



**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2008

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2008

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**Exhibit I**

**Auditors' Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control over Compliance in Accordance with  
OMB A-133 and on the Schedule of Expenditures of Federal Awards**

The Board of Directors  
Massachusetts Bay Transportation Authority:

**Compliance**

We have audited the compliance of the Massachusetts Bay Transportation Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of current year findings and questioned costs (Exhibit IV). Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of current year findings and questioned costs as items 2008-2 through 2008-4.

**Internal Control over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over



## Exhibit I

compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. In fiscal year 2008, the Authority implemented Government Accounting Standards Board (GASB) Statements Nos. 45 and 50, *Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions* and *Pension Disclosures*, respectively. Our audit was performed for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit II) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, others with the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 12, 2009  
(except for the Schedule of Expenditures of Federal Awards,  
which is as of October 24, 2008)

## MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grant number	Federal catalog number	Program description	Cumulative to June 30, 2007	Expenditures, net of transfers to June 30, 2008	Cumulative to June 30, 2008
		U.S. Department of Justice:			
		Federal Equitable Sharing Program:			
MA-03-2500	16.XXX	Federal Equity Sharing Program	\$ 2,120,787	28,825	2,149,612
		Total U.S. Department of Justice	2,120,787	28,825	2,149,612
		U.S. Department of Transportation:			
		Federal Transit – Capital Investment Grants Program:			
MA-03-0200	20.500	Circumferential Transit Study	6,320,899	238,681	6,559,580
MA-03-0218	20.500	SSTC Pedestrian Link	1,616,442	845,678	2,462,120
MA-03-0223	20.500	North Shore Transportation Study	3,415,955	325,353	3,741,308
MA-03-0227	20.500	Blue Line Modernization	99,088,142	22,530,399	121,618,541
MA-03-0228	20.500	FY99 FTA Infrastructure Grant	153,420,087	7,782,016	161,202,103
MA-03-0238	20.500	Green Line Station Access	19,102,433	512,947	19,615,380
MA-03-0251	20.500	Procure/Overhaul Blue Line Cars	57,266,594	12,713,959	69,980,553
MA-03-0254	20.500	Beverly/Salem Parking	523,799	58,953	582,752
MA-03-0258	20.500	Station Management Program (AFC)	118,779,490	1,594,383	120,373,873
MA-03-0261	20.500	Malden Center Station Improvements	8,884,700	485,300	9,370,000
MA-03-0273	20.500	Metrowest Bus Purchase	610,372	8,133	618,505
MA-03-0274	20.500	Silverline Phase III	6,086,043	4,970,066	11,056,109
MA-03-0279	20.500	Lawrence Intermodal Station	4,000,008	4,480	4,004,488
MA-03-0280	20.500	FY 04 Bridge Program	6,973,292	121,057	7,094,349
MA-03-0281	20.500	Auburndale Access Improvements	65,025	11,906	76,931
	20.500	Wonderland Station Area Impv.	—	800,531	800,531
	20.500	Hingham Intermodal & Harbor Park	—	374,790	374,790
MA-05-0102	20.500	Blue Line Modernization	1,088,247	9,664,142	10,752,389
	20.500	FY07 Station Management Proj.	—	26,405,037	26,405,037
	20.500	FY07 Charles/MGH	—	4,693,916	4,693,916
	20.500	FY07 Comm. Rail Vehicle Service	—	576,435	576,435
	20.500	FY07 Coach Reliability & Safety Prog.	—	26,532,862	26,532,862
	20.500	FY07 Bridge & Tunnel Prog.	—	5,965,680	5,965,680
		Subtotal #20.500 Direct Program	487,241,528	127,216,704	614,458,232
		Passed through the Rhode Island Department of Transportation:			
		Federal Transit – Capital Investment Grants Program:			
RI-03-0024	20.500	Pawtucket Layover Facility	20,460,283	21,355	20,481,638
RI-03-0032	20.500	RIDOT/ 5 CR Coaches	10,682,297	827,703	11,510,000
		Subtotal #20.500 Pass-through	31,142,580	849,058	31,991,638
		Total #20.500	518,384,108	128,065,762	646,449,870
MA-39-0001	20.522	MBTA On Board Surveys	—	64,182	64,182
		Total #20.522	—	64,182	64,182
		Federal Transit Metropolitan Planning Grants Program:			
		Passed through the Metropolitan Area Planning Council:			
MA-80-2015	20.505	FY04 Unified Planning Work Program	127,191	69,487	196,678
MA-80-2016	20.505	FY05 Unified Planning Work Program	84,058	111,363	195,421
MA-80-2017	20.505	FY06 Unified Planning Work Program	54,984	135,000	189,984
		FY07 Unified Planning Work Program	—	90,644	90,644
		FY08 Unified Planning Work Program	—	11,196	11,196
		Total #20.505	266,233	417,690	683,923
		Federal Transit Formula Grants Program:			
MA-90-0266	20.507	FY97 Old Colony Sect. 9 Program	131,011,680	(69)	131,011,611
MA-90-0267	20.507	FY97 STP Parking Program	4,788,516	—	4,788,516
MA-90-0305	20.507	Green Line Station Access	71,384,674	14,197,764	85,582,438
MA-90-0330	20.507	FTA Section 5307 Enhancements	4,929,806	214,206	5,144,012
MA-90-0331	20.507	FY99 Sec 5307 Infrastructure	218,444,501	644,003	219,088,504
MA-90-0362	20.507	Airport Intermodal Connector	333,892	666,108	1,000,000
MA-90-0367	20.507	Charles/MGH Access ADA	35,813,616	315,236	36,128,852
MA-90-0377	20.507	Green Line Grade Crossing	973,522	10,742	984,264
MA-90-0393	20.507	South Boston Piers Transit/Form	182,187,490	1,167,861	183,355,351
MA-90-0417	20.507	New Blue Line Cars	24,558,770	1,886,659	26,445,429
MA-90-0439	20.507	Fairmount Corr/175 Buses (GANS)	20,636,318	3,596,737	24,233,055
MA-90-0448	20.507	Arborway Bus Facility	1,323,251	56,052	1,379,303
MA-90-0456	20.507	Public Address/Electronic Sign	1,065,232	1,602,091	2,667,323
MA-90-0496	20.507	FY 07 Preventative Maintenance	10,000,000	12,500,000	22,500,000
MA-90-0497	20.507	Escalator/Elevator Improvements	965,778	4,805,169	5,770,947
MA-90-0513	20.507	310 ECD Bus Procurement	43,382,600	32,072,871	75,455,471
MA-90-0514	20.507	175 Buses/Fairmount Line (GANS)	—	13,093,364	13,093,364
MA-90-0515	20.507	New Blue Line Cars	—	33,889	33,889
MA-90-0516	20.507	Public Address/Electronic Sign	1,760,387	5,465,786	7,226,173
MA-90-0517	20.507	Light Rail Accessibility	—	706,498	706,498
MA-90-0518	20.507	Blue Line Signal Project	—	13,522,427	13,522,427
MA-90-0519	20.507	Automated Fare Collection	—	23,131,036	23,131,036
MA-90-0521	20.507	FY 07 Station Security	—	7,462,617	7,462,617
MA-90-0522	20.507	FY 07 Ashmont Station	—	7,089,446	7,089,446

## MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grant number	Federal catalog number	Program description	Cumulative to June 30, 2007	Expenditures, net of transfers July 1, 2007 to June 30, 2008	Cumulative to June 30, 2008
MA-90-0523	20.507	FY 07 Charles/MGH Design	\$ —	586,386	586,386
MA-90-0524	20.507	STP Preventive Maintenance	—	12,931	12,931
MA-90-0525	20.507	128 Business Council CMAQ	—	144,940	144,940
MA-90-0526	20.507	Wellington Bus Maint. Facility	—	1,552,813	1,552,813
MA-40-7001	20.507	Passenger Security Virtual Reality	99,938	—	99,938
MA-40-X003	20.507	SSTC Protects Program/Chemical Detection	835,434	19,602	855,036
		Total #20.507	754,495,405	146,557,165	901,052,570
		Transit Planning and Research Program:			
		Bus Rapid Transit Demonstration	54,407	—	54,407
MA-26-7055	20.514	Grade Crossing Safety Program	291,043	17,431	308,474
MA-26-7057	20.514	Gloucester ITS Center	3,374,995	—	3,374,995
		Total #20.514	3,720,445	17,431	3,737,876
		Total U.S. Department of Transportation	1,276,866,191	275,122,230	1,551,988,421
		National Foundation on Arts and Humanities:			
		Promotion of the Arts – Grants to Organizations and Individuals Program:			
99-4100-6066	45.024	Promotion of the Arts I79	1,200	—	1,200
		Environmental Protection Agency:			
		Surveys, Studies Investigations and Special Purpose Activities Relating to the Clean Air Act:			
X-98168001-0	66.034	Diesel Retrofit Demonstration	94,579	—	94,579
		Health and Human Services:			
		Social Services Block Grant Program:			
		Passed through the Commonwealth of Massachusetts:			
		Department of Social Services:			
		Social Services Block Grant	231,130	38,408	269,538
		Department of Homeland Security:			
		Passed through the Commonwealth of Massachusetts:			
		Executive Office of Public Safety:			
J04001	16.011	Bomb Sniffing Machines	184,200	—	184,200
		Total # 16.011	184,200	—	184,200
		Passed through the Commonwealth of Massachusetts:			
		Executive Office of Public Safety:			
J04002	97.008	2004 UASI MBTA Grant	2,807,335	(109,756)	2,697,579
	97.008	Code Orange Plus (July 2005)	298,124	—	298,124
		Total #97.008	3,105,459	(109,756)	2,995,703
		Public Assistance Grants Program:			
		Passed through the Commonwealth of Massachusetts:			
		Massachusetts Emergency Management Agency:			
		Rainstorm May 2006	246,876	—	246,876
		Total #97.036	246,876	—	246,876
		Homeland Security Grant Program:			
		Passed through the Commonwealth of Massachusetts:			
		Executive Office of Public Safety:			
		FY 2007 Operation Poseidon	9,867	—	9,867
		Total #97.067	9,867	—	9,867
		National Explosives Detection Canine Team Program:			
HSTS02-06-H-MLS110	97.072	TSA Natl. Explosives Canine Program	137,146	29,549	166,695
		Total #97.072	137,146	29,549	166,695
		Rail and Transit Security Grant Program:			
		Passed through the Commonwealth of Massachusetts:			
		Executive Office of Public Safety:			
J05001	97.075	FY2005 Transit Security	4,096,159	2,859,803	6,955,962
		Total #97.075	4,096,159	2,859,803	6,955,962
		Total U.S. Department of Homeland Security	7,779,707	2,779,596	10,559,303
		Grand total	\$ 1,287,093,594	277,969,059	1,565,062,653

See accompanying notes to schedule of expenditures of federal awards.

## MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

**(1) Entity**

The Massachusetts Bay Transportation Authority (the Authority) is a component unit and political subdivision of the Commonwealth of Massachusetts (the Commonwealth) formed pursuant to Commonwealth law to, among other things, hold and manage mass transportation facilities and equipment, and to enter into agreements for its operation, construction and use.

The U.S. Department of Transportation (DOT) has been designated as the Authority's cognizant Federal agency for the Single Audit.

**(2) Summary of Significant Accounting Policies****(a) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the cash basis of accounting and includes federal, state, and local expenditures.

**(b) Expenditures in Excess of Federal Participation**

Expenditures under the Federal Transit Cluster and the Highway Planning and Construction Program Cluster are stated at their total cost regardless of their source of funding. Under its grant contracts with the federal government, the Authority is reimbursed for a fixed percentage of eligible project costs. The Authority funds the expenditures in excess of the federal share in various ways, including through the issuance of long-term debt and funds received from the Commonwealth and local sources.

**(3) Approved Federal Grant Programs**

The Authority's Federal Transit – Capital Investment Grants and Formula Grants Programs for the year ended June 30, 2008, consisted primarily of capital grants under contracts with the Federal Transit Administration (FTA). These grants provide for the acquisition of land and equipment, the construction of service extensions, stations, and maintenance facilities and the improvement of facilities and equipment.

According to the terms of the FTA contracts, the Authority will be reimbursed from 50% to 100% of the allowable project costs as defined in the grant agreement. The terms of those federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purpose specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and comply with the Equal Opportunity and Affirmative Action programs as required by the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU).

Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to their funding agencies. In management's opinion, no events have occurred which would result in the termination of these grants or which would require the refund of a significant amount of funds received under these grants.

**(4) Subrecipients**

The Authority provided approximately \$1 million in federal awards to subrecipients.



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**Exhibit III**

**Auditors' Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Board of Directors  
Massachusetts Bay Transportation Authority:

We have audited the financial statements of the Massachusetts Bay Transportation Authority (the Authority), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. In fiscal year 2008, the Authority implemented Government Accounting Standards Board (GASB) Statements Nos. 45 and 50, *Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions* and *Pension Disclosures*, respectively. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as item 2008-1 in the accompanying schedule of current year findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not





### Exhibit III

necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated October 24, 2008.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 24, 2008

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

(1) Summary of Auditors' Results

**Financial Statements:**

Type of auditors' report issued	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified	_____ yes	<u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  x  </u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	<u>  x  </u> no

**Federal Awards:**

Internal control over major programs:		
• Material weakness(es) identified	_____ yes	<u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	<u>  x  </u> none reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>  x  </u> yes	_____ no

**Identification of Major Programs:**

<u>Federal program or cluster</u>	<u>CFDA number</u>
Federal Transit Cluster:	
Federal Transit – Capital Investment Grants Program	20.500
Federal Transit – Formula Grants Program	20.507

Dollar threshold used to distinguish between Type A and Type B programs, as those terms are defined in OMB Circular A-133	\$3,000,000
Auditee qualifies as a low risk auditee?	Yes

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

(2) **Financial Statements Findings Section**

**Finding Number:** 2008 – 1

**Significant Deficiency** Yes

**Ineffective Monitoring Procedures over GAAP Financial Reporting**

Throughout the year, the Authority maintains its accounting records on a statutory basis and at year end converts this basis to conform with U.S. generally accepted accounting principles (GAAP). Although the Authority made progress with this conversion, the Authority needs to continue with its efforts, by ensuring that all differences in accounting between statutory and GAAP based statements are addressed.

The Authority has documented formal policies and procedures for generating GAAP financial statements. However, certain of these policies have not been fully implemented. We recommend that the Authority follow the policies and procedures established. These procedures must include a formal sign-off and review of the financial statements by Senior Management. Additionally, formal sign-off and review should be performed by Senior Management over the cash flow worksheet and support.

To assist with differences in statutory and GAAP accounting, we recommend that the Authority record GAAP entries during the year whenever a difference in statutory and GAAP accounting is identified. This will help in ensuring all accounts are recorded in accordance with the GAAP basis of accounting.

**Authority Corrective Action Plan:**

The Authority’s internal control procedures detail the preparation and appropriate level of review of documentation and accounting transactions prepared by staff and managers within the Treasurer-Controller’s department. All transactions and audit schedules/documentation are now reviewed on a monthly basis prior to processing for the propriety of the entries, supporting documentation and the proper accounting treatment. The Senior Accounting Manager of the Treasurer-Controller’s department is responsible for the review of all proposed transactions prepared by the staff and managers. Work prepared by the Senior Manager is reviewed and approved by the Assistant Treasurer-Controller or the Treasurer-Controller.

During fiscal year 2008 the Authority implemented the prior year recommendation of GAAP accounting transaction recognition. Throughout the fiscal year as differences in statutory and GAAP accounting were identified, corresponding GAAP entries were prepared, reviewed, and recorded. To convert from the statutory based accounting to GAAP basis accounting the Authority recorded a total of 175 detailed transactions in the GAAP fund during fiscal year 2008. One hundred (100) of these transactions or some 57.14% of the activity was recorded by the accounting area in the first eleven months of the fiscal year. This underscores the fact that the Treasurer-Controller’s department, and specifically the Accounting area, has implemented and is following the procedures that were recommended in the prior year. The Authority personnel will continue to record GAAP adjustments that address the differences in statutory and GAAP accounting as they are identified throughout the fiscal year.

**Responsible Person:**

Wesley G. Wallace, Treasurer-Controller

**Implementation Date:**

December 1, 2008

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

**(3) Findings Related to Federal Awards**

**Finding Number:** 2008 – 2

**Federal Program(s):** Federal Transit Cluster:  
 CFDA #20.500 Federal Transit Capital Investment Grants  
 CFDA #20.507 Federal Transit Formula Grants

**Federal Agency:** U.S. Department of Transportation

**Finding:** The DBE Reporting Process needs to be documented

**Requirement:** Disadvantaged Business Enterprise Reporting

**Criteria:**

A Disadvantaged Business Enterprise (DBE) report is required to be filed with the Federal Transit Administration on a semi-annual basis covering its federally funded activities based on a recordkeeping system (49 CFR section 26.11 and Appendix B to part 21). The reports are due for the six (6) months ending September 30, and March 31.

**Condition:**

The Authority recently developed a process to identify and report only the federal share of procurements as is required by the U.S. Department of Transportation. However, the documentation should include the methodology used and be in enough detail to permit replication.

**Questioned Costs:**

None

**Recommendation:**

We recommend that the DBE reporting process be formally documented and in enough detail to allow for the filing objectives to be met and the procedures to be performed by another person.

**Authority Corrective Action Plan:**

As recommended, the Authority’s Office of Diversity and Civil Rights (ODCR) will prepare comprehensive procedures for documenting the preparation of the semi-annual Disadvantaged Business Enterprise (DBE) reports. These procedures will be written and implemented by January 31, 2009.

**Responsible Person:**

Kenrick W. Clifton, Assistant Director for Government Compliance

**Implementation Date:**

January 31, 2009

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

**Finding Number:** 2008 – 3

**Federal Program(s):** Federal Transit Cluster:  
 CFDA #20.500 Federal Transit Capital Investment Grants  
 CFDA #20.507 Federal Transit Formula Grants

**Federal Agency:** U.S. Department of Transportation

**Program:** Federal Transit Cluster

**Finding:** Suspension and Debarment Not Monitored

**Requirement:** Suspension and Debarment

**Criteria:**

Title 49 Part 29 of the U.S. Department of Transportation’s Code of Federal Regulations, specifies the requirements the Authority must follow for determining whether an entity is suspended or debarred from participating in federally funded procurements. The requirement applies to procurements that equal or exceed \$25,000.

**Condition:**

During our testing of the suspension and debarment requirement, it was noted that compliance with suspension and debarment provisions was not monitored for three of thirty-three purchase orders tested. The three exceptions totaled \$886,390. Authority staff indicated that the Legal Department had advised that they did not need to obtain the suspension and debarment certification for certain contractors. It was subsequently determined that the contractors did not appear on the Excluded Parties List System maintained by the General Services Administration.

**Questioned Costs:**

None

**Recommendation:**

The Authority should ensure that all federally funded procurements equal to or in excess of \$25,000 regardless of bidding requirements are monitored for suspension and debarment.

**Authority Corrective Action Plan:**

Prior to fiscal year 2008, the Authority allowed vendors of purchases in excess of \$25,000 to self certify to compliance with the Suspension and Debarment requirement through the bid submission process. Since that time the Authority now requires a specific form to be signed attesting to compliance with this requirement, which is maintained in the procurement file.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

**Responsible Persons:**

Charlie Menard, Manager of Procurement

Robert Johnson, Director of Materials

**Implementation Date:**

Implemented for procurements entered into after July 1, 2007.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

**Finding Number:** 2008 – 4

**Federal Program(s):** Federal Transit Cluster:  
 CFDA #20.500 Federal Transit Capital Investment Grants  
 CFDA #20.507 Federal Transit Formula Grants, Award No. MA 90-0513

**Federal Agency:** U.S. Department of Transportation

**Federal Award Year:** October 1, 2006 to September 30, 2007

**Finding:** Incorrect Property Records

**Requirement:** Equipment and Real Property Management

**Criteria:**

In accordance with the Code of Federal Regulations (CFR), Title 49, Part 18, Section 32, (d)(1), “Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.”

**Condition:**

During our testing of the equipment management requirement, it was noted that the vehicle identification number (VIN) for two of the new buses observed did not match the property records. A total sample of fifteen property records were tested. Authority staff indicated that it was the federal government that requested the VIN numbers to be changed to reflect the fiscal year when the buses were put into service; however this change was not communicated to the Capital Accounting and reflected in the property records. Other information for the two buses, including the MBTA property number, matched the property records.

**Questioned Costs:**

None

**Recommendation:**

We recommend that all changes to equipment information be timely communicated to the Capital Accounting and reflected in the Authority’s property records.

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**

Schedule of Current Year Findings and Questioned Costs

Year ended June 30, 2008

**Authority Corrective Action Plan:**

The manufacturer of these buses changed the originally assigned vehicle identification number (VIN) for certain buses due to internal processing procedures. The Authority's Vehicle Engineering Dept. has advised that only the final VINs will be provided to the Accounting Office in the future for entry into the property record database.

**Responsible Person:**

Edward Murray, Manager of Capital Accounting

**Implementation Date:**

October 1, 2008