MSBA 2010 financial statements for your review.