MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Independent 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, 2013
MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Massachusetts Department of Transportation)  
Independent 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, 2013

Table of Contents

Independent Auditors’ Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations  
Schedule of Expenditures of Federal Awards  
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards  
Schedule of Current Year Findings and Questioned Costs
Independent Auditors’ Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

The Board of Trustees
Massachusetts Bay Transportation Authority:

Report on Compliance for Each Major Federal Program

We have audited the Massachusetts Bay Transportation Authority’s (the Authority), a component unit of the Massachusetts Department of Transportation, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2013. The Authority’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of current year findings and questioned costs (Exhibit IV).

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority’s compliance.
Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

The Authority’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority’s internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.
The Authority’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated October 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

January 23, 2014
## Exhibit II

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)  

**Schedule of Expenditures of Federal Awards**  

**Year ended June 30, 2013**

### U.S. Department of Justice:
- **Federal Equitable Sharing Program:**  
  - MA-03-2500  
  - Federal Equity Sharing Program  
  - Federal catalog number: 16.XXX  
  - Program description: $2,693,829  
  - Cumulative to June 30, 2012: 89,691  
  - Cumulative to June 30, 2013: 2,783,520

### U.S. Department of Transportation:
- **Federal Transit – Capital Investment Grants Program:**  
  - MA-70-0001  
  - Winstrop Ferry Demo Project  
  - Federal catalog number: 20.205  
  - Program description: 244,401  
  - Cumulative to June 30, 2012: 182,339  
  - Cumulative to June 30, 2013: 426,740

### Federal Awards Passed through the Massachusetts Department of Transportation:
- **S13A12 (04-0079):**  
  - Total # 20.500  
  - Direct Program: 635,612,161  
  - Subtotal #20.500 Direct Program: 120,067,453  
  - Total U.S. Dept. of Justice: 2,693,829  
  - Subtotal #20.500 Direct Program: 755,679,614

### Federal Awards Passed through the Rhode Island Department of Transportation:
- **RI-56-0001 (WRTI1):**  
  - Total # 20.500  
  - Pass-through: 440,130  
  - Subtotal # 20.500 Pass-through: 544,134

### Federal Transit – Public Transportation Research:
- **MA-26-0060:**  
  - Total # 20.514  
  - Total # 20.514: 381,042

### Federal Transit – Capital Assistance for Reducing:  
- **Energy Consumption/Greenhouse Emissions:**  
  - MA-77-0002  
  - Total # 20.523  
  - Total # 20.523: 524,814

### Federal Transit – Public Transportation Emergency Relief:
- **Funds Section 3532:**  
  - Total # 20.527  
  - Total # 20.527: 382,569

### Federal Transit Formulas Grants Program:
- **MA-90-0305:**  
  - Green Line Station Access  
  - Federal catalog number: 20.507  
  - Program description: 117,392,245  
  - Cumulative to June 30, 2012: 1,803,889  
  - Cumulative to June 30, 2013: 119,196,134

(Continued)
### Exhibit II

#### Massachusetts Bay Transportation Authority
(A Component Unit of the Massachusetts Department of Transportation)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<table>
<thead>
<tr>
<th>Grant number</th>
<th>Federal catalog number</th>
<th>Program description</th>
<th>Cumulative Expenditures, net of transfers to July 1, 2013</th>
<th>Cumulative Expenditures to June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA-90-0519</td>
<td>20.507</td>
<td>Automated Fare Collection</td>
<td>$24,190,458</td>
<td>24,252,829</td>
</tr>
<tr>
<td>MA-90-0521</td>
<td>20.507</td>
<td>FY '07 Station Security</td>
<td>9,275,975</td>
<td>9,670,988</td>
</tr>
<tr>
<td>MA-90-0548</td>
<td>20.507</td>
<td>Park Street Stairs</td>
<td>2,979,530</td>
<td>2,979,530</td>
</tr>
<tr>
<td>MA-90-0550</td>
<td>20.507</td>
<td>Bicycle Enhancements</td>
<td>397,921</td>
<td>448,490</td>
</tr>
<tr>
<td>MA-90-0552</td>
<td>20.507</td>
<td>Orange Line Upgrades</td>
<td>263,200</td>
<td>263,200</td>
</tr>
<tr>
<td>MA-90-0566</td>
<td>20.507</td>
<td>ECD/CNG Bus Rebuild</td>
<td>25,383,676</td>
<td>27,379,835</td>
</tr>
<tr>
<td>MA-90-0576</td>
<td>20.507</td>
<td>Orange Line Journal Bearing Replacement</td>
<td>1,137,685</td>
<td>1,983,136</td>
</tr>
<tr>
<td>MA-90-0577</td>
<td>20.507</td>
<td>175 Buses/Fairmount Line (GANS)</td>
<td>20,985,861</td>
<td>20,985,861</td>
</tr>
<tr>
<td>MA-90-0589</td>
<td>20.507</td>
<td>Everett Shop Equipment</td>
<td>662,440</td>
<td>1,307,144</td>
</tr>
<tr>
<td>MA-90-0590</td>
<td>20.507</td>
<td>JT System/NI Vehicle GL PTC</td>
<td>6,492,131</td>
<td>10,378,809</td>
</tr>
<tr>
<td>MA-90-0600</td>
<td>20.507</td>
<td>MBTA Power Program</td>
<td>2,378,169</td>
<td>9,086,792</td>
</tr>
<tr>
<td>MA-90-0617</td>
<td>20.507</td>
<td>Science Park Station Project</td>
<td>19,593,244</td>
<td>19,593,244</td>
</tr>
<tr>
<td>MA-90-0618</td>
<td>20.507</td>
<td>Haverhill Line Double Track</td>
<td>5,067</td>
<td>5,067</td>
</tr>
<tr>
<td>MA-90-0626</td>
<td>20.507</td>
<td>FY '12 Preventative Maintenance</td>
<td>5,000,000</td>
<td>15,000,000</td>
</tr>
<tr>
<td>MA-90-0631</td>
<td>20.507</td>
<td>Orient Heights Station</td>
<td>16,262,344</td>
<td>16,262,344</td>
</tr>
<tr>
<td>MA-90-0641</td>
<td>20.507</td>
<td>192 ECD Bus Midlife Overhaul</td>
<td>2,889,754</td>
<td>2,889,754</td>
</tr>
<tr>
<td>MA-66-0013</td>
<td>20.507</td>
<td>13 Key Bus Routes Improvements (ARRA)</td>
<td>3,462,756</td>
<td>3,462,756</td>
</tr>
<tr>
<td>MA-66-0015</td>
<td>20.507</td>
<td>Wedgemere Access/Red Line Slab – (ARRA)</td>
<td>332,484</td>
<td>6,297,118</td>
</tr>
<tr>
<td>MA-95-0010</td>
<td>20.507</td>
<td>Bus Bike racks</td>
<td>260,095</td>
<td>260,095</td>
</tr>
<tr>
<td>MA-95-0012</td>
<td>20.507</td>
<td>Assembly Square Project</td>
<td>4,626,871</td>
<td>4,626,871</td>
</tr>
<tr>
<td>MA-95-0014</td>
<td>20.507</td>
<td>Locomotive Procurement CMAQ Flex</td>
<td>21,359,037</td>
<td>21,359,037</td>
</tr>
<tr>
<td>MA-96-0001</td>
<td>20.507</td>
<td>Back Bay Yard/RIDE Yards (ARRA)</td>
<td>3,118,110</td>
<td>22,283,800</td>
</tr>
<tr>
<td>MA-96-0014</td>
<td>20.507</td>
<td>Bus Fac/Fitchburg Dbl. Trk. (ARRA)</td>
<td>6,409,846</td>
<td>88,736,004</td>
</tr>
<tr>
<td>MA-96-0016</td>
<td>20.507</td>
<td>Oper Assist/Yard/Station Improv.(ARRA)</td>
<td>42,910,136</td>
<td>49,804,027</td>
</tr>
</tbody>
</table>

Total # 20.507 | 825,646,102 | 1,011,608,199 |

### Federal Railroad Administration:

#### Economic Recovery Program:

- **Passed through the Commonwealth of Massachusetts:**
  - MA-90-0600: 20.507 Wonderland Plaza TGER (ARRA) $8,899,237 $17,933,690
  - MA-90-0631: 20.507 FY 12 Preventative Maintenance 1,000,000 1,000,000
  - MA-90-0641: 20.507 Orient Heights Station 16,262,344 16,262,344

- **Subtotal # 20.507:** 12,220,006 16,378,116 28,598,022

### U.S. Environmental Protection Agency:

- **Surveys, Studies, Investigations and Special Purpose Activities Relating to Clean Air Act:**
  - DEP/DERA CTEQUEU601101 (90-EPA3) 66,040 Locomotive HEP Engine Repower Program 1,398,921 1,398,921

### U.S. Department of Homeland Security:

#### Urban Areas Security Initiatives:

- **National Explosives Detection Canine Team Program:**
  - HST02-06-H-MLS110 (J11002) 97,072 TSA Natl. Explosives Canine Prog. - 538,143 12,462 550,605
  - HST02-10-H-CAN062 (J11002) 97,072 TSA Natl. Explosives Canine Prog. - 133,238 142,376 275,614

Total #97,072 671,381 154,838 826,219

### Rail and Transit Security Grant Program:

#### Passed through the Commonwealth of Massachusetts: (Executive Office of Public Safety and Security)

- 97,072 FY 2007 Transit Security 22,641,707 1,689,884 24,731,591

### Public Assistance Grants Program:

#### Passed through the Commonwealth of Massachusetts

- Massachusetts Emergency Management Agency 97,036 Snowstorm October 2011 - 132,925 132,925
- 97,036 Hurricane Irene 318,619 318,619

Total #97,036 451,544 451,544

Total of U.S. Dept. of Homeland Security 34,877,403 38,684,369 73,561,772

Grand Total $1,539,138,153 387,899,749 1,926,257,902

The accompanying notes are an integral part of the schedule of expenditures of federal awards.
(1) Definition of the Reporting Entity

The Massachusetts Bay Transportation Authority (the Authority) is a component unit of the Massachusetts Department of Transportation 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 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 and the Transportation Investment Generating Economic Recovery Program (TIGER) for the year ended June 30, 2013 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.

The Authority also received major program funding passed through the Commonwealth of Massachusetts from the Federal Railroad Administration (FRA), for the High-Speed Rail Corridors and Intercity passenger Rail Service (HSIPR). This program will provide approximately $72.8 million in federal funding for the reconstruction of the historic “Knowledge Corridor” rail line between Springfield, MA and East Brookfield, MA. This project will allow restoration of Amtrak’s “Vermonter” intercity passenger rail service to a former, more direct route, and improve access to densely populated areas along the Connecticut River. Recognizing that the Knowledge Corridor project is outside of the MBTA service area, a memorandum of agreement was executed with MassDOT, to provide for the Authority’s Design and Construction Department’s oversight of this reconstruction effort.

According to the terms of the FTA contracts, the Authority will be reimbursed from 80% 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 Moving Ahead for Progress in the 21st Century Act (MAP-21).

The Authority also received program funding from the Department of Homeland Security Office passed through the Commonwealth of Massachusetts Executive Office of Public Safety for the Department of Homeland Security’s Rail and Transit Security Grant Program.

According to the terms of the Rail and Transit Security grants, the Authority will be reimbursed for 100% of the allowable project costs as defined in the grant agreements. These grants provide for the acquisition of equipment and other enhancements to the transit system’s security.

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

For the year ended June 30, 2013 the Authority provided approximately $3.5 million in federal awards to subrecipients of which approximately 93% was paid to the Metropolitan Area Planning Council and South Shore Tri Town Development Corporation.

The subrecipient payments are almost entirely in the Federal Transit – Capital Investment Grants Program, CFDA #20.500 and 20.507 expenditures.
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Massachusetts Bay Transportation Authority:

We have audited, in accordance with the 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, the financial statements of the Massachusetts Bay Transportation Authority (the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 25, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 25, 2013

KPMG LLP
(1) **Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported

Noncompliance material to the financial statements noted? yes x no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? x yes no

**Identification of Major Programs**

Federal Transit Cluster:
- Federal Transit – Capital Investment Grants Program 20.500
- Federal Transit – Formula Grants Program 20.507

Federal Transit and Federal Railroad Administration – Transportation Investment Generating Economic Recovery (TIGER) 20.932

Federal Railroad Administration – High – Speed Rail Corridors and Intercity Passenger Rail Service (HSIPR) 20.319

Department of Homeland Security – Rail and Transit Security Grant Program 97.075

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

Auditee qualified as low-risk auditee? x yes no
(2) **Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

(3) **Findings and Questioned Costs Relating to Federal Awards**

**Finding Number:** Finding 2013-01
**Federal Program:** Federal Transit Cluster:

- CFDA # 20.500 Federal Transit Capital Investment Grants (ARRA)
- CFDA # 20.507 Federal Transit Formula Grants (ARRA)
- CFDA # 20.932 Federal Transit and Federal Railroad Administration – Transportation Investment Generating Economic Recovery (ARRA)
- CFDA # 20.319 Federal Railroad Administration – High Speed Rail Corridors and Intercity Passenger Rail Service (ARRA)
- CFDA # 97.075 Department of Homeland Security – Rail and Transit Security Grant Program

**Federal Agency:** U.S. Department of Transportation/U.S. Department of Homeland Security

**Grant Award and Year:** Various

**Finding:** Controls over the Disadvantaged Business Enterprise (DBE) report submittal need to be strengthened. Noncompliance with the Federal DBE reporting requirements was noted.

**Criteria:**

A 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).

**Condition:**

For the DBE report filed for the period ending March 31, 2013, we could not trace all of the amounts on the final submission to supporting documentation. The columns that did not have traceable amounts were column E, Total to DBEs/Race Conscious dollars; F, Total to DBEs/Race Conscious number; G, Total to DBEs Race Neutral dollars; and H, Total to DBEs Race Neutral numbers for the ‘Subcontracts Awarded/Committed This Period’ line item. We then could not validate the amounts used on the final DBE submission made to the FTA for the period of 10/1/12 to 3/31/13.

Additionally, there is not a review of the data and submittal performed by someone other than the preparer.
Exhibit IV

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Effect:
Compliance with Federal reporting regulations cannot be validated, and compliance with Authority controls cannot be validated.

Questioned Costs:
None

Recommendation:
We recommend that the DBE report be reviewed by management prior to the submittal to ensure that it is complete and accurate and agrees with supporting data.

Auditee Corrective Action Plan:
The Authority’s Office of Diversity and Civil Rights (ODCR) is responsible for the preparation and submission of this report and is aware of the deficiencies in the supporting documentation. To address this problem, ODCR is implementing a new software program (Prism Compliance Management Solution) to increase the accuracy of the DBE reporting. The Authority’s IT Department will provide programming support for the required interfaces to the PRISM system from the appropriate financial system sources (FMIS/CMS) that will need to be accessed to retrieve the required data.

ODCR will also insure that future reports are reviewed and approved by senior management prior to submission, as recommended by the auditors.

Responsible Person:
Wanda Hubbard, Assistant Director of Government Compliance

Implementation Date:
May 1, 2014