



FY2024 Audit Results

Massachusetts Bay Transportation Authority

February 20, 2025

Audit Objectives

- The objective of an audit of financial statements is to express an opinion that the financial statements are in accordance with accounting principles generally accepted in the United States.
- The audit of financial statements will be performed in accordance with auditing standards generally accepted in the United States (GAAS) and generally accepted Government Auditing Standards (GAGAS).
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud.
- Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.

Scope of Work and New Accounting Standards



Scope of Work

- Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

New Accounting Standards

- GASB 99 – Omnibus 2022
- GASB 100 – Accounting Changes and Error Corrections

Audit Approach and Plan



Interim fieldwork: July

- Management interviews
- Planning and Risk Assessment
- Internal controls
- Single audit testing



Year-end fieldwork: September – early December

- Audit procedures on year-end balances and fiscal year activity
- Single audit testing wrap-up
- NTD testing



Reporting: December - January

- Review financial statements prepared by management
- Preparation and review of compliance reports
- Reporting to the Audit and Finance Committee

Fraud Considerations

General:

- Inquiry of management, employees, and Board about risks of fraud - none noted
- Consideration of unusual or unexpected relationships that have been identified in performing analytical procedures in planning the audit - none noted
- Consideration of whether fraud risk factors exist - none noted
- Consideration of other information gathered throughout the audit - none noted

Fraudulent Financial Reporting Procedures:

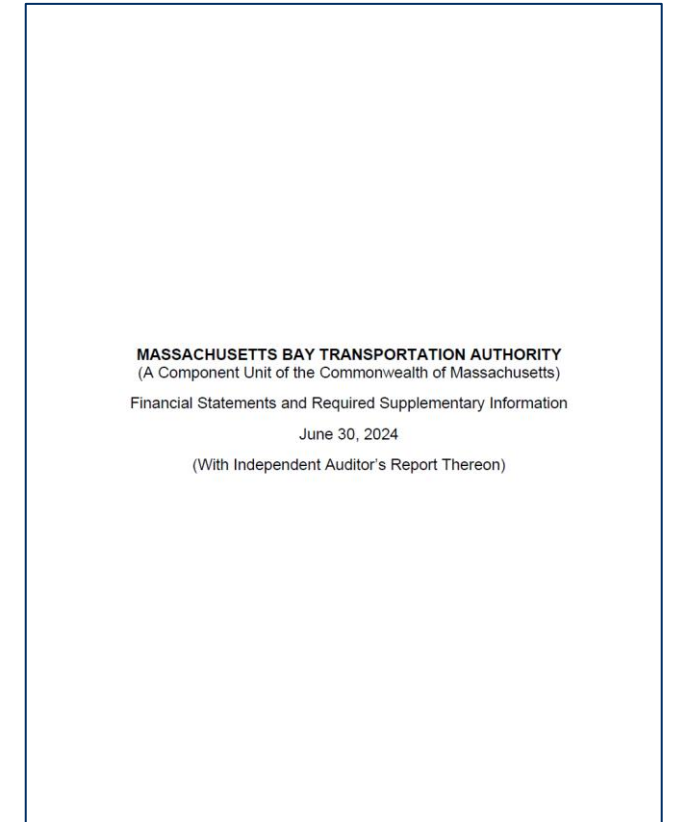
- Examination of journal entries and other adjustments for evidence of possible material misstatement due to fraud – no issues noted
- Review of accounting estimates for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates – no issues noted
- Evaluation of the business rationale of significant unusual transactions – no issues noted
- Testing of revenue for proper cut-off – no issues noted

Audit Deliverables

- Independent Auditor's Report
- Management Letter
- SAS 114 Letter

- 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*
- Independent Auditor's Report on Compliance for Major Federal Program; Report on Internal Control over Compliance
- "In relation to" opinion on the Schedule of Expenditures of Federal Awards
- Crowe's electronic certification of the Data Collection Form through Federal Clearinghouse

- Agreed Upon Procedures report on National Transit Database Federal Funding Allocation Statistics Form (IAS-FFA)
- Agreed Upon Procedures report on National Transit Databased Financial Data (IAS-FD)



Required Communications

Topic	Comment
Independence Communication	<ul style="list-style-type: none">• We are not aware of any relationship between Crowe LLP and the Authority that, in our professional judgment, may reasonably be thought to impair our independence
Significant Accounting Policies	<ul style="list-style-type: none">• No new significant accounting policies
Management's Judgments and Accounting Estimates	<ul style="list-style-type: none">• Fair value of investments• Estimated useful lives of capital assets• Loss contingencies and self-insurance claims• Actuarial assumptions used in net pension and OPEB liability calculations
Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices	<ul style="list-style-type: none">• Appropriateness of accounting policies• Adequacy of financial statement disclosures• Timing of transactions• Significant risks, exposures and unusual transactions - None• Selective correction of misstatements – None

Required Communications

Topic	Comment
Corrected Misstatements	<ul style="list-style-type: none"><li data-bbox="1174 451 2433 708">• An adjustment to reduce contract assistance receivable and deferred revenue balances by approximately \$79 million for a state safety assistance appropriation from the Commonwealth that had not yet been received or earned was proposed by Crowe and corrected and posted by the Authority. There was no impact to net position or change in net position as a result of the adjustment.

Required Communications

Topic	Comment
Uncorrected Misstatements	<ul style="list-style-type: none"><li data-bbox="1133 449 2428 749">• A known prior period adjustment was waived to record the accrual of approximately \$86 million of federal grant revenue that was earned in fiscal year 2023 but not received until fiscal year 2024. Instead, these amounts have been recorded as revenue in fiscal year 2024. As a result of waiving this adjustment, the fiscal year 2024 beginning net position is understated by approximately \$86 million, and fiscal year 2024 revenue is overstated by the same amount.<li data-bbox="1133 806 2428 1192">• A known prior period adjustment was waived to record the North Station lease activity from previous years and to record the related capital asset that was improperly removed in 2012. The Authority identified this error and corrected it in fiscal year 2024, however, the previous years financial statements were misstated, and management is waiving the adjustments for each of those years. 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.

Required Communications

Topic	Comment
Significant Deficiencies and Material Weaknesses	<p>Material Weakness - During our testing of the SEFA, we identified that the federal expenditures per the SEFA were overstated by approximately \$217 million. The Authority did resolve the issues from last year specific to not including all accrued Federal expenses and not including Federal RRIF loan draws on the SEFA by creating a new report and review process to identify all federal expenditures by grant. However, the new report mistakenly included expenses incurred in previous years, thus overstating the fiscal year 2024 SEFA. The Authority will continue to establish a proper system of internal controls to prevent, or detect and correct, errors on the SEFA.</p> <p>Significant Deficiency - 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. 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 in fiscal year 2022 when that statement was first required to be adopted, however, they did identify the issue in fiscal year 2024 and corrected the transaction.</p>

Required Communications

Topic	Comment
<p>Other Communications:</p> <ul style="list-style-type: none">• Other Information in Documents Containing Audited Financial Statements• Significant Difficulties Encountered During The Audit• Disagreements With Management• Consultations With Other Accountants• Representations The Auditor Is Requesting From Management• Significant Issues Discussed, Or Subject To Correspondence, With Management• Significant Related Party Findings and Issues• Other Finding or Issues We Find Relevant or Significant	No matters noted.

Emerging Issues



- Implementation 6/30/2025
 - GASB 101, Compensated Absences
 - GASB 102, Certain Risk Disclosures
- Implementation 6/30/2026
 - GASB 103, Financial Reporting Model Improvements
 - GASB 104, Disclosure of Certain Capital Assets



Thank you

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