

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
Boston, Massachusetts

**REPORTS REQUIRED BY UNIFORM GUIDANCE**  
**AND GOVERNMENT AUDITING STANDARDS**  
Year ended June 30, 2024

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
Boston, Massachusetts  
Year ended June 30, 2024

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**INDEPENDENT AUDITOR'S 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**

Board of Directors  
Massachusetts Bay Transportation Authority  
Boston, Massachusetts

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), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2024, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2024.

**Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2024-002 to be significant deficiency.

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(Continued)

## Report on 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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## The Authority's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Boston, Massachusetts  
December 20, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Massachusetts Bay Transportation Authority  
Boston, Massachusetts

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Massachusetts Bay Transportation Authority's (the Authority), a component unit of the Commonwealth of Massachusetts, compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the 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, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

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(Continued)

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 20, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.



Crowe LLP

Boston, Massachusetts  
January 22, 2025

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2024

Federal agency/cluster or program/pass-through/grant number	ALN number	Program description	Expenditures
U.S. Department of Justice:			
Federal Equitable Sharing Program:			
MA-03-2500	16.922	Federal Equity Sharing Program	\$ 168,855
Total U.S. Department of Justice			<u>168,855</u>
U.S. Department of Transportation:			
Highway Planning and Construction Cluster:			
Federal Highway Administration			
MA-54-0033	20.205	Transit Police Company 03 Funds	232,496
MA-70-0002	20.205	North Station Signal Improvements, Red Line Infrastructure Improvements, and Bus and Ferry Vehicle Overhauls	<u>466,043</u>
Total Highway Planning and Construction Cluster			<u>698,539</u>
Federal Transit Cluster:			
Federal Transit - Capital Investment Grants Program:			
MA-03-0295	20.500	GLX-FTA/FFGA Funds	25,650,182
MA-04-0026	20.500	Ferry System Improvements	71,213
MA-04-0052	20.500	Hingham Ferry Dock	324,968
MA-05-0105	20.500	FY07 Comm. Rail Vehicle Service	2,661,989
MA-05-0109	20.500	Green Line #7 Car	258,191
MA-05-0121	20.500	MBTA Power Program	<u>6,099,215</u>
Total 20.500			<u>35,065,758</u>
Federal Transit Formula Grants Program:			
MA-90-0083	20.507	MA-2018-029 5307 Funds	4,201,713
MA-90-0085	20.507	MA-2018-033 5307 Funds	56,284
MA-90-0087	20.507	MA-2019-008 5307 Funds	5,347,085
MA-90-0091	20.507	MA-2019-023 5307 Funds	9,452,310
MA-90-0093	20.507	MA-2020-006 5307 Funds	4,881,704
MA-90-0096	20.507	MA-2020-041 5307 Funds	210,278
MA-90-0098	20.507	MA-2020-041 5307 Funds	1,917,853
MA-90-0108	20.507	MA-2021-047 5307 Funds	31,656,951
MA-90-0120	20.507	MA-2022-033 Bus Procurement	89,858,169
MA-90-0121	20.507	MA-2021-047 5307 Funds	1,382,523
MA-90-0140	20.507	Urbanized Area Formula Grants	40,010,832
MA-90-0591	20.507	FY 2010 Loco & Coach Procurement	23,620,221
MA-90-0600	20.507	MBTA Power Program	5,324,336
MA-90-0631	20.507	Orient Heights Station	6,830
MA-90-0644	20.507	FY 2013 Infr Improvements	381,453
MA-90-0711	20.507	Red Line Signals Upgrade	306,314
MA-90-0751	20.507	MBTA 2016 Bus Procurement	1,004,100
MA-90-0763	20.507	FY2017 Revenue Vehicle Program	2,489,083
MA-95-0003	20.507	GLX FTA/CMAQ Funds	1,553,060
MA-95-0013	20.507	Passenger Ferry Competitive Grants	<u>250,540</u>
Total 20.507			<u>223,911,639</u>
State of Good Repair Grants Program:			
MA-54-0001	20.525	Green Line No. 8 Car Enhancements	40,209
MA-54-0002	20.525	FY 14 Bridge Program	1,343,507
MA-54-0005	20.525	MBTA Winter Resiliency Program	(5,652)
MA-54-0006	20.525	MBTA Bridge and Tunnel Program	687,430
MA-54-0010	20.525	2016 Kawasaki Coach Overhaul	(26,217,469)
MA-54-0012	20.525	Green Line No. 7 Selective System Overhaul	120,176
MA-54-0016	20.525	2017 Stations & Facilities	961,658
MA-54-0017	20.525	2017 Supplemental Bridge Program	9,004,172
MA-54-0021	20.525	MA-2018-029 5337 Funds	30,418
MA-54-0022	20.525	MA-2018-033 5337 Funds	2,492,177
MA-54-0023	20.525	MA-2019-008 5337 Funds	37,186,572
MA-54-0026	20.525	MA-2019-023 5337 Funds	1,668,627
MA-54-0027	20.525	MA-2020-006 5337 Funds	10,223,059
MA-54-0029	20.525	MA-2020-041 5337 Funds	20,963,621
MA-54-0030	20.525	MA-2021-047 5337 Funds	14,873,218
MA-54-0032	20.525	MA-2022-034 5337 Funds	<u>46,559,844</u>
Total 20.525			<u>119,931,567</u>

(Continued)

See accompanying Notes to Schedule of Expenditures of Federal Awards.



**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY**  
**(A Component Unit of the Commonwealth of Massachusetts)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2024

<u>Federal agency/cluster or program/pass-through/grant number</u>	<u>ALN number</u>	<u>Program description</u>	<u>Expenditures</u>
Bus and Bus Facilities Program:			
MA-34-0028	20.526	MA-2018-029 5339 Funds	378
MA-34-0071	20.526	MA-2022-030 Bus Procurement	(134,994)
MA-34-0085	20.526	Low or No Emission Grants Competitive	<u>4,568,521</u>
Total 20.526			<u>4,433,905</u>
Total Federal Transit Cluster			<u>383,342,869</u>
Railroad Rehabilitation and Improvement Financing Program:			
RRIF - 2020-0044	20.136	Railroad Rehabilitation and Improvement Financing Program	<u>72,064,667</u>
Total 20.136			<u>72,064,667</u>
Community Project Funding Congressionally Directed Spending			
MA-22-0001	20.534	Community Project Funding	<u>104,476</u>
Total 20.534			<u>104,476</u>
All Stations Accessibility Program			
MA-45-0001	20.533	All Stations Accessibility Program	<u>8,364,504</u>
Total 20.533			<u>8,364,504</u>
Railroad Safety Technology Grants			
MA-54-0025	20.321	CR PTC-FTA/CRISI (MA-2019-020)	<u>1,722,700</u>
Total 20.321			<u>1,722,700</u>
Public Transportation Emergency Relief Program:			
MA-44-3002	20.527	MBTA Resiliency Project	<u>954,848</u>
Total 20.527			<u>954,848</u>
Federal Railway Administration:			
High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants:			
Passed through the Commonwealth of Massachusetts:			
S10007	20.319	Knowledge Corridor - HSIPR (ARRA)	<u>254,388</u>
Total 20.319			<u>254,388</u>
Federal-State Partnership for State of Good Repair:			
21FRA1	20.326	Tower 1 Interlocking Early Act	11,117,433
22FRA1	20.326	Worcester Union Station Access	10,103,592
24FRA1	20.326	South Elm Street Bridge Replacement	<u>434,040</u>
Total 20.326			<u>21,655,065</u>
Total U.S. Department of Transportation			<u>489,162,056</u>
U.S. Department of Homeland Security:			
Federal Emergency Management Association:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
DRMAP-4496	97.036	Public Assistance	<u>5,047,135</u>
Total 97.036			<u>5,047,135</u>
Rail and Transit Security Program:			
EMW2020RA00031	97.075	FY 2020 Transit Security (J20001)	17,580
EMW2021RA00047	97.075	FY 2021 Transit Security (J21001)	3,743,657
EMW2022RA00054	97.075	FY 2022 Transit Security (J22001)	<u>2,173,669</u>
Total 97.075			<u>5,934,906</u>
Total U.S. Department of Homeland Security			<u>10,982,041</u>
Grant Total			<u>\$ 500,312,952</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2024

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**NOTE 1 – DEFINITION OF THE REPORTING ENTITY**

The Massachusetts Bay Transportation Authority (the Authority) is a component unit 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.

**NOTE 2 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Authority, for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures reported on the Schedule are reported on the cash basis of accounting and are recognized when paid.

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – SUBRECIPIENTS**

For the year ended June 30, 2024, the Authority did not provide federal awards to subrecipients.

**NOTE 4 – LOAN PROGRAM**

In December 2017, the Authority entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and a Railroad Rehabilitation and Improvement Financing (RRIF) loan with the United States Department of Transportation secured by subordinated sales tax bonds. In July 2020, the Authority refinanced the TIFIA and RRIF loans. The two loans were consolidated under the RRIF program and the total loan amount increased to \$851,150,000. The new RRIF loan program consists of three tranches: (a) a PTC Tranche for \$382,000,000; (b) an ATC Tranche for \$369,065,000; and (c) a Resiliency Tranche for \$100,085,000.

On December 1, 2021, the Authority drew down on the PTC Tranche for \$382,000,000. The Authority drew on the ATC Tranche for \$297,000,000 on June 1, 2023, \$59,000,000 on December 1, 2023, and \$13,065,000 on February 1, 2024. As of June 30, 2024, the Authority had total outstanding RRIF borrowings of \$699,529,000. There are no continuing compliance requirements related to any of the RRIF loan agreements.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2024

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                      X   Yes           No  
Significant deficiency(ies) identified?             X   Yes           None reported

Noncompliance material to financial statements noted?                           Yes      X   No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?                           Yes      X   No  
Significant deficiencies identified not considered to be material weaknesses?                           Yes      X   None reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                           Yes      X   No

Identification of major federal programs:

Assistance Listing Numbers	
20.500 / 20.507 / 20.525 / 20.526	Federal Transit Cluster
20.533	All Stations Accessibility Program
97.075	Rail and Transit Security Grant Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?                           Yes      X   No

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MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2024

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2024-001 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA) – Material Weakness**

Criteria:

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of Expenditures of Federal Awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the assistance listing number or other identifying number when the assistance listing number information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) Costs."

Condition: During our testing of the SEFA, we identified that federal expenditures per the SEFA were overstated by approximately \$217 million.

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MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2024

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**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

Context: The SEFA is prepared from a cumulative schedule of life-to-date grant activity. The overstatement was primarily the result of prior year expenditures from grants that were closed well before the start of fiscal year 2024 that were improperly added to the current year SEFA. Additionally, there was one grant that had not been executed by June 30, 2024 that had expenditures included on the SEFA.

Effect: The SEFA expenditures were overstated by approximately \$217 million. Without a proper system of internal controls over the SEFA reporting, a significant misstatement of the SEFA remained undetected until discovered through the audit. This could have a material impact on the major program determination and, thus, the Single Audit testing and auditor's opinion.

Cause: Management had not established a proper system of internal control to prevent, or detect and correct, errors on the SEFA.

Identification as a Repeat Finding: Yes – see Finding 2023-001

Recommendation: We recommend that the Authority establish a formal review process over the SEFA to ensure that amounts reported are complete and accurate. This review should include a detailed tie out to the Federal grant revenue recorded within the general ledger and to Federal cash drawdowns, as well as a review of non-financial information including Assistance Listing Numbers and Pass-Through Entities.

View of Responsible Officials and Planned Corrective Actions: Management agreed with the finding and agreed to adjust the SEFA. The Authority will reconcile two separate Federal Grant reports in the Capital Management Systems.

1. Grant report for Cash Report Number CMS-CP-45 (Grant by LOC- FTA Scope and Suffix) – Capital Management System. In addition, Cash received for FTA Loans will be verified with the Authority Treasurer's Department.
2. Grant Financial Status report for expenditures CMS-CP-036 Report (Workorder Activity and Budget by Grant) – Capital Management Systems which includes federal loans and grants.

The purpose of reconciling the two separate reports is to cross-reference all grants with cash received during the fiscal year with grants that had expenditures recorded during the fiscal year and life to date cash and expenditure.

the Authority will identify the grant status whether its active or closed and the date closed to ensure that only active grants during the fiscal year with expenditures are captured. In addition, the Authority will identify the grant execution date to ensure that grants with expenditures in the fiscal year but executed in the following fiscal year are excluded.

The Authority plans to use the interim audit period as an opportunity to review the SEFA report with the auditors prior to the issuance of the SEFA report at year end as well as an internal review by the Controller.

The Authority will have a Senior Accountant prepare the reports for the Senior Director of Reporting & Financial Analysis) to reconcile and address any issues. The Deputy CFO of the Capital Finance and Accounting Department will approve, prior to submission of the SEFA to the external auditors.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2024

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**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2024-002 – Lease Recognition – Significant Deficiency**

Criteria: GASB Statement No. 87, *Leases*, states: “A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.”

Condition: Prior to the start of our fieldwork, the Authority made us aware of a lease where the Authority is the lessor that previously had not been properly recorded under GASB Statement No. 87 and that the related capital asset that is being leased, had been improperly removed as an asset in 2012.

Context: In June 2012, the Authority entered into a 75-year lessor lease for a parking garage. At the time of execution, the lessee was expected to execute the purchase option in the agreement 10 years into the lease term. Therefore, the Authority removed the capital asset from their books and recorded a net investment in direct financing lease at the remaining book value of the lease.

Following the 10-year anniversary of the lease, it was determined that the lessee did not intend to pursue the purchase option and instead chose to continue the lease. This prompted the Authority to re-evaluate its accounting treatment of the lease, and they identified that the lease was not in compliance with GASB Statement No. 87.

The Authority recorded an adjustment in fiscal year 2024 to correct the balances for the lease activity. The adjustment consisted of several components: adding the net book value of the asset back to capital assets; recording catch-up depreciation expense for years since the asset was removed; removing the value of the net investment in direct financing lease; and recording a lease receivable and deferred inflow under the requirements of GASB Statement No. 87.

Effect: Management elected to waive the prior period impact and run all adjustments through the fiscal year 2024. As a result of waiving this adjustment, the fiscal year 2024 beginning net position is overstated by approximately \$7 million and the fiscal year 2024 change in net position is understated by the same amount.

Cause: The Authority did not properly record the transaction in 2012 when the lease was initiated and did not review the parking garage lease under the provisions of GASB Statement No. 87 when that statement was first required to be adopted.

Identification as a Repeat Finding: N/A

Recommendation: We recommend that the Authority review all contracts and agreements on an annual basis to determine whether any of the agreements meet the requirements to record under GASB Statement No. 87, Statement No. 94, or Statement No. 96.

View of Responsible Officials and Planned Corrective Actions: Management agreed with the finding. All adjustments were recorded in fiscal year 2024 to correct the balances for the lease activity. The Authority will continue to follow the process of reviewing all contracts and lease agreements on an annual basis to determine whether any of these meet the requirements to record under GASB Statement No. 87, and Statement No. 96.

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MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
(A Component Unit of the Commonwealth of Massachusetts)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2024

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.